

YOUR COMMUNITY - YOUR COUNCIL

# ANNUAL REPORT 2019/20



Clutha District Council

# COUNCIL'S REPORTING DOCUMENTS

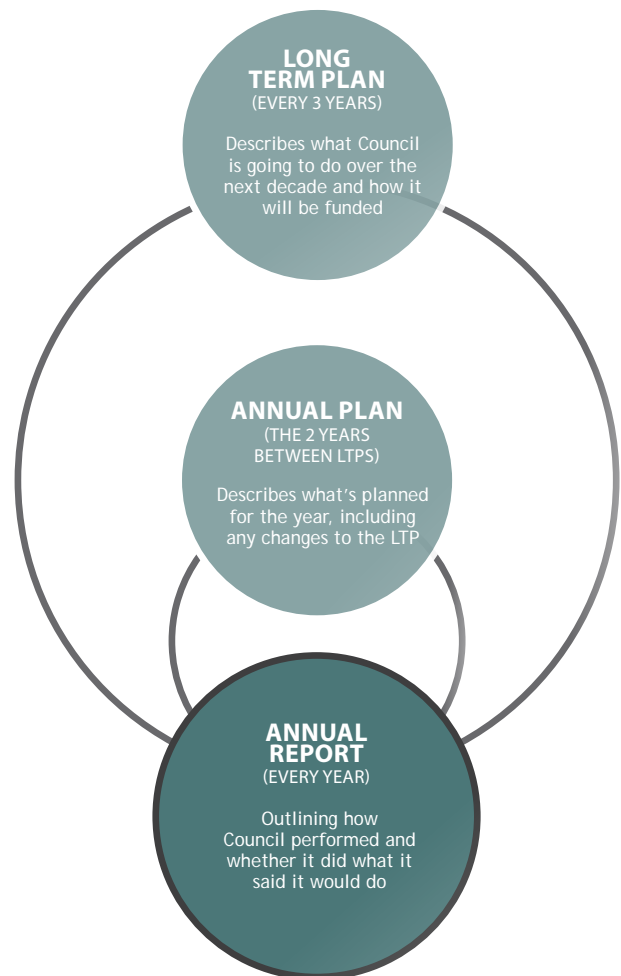
COUNCIL USES A NUMBER OF PLANNING PROCESSES TO REALISE ITS VISION FOR THE DISTRICT AND TO HELP PROVIDE ACCOUNTABILITY TO THE COMMUNITY.

All local authorities are required to prepare an Annual Report under Section 98 of the Local Government Act 2002.

Annual Reports are part of a cycle which includes Long Term Plans (every three years) and Annual Plans in the two years between Long Term Plans.

The purpose of an annual report is:

- to compare Council's actual activities and performance during the year with the planned activities and performance for the year as set out in Council's 2018/28 Long Term Plan and 2019/20 Annual Plan; and
- to promote Council's accountability to the community for the decisions made throughout the year.



# CONTENTS

Council's Reporting Documents	1
<b>INTRODUCTION</b>	<b>3</b>
Foreword	4
Living and Working in Clutha	6
Major Infrastructure Projects	8
Financial Overview	10
Independent Auditor's Report	13
<b>STATEMENT OF SERVICE PERFORMANCE</b>	<b>17</b>
2019/20 In Detail	18
Community Leadership	19
Economic & Community Development	21
Roading	24
Water Supply	26
Sewerage	30
Stormwater	32
Solid Waste	34
Community Services	36
Regulatory & Emergency Services	40
Internal Services	43
<b>FINANCIAL INFORMATION</b>	<b>45</b>
Contents of Financial Section	46
Statement of Compliance and Responsibility	49
Statement of Comprehensive Revenue and Expenditure	50
Statement of Changes in Equity	51
Statement of Financial Position	52
Statement of Cash Flows	53
Reconciliation of Surplus/ (Deficit) After Income Tax to Cash Inflow From Operating Activities	54
Statement of Accounting Policies	55
Section A: Results for the Year	58
Section B: Long Term Assets	72
Section C: Borrowings And Financial Instruments	83
Section D: Working Capital And Equity	92
Section E: Financial Risk Management	109
Section F: Other Disclosures	114
Section G: Financial Reporting and Prudence Benchmarks	118
Rates (Revenue) Affordability Benchmark	119
Rates (Increases) Affordability	120
Debt Affordability Benchmark	121
Balanced Budget Benchmark	122
Essential Services Benchmark	123
Debt Servicing Benchmark	124
Debt Control Benchmark	125
Operations Control Benchmark	126

# INTRODUCTION

This section includes the Annual Report Foreword, updates on 'Living And Working in Clutha' and major infrastructure projects, and includes the Auditor's Report.



# FOREWORD

Thank you for taking the time and consideration to read the 2019/20 Annual Report. This has been a year punctuated by disruption and unbudgeted costs, of almost biblical proportions with floods, pandemics, financial volatility, and significant noncompliance and consenting challenges. This year has demanded like no other, it has seen dynamics introduced that will impact on our operations and budgets for years to come, but thankfully due to the historic strength of the organisation, the structural changes council has undertaken in recent years and the resilience of our rural economy our overall path of trajectory has and will continue to be maintained.

Looking back over the year there is a distinct trend with many of our intentions stalled for some time. Our extensive consultation program was a classic example, virtually grinding to a halt with lockdown due to COVID-19, in some cases prior to lockdown we sensed a distinct unwillingness from the public to gather for discussions, and we were fortunate that many of the key consultations were advanced while others were only just commencing, consequently with modification we were able to maintain our program. Our investments took a similar oscillation, and like all investors there were some nervous days, but the underlying resilience of our portfolio and prudent management saw a pleasing end of year return of 6.52%.

Two key points of concern, most definitely, are our completed capital spend compared with budget, while COVID-19 would have inevitably caused delays to our capital works program, the disruption would not account entirely for the 39% completion rate and this needs to be an area of critical focus moving forward. The other point of ongoing concern is around the significant wastewater non compliance that has consumed a large degree of our organisations energies this year, with unbudgeted maintenance and legal costs, running in tandem with reputational damage, and understandable angst from our ratepayers. Every effort is being made to rectify what is a complex and sensitive issue that is still awaiting judicial scrutiny. Much of the \$1,769,000 over budget spend in the water operations budget could be attributed to fixing this issue, internal reviews have identified the need for immediate as well as ongoing additional focus and resources, and council remains totally committed to rectifying the non-compliant plants.

Volatility and disruption manifested in many end of year variances with NZTA funding \$2,199,000 below budget, and Council's expenditure \$2,573,000 greater than budget. Flood emergency expenses were \$120,000 and Council's share of \$1M towards roading repairs following the February 2019 flooding event, while savings were made on the Clutha Gold cycle trail budgets of \$494,000. Much of this was a timing issue, with so much of our roading program traditionally scheduled for the 4th quarter which has been most impacted by COVID-19.

On a brighter note we did see a continuation of strong sales from Plantation Heights, Rosebank Industrial will have titles ready for sale in 2021, the Balclutha War Memorial / Community Hub project has secured both Council and Central Government financial support and will soon be advancing to construction stage which has been a huge psychological lift for our district, likewise Milton's array of projects are moving through the design stage and the likes of the Main Street upgrade and destination toilets are progressing at pace.

This year has seen unprecedented support from Central Government through the provincial growth fund, allowing community projects to be realised and enabling Council to go 'further, faster'. Running in tandem with this has been a year of strong activity from our building and consents department that has continued post lockdown.

In conclusion this year has seen that Council is not immune to world events, and while the 19/20 year will be remembered for its challenges it will also be remembered for the underlying strength of the organisation to prevail in the most trying of conditions. We end the year in a strong financial position, and a better understanding of what is required moving forward. New structures like endless zoom meetings and distance working may have shown a different way to function, but like so many we will be hoping for a return to a more recognisable and stable environment Onwards and Upwards.



Bryan Cadogan  
Mayor



Steve Hill  
Chief Executive

# IMPACT OF COVID-19

The Covid-19 lockdown began with the Government declaring Covid-19 as a pandemic and declaring a National Civil Defence Emergency.

This meant that not only did Council staff have to manage the consequences of the emergency response but they also had to also maintain essential services as much as possible. We had to do a lot of things differently, including working remotely from home and continuing to make decisions.

We have summarised points of interest so the reader can understand what was done below.

## INFORMATION TECHNOLOGY:

- Created remote working portals and systems for all staff during the Covid-19 lockdown.
- Completed the Office 365 upgrade project just in time before Covid-19 to enhance remote working ability.
- Advanced system security solutions have been investigated and implemented.
- Upgrades on core network infrastructure to improve security and redundancy investigated and implemented.
- Replaced and upgraded all computers and devices to Windows 10 to comply to security standards.
- Upgraded Council Chambers technology set up to cater for video conferencing.

## CIVIL DEFENCE:

- Controller attended daily zoom meeting with Otago Controllers and the Group Controller.
- Had daily Incident Management Team meetings with all the civil defence functions, the Mayor, the Chief Executive, Minister Mark Patterson, Police, Fire and Emergency Services, St Johns, Clutha Health First and Silver Fern Farms.
- Supported the welfare needs of our communities including providing accommodation, delivering groceries, securing supplies, making phone calls and assisting any of the agencies' requirements.

## COUNCIL OPERATIONS:

- Manned our switchboard to receive service requests telephonically and via the website.
- Responded to customer service requests where possible to ensure water and roading services were continued as far as possible.
- Continued to process revenue receipts, pay

creditors, process agenda publications and pay salaries.

- Ensured essential services were maintained including those performed by contractors.

## DECISION MAKING:

- Continued utilising zoom to ensure contact was maintained with elected members with voting shown by displaying hands.
- Interested parties could join meetings to observe or participate.
- Council has put aside \$100k to support financial hardship in the communities.

## THE FEBRUARY FLOOD EVENT:

- This was a 1 in 50 year event which had massive rainfall both locally and in the headwaters of the lakes upstream. This progressed into high river levels and flooding.
- Caused massive damage to roading requiring \$2.6M of funding from NZTA to deal with repairs which came at a cost of \$600k to council.
- Hospital Creek Embankment ended up with a number of leaks with the risk of damage to the Balclutha Township should the stop bank have broken.
- Significant damage to the Lower Clutha Flood Protection and Drainage Scheme with the largest damage at River Bank Road, Stirling Bridge, Burning Plains Road, Owaka Highway and Waitepeka Flood bank.
- There were an exceptional number of customer service requests to respond to flooding and damage.

## CONSEQUENCES OF COVID-19 AND THE FLOOD EVENT: IMPACT ON COUNCIL OPERATIONS:

- Delays in starting and continuing with capital build projects meant the budgeted spend and borrowing were not met.
- The quantum of customer service requests and limited contractor capacity meant response times were not always met.
- Impacted all activities across council such as the pools, libraries and service centres being closed.

## ASSUMPTIONS

At the time of issuing this report there were no indicators to increase the bad debts provision, or impair the Nikko investment portfolio or infrastructure assets.

# LIVING & WORKING IN CLUTHA



In our 2018-28 Long Term Plan we continued with two broad initiatives known as Facilitating Growth and Living and Working in Clutha. Each of these programmes span several of our delivery areas and provide us with a supporting strategy to underpin large complex pieces of work. These all benefit the district and contribute to many of Council's goals. In this section of the report we provide updates on the larger programmes which are part of these initiatives.

## PLANTATION HEIGHTS

One of Council's key aims is to take a leadership role in driving our district's economy and to be proactive about promoting growth. In addition, there is a known accommodation shortfall in Balclutha. The Council-led Plantation Heights subdivision aims to give Balclutha the ability for further residential development. As of June 2020, 39 sections of the 66 have been sold.

## KAITANGATA HOUSE AND LAND PACKAGE INITIATIVE

Council is supporting the Kaitangata Promotions' House and Land Packages initiative. Council has sold its Salcombe Street properties to recover all the costs of the unsuccessful investigations of those properties for the Kaitangata House and Land Package. The property at Wyre Street has two housing platforms excavated and one house built with a signed sale and purchase agreement which will be completed in the 2020/21 financial year.

## INDUSTRIAL DEVELOPMENT

The Rosebank industrial area continues to develop. After identifying that there was a shortage of industrial land in Balclutha, and insufficient industrial land to service future demand, Council purchased the old Rosebank sawmill site at the start of 2016/17. The aim was to develop the site and make it available to encourage economic development and investment.

Council let a contract in 2017/18 for the development of the site into 10 serviced lots and construction has

been completed including a slip lane on SH1 with titles having been applied for. Council also informed ratepayers through the 2018/28 Long Term Plan consultation that a loss was expected to be made on the development, but that the loss would be met through funds generated by sales of surplus property rather than by rates. Council has also been successful in obtaining funding from NZTA and the Provincial Growth Fund to offset costs of better access off the State Highway. As of June 2020, two lots have been sold with four sale and purchase agreements waiting to be settled.

## OUR PLACE COMMUNITY PLANS

Closely linked with the Living and Working Strategy is the development of community plans for the District's communities. The 'Our Place' community plan process is designed to help determine the projects and priorities for communities, as well as help put Council's Living and Working and Economic Development Strategies into action.

The ideas centre on what Council can do with our key facilities and how we can work with the community to make things happen. The Our Place Catlins Community Plan was adopted in May 2020. Work continued with the Lawrence-Tuapeka and Kaitangata plans but progress was impacted by Covid-19 restrictions which began part way through the initial consultation phase of the projects.

Significant community projects arising from community plans include the Balclutha War Memorial Hall, Naish Park/Centennial Park destination playground, and a combined Miton Service Centre/library and swimming pool.



## BALCLUTHA WAR MEMORIAL HALL

The design and costing around a new build for the Balclutha War Memorial Hall has progressed well including the appointment of a main contractor and a project manager. The Clutha District Council and the Clutha Community Hub Charitable Trust have worked together to enable the Trust to secure \$7.4m Infrastructure Funding for this Shovel Ready Project.

## NAISH PARK/CENTENNIAL PARK

In 2018 an original proposal was submitted to Council from the Naish Park Co-ordinating Group to develop the Naish Park area into a Garden of Significance and to develop Centennial Park into a destination playground, bike park and playing area for children of all ages. The plan included shelter and covered picnic and BBQ areas, along with public toilets, seating and car parking. A Trust was formed (Clutha Parks Trust) and funds were authorised from Investment Surplus returns to progress the project.

## COMBINED MILTON SERVICE CENTRE/LIBRARY AND SWIMMING POOL

The Combined Milton Service Centre / Library and swimming Pool project arose from the Milton Our Place consultation and early artists impressions have been drawn up by Calder Stewart.

The project is being led by a community group known as the Milton Community Facilities Trust.

Estimated costs of the build will be around \$5.8 million which will be 50% funded by Council.

The Council committed \$290k in the 2019/20 annual plan for early planning and development, and more recently \$50K has been allocated from the George Melville Fund to kick start a fundraising campaign.

## DISTRICT PLAN UPDATE

To encourage economic development and investment, Council has investigated industrial zoned land opportunities in and around Balclutha, Stirling, and Milton. To complement this Council has also explored further residential expansion potential in and around the same towns to support the living aspect of the Living and Working Strategy. Council approved a change from a rolling review of the District Plan to a complete review of the District Plan to be completed over a period of two years. The review progressed in 2020.

## DEVELOPING TOURISM INFRASTRUCTURE AND CLUTHA AS A DESTINATION

Clutha Development Inc. (Clutha District's economic development agency) continued embedding the Living and Working Strategy with a focus on economic development and tourism. A draft Destination Marketing Strategy was completed in 2020. Assistance was also provided to support Central Government funding and grant applications.

Council was successful in receiving funding from the Tourism Infrastructure Fund for two Destination Toilets (Milton and Balclutha), and for a campervan dump station in Balclutha. All projects were progressed in 2020.



# MAJOR INFRASTRUCTURE PROJECTS

## UPDATING YOU ON OUR MAIN INFRASTRUCTURE PROJECTS FOR 2019/20

### COMPARISON ON MAJOR INFRASTRUCTURE CAPITAL EXPENDITURE FOR 2020 COMPARED TO THE ANNUAL PLAN

\$000	ANNUAL PLAN 2019/20	ACTUAL 2019/20	% OF ANNUAL PLAN	EXPLANATION
Roading	13,052	6,488	50%	Hina Hina Bridge Replacement and bridge renewals delayed.
Water	12,668	4,925	39%	The budget was not met for the following reasons: <ul style="list-style-type: none"> <li>• Restricted travel during the Covid-19 lockdown limited contractor availability,</li> <li>• There were delays in the Milton Main Street designs,</li> <li>• The Otago Regional Council Compliance Plan sign off was not agreed so designs could not be finalised and</li> <li>• Additionally there were capacity and skill shortages with the three waters contractor that contributed.</li> </ul>
Sewerage	3,720	3,192	86%	Vested assets not budgeted.
Stormwater	1,239	1,841	149%	Vested assets not budgeted.

### SEWERAGE UPGRADES

The desludging of the Balclutha sewer oxidation pond has been completed, Heriot has had its backwash and dosing systems upgraded, minor upgrades have been made to Waihola and Lawrence has had a new sewer line extension installed in Gabriel's Gully Road.

Council have budgeted \$950k in the 2021 year to improve the waste water BioFiltro systems.

### ROADING

Council spent \$1.8M on road metaling, with 67,300m<sup>3</sup> of metal applied.

Council spent \$2.4M on Sealed Road Resurfacing, with a total length of 50.9km completed.

Due to COVID-19 restrictions, no physical works on pavement rehabilitation were completed. This will now be completed in 2020/21 with unspent funding carried forward accordingly.

Hinahina Bridge Replacement: a detailed business case and associated funding of \$3.4M was approved by Waka

Kotahi NZ Transport Agency. The contract has been awarded with work progressing.

An additional \$2.6M of funding was obtained from Waka Kotahi to deal with repairs following the extreme weather event of February 2019 with Council's share amounting to \$1M. Due to COVID-19 restrictions a total of \$1M of work was completed in 2019/20 with \$1.6M (Council share of \$600K) carried forward to 2020/21.

A total of \$520K was spent on Footpath Maintenance and Renewals with Council's share amounting to \$213K, which is the second year of Waka Kotahi providing financial assistance for this type of work.

As reported in 2018/19, \$1M of Bridge Renewal funding were to be carried forward to 2019/20 for work to be combined with 2019/20 and 2020/21 projects in suitable packages of work for completion. Due to COVID-19 restrictions, these bridge renewals were not completed, with unspent funding carried forward to 2020/21 for completion of these projects in 2020/21 accordingly.

\$154K was spent on "Low Cost Low Risk" projects (Minor Improvements) with the bulk of the identified projects to be completed in 2020/21 due to restrictions brought on by COVID-19.

# MAJOR INFRASTRUCTURE PROJECTS

The first third of the Urban Seal Extensions was committed to contract, with only \$270K spent on physical works. The balance of this work is scheduled for completion in 2020/21 due to COVID-19 restrictions. It should be further noted that these Urban Seal Extensions are being completed with co-investment funding from Waka Kotahi (CDC share 41%). The balance two thirds of the seal extension work potentially could be part completed in 2020/21 or in 2021/24.

## URBAN WATER IMPROVEMENTS

Pipeline renewals have progressed well in Milton, Lawrence and Tapanui. Work has started on upgrading chemical storage facilities to improve health and safety operation. Water metering to help reduce water loss in Milton and Balclutha has started but has been delayed due to Covid-19.

## RURAL WATER IMPROVEMENTS

Major upgrades have been made to the following schemes:

- Richardson North - Upgrade and switchboard renewal including building, tanks, and some pipework.
- Waitahuna process upgrades and general tidy up - filter, clarifier, control system and pumps have been refurbished.
- Richardson South priority pipeline renewals - Port Molyneux Road has had additional work done due to failures downstream north of Barata Creek Road.
- Stirling new intake structure site works have been completed.
- Tuapeka West priority pipeline renewals - Tuapeka Flat Road complete. Cockelshell Road renewal delayed by two months.
- Moa Flat AC (asbestos cement) pipeline renewals - work done on Switzers, Haugh, Wilden School and Edievale Roads. Kempthorne and Aitchisons Runs Road 1 & 2 are still to be completed.
- Tuapeka East priority pipeline renewals - Clarkes Flat Road renewal has been completed.
- Kaitangata change to plant operation, control

systems and installation of new equipment - design and costs have been accepted and construction has commenced, and all materials have been procured.

- Moa Flat Upgrade - Concept designs with some costs have been completed.

## STORMWATER IMPROVEMENTS

Council have approved \$200k to work with Otago Regional Council on the repair of the Hospital Road Stormwater Retention Pond that was damaged in the February flood event.

Major upgrades have been made to the following:

- Pounaweia Wratten Road Upgrade.
- Owaka Waikawa Road Drainage Improvements.
- Milton Helensbrook catchment improvement work awarded to contractor for completion early summer.

## INFORMATION TECHNOLOGY IMPROVEMENTS

This year's key project updates are as follows:

- Created remote working portals and systems for all staff during the Covid-19 lockdown.
- The digitisation contract for scanning our property files has been awarded and the resource consent scanning started.
- Testing and implementing our "Retention and Disposal" solution which is required under legislation to ensure that we can get our documents legally processed and managed.
- Implemented an Antenna App to alert ratepayers to what is going on in their neighbourhood and beyond.
- Embedded improved visual reporting on customer service requests, regulatory compliance and project and financial reporting.
- Advanced system security solutions have been investigated and implemented.
- Managed and setup new Payroll contract and project scoping. Supported implementation.

# FINANCIAL OVERVIEW

## 2019/20

### MAJOR VARIANCES TO BUDGET EXPLAINED

Council operates in a diverse and complex business and this is reflected in the items recorded against operating revenue and costs, and ultimately the operating surplus result for 2019/20. After forecasting a \$1.2 million surplus in 2019/20, Council recorded a \$2.1 million surplus.

### REVENUE

Revenue was greater than budget by \$3,489k but within the different categories there was some variance:

- Rates revenue was under budget by \$256k mainly due to \$481k internal rates transactions being eliminated on consolidation from the actuals and additional rates for voluntary targeted rates of \$104k which were not budgeted.
- Grants and subsidies were \$2,142k below budget mainly due to NZTA being \$2,199k below budget.
- Other fees are \$391k above budget mainly due additional solid waste revenue of \$508k and less regulatory revenue of \$101k.
- Rental revenue is \$144k above budget reflecting the effects of market reviews.
- Interest revenue is \$823k below budget but there is a net gain of \$1,533k at fair valuation giving an overall \$710k better performance on the Nikko portfolio.
- Other Revenue is \$533k below budget, mainly due to \$700k NZTA administration fee budgeted here instead of offsetting the expenditure.
- Other gains are \$5,634k above budget due to vested assets of \$4,445k, a gain on disposal of assets of \$7k, the fair value gain of \$1,533k mentioned above and a reversal of the impairment of development property of \$137k.
- Corporate and development property now reflects the revenue of \$1,166k instead of the net gain or loss position.

ACTUAL 30 JUNE 2020	BUDGET 30 JUNE 2020	ACTUAL 30 JUNE 2019
(\$,000)	(\$,000)	(\$,000)

### SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

#### INCOME

Rates Revenue	26,696	26,952	26,049
Other Operating Revenue	20,718	16,973	16,814
<b>Total Operating Revenue</b>	<b>47,414</b>	<b>43,925</b>	<b>42,863</b>

#### EXPENDITURE

Employee Benefits Expense	6,559	6,907	6,040
Depreciation and Amortisation	13,062	13,320	12,927
Other Expenditure	25,633	22,454	23,540
<b>Total Operating Expenditure</b>	<b>45,254</b>	<b>42,681</b>	<b>42,507</b>

#### Operating Surplus

<b>Operating Surplus</b>	<b>2,160</b>	<b>1,244</b>	<b>356</b>
Available for Sales Financial Assets Valuation Gain/(Loss)	(55)	-	3
Gain on Property, Plant and Equipment Revaluation	93,661	81,711	-
<b>Total Comprehensive Revenue and Expenditure for the year</b>	<b>95,766</b>	<b>82,955</b>	<b>359</b>

### SUMMARY STATEMENT OF CHANGES IN EQUITY

Equity at the beginning of the year	1,023,325	1,036,780	1,022,966
<b>Total Comprehensive Revenue and Expenditure for the year</b>	<b>95,766</b>	<b>82,955</b>	<b>359</b>
<b>Equity at the end of the year</b>	<b>1,119,091</b>	<b>1,119,735</b>	<b>1,023,325</b>

#### EQUITY REPRESENTED BY:

Accumulated Funds	222,997	253,638	225,138
Reserves	896,094	866,097	798,187

### SUMMARY STATEMENT OF FINANCIAL POSITION

Current Assets	39,911	34,990	39,352
Non Current Assets	1,095,329	1,109,745	996,948
<b>Total Assets</b>	<b>1,135,240</b>	<b>1,144,735</b>	<b>1,036,300</b>
Current Liabilities	10,292	6,685	7,130
Non Current Liabilities	5,857	18,315	5,845
<b>Total Liabilities</b>	<b>16,149</b>	<b>25,000</b>	<b>12,975</b>
<b>Net Assets/Equity</b>	<b>1,119,091</b>	<b>1,119,735</b>	<b>1,023,325</b>

### SUMMARY STATEMENT OF CASHFLOWS

Net Cashflows from Operating activities	7,390	14,973	13,027
Net Cashflows from Investing activities	(13,714)	(35,231)	(15,174)
Net Cashflows from Financing activities	3,995	17,946	5,022
<b>Net Cashflows for the Year</b>	<b>(2,329)</b>	<b>(2,312)</b>	<b>2,875</b>



## EXPENDITURE

Expenditure was more than budget by \$2,573k but within the different categories there was some variance:

- Grants are over budget by \$164k due to the additional grant of \$150k to the Clutha Recreation Centre.
- Other operating expenditure is above budget by \$1,535k mainly caused by the following costs above budget:
  - Water operational expenditure \$1,769k,
  - Consultancy \$392k,
  - Flood emergency expenses \$120k
  - Legal Fees \$86k but offset by the timing of the Gold Trail funding saving of \$494k.
- Roading repairs are \$1,220k above budget mainly due to emergency reinstatement costs of \$1,042k after two flooding events.
- Personnel costs are \$348k below budget mainly due to vacancies and the capitalisation of wages.
- Depreciation is below budget by \$258k.
- Corporate and development property now reflects cost of sales and impairment loss reversal on Rosebank Industrial of \$697k instead of the net gain or loss position.

Refer to the Statement of Comprehensive Revenue and Expenditure and notes to the financial statements for further information.

## MAJOR VARIANCES TO COUNCIL'S FINANCIAL POSITION COMPARED TO 2019 ACTUALS

- The Nikko investments have grown by \$1.8 million due to higher than budgeted returns on the Nikko AM portfolio.
- Receivables and prepayments are \$1,224k more than last year mainly due to a \$828k higher NZTA claim at year end and higher trade and other receivables.
- Cash and cash equivalents have decreased by \$2.3m due to timing of creditor payments.
- Development Property has increased by \$60k due to delays in sales caused by complexities around issuing titles for Rosebank Industrial and Kaitangata House and Land Package. There has also been a reversal of \$153k for a previous impairment.
- Payables and accruals are \$816k less at year end due to less roading contract work in progress compared to last year.
- Borrowings are \$4m higher due to the LGFA loans raised in April.
- Property, plant and equipment is \$98.6 million higher than last year mainly due to \$93.6 million increase due to revaluations of water and roading assets.

Refer to the Statement of Financial Position and notes to the financial statements for further information.



## FINANCIAL STRATEGY

In our 2018-28 Long Term Plan we established our Financial Strategy to guide our financial decisions. The following tables show our performance against these measures for the 2019/20 financial year.

### RETURN ON INVESTMENTS

At the close of the 2019/20-year Council's investments rose to \$28.9 million, well above the \$25.9 million forecast in the 2018-28 Long Term Plan. The growth from 2019 was due to above budget returns on the portfolio of \$0.9 million.

### CHANGES IN INVESTMENTS 2019/20

(\$M)	LONG TERM PLAN 2019/20	ACTUAL 2019/20
OPENING	25.2	27.2
CLOSING	25.7	29.0
CHANGE	0.5	1.8
RETURN (%)	5.0	7.3

Note: the change in the closing balance is net of the rates subsidy.

### LIMITS ON EXTERNAL DEBT

Council's limits on debt are set in the financial strategy at 150% of annual revenue. Council is well below the limit.

	LONG TERM PLAN 2019/20	ACTUAL 2019/20
EXTERNAL DEBT (\$M)	15.0	9.0
DEBT LIMIT (\$M)	65.0	71.1

## LIMITS ON RATES AND RATE INCREASES

Rates are the most important source Council uses to fund services. The \$26.7 million collected in 2019/20 meant an increase on 2018/19 of 2.48%. This was below the 3.12% and below the \$26.9 million rates cap forecast in the 2018/28 Long Term Plan.

Refer to the Statement of Comprehensive Revenue and Expenditure and notes to the financial statements for more information.

	LONG TERM PLAN 2019/20	ACTUAL 2019/20
FORECAST RATES (\$M)	26.6	26.7
FORECAST RATES CHANGES (%)	3.12	2.48
RATES LIMIT AT 4% (\$M)	26.9	27.1

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF CLUTHA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Clutha District Council (the District Council). The Auditor-General has appointed me, Heidi Rautjoki, using the staff and resources of Deloitte Limited, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 14 October 2020. This is the date on which we give our report.

#### **Emphasis of Matter - Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out on page 57 in the financial statements.

#### **Opinion on the audited information**

In our opinion:

- the financial statements on pages 50 to 116:
  - the District Council's financial position as at 30 June 2020;
  - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 117, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-Term Plan.
- the statement of service performance on pages 17 to 44:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2020, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 19 to 44, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 19 to 44, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

#### **Report on the disclosure requirements**

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 118 to 126, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

#### **Basis for our opinion on the audited information**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

#### **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

#### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 12 and 45 to 49, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Independence

We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of Debenture Trust Deed Reporting and Registry Audit, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council.



**Heidi Rautjoki**

*Deloitte Limited*

On behalf of the Auditor-General  
Dunedin, New Zealand

# STATEMENT OF SERVICE PERFORMANCE



# 2019/20 IN DETAIL

This section of the Annual Report includes detail about Council's achievements and performance in 2019/20 (known as Statement of Service Performance). It also includes information about the main achievements in each of Council's ten areas of work:

- COMMUNITY LEADERSHIP
- ECONOMIC AND COMMUNITY DEVELOPMENT
- ROADING
- WATER
- SEWERAGE
- STORMWATER
- SOLID WASTE
- COMMUNITY SERVICES
- REGULATORY AND EMERGENCY SERVICES
- INTERNAL SERVICES

All of Council's work aims to contribute towards our long term goals, referred to as Outcomes. How these link with Council's services is outlined below.

For each of the ten areas of Council, we include the following:

- What we do for each area, and why we do it.
- How we performed and whether we met our performance targets.
- What it cost, whether we met budgets, and an explanation for variances.

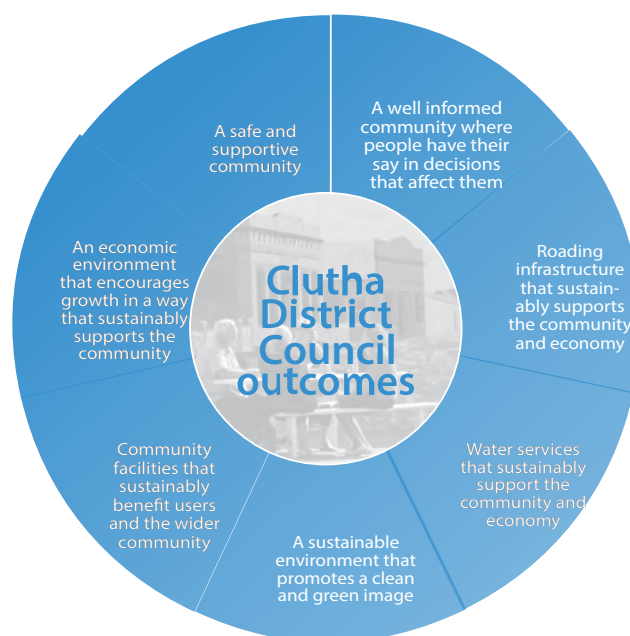
All performance measures were set in 2018 as part of the 2018/28 Long Term Plan. Performance is measured

in a variety of ways, including independent annual surveys of Clutha District residents.

Reporting incorporates a traffic light system that provides a dashboard or signal for the results for the year is as follows:

- target was met
- target was not met

Overall 44% of targets were met, 56% were not met.



## SUMMARY OF NON-FINANCIAL PERFORMANCE MEASURES FOR YEAR ENDING 30 JUNE 2020

SUMMARY OF KPI TARGETS BY ACTIVITY	MET	NOT MET	TOTAL
Community leadership	2	0	2
Economic and community development	0	1	1
Rooding	1	5	6
Water: urban	5	9	14
Water: rural	2	10	12
Sewerage	7	4	11
Stormwater	7	1	8
Solid waste	1	1	2
Community services	2	0	2
Regulatory and emergency services	0	2	2
Internal services	0	2	2
<b>TOTAL</b>	<b>27</b>	<b>35</b>	<b>62</b>
<b>Total percentage</b>	<b>44%</b>	<b>56%</b>	<b>100%</b>

# COMMUNITY LEADERSHIP

Our elected members represent the Clutha District and its communities, undertaking an important oath to make decisions in the best interests of the Clutha District.

## WHAT WE DO

Clutha District Council comprises 14 Councillors and a Mayor.

The 14 Councillors represent eight wards - Balclutha, Bruce, Catlins, Clinton, Clutha Valley, Kaitangata-Matau, Lawrence-Tuapeka and West Otago. Together the Councillors and Mayor provide leadership for the district by setting an overall direction, determining priorities, and making decisions about the scope and the levels of service Council will provide. Decision making is an important part of their role, including what Council will do, and how to pay for activities.

The Mayor and Councillors set the performance standards and oversee the performance of Council activities and assets to ensure the best operation, maintenance and use of community resources. Much of this work takes place in Council and Committee meetings.

The Mayor proposes and the Council approves the Council and Committee structure. This structure enables Council's decision-making processes to be implemented in an effective and efficient manner, and also allows for the delegation of certain powers.

An important part of elected members role also includes representing their community, including communicating with residents, informing them of the reasons for Council decisions and advocating on their behalf.

This activity also includes the conduct of elections, by-elections and review of representation arrangements.

## COMMUNITY LEADERSHIP

	TARGET PER LTP/AP	ACTUAL 2020
<b>LEVEL OF SERVICE 1: PROVIDE EFFECTIVE LEADERSHIP, REPRESENTATION AND SERVICE TO RESIDENTS AND RATEPAYERS.</b>		
Satisfaction with decision-making, leadership and planning of elected members (Council)	≥80%	80%
<b>LEVEL OF SERVICE 2: MONITOR RATES AFFORDABILITY AND PROVIDE PRUDENT, EFFECTIVE AND EFFICIENT FINANCIAL MANAGEMENT</b>		
To stay within rates limits	\$26.9M	\$26.7M

# WHAT IT COST FOR COMMUNITY LEADERSHIP IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	1,002	1,056	1,021
Targeted rates (other than targeted rates for water supply)	245	248	249
Subsidies and grants for operating purposes	-	-	22
Fees, charges and targeted rates for water supply	-	-	61
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>1,247</b>	<b>1,304</b>	<b>1,353</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(892)	(724)	(847)
Finance costs	(55)	(75)	(75)
Internal charges and overheads applied	(475)	(485)	(477)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(1,422)</b>	<b>(1,284)</b>	<b>(1,399)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>(175)</b>	<b>20</b>	<b>(46)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt (Internal debt)	698	(67)	(45)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>698</b>	<b>(67)</b>	<b>(45)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	319	40	91
(Increase) decrease of investments	(842)	7	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(523)</b>	<b>47</b>	<b>91</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>175</b>	<b>(20)</b>	<b>46</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

# ECONOMIC & COMMUNITY DEVELOPMENT

## Outcomes:

An economic environment that encourages growth in a way that sustainably supports the community.

A safe and supportive community.

A well informed community where people have their say in decisions that affect them.

## WHAT WE DO

Part of Council's leadership involves supporting the economy and communities through economic and community development functions.

The following functions and services are included in this activity group:

- Economic Development: leading and delivering activities that will support, sustain and grow the economy, including via the economic development agency - Clutha Development Incorporated and in implementing Council's Economic Development Strategy.
- Destination marketing for the district, including being a Regional Tourism Organisation (RTO), provided via Clutha Development Inc.
- Community Development which involves providing support and facilitation for community-driven initiatives throughout the district, including implementing Council's Living and Working in Clutha Strategy via Community Plans.
- Youth development which involves part-funding the Clutha District Youth Development Programme, and providing coordination and support for the Clutha District Youth Council.
- Providing financial assistance through a range of community grants and funding schemes.

## ECONOMIC & COMMUNITY DEVELOPMENT

	TARGET PER LTP	ACTUAL 2020
<b>LEVEL OF SERVICE 1: SUPPORT THE DISTRICT'S COMMUNITIES AND ECONOMY THROUGH COMMUNITY PLANNING, FACILITATION AND SUPPORT.</b>		
Percentage of programmed Our Place community plans completed.	100%	33% <sup>1</sup>

<sup>1</sup> The Our Place Catlins Community Plan was adopted in May 2020. Work continued on the Lawrence-Tuapeka and Kaitangata plans but progress was impacted by the COVID-19 restrictions which began part way through the initial consultation phase of the projects, particularly Lawrence-Tuapeka.

## MAORI PARTICIPATION IN DECISION-MAKING/IWI LIAISON

The four Southland councils have continued to fund and support Te Ao Mārama Inc, the agency approved by Te Runanga o Ngāi Tahu to act on iwi liaison matters in Murihiku/ Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Mārama Inc. The papatipu rūnanga and the participant councils continue to meet quarterly at the Te Roopū Taiao hui, which provides for excellent partnership and exchange of information. The key focus is to give these meetings more of a strategic focus and less focus on day to day operational/retrospective reporting back.

Council also acknowledges the local runanga, Waikoau Ngai Tahu South Otago Runanga, and liaises with them on matters that might be of relevance.

# WHAT IT COST FOR ECONOMIC AND COMMUNITY DEVELOPMENT IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	1,308	1,275	1,294
Targeted rates (other than targeted rates for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>1,308</b>	<b>1,275</b>	<b>1,294</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,329)	(2,200)	(1,451)
Finance costs	(12)	(21)	(14)
Internal charges and overheads applied	(97)	(99)	(97)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(1,438)</b>	<b>(2,320)</b>	<b>(1,562)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>(130)</b>	<b>(1,045)</b>	<b>(268)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt (Internal debt)	22	986	342
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>22</b>	<b>986</b>	<b>342</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	108	59	(74)
(Increase) decrease of investments	-	-	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>108</b>	<b>59</b>	<b>(74)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>130</b>	<b>1,045</b>	<b>268</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Clutha Gold Trail \$500K under budget.



# ROADING

Community Outcome: Roading infrastructure that sustainably supports the community and economy

## WHAT WE DO

With a total roading network of 2,917 km, the Clutha District Council has the third largest local roading network in New Zealand. Of the 2,917km, 28% (826km) is sealed and 72% (2,091km) is unsealed. It supports a resident population of around 17,250 people. Rural roads make up 95% of our network and form an important part of the export supply chain with the main land uses in the district being dairy, pastoral farming, forestry and horticulture. There are also key tourist routes through the district.

The roading assets administered by Council include more than just roads. There are also footpaths, bridges, streetlights and other assets associated with transportation. The total replacement cost for Council's roading assets is \$1,114.5 million.

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020
<b>ROADS</b>		
<b>LEVEL OF SERVICE 1: PROVIDE AN EFFECTIVE AND SUSTAINABLE LOCAL ROADING NETWORK</b>		
Average quality of ride on the sealed road network (as per smooth travel exposure)	≥97%	96% <sup>1</sup>
Percentage of the sealed local network that is resurfaced	≥6.9%	6.2% <sup>2</sup>
% of customer service for roads and footpaths responded to within timeframes	≥95%	86% <sup>3</sup>
<b>LEVEL OF SERVICE 2: MONITOR SAFETY AND INVEST IN IMPROVING THE ROADING NETWORK</b>		
Number of fatalities and serious injury crashes	≤10	9
<b>FOOTPATHS</b>		
<b>LEVEL OF SERVICE 3: PROVIDE AN EFFECTIVE AND SUSTAINABLE NETWORK OF FOOTPATHS THROUGHOUT THE DISTRICT</b>		
% of footpaths that are in good, very good or new / near new condition	≥97%	92.9% <sup>4</sup>
<b>BRIDGES</b>		
<b>LEVEL OF SERVICE 4: PROVIDE A SAFE AND ECONOMIC NETWORK OF BRIDGES THROUGHOUT THE DISTRICT</b>		
Percentage of bridges on key routes that meet heavy vehicle (50 Max) safety requirements.	≥91.4%	90.3% <sup>5</sup>

<sup>1</sup> Rough Urban Roads contribute to this target not being met totally. Roughness regression is potentially due to no Urban Pavement Rehabilitations being completed and/or increase in utilities work, trenches etc. Data will be assessed further and see if any particular Urban area is regressing faster than the others.

<sup>2</sup> Result is 4.6km short of the 55.4km target length as the reseal contract was impacted by COVID-19.

<sup>3</sup> Service response was impacted by the effects of the February flood event and delays over the COVID-19 shutdown.

<sup>4</sup> Very little footpath renewal work was carried out in 2019/20 year which shows up in the condition survey results of December 2019. The footpath renewal contract was awarded in March 2020, but COVID-19 affected progress.

<sup>5</sup> Very little bridge renewal work was carried out in 2018/19 and 2019/20. Council decided to carry out no work in 2018/19, but to complete 3-year's work in 2020/21. The first tender for this work was awarded in March 2020, but COVID-19 affected progress.

# WHAT IT COST FOR ROADS AND FOOTPATHS IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	8,276	8,154	7,904
Subsidies and grants for operating purposes	3,449	3,585	4,379
Fees, charges and targeted rates for water supply	794	810	131
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>12,519</b>	<b>12,549</b>	<b>12,414</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(6,151)	(6,380)	(7,902)
Finance costs	(288)	(301)	(275)
Internal charges and overheads applied	(2,223)	(2,190)	(1,501)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(8,662)</b>	<b>(8,871)</b>	<b>(9,678)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>3,857</b>	<b>3,678</b>	<b>2,736</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	5,084	6,639	4,026
Development and financial contributions	-	-	-
Increase (decrease) in debt	579	345	(299)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>5,663</b>	<b>6,984</b>	<b>3,727</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(2,114)	(1,421)	(680)
Capital expenditure to replace existing assets	(8,303)	(10,491)	(5,808)
(Increase) decrease in reserves	1,337	1,417	25
(Increase) decrease of investments	(440)	(167)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(9,520)</b>	<b>(10,662)</b>	<b>(6,463)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(3,857)</b>	<b>(3,678)</b>	<b>(2,736)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> This includes: \$1M emergency reinstatement; rural seal extensions completed \$7K vs budget of \$600K; bridges capital works were not done due to COVID-19 delays.

# WATER SUPPLY

Community Outcome: Water services that sustainably supports the community and economy

## WHAT WE DO

Council supplies water via a number of urban and rural water supply schemes, with approximately a third of the water produced being for domestic consumption and the balance being largely used for stock water. Council's water supplies include:

- Six urban water supplies servicing Balclutha, Kaitangata, Lawrence, Milton, Owaka and Tapanui. With the exception of Owaka, which is a restricted supply, they provide an on demand supply of potable water for domestic, commercial and industrial use within each scheme area.
- Eleven rural water schemes which primarily provide drinking water for stock. These are Balmoral 1, Balmoral 2, Clydevale-Pomahaka, Glenkenich, Moa Flat, North Bruce, Richardson, South Bruce, Tuapeka, Waipahi and Wangaloa. All schemes other than Waipahi also provide water for domestic consumption.
- Five smaller communities and townships are provided water in bulk from rural water schemes. These townships are Clinton (Clydevale-Pomahaka), Kaka Point (Richardson), Waihola (North Bruce), Benhar (South Bruce/Stirling Treatment Plant), and Stirling (South Bruce/Stirling Treatment Plant). Most of these communities have restricted supplies to consumers, except for Benhar and Stirling which are both on-demand scheme and Stirling is also universally metered.

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020		
<b>URBAN WATER</b>				
<b>LEVEL OF SERVICE 1: WATER FROM COUNCIL URBAN SUPPLIES IS SAFE TO DRINK.</b>				
Compliance with the NZDW Standards for bacteriological compliance	100%	79%	<sup>1</sup>	
Compliance with the NZDW Standards protozoal compliance	≥55%	16%	<sup>2</sup>	
<b>LEVEL OF SERVICE 2: URBAN SUPPLIES PROVIDE A CONTINUOUS AND RELIABLE SOURCE OF WATER TO CONSUMER</b>				
Number of drinking water complaints (Requests for Service) per 1000 connections about:	Clarity	≤17	8	
	Taste	≤3	1	
	Odour	≤2	1	
	Pressure	≤5	6	
	Continuity	≤30	20	
	Council's response to any of these issues (hours)	≤14	25	<sup>3</sup>
Average consumption of drinking water per resident per day (litres per day)	≤650	535		
<b>LEVEL OF SERVICE 3: URBAN WATER SCHEMES ARE MANAGED EFFECTIVELY AND EFFICIENTLY</b>				
Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:	Urgent	≤1	4	<sup>3</sup>
	Non-urgent	≤5	24	
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	≤2	21	<sup>3</sup>
	Non-urgent	≤24	62	<sup>3</sup>
Percentage of real water loss from Council's reticulation system	≤29%	36%	<sup>4</sup>	

<sup>1</sup> In Milton, there was a period which exceeded the maximum interval of 11 days between samples when no samples were taken between 19/3/20 and 3/4/20.

This period coincided with the establishment of the Level 4 COVID-19 lockdown, which went into effect on 26/3/20.

<sup>2</sup> The Balclutha plant is the only one compliant for March to June. A number of other plants (Lawrence, Owaka, Kaitangata and Milton) are producing compliant water but have not had the final approval from the drinking water assessor to be able to claim compliance. This is expected in the 2020/21 year.

<sup>3</sup> Issues associated with the transition to a new contractor, and the impacts of COVID-19 on contractor resources, has impacted on the achievement of these performance measures.

<sup>4</sup> The majority of the loss is in Milton which has old concrete pipes which are prone to leaking. Lawrence also has high losses but the reasons are yet to be determined.

	TARGET PER LTP	ACTUAL 2020
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## RURAL WATER

### LEVEL OF SERVICE 1: WATER FROM COUNCIL RURAL SCHEMES IS SAFE TO DRINK

Compliance with the NZDW Standards for bacteriological compliance	100%	36%	<sup>1</sup>
Compliance with the NZDW Standards for protozoal compliance	≥55%	0%	<sup>2</sup>

### LEVEL OF SERVICE 2: RURAL SCHEMES PROVIDE A CONTINUOUS AND RELIABLE SOURCE OF WATER TO CONSUMERS

Number of drinking water complaints (requests for service) per 1000 connections about:	Clarity	≤12	19	<sup>3</sup>
	Taste	≤5	1	
	Odour	≤3	7	<sup>3</sup>
	Pressure	≤200	87	
	Continuity	≤200	573	<sup>3</sup>
	Council's response to any of these issues (hours)	≤5	22	<sup>4</sup>

### LEVEL OF SERVICE 3: RURAL WATER SCHEMES ARE MANAGED EFFECTIVELY AND EFFICIENTLY

Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:	Urgent	≤2	19	<sup>4</sup>
	Non-urgent	≤6	24	
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	≤12	43	<sup>4</sup>
	Non-urgent	≤24	48	<sup>4</sup>

<sup>1</sup> Non-compliant plants are Balmoral 1, Glenkenich, Moa Flat and Tuapeka West. A boil water notice was in place for Tuapeka West scheme for 9 months of this year. A small number of failures results in non-compliance for the year. These schemes ranged from 1-5 transgressions for the compliance period.

<sup>2</sup> Improvements to plant operations were not possible in 2020 which prevented compliance with the drinking water standards.

The budget was not met for the following reasons:

- Restricted travel during the Covid-19 lockdown limited contractor availability,
- There were delays in the Milton Main Street designs,
- The ORC Compliance Plan sign off was not agreed so designs could not be finalised and
- Additionally there were capacity and skill shortages with the three waters contractor that contributed.

<sup>3</sup> There was an increase in water treatment plant operational issues and weather events contributing to this. As a result multiple Service Requests were lodged related to each of these events.

<sup>4</sup> Issues associated with the transition to a new contractor, and the impacts of COVID-19 on contractor resources, has impacted on the achievement of these performance measures.

# WHAT IT COST FOR WATER IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rated for water supply)	7,031	7,389	7,465
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	453	491	602
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>7,484</b>	<b>7,880</b>	<b>8,067</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(4,119)	(4,278)	(5,369)
Finance costs	(284)	(400)	(247)
Internal charges and overheads applied	(998)	(978)	(1,111)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(5,401)</b>	<b>(5,656)</b>	<b>(6,727)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>2,083</b>	<b>2,224</b>	<b>1,340</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,574	3,634	2,170
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>2,574</b>	<b>3,634</b>	<b>2,170</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	(46)
Capital expenditure to improve the level of service	(3,474)	(3,078)	(1,213)
Capital expenditure to replace existing assets	(3,206)	(3,399)	(3,666)
(Increase) decrease in reserves	2,133	688	1,415
(Increase) decrease of investments	(110)	(69)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(4,657)</b>	<b>(5,858)</b>	<b>(3,510)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(2,083)</b>	<b>(2,224)</b>	<b>(1,340)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> COVID-19 delays meant not all system upgrades were possible.

# SEWERAGE

## WHAT WE DO

Council collects, treats and disposes of domestic sewage and non-domestic liquid (tradewaste) discharges via 11 public sewerage schemes. These schemes service the townships of Balclutha, Clinton, Heriot, Kaitangata, Kaka Point, Lawrence, Milton, Owaka, Stirling, Tapanui and Waiholo. Extensions to the Balclutha and Milton schemes have been completed to serve the townships of Benhar and Tokoiti respectively. There is also a piped collection system for Pounaweia, connected to the Owaka treatment plant that will service properties, if they wish to connect. For new properties in Pounaweia, or significant changes to existing properties compulsory connection to this system is required under the Building Act.

## HOW WE PERFORMED IN 2019/20

		TARGET PER LTP	ACTUAL 2020	
<b>LEVEL OF SERVICE 1: PROVIDE SEWERAGE SERVICES THAT EFFECTIVELY COLLECT AND DISPOSE OF SEWAGE</b>				
Number of dry weather sewerage overflows expressed per 1,000 sewerage connections to that sewerage system		≤6	0	
<b>LEVEL OF SERVICE 2: SEWERAGE SCHEMES ARE MANAGED EFFICIENTLY AND EFFECTIVELY</b>				
Median response time (in hours) from notification of fault to when personnel:	Reach the site (response)	≤1 hour	3	<sup>1</sup>
	Confirm resolution of the blockage or other fault	≤4 hours	7	<sup>2</sup>
Number of complaints per 1,000 connections about any of the following:	Sewage odour	≤3	2	
	Sewerage system faults	≤10	11	<sup>2</sup>
	Sewerage system blockages	≤5	8	<sup>3</sup>
	Council's response to any of these issues	≤5	3	
Compliance with Council's resource consents for sewerage discharge, measured as number of:	Abatement notices	0	0	<sup>4</sup>
	Infringement notices	0	0	<sup>4</sup>
	Enforcement orders	0	0	<sup>4</sup>
	Convictions	0	0	<sup>4</sup>

<sup>1</sup> There has been an increase in sewer-related jobs owing to council taking ownership of sewer laterals from July 2019. This has seen contractor resources stretched as Council did not own the laterals at the time the contract was put out to tender.

<sup>2</sup> Issues associated with the transition to a new contractor, and the impacts of COVID-19 on contractor resources, has impacted on the achievement of these performance measures.

<sup>3</sup> Council took ownership of sewer laterals from 1 July 2019 under the new Water Bylaw which has meant an increase in council ownership of blockages.

<sup>4</sup> Council is currently subject to prosecution for consent breaches but the results will be determined in the next financial year. See note F1 to the Financial Statements.

# WHAT IT COST FOR SEWERAGE IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	2,380	2,498	2,403
Subsidies and grants for operating purposes	-	-	-
Fees & charges and targeted rates for water supply	136	139	220
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>2,516</b>	<b>2,637</b>	<b>2,623</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(999)	(1,019)	(1,592)
Finance costs	(80)	(80)	(103)
Internal charges and overheads applied	(499)	(490)	(510)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(1,578)</b>	<b>(1,589)</b>	<b>(2,205)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>938</b>	<b>1,048</b>	<b>418</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	5	(45)	(62)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>5</b>	<b>(45)</b>	<b>(62)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	(35)	-	(2,112) <sup>1</sup>
Capital expenditure to improve the level of service	(460)	(802)	(163)
Capital expenditure to replace existing assets	(974)	(1,306)	(917)
(Increase) decrease in reserves	432	629	2,836
(Increase) decrease of investments	94	475	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(943)</b>	<b>(1,003)</b>	<b>(356)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(938)</b>	<b>(1,048)</b>	<b>(418)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Vested Assets not budgeted.



# STORMWATER

## WHAT WE DO

Clutha District has many diverse and widespread townships and settlements. All of them bring their own specific demands, including how we collect and dispose of stormwater run-off.

Council currently provides for the drainage of stormwater via eight community stormwater drainage schemes in Balclutha, Clinton, Kaitangata, Kaka Point, Lawrence, Milton, Owaka and Tapanui. These systems manage the disposal of surface water and ground water flows to protect property and public health. Generally, piped systems are designed to cope with stormwater flows resulting from a heavy rainfall such as a 1 in 5 year or 1 in 10 year event (20% or 10% probability of happening annually). However, when assessing and designing new systems consideration is given to how flows from much larger events can be handled within the catchment i.e. overland flow paths, flood channels, diversions.

A number of other smaller communities also have stormwater infrastructure such as minimal pipe systems, open ditches and drains. These include Heriot, Pounaweia, Taieri Mouth, Stirling and Waiholo. These are communities that have previously been included in a general rural stormwater area, however they have only paid a very small amount towards this in their rates. In all of these areas, stormwater improvements are needed and systems are in place that have ongoing operational costs. Their inclusion as part of a district wide urban stormwater funding mechanism allows for stormwater issues in urban areas to be dealt with in a co-ordinated and consistent way.

All other rural stormwater issues are generally associated with roading and as such are funded as a roading activity.

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020
<b>LEVEL OF SERVICE 1: TO PROVIDE STORMWATER DRAINAGE THAT PROTECTS AGAINST THE EFFECTS OF FLOODING</b>		
Flooding events to habitable floors due to overflows from a council stormwater system (per 1000 connected properties).	0	0
Number of flooding events that occur in a territorial authority district (i.e. an overflow from a Council stormwater system)	≤23	11
Number of complaints about performance of stormwater systems (per 1,000 connected properties)	≤10	2
Median response time (in hours) from notification of fault to when personnel reach the site	≤4	387 <sup>1</sup>
Compliance with Council's resource consents for sewerage discharge, measured as number of:	Abatement notices	0
	Infringement notices	0
	Enforcement orders	0
	Successful prosecutions received	0

<sup>1</sup> Issues associated with the transition to a new contractor, and the impacts of COVID-19 on contractor resources, has impacted on the achievement of these performance measures.

# WHAT IT COST FOR STORMWATER IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	737	758	828
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>737</b>	<b>758</b>	<b>828</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(98)	(100)	(251)
Finance costs	(15)	(14)	(14)
Internal charges and overheads applied	(318)	(312)	(325)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(431)</b>	<b>(426)</b>	<b>(590)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>306</b>	<b>332</b>	<b>238</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(33)	(34)	(34)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>(33)</b>	<b>(34)</b>	<b>(34)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	(1,598) <sup>1</sup>
Capital expenditure to improve the level of service	(216)	(1,023)	(243)
Capital expenditure to replace existing assets	(35)	-	(28)
(Increase) decrease in reserves	(27)	712	1,665
(Increase) decrease of investments	5	13	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(273)</b>	<b>(298)</b>	<b>(204)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(306)</b>	<b>(332)</b>	<b>(238)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Vested Assets not budgeted.

# SOLID WASTE

Community Outcome: A sustainable environment that promotes a clean green image

## WHAT WE DO

Council oversees the management and minimisation of solid waste within the district. These activities include:

- Operating a sanitary landfill and recycling drop-off depot for the district at Mt Cooee on the outskirts of Balclutha.
- Providing a fortnightly collection of recyclables and residual household waste via kerbside wheelie bins in urban areas. The service is also available to individual rural households along service routes. Collection alternates weekly between collection of recyclables and collection of residual waste.
- Providing transfer stations/skip services which are collected on a weekly basis in Clinton, Lawrence, MacLennan, Milton, Owaka and Tapanui.
- Providing a skip service at Beaumont and Taieri Mouth that are collected on an as-needed basis.
- Monitoring and maintaining 19 closed tip sites throughout the district.
- Providing waste information and education services, including facilitating the EnviroSchools programme at schools throughout the district.

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020
<b>LEVEL OF SERVICE 1: PROVIDE A FACILITY IN THE DISTRICT FOR THE DISPOSAL OF SOLID WASTE</b>		
Kilogrammes of waste per resident to Mt Cooee landfill (kg)	≤498	651 <sup>1</sup>
<b>LEVEL OF SERVICE 2: PROVIDE WASTE MINIMISATION SERVICES AND EDUCATION</b>		
Kilogrammes of waste per resident diverted from Mt Cooee landfill (kg)	≥37	51 <sup>2</sup>

<sup>1</sup> Recycling did not operate for 4 months during the COVID-19 lockdown so recycling was put into the normal waste bins. In addition, the targeted decrease for the year assumed a new Resource Recovery Park would be operational in the 2019/20 year. This did not transpire.

<sup>2</sup> The positive and large increase in waste being diverted is due to green waste now being mulched and given away (564 tonne).

# WHAT IT COST FOR SOLID WASTE IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	68	69	69
Targeted rates (other than targeted rate for water supply)	697	711	719
Subsidies and grants for operating purposes	80	81	81
Fees, charges and targeted rates for water supply	657	670	1,181
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>1,502</b>	<b>1,531</b>	<b>2,050</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,243)	(1,217)	(1,655)
Finance costs	-	-	-
Internal charges and overheads applied	(167)	(165)	(163)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(1,410)</b>	<b>(1,382)</b>	<b>(1,818)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>92</b>	<b>149</b>	<b>232</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(720)	(82)	(11)
Capital expenditure to replace existing assets	(110)	(71)	(12)
(Increase) decrease in reserves	740	61	(209)
(Increase) decrease of investments	(2)	(57)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(92)</b>	<b>(149)</b>	<b>(232)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(92)</b>	<b>(149)</b>	<b>(232)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

# COMMUNITY SERVICES

Community Outcome: Community facilities that sustainably benefit users and the wider community

## WHAT WE DO

Council provides various community facilities and services throughout the district. Financial and non-financial assistance is also provided to external organisations that provide community services. Activities include:

### LIBRARIES, INFORMATION AND SERVICE CENTRES

This involves:

- A district library network consisting of a central library in Balclutha, four branch libraries in Lawrence, Milton, Owaka and Tapanui.
- Service centres, which provide a local link to Council services, are located in Balclutha, Lawrence, Milton, Owaka, and Tapanui (Lawrence, Milton, Owaka, and Tapanui also incorporate a branch of the Clutha District library network).
- An “i-Site” service at the Balclutha Service Centre, which handles nationwide bookings for tourists and locals.
- An information centre at Owaka which provides tourist information and also incorporates a branch of the Clutha District library network.

### SWIMMING POOLS

This involves:

- Owning and operating year round, a pool in Balclutha and seasonal (summer) pool in Milton.
- Making grants available to various school and community-based pools located throughout the district.

### PARKS, RESERVES, PLAYGROUNDS & SPORTSGROUNDS

This involves:

- Providing and maintaining 86 hectares of parks and reserves throughout the district, including 18 playgrounds and four sportsgrounds.
- Providing financial assistance for a further 19 hectares of reserves and sportsgrounds that are managed by local committees and sports groups.

### HALLS & COMMUNITY CENTRES

This involves:

- Maintaining and operating halls in Balclutha and Kaitangata.
- Providing management oversight and financial assistance for 11 committees which operate community centres throughout the district on Council’s behalf. These are at Clutha Valley, Hillend, Kaka Point, Lovells Flat, Moneymore, Owaka, Paretai, Waiholā, Waipahi, Waitahuna and Waiwera.
- Providing financial assistance to various other halls and centres, which are owned and operated by their communities. These are at Beaumont, Clinton, Crookston, Dunrobin, Heriot, Hina Hina, Kaitangata, Lawrence, Milton, Romahapa, Tahakopa, Taieri Mouth, Toko Mouth, Tuapeka Mouth, Tuapeka West, Waikoikoi and Tapanui.

## PUBLIC CONVENIENCES

This involves:

- Providing and maintaining 24 public toilets throughout the district (located in the Balclutha, Clinton, Jack's Bay, Kaitangata, Kaka Point, Lawrence, Milton, Owaka, Pounaweia, Tapanui, Taieri Mouth and Waihola areas).
- Providing and maintaining 5 public motor caravan dump stations in Clinton, Lawrence, Milton, Owaka and Tapanui.

## CEMETERIES

This involves:

- Directly operating and maintaining six urban cemeteries - Balclutha (2), Fairfax (Milton), Kaitangata, Lawrence and Tapanui, and eight rural cemeteries - Port Molyneux, Romahapa, Taieri Beach, Waihola, Waikoikoi, Waipahi, Waipori, and Waitahuna.
- Providing financial assistance to a further four cemeteries that are managed by trustees (Clinton, Crookston, Owaka, Tuapeka).
- Providing financial assistance towards the maintenance of war memorials throughout the district.

## COMMUNITY HOUSING & OTHER PROPERTY

This involves:

- Owning and maintaining 98 one bedroom housing units located in Balclutha, Clinton, Kaitangata, Lawrence, Milton, Owaka, Tapanui and Waihola.
- Other property is owned and maintained by Council for storage of materials and equipment.
- Property which is retained for renting and leasing at market rates with the income used to offset rates.
- Provision of five camping grounds at Kaka Point, Naish Park in Balclutha, Pounaweia, Taylor Park in Milton and Waihola.

## CROSS RECREATION CENTRE

This involves:

- Funding of a \$2.5 million loan towards the cost of constructing the multi-use Cross Recreation Centre in Balclutha and providing an annual operating grant.

# HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020
<b>LEVEL OF SERVICE 1: OPERATE A NETWORK OF COMMUNITY FACILITIES THROUGHOUT THE DISTRICT INCLUDING LIBRARY / SERVICE / INFORMATION CENTRES, POOLS, HALLS, PLAYGROUNDS, SPORTSGROUNDS, PARKS AND RESERVES.</b>		
Resident satisfaction with community facilities	>76%	90%
<b>LEVEL OF SERVICE: PROVIDE AND MAINTAIN COMMUNITY HOUSING UNITS THROUGHOUT THE DISTRICT.</b>		
Occupancy of community housing units	>95%	99%

# WHAT IT COST FOR COMMUNITY SERVICES IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	3,121	3,189	3,228
Targeted rates (other than a targeted rate for water supply)	1,590	1,636	1,743
Subsidies and grants for operating purposes	123	123	-
Fees, charges and targeted rates for water supply	287	292	1,301 <sup>1</sup>
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	911	930	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>6,032</b>	<b>6,170</b>	<b>6,272</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(3,726)	(3,787)	(3,930)
Finance costs	(284)	(343)	(299)
Internal charges and overheads applied	(1,377)	(1,369)	(1,316)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(5,387)</b>	<b>(5,499)</b>	<b>(5,545)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>645</b>	<b>671</b>	<b>727</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,481	522	(45)
Gross proceeds from sale of assets	2,324	500	235
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>3,805</b>	<b>1,022</b>	<b>190</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	(2)	-	-
Capital expenditure to improve the level of service	(1,818)	(825)	(832)
Capital expenditure to replace existing assets	(490)	(495)	(298)
(Increase) decrease in reserves	58	(53)	213
(Increase) decrease of investments	(2,198)	(320)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(4,450)</b>	<b>(1,693)</b>	<b>(917)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(645)</b>	<b>(671)</b>	<b>(727)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Increased rentals from rent reviews.



# REGULATORY & EMERGENCY SERVICES

Community Outcome: A safe and supportive community

## WHAT WE DO

### PROPERTY FILE RECORDS MANAGEMENT

This involves:

- Providing Land Information Memoranda in accordance with the requirements of the Local Government Official Information and Meetings Act 1987.
- Keeping property files up to date and available for public inquiries.

### RESOURCE MANAGEMENT

This involves:

- Providing advice on planning matters to prospective applicants, affected neighbours and other agencies.
- Promoting the sustainable management of natural and physical resources in the Clutha District via the District Plan.
- Processing resource consent applications (for land use and subdivision). Approximately 60-70 resource consents are processed annually.
- Carrying out monitoring, enforcement and prosecution when necessary.

### BUILDING CONTROL

This involves:

- Providing advice and administering the Building Act 2004, including checking that building complies with the New Zealand Building Code.
- Processing applications for Project Information Memoranda (PIMS) and Building Consents, including on-site inspections at the building stage, and issuing code compliance certificates upon completion. Council processes around 500-600 building consents annually.
- Issuing building warrants of fitness and compliance schedules.
- Investigating complaints related to unauthorised building work.

### ENVIRONMENTAL HEALTH

This involves:

- Registering and inspecting/auditing premises that prepare or sell food.
- Registering and inspecting other controlled premises, e.g. camping grounds.
- Promoting safe health practices through seminars and newsletters.
- Responding to noise complaints. Approximately 80 noise complaints are responded to annually.

## CIVIL DEFENCE

This involves:

- Preparing our communities to be ready and prepared for an emergency.
- Ensuring council has systems and processes in place and sufficient staff trained to be ready for and respond to an emergency and
- Helping facilitate recovery after an emergency .

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020	
<b>LEVEL OF SERVICE 1: TO PROVIDE AN APPLICATION PROCESSING SERVICE WHERE CONSENTS ARE PROCESSED WITHIN STATUTORY TIMEFRAMES IN AN EFFICIENT MANNER</b>			
Application lodged and processed within statutory timeframes	100%	70%	<sup>1</sup>
<b>LEVEL OF SERVICE 2: COMPLAINTS ARE PRIORITISED AND RESPONDED TO IN AN EFFICIENT MANNER</b>			
Customer service requests are responded to within targeted time frames.	≥95%	92%	<sup>2</sup>

<sup>1</sup> 325 out of 464 consents met the statutory deadline with under-performance caused by carrying forward a backlog of consents from the previous year; transitioning new staff appointments where the department was only fully resourced towards the end of the year, the impact of COVID-19 and working to improve the robustness of our decision-making.

<sup>2</sup> Up from 74% the previous year as a result of improved accountability for responding to requests. Staff were on target to meet the 95% KPI until some failures happened during the initial phases of the COVID-19 lockdown.

# WHAT IT COST FOR REGULATORY & EMERGENCY SERVICES IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	256	260	308
Targeted rates (other than a targeted rate for water supply)	640	629	746
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	518	529	1,145
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	598	610	-
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>2,012</b>	<b>2,027</b>	<b>2,199</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,069)	(1,065)	(1,408)
Finance costs	(10)	(9)	(9)
Internal charges and overheads applied	(862)	(880)	(1,204)
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(1,941)</b>	<b>(1,954)</b>	<b>(2,621)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>71</b>	<b>73</b>	<b>(422)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(18)	(19)	68
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>(18)</b>	<b>(19)</b>	<b>68</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	(16)	(16)	354
(Increase) decrease of investments	(37)	(38)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(53)</b>	<b>(54)</b>	<b>354</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(71)</b>	<b>(73)</b>	<b>422</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Includes: new digital radios of \$20K not budgeted; \$120K of emergency expenses due to the February flood; \$222K on resource management and building consultancy.

Note: most of the costs incurred responding to the flood are reflected in individual activities.

# INTERNAL SERVICES

## WHAT WE DO

Several internal services support our significant activities in delivering services to our communities. These include corporate management, human resources, policy and communications, district assets operations, regulatory operations, forestry, treasury, information services, geographic information systems (GIS) and the running and maintenance of our main office in Balclutha.

## HOW WE PERFORMED IN 2019/20

	TARGET PER LTP	ACTUAL 2020	
<b>LEVEL OF SERVICE 1: WE HANDLE CUSTOMER REQUESTS FOR SERVICE EFFICIENTLY AND EFFECTIVELY</b>			
Percentage of service requests resolved within timeframes	>95%	53%	<sup>1</sup>
<b>LEVEL OF SERVICE 2: WE DELIVER ON OUR WORK PROGRAMMES</b>			
Percentage of capital projects completed.	>75%	39%	<sup>2</sup>

<sup>1</sup> Issues associated with the transition to a new contractor, and the impacts of COVID-19 on contractor resources, has impacted on the achievement of these performance measures.

<sup>2</sup> \$14M of \$36M capital projects were completed. See table on page 9 for an explanation of capital expenditure.

# WHAT IT COST FOR INTERNAL SERVICES IN 2019/20

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2019 LONG TERM PLAN \$(000)	2020 LONG TERM PLAN \$(000)	2020 ACTUAL \$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	135
Targeted rates (other than a targeted rate for water supply)	-	-	146
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	133	136	92
Internal charges and overheads recovered	7,231	7,175	7,439
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	223
<b>TOTAL SOURCES OF OPERATING FUNDING</b>	<b>7,364</b>	<b>7,311</b>	<b>8,035</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(6,948)	(6,799)	(7,593)
Finance costs	(7)	(6)	(6)
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>(6,955)</b>	<b>(6,805)</b>	<b>(7,599)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>409</b>	<b>506</b>	<b>436</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	20	(16)	85
Gross proceeds from sale of assets	-	-	48
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>20</b>	<b>(16)</b>	<b>133</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(1,005)	(582)	(269)
Capital expenditure to replace existing assets	(310)	(479)	(305)
(Increase) decrease in reserves	897	579	5
(Increase) decrease of investments	(11)	(7)	-
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(429)</b>	<b>(490)</b>	<b>(569)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(409)</b>	<b>(506)</b>	<b>(436)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> VTR rates for warm homes not budgeted.

<sup>2</sup> Consultancy above budget by \$548K (mostly Policy related).

# FINANCIAL INFORMATION



# CONTENTS OF FINANCIAL SECTION

CONTENTS OF FINANCIAL SECTION .....	46
STATEMENT OF COMPLIANCE AND RESPONSIBILITY.....	49
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE.....	50
STATEMENT OF CHANGES IN EQUITY .....	51
STATEMENT OF FINANCIAL POSITION .....	52
STATEMENT OF CASH FLOWS .....	53
RECONCILIATION OF SURPLUS FOR THE YEAR TO CASH INFLOW FROM OPERATING ACTIVITIES ...	54
STATEMENT OF ACCOUNTING POLICIES.....	55
SECTION A: RESULTS FOR THE YEAR .....	58
A1 REVENUE .....	59
A2 OPERATING EXPENDITURE.....	64
A3 EMPLOYEE BENEFITS.....	66
A4 DEPRECIATION AND AMORTISATION .....	70
A5 FINANCE COSTS.....	71
A6 NET OTHER GAINS AND LOSSES.....	71
A7 INCOME TAX.....	72
A8 CORPORATE AND DEVELOPMENT PROPERTY.....	72
SECTION B: LONG TERM ASSETS.....	73
B1 PROPERTY, PLANT AND EQUIPMENT .....	74
B2 INTANGIBLE ASSETS .....	82
SECTION C: BORROWINGS AND FINANCIAL INSTRUMENTS.....	84
C1 BORROWINGS .....	85
C2 FINANCIAL INSTRUMENTS .....	86
C3 OTHER FINANCIAL ASSETS .....	89
C4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS.....	90

SECTION D: WORKING CAPITAL AND EQUITY .....	92
D1    CASH AND CASH EQUIVALENTS .....	93
D2    RECEIVABLES AND PREPAYMENTS .....	93
D3    PAYABLES AND ACCRUALS .....	96
D4    EMPLOYEE ENTITLEMENTS .....	97
D5    PROVISIONS.....	98
D6    RATEPAYER EQUITY.....	99
D7    NON-CURRENT ASSETS HELD FOR SALE.....	107
D8    DEVELOPMENT PROPERTY .....	108
SECTION E: FINANCIAL RISK MANAGEMENT .....	109
E1    INTEREST RATE RISK .....	110
E2    EQUITY PRICE RISK .....	111
E3    CREDIT RISK .....	112
E4    LIQUIDITY RISK .....	113
E5    FOREIGN EXCHANGE RISK .....	113
SECTION F: OTHER DISCLOSURES.....	114
F1    CONTINGENCIES, COMMITMENTS, AND SUBSEQUENT EVENTS .....	115
F2    FUNDING IMPACT STATEMENT – WHOLE OF COUNCIL .....	117
SECTION G: FINANCIAL REPORTING AND PRUDENCE BENCHMARKS.....	118
RATES (REVENUE) AFFORDABILITY BENCHMARK .....	119
RATES (INCREASES) AFFORDABILITY .....	120
DEBT AFFORDABILITY BENCHMARK.....	121
BALANCED BUDGET BENCHMARK .....	122
ESSENTIAL SERVICES BENCHMARK .....	123
DEBT SERVICING BENCHMARK.....	124
DEBT CONTROL BENCHMARK .....	125
OPERATIONS CONTROL BENCHMARK.....	126



# ABOUT THIS FINANCIAL SECTION

This section of the annual report contains the financial statements of Clutha District Council for the year ended 30 June 2020.

The Annual Report 2019/20 received an unmodified audit report and was adopted on 14 October 2020.

The references to documents and information on Clutha District Council and other websites are provided solely for the convenience of the readers who may require more detailed information. None of the documents or other information on those websites forms part of this Annual Report 2019/20.

For the clarity and usefulness of this report, this section has the following sub-sections:

**A - Results of the year**

**B - Long-term assets**

**C - Borrowings and financial Instruments**

**D - Working capital and equity**

**E - Financial risk management**





**F - Other disclosures**

**G - Financial reporting and prudence benchmarks**

The notes to the financial statements contain detailed financial information as well as the relevant accounting policies, explanation of significant variances against budget and local government disclosures.

Signposting provides readers with a clearer understanding of key information in the financial report.

Accounting policies are denoted by the box surrounding them and significant judgement and estimates are denoted by green highlights.

Signposts	Explanation
	Accounting policy
	Judgements and estimates
	Explanation of major variances against budget
	Local government disclosures

# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

## Compliance

The Council and management of the Clutha District Council confirm that all the statutory requirements in relation to this annual report, as outlined in the Local Government Act 2002, have been complied with.

## Responsibility

The Council and management of the Clutha District Council accept responsibility for the preparation and completion of the financial statements and the judgements used in them, and hereby adopt the financial statements as presented.

The Council and management of the Clutha District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Clutha District Council, the annual report for the year ended 30 June 2020 presents fairly the financial performance, financial position and service performance of the Clutha District Council.



**Bryan Cadogan**

Date: 14<sup>th</sup> October 2020

**MAYOR**



**Steve Hill**

Date: 14<sup>th</sup> October 2020

**CHIEF EXECUTIVE**

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the Financial Year ended 30 June 2020

	Notes	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
<b>REVENUE</b>				
Rates	A1	26,696	26,952	26,049
Grants and subsidies	A1	8,731	10,873	8,395
Fees and user charges		797	821	807
Permits and licenses		631	699	812
Other fees		1,563	1,172	1,139
Rental revenue		1,074	930	1,020
Interest revenue		452	1,275	505
Other revenue		670	1,203	666
Other gains / (losses)	A6	5,634	-	2,193
Sales of corporate and development property	A8	1,166	-	1,277
<b>Total Revenue</b>	<b>A1</b>	<b>47,414</b>	<b>43,925</b>	<b>42,863</b>
<b>EXPENDITURE</b>				
Grants, contributions, and sponsorship	A2	736	572	671
Other operating expenditure	A2	16,144	14,609	14,737
Roading repairs and maintenance	A2	7,885	6,665	6,517
Employee benefits	A3	6,559	6,907	6,040
Depreciation and amortisation	A4	13,062	13,320	12,927
Finance costs	A5	161	608	93
Operating lease payments		10	-	10
Cost of sales of corporate and development property	A8	697	-	1,512
<b>Total Expenditure</b>	<b>A2</b>	<b>45,254</b>	<b>42,681</b>	<b>42,507</b>
<b>SURPLUS FOR THE YEAR</b>				
		2,160	1,244	356
<b>Other Comprehensive Revenue and Expenditure</b>				
<b>Items that may be reclassified to surplus or deficit:</b>				
Available-for-sale financial assets valuation gain / (loss)		(55)	-	3
<b>Items that will not be reclassified to surplus or deficit:</b>				
Gain on property, plant, and equipment revaluation	D6	93,661	81,711	-
<b>Total Other Comprehensive Revenue and Expenditure</b>		<b>93,606</b>	<b>81,711</b>	<b>3</b>
<b>Total Comprehensive Revenue and Expenditure for the year</b>				
		<b>95,766</b>	<b>82,955</b>	<b>359</b>

Explanations of major variances against budget are included with the notes.

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 30 June 2020

	Accumulated Funds \$000	Reserves \$000	Total Equity \$000	Budget \$000
Balance as at 1 July 2018	226,803	796,163	1,022,966	
Surplus after income tax	356	-	356	
Other comprehensive revenue	-	-	-	
Total Comprehensive Revenue & Expense for the year	356	-	356	
Transfers (from)/to reserves	559	(556)	3	
Additional Reserves Created	(2,580)	2,580	-	
<b>Balance as at 30 JUNE 2019</b>	<b>225,138</b>	<b>798,187</b>	<b>1,023,325</b>	
Balance as at 1 July 2019	225,138	798,187	1,023,325	1,036,780
Surplus after income tax	2,160	-	2,160	1,244
Other comprehensive revenue	-	93,606	93,606	81,711
<b>Total Comprehensive Revenue &amp; Expense for the year</b>	<b>2,160</b>	<b>93,606</b>	<b>95,766</b>	<b>82,955</b>
Net Transfers (from)/to reserves	(1,278)	1,278	-	-
Additional Reserves Created	(3,023)	3,023	-	-
<b>Balance as at 30 JUNE 2020</b>	<b>222,997</b>	<b>896,094</b>	<b>1,119,091</b>	<b>1,119,735</b>

Explanations of major variances against budget are included with the notes.  
The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	D1	1,763	63	4,092
Receivables and prepayments	D2	5,309	4,480	4,255
Other financial assets	C3	28,984	25,947	27,210
Inventory		-	3,940	-
Non-current assets held for sale	D7	-	60	-
Development property	D8	3,855	500	3,795
<b>Total current assets</b>		<b>39,911</b>	<b>34,990</b>	<b>39,352</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant, and equipment	B1	1,094,416	1,109,693	995,793
Intangible Assets	B2	769	-	1,020
Other financial assets	C3	144	52	135
<b>Total non-current assets</b>		<b>1,095,329</b>	<b>1,109,745</b>	<b>996,948</b>
<b>TOTAL ASSETS</b>		<b>1,135,240</b>	<b>1,144,735</b>	<b>1,036,300</b>
<b>Liabilities</b>				
<b>CURRENT LIABILITIES</b>				
Payables and accruals	D3	5,535	6,134	6,521
Employee entitlements	D4	725	551	609
Derivative financial instruments		32	-	-
Borrowings	C1	4,000	-	-
<b>Total current liabilities</b>		<b>10,292</b>	<b>6,685</b>	<b>7,130</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	D5	782	750	765
Other liabilities – Mercer Trust		55	-	60
Borrowings	C1	5,020	17,565	5,020
<b>Total non-current liabilities</b>		<b>5,857</b>	<b>18,315</b>	<b>5,845</b>
<b>TOTAL LIABILITIES</b>		<b>16,149</b>	<b>25,000</b>	<b>12,975</b>
<b>NET ASSETS</b>		<b>1,119,091</b>	<b>1,119,735</b>	<b>1,023,325</b>
<b>EQUITY</b>				
Reserves	D6	896,094	866,097	798,187
Accumulated funds	D6	222,997	253,638	225,138
<b>TOTAL EQUITY</b>		<b>1,119,091</b>	<b>1,119,735</b>	<b>1,023,325</b>

Explanations of major variances against budget are included with the notes.  
The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the Financial Year ended 30 June 2020

Notes	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers, rates, grants, and other services	38,253	42,649	41,321
Interest received	452	1,275	505
Payments to suppliers and employees	(31,198)	(28,477)	(28,779)
Interest Expense	(117)	(474)	(20)
<b>Net cash inflow from operating activities</b>	<b>7,390</b>	<b>14,973</b>	<b>13,027</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from sale of property, plant and equipment and forestry	287	-	1,031
Purchase of property, plant and equipment	(14,137)	(36,434)	(15,755)
(Acquisition)/sale of other financial assets	(273)	(297)	(120)
Disposal / (acquisition) of development property	409	1,500	(330)
<b>Net cash (outflow) from investing activities</b>	<b>(13,714)</b>	<b>(35,231)</b>	<b>(15,174)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	3,995	19,600	5,022
Repayment of borrowings	-	(1,654)	-
<b>Total Cash Flows from Financing Activities</b>	<b>3,995</b>	<b>17,946</b>	<b>5,022</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,329)</b>	<b>(2,312)</b>	<b>2,875</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>4,092</b>	<b>2,375</b>	<b>1,217</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>D1</b> <b>1,763</b>	<b>63</b>	<b>4,092</b>

Explanations of major variances against budget are included with the notes.

The accompanying notes form part of these financial statements.

## RECONCILIATION OF SURPLUS FOR THE YEAR TO CASH INFLOW FROM OPERATING ACTIVITIES

	2020	2019
	\$000	\$000
<b>Surplus for the period</b>	<b>2,160</b>	<b>356</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	13,062	12,927
(Reversal) / Impairment of development property	(469)	353
(Gain)/Loss on sale of property, plant, and equipment	348	583
(Gain)/Loss on sale of forestry	(4)	(432)
Unrealised gain on revaluation of other financial assets to fair value	(1,533)	(1,650)
Vested Assets	(4,445)	(694)
	<b>9,119</b>	<b>11,087</b>
<b>Movement in working capital:</b>		
Trade and other receivables and prepayments	(1,224)	3,216
Trade and other payables and accruals	(816)	(1,708)
Employee entitlements	116	(17)
Provisions	17	34
	<b>(1,907)</b>	<b>1,525</b>
<b>Items classified as Investing Activities:</b>		
Movement in property, plant and equipment included in trade and other payables	178	59
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>7,390</b>	<b>13,027</b>

# STATEMENT OF ACCOUNTING POLICIES

This section contains Council's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies are also included in the related note disclosures.

## Reporting entity

The Clutha District Council ("Council" or "CDC") is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Council's principal address is 1 Rosebank Terrace, Balclutha New Zealand.

Council provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements of Council are for the year ended 30 June 2020. The financial statements are authorised for issue by Council on 14 October 2020.

## Basis of preparation

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the year.

## Statement of compliance

The financial statements have been prepared in accordance with and comply with Tier 1 PBE standards.

## Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than the chief executive remuneration and the severance payment disclosures in Note A3 and the related party transaction disclosures in Note A3. The remuneration, severance payments and related party transaction disclosures are rounded to the nearest dollar.

## Other changes in accounting policies

There have been no other changes in accounting policies.

## Standards issued and not yet effective, and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted; and which are relevant to Council are:



## Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Council plans to apply this standard in preparing its 30 June 2022 financial statements. Council has not yet assessed the effects of the new standard.

## Employee benefits

PBE IPSAS 39 Employee Benefits replaces the current standard on employee benefits, PBE IPSAS 25. PBE IPAS 39 is effective for annual period beginning on or after 1 January 2019, with early application permitted. The changes mainly focus on defined benefit plans where the new standards:

- Removes the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans.
- Eliminates some of the presentation options for actuarial gains and losses arising from defined benefit plans.
- Introduces the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans.
- Structures the disclosures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

Council does not have defined benefit plans and therefore, Council does not expect this standard to have significant impact on the financial statements.

## Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below:

### Goods and services tax

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### Budget figures

The budget figures are those approved by Council in its 2019/20 annual plan. The budget figures have been prepared in accordance with NZ GAAP; using accounting policies that are consistent with those adopted by Council in preparing these financial statements.



## Judgements and estimates

### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value and useful lives of land, buildings, and infrastructural assets – see Note B1.

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Classification of property – see Note B1.

### COVID 19 disclosure

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak of and spread of COVID-19. Following this, the New Zealand Government's response resulted in periods of lockdown and/or restrictions which caused disruption to businesses, public services, and economic activity.

The majority of Council services (the provision of roading, three waters, solid waste, and community housing) are considered essential services and Council continued to operate these services during level 4 and level 3 restrictions. In some cases, this incurred additional costs to achieve this (particularly at alert levels 3 and 4) to address additional health and safety measures to enforce social distancing.

Other levels of service were impacted by COVID-19 and have been discussed in the Statement of Service Performance section of the Annual Report.

Grants and subsidies were impacted due to lower NZTA grants, largely as a result of delays in roading reseal and renewals work due to the Level 4 lockdown. In March, the uncertainty in the share market affected the value of the Nikko Portfolio by \$2M but the fund had recovered by yearend.

Council considered the impact of COVID-19 as part of its impairment testing of assets in its statement of financial position on 30 June 2020. Council's investments in other financial assets held for trading (managed investments) and the roading and 3 waters infrastructure assets were revalued on 30 June 2020 at fair value. Rates receivables do not have an allowance for doubtful debts assessed due to Council's powers under the Local Government (Rating) Act 2002 to recover any outstanding debts, other receivables were assessed for collectability with no significant change in the allowance.

Given the continuing nature of this pandemic Council will continue to monitor the impact of COVID-19 on future periods.

## SECTION A: RESULTS FOR THE YEAR

This section focuses on the performance of Council during the year. This highlights the rates and other revenue earned and how these are applied against our major expenditures such as employee benefits and depreciation. Required disclosures such as the remuneration of the mayor, elected members and staff are presented under “employee benefit’ transactions”.

The notes in the section are as follows:

- A1 Revenue
- A2 Operating expenditure
- A3 Employee benefits
- A4 Depreciation and amortisation
- A5 Finance costs
- A6 Net other gains and losses
- A7 Income tax
- A8 Corporate and development property

## A1 REVENUE



### Accounting policy

Revenue is measured at fair value.

Each significant activity is stated gross of internal costs and revenue and includes targeted rates attributable to activities. In order to fairly reflect the total external operations for Council in the statement of comprehensive revenue and expenditure, these transactions are eliminated as shown in the note.

Council receives its revenue from exchange or non-exchange transactions.

Exchange transaction revenue arises when Council provides goods or services to a third party and directly receives approximately equal value in return.

Non-exchange transaction revenue arises when Council receives value from another party without giving approximately equal value directly in exchange for the value received. Non-exchange revenue comprises rates and transfer revenue.

Transfer revenue includes grants and subsidies and fees and user charges derived from activities that are partially funded by rates.

The specific accounting policies for significant revenue items are explained below:

Type	Recognition and measurement
<b>Rates revenue</b>	<p>The following policies for rates have been applied:</p> <ul style="list-style-type: none"><li>• General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.</li><li>• Rates arising from late payment penalties are recognised as revenue when rates become overdue.</li><li>• Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.</li><li>• Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.</li></ul>
<b>Grants</b>	<p>Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.</p>
<b>Financial contributions</b>	<p>Financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.</p>

<b>New Zealand Transport Agency roading subsidies</b>	Council receives funding assistance from the New Zealand Transport Agency (NZTA), which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.
<b>Vested or donated physical assets</b>	<p>For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.</p> <p>The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.</p> <p>For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.</p>
<b>Infringement fees and fines</b>	When the infringement notice is issued.
<b>Interest revenue</b>	Interest revenue is recognised using the effective interest method.
<b>Dividend revenue</b>	Dividends are recognised when the right to receive payment has been established.
<b>Water and wastewater user charges</b>	When invoiced or accrued in the case of unbilled services at fair value of cash received or receivable.
<b>Sale of goods</b>	Revenue from the sale of goods is recognised when a product is sold to the customer.
<b>Sale of services</b>	On a percentage of completion basis over the period of the service supplied.
<b>Building and resource consent revenue</b>	Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date. Partially refundable after administration and inspection fees if application is cancelled.
<b>Licence and permit fees</b>	On receipt of application as these are non-refundable.
<b>Entrance fees</b>	Entrance fees are fees charged to users of Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.
<b>Landfill fees</b>	Fees for disposing of waste at Council's landfill are recognised as waste is disposed by users.
<b>Development property</b>	On earliest of settlement of transaction or unconditional sale and purchase agreement.

The split of exchange and non-exchange revenue is disclosed below:

	Notes	2020 \$000	2019 \$000
<b>Revenue from Non-Exchange Transactions</b>			
General rates		4,746	4,327
Targeted rates	See below	22,201	21,898
Rates penalties		231	282
Internal rates		(482)	(458)
<b>Total revenue from rates</b>		<b>26,696</b>	<b>26,049</b>
<b>Revenue from Exchange Transactions</b>			
Rental and lease revenue		1,074	1,020
Interest revenue and gain on changes in fair value		1,985	2,155
Otago Corrections Facility water		272	158
Development property sales	A8	1,166	1,277
Other revenue		797	805
<b>Total revenue from exchange transactions</b>		<b>5,294</b>	<b>5,415</b>
<b>Other Revenue from Non-Exchange Transactions</b>			
Grants and subsidies	See below	8,731	8,395
Vested assets	A6	4,445	694
Swimming pool revenue		100	119
Building consents		494	666
Other revenue		1,654	1,525
<b>Total other revenue from non-exchange transactions</b>		<b>15,424</b>	<b>11,399</b>
<b>TOTAL REVENUE</b>		<b>47,414</b>	<b>42,863</b>
<b>Targeted Rates Attributable to Activities:</b>			
Community leadership		248	260
Internal services		146	93
Roads and footpaths		7,904	8,204
Water supply		7,465	7,105
Stormwater		828	739
Sewerage		2,403	2,346
Solid waste		718	844
Community services		1,743	1,652
Regulatory and emergency services		746	655
		<b>22,201</b>	<b>21,898</b>
<b>Grants and Subsidies:</b>			
NZTA subsidy		8,405	8,128
Other		326	267
		<b>8,731</b>	<b>8,395</b>



## Explanation of major variances against budget for the Statement of Comprehensive Revenue and Expenditure

### Total revenue

Revenue was greater than budget by \$3,489k but within the different categories there was some variance:

- Rates revenue was under budget by \$256k mainly due to \$482k internal rates being removed from the actuals and additional rates for voluntary targeted rates of \$104k which were not budgeted.
- Grants and subsidies were \$2,142k below budget mainly due to roading investment being \$2,199k below budget.
- Other fees are \$391k above budget mainly due additional solid waste revenue of \$508k and less regulatory revenue of \$101k.
- Rental revenue is \$144k above budget reflecting the effects of market reviews.
- Interest revenue is \$823k below budget but there is a net gain of \$1,533k at fair valuation giving an overall \$710k better performance on the Nikko portfolio.
- Other Revenue is \$533k below budget, mainly due to \$700k NZTA administration fee budgeted here instead of offsetting the expenditure.
- Other gains are \$5,634k above budget due to vested assets of \$4,445k, a gain on disposal of assets of \$7k, the fair value gain of \$1,533k mentioned above and a reversal of the impairment of development property of \$137k.
- Corporate and development property now reflects the revenue of \$1,166k instead of the net gain or loss position. Please refer to note A8 for details.



### Local government disclosures

Council's rating base information relating to the current and prior financial year is as follows:

	2020 \$000	2019 \$000
Number of rating units	11,292	11,243
Total Capital Value of rating units	8,081,514	8,050,169
Total Land Value of rating units	5,415,775	5,410,693

<b>Breakdown of summary revenue for group of activities</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>		
Roading	8,554	8,353
Water Services – Water	600	526
Water Services – Sewerage	220	217
Solid Waste	1,262	816
Community Services - Library/Service Centre/Information Centre	84	82
Community Services - Swimming Pools	100	119
Community Services - Parks/Reserves/Sportsgrounds	53	59
Community Services - Halls and Community Centres	40	73
Community Services - Other Council Property	930	871
Community Services – Cemeteries	93	83
Regulatory Services - Resource Management	111	74
Regulatory Services - Animal Control	315	298
Regulatory Services - Environmental Health	28	40
Regulatory Services - Building Control	621	800
Regulatory Services - Liquor Licensing	68	65
<b>Total activity revenue</b>	<b>13,079</b>	<b>12,476</b>
<b>Add</b>		
Rates	26,696	26,049
Other Gains/(Losses)	5,634	2,193
Sales of corporate and development property	1,166	1,277
Petrol Tax	206	194
Other Revenue	633	674
	<b>34,335</b>	<b>30,387</b>
<b>TOTAL REVENUE</b>	<b>47,414</b>	<b>42,863</b>



## A2 OPERATING EXPENDITURE



### Accounting policies

#### Grants and subsidies

Council's grants awarded have no substantive conditions attached.

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

#### Impairment of property, plant and equipment and intangible assets

The initial measurement on property, plant and equipment and intangible assets are disclosed in Notes B1 and B2.

Intangible assets subsequently measured at cost that have indefinite useful life are tested annually for impairment. Property, plant and equipment and intangible assets subsequently measured at cost that have finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication exists, Council estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognised in surplus or deficit in the statement of comprehensive revenue and expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost (DRC).

Property, plant and equipment that is measured at fair value, is not required to be separately tested for impairment.



### Explanation of major variances against budget

#### Expenditure

Expenditure was more than budget by \$2,573k but within the different categories there was some variance:

- Grants are over budget by \$164k due to the additional grant of \$150k to the Clutha Recreation Centre.
- Other operating expenditure is above budget by \$1,535k mainly caused by the following costs above budget:
  - Water operational expenditure \$1,769k,
  - Consultancy \$392k,
  - Legal Fees \$86k
  - Flood emergency expenses \$120k.
  - Offset by the timing of the Gold Trail funding saving of \$494k,
- Roading repairs are \$1,220k above budget due to emergency reinstatement costs of \$1,042k after two flooding events.
- Personnel costs are \$348k below budget mainly due to vacancies and the capitalisation of wages.
- Depreciation is below budget by \$258k.
- Corporate and development property now reflects cost of sales and impairment loss reversal on Rosebank Industrial of \$697k instead of the net gain or loss position. Please refer to note A8 for details.

<b>Breakdown of summary expenditure for group of activities</b>	<b>Note</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
<b>Expenditure</b>			
Community Leadership – Governance		1,378	1,562
Community Leadership – Community Support		687	375
Community Leadership – Economic Development		664	781
Community Leadership – Culture & Heritage		212	197
<b>Roading</b>		<b>18,182</b>	<b>16,890</b>
Water Services – Water		8,588	8,332
Water Services – Stormwater		887	843
Water Services – Sewerage		3,184	2,956
<b>Solid Waste</b>		<b>1,818</b>	<b>1,508</b>
Community Services – Library/Service Centre/Information Centre		1,446	1,434
Community Services – Swimming Pools		1,227	1,284
Community Services – Parks/Reserves/Sportsgrounds		1,158	1,095
Community Services – Halls and Community Centres		390	357
Community Services – Other Council Property		848	777
Community Services – Public Conveniences		464	393
Community Services – Cemeteries		239	260
Regulatory Services – Resource Management		482	287
Regulatory Services – Animal Control		410	343
Regulatory Services – Compliance		50	16
Regulatory Services – Environmental Health		138	165
Regulatory Services – Building Control		1,130	911
Regulatory Services – Liquor Licensing		127	92
Emergency Services – Civil Defence		280	109
Emergency Services – Rural Fire		4	4
<b>Total activity expenditure</b>		<b>43,993</b>	<b>40,969</b>
<b>Add</b>			
Additional Depreciation		326	304
Cost of sales corporate and development property		697	1,512
Forestry Expenditures		6	34
Other Expenditure		714	146
Internal Rates		(482)	(458)
		<b>1,261</b>	<b>1,538</b>
<b>TOTAL EXPENDITURE</b>		<b>45,254</b>	<b>42,507</b>
<b>Operating Expenditures include:</b>			
Grants, contributions and sponsorship		736	671
Impairment of receivables	D2	(47)	29
Minimum lease payments for operating leases		10	10
Other expenses		16,144	14,737
Roading repairs and maintenance		7,885	6,517
Fees paid to elected members	A3	457	424

### Group of activities

The cost of service for each significant activity of Council has been derived using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

There have been no changes to the cost allocation methodology during the year.



### Fees to auditors

The following fees were charged for the services provided by the auditors of Council:

	2020 \$000	2019 \$000
Audit of financial statements	132	129
Audit of debenture trust and register	5	5
Audit of long-term plan	-	-
<b>TOTAL FEES TO AUDITORS</b>	<b>137</b>	<b>134</b>

## A3 EMPLOYEE BENEFITS



### Accounting policy

Employee Benefits for salaries and wages, annual leave, long service leave and other similar benefit are recognised as an expenditure and liability when they accrue to employees.

	2020 \$000	2019 \$000
<b>Employee Benefits Expenditure</b>		
Salaries and wages	6,756	6,239
Kiwi-saver	177	167
Capitalised salary and wages	(374)	(366)
<b>TOTAL EMPLOYEE BENEFITS EXPENDITURE</b>	<b>6,559</b>	<b>6,040</b>

Refer to note D4 for employee entitlement liability as at 30 June 2020 and 30 June 2019.



### Explanation of major variances against budget

#### Employee benefits expenditure

Employee benefits expenditure of \$6,559k has increased by \$519k from 2019, due to there being additional fixed term employees to carry out the Enterprise Resource Planning and Service Delivery projects and to cover parental leave.



## Local government disclosures

Employee numbers and remuneration bands	2020 \$000	2019 \$000
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<b>Councillors</b>		
Remuneration	457	424
Full-time equivalent members	15	15

<b>Community Board Members</b>		
Remuneration	40	43
Full-time equivalent members	12	12

<b>Senior Management Team, including Chief Executive</b>		
Remuneration	715	742
Full-time equivalent members	4	4

### Severance Payments

For the year ended 30 June 2020 Council made no severance payments (2019: \$Nil).

### Remuneration of Elected Members

During the year to 30 June 2020, the total remuneration and value of other non-financial benefits received by or payable to the Mayor and other Elected Members were as follows:

Elected Representatives	2020 \$000	2019 \$000
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His Worship the Mayor B A Cadogan	104	94
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<b>Councillors</b>		
Geoff Blackmore	8	23
Dane Catherwood	15	-
John Cochrane	8	25
Stewart Cowie	30	28
Wayne Felts	15	-
Gaynor Finch	24	23
Melinda Foster	16	-
Bruce Graham	28	23
John Herbert	24	20
Rachel Jenkinson	7	21
Michelle Kennedy	24	22
Alison Ludemann	24	21
Hilary McNab	9	27
Ken Payne	27	21
Carol Sutherland	22	20
Jo-anne Thomson	15	-
Bruce Vollweiler (including Hearing Fees of \$7k)	36	36
Selwyn Wilkinson	22	20

### Lawrence/Tuapeka Community Board

Lindy Chinnery	2	-
Quentin Currall	1	3
Geoff Davidson	4	3
Tim Dickey	1	-
Melinda Foster	1	3
Matthew Little	3	1
Garry McCorkindale	4	6
Suzanne Stephenson	1	-
Liz Ritchie	-	2
Paul Tansley	-	3

**West Otago Community Board**

Cecil Crawford	3	3
Barbara Hanna	7	7
Anthony Robertson	3	3
Bruce Robertson	3	3
Linda Roulston	3	3
Suzanne Wink	3	3

These amounts are set by the Remuneration Authority and vary according to the role.

**Remuneration of Employees**

At balance date Council employed 80 full time employees compared to 72 in 2019, with the balance of staff representing 15 full time equivalent employees (18 in 2019). A full time employee is determined based on a 37.5 hour working week.

Total annual remuneration by band for full and part time employees as at 30 June:

	2020	2019
<b>Salary Band</b>	<b>Number of Employees</b>	<b>Number of Employees</b>
<60,000	73	84
60,000-80,000	28	21
80,000-100,000	14	15
100,000-280,000	15	11

**Chief Executive**

The total remuneration (including any non-financial benefits) paid or payable to the Chief Executive was \$266,325 (2019: \$260,190).

In addition, an annual leave entitlement of \$28,868 in 2019 was paid at the conclusion of the Chief Executive's fixed term agreement on 9 June 2019. Steve Hill was reappointed as Chief Executive for a further 5-year term.

Council undertakes transactions with related parties in the normal course of business on an arms-length commercial basis.

**Other Transactions Involving Related Parties**

Related Party Entity	Relationship to related party entity	Total Paid by the entity to Council	Total paid to the entity by the Council	Outstanding balance owed by Council	Outstanding balance owed to Council
<b>Bryan Cadogan</b>					
Gore/Clutha Women's Refuge	Board Member		8,634		
Clutha Foundation	Board Member		10,000		
<b>Steve Hill</b>					
Clutha Development Inc.	Council Appointed Member		520,523	55,016	
<b>Geoff Blackmore</b>					
Simpson Park Sporting Complex	Committee Member		6,832		
Chinese Camp Charitable Trust	Trustee		395		
St Patricks Parish Council	Chairman		1,136		

<b>John Cochrane</b>					
Clinton Community Company Ltd	Shareholder & Director	317			
Clinton Cemetery Trust	Director		2,500		
<b>Stewart Cowie</b>					
Clinton Rugby Club	Life member	630			
Warepa Hall Committee	Chairperson	510			
<b>Gaynor Finch</b>					
Clutha Veterinary Association	Employee		2,858	528	150
Otago Museum	Trustee Council		124,586		
Waiholo Looking Forward	Representative Council	437	3,159	98	
Milton Town Hall	Representative	5,976	25,893		
<b>Selwyn Wilkinson</b>					
Phoenix Housing Otago Limited	Director	284			
<b>Hilary McNab</b>					
Catlins Coast	Committee Member		1,917		
Owaka Going Forward	Secretary		300		
Owaka Swimming Pool Committee	Committee Member		9,694		
Hina Hina Recreation Reserve	Committee Member		1,800		
<b>Rachel Jenkinson</b>					
Jenkinson Electrical	Shareholder		32,211	3,337	
Harcourts Realestate		333			77
<b>Ken Payne</b>					
Agri Engineering Rosebank Industrial Estate	Relation		4,144		
Balclutha Community Hub Trust	Committee Member		404,967		
<b>Bruce Vollweiler</b>					
Tokomairiro Wairoa Inc	Board Member	33			
Milton Community Health Trust	Trustee		8,368		
<b>Bruce Graham</b>					
Duffy Engineering	Employee		42,357	388	
<b>Carol Sutherland</b>					
Riding for Disabled	Council Representative	1,565			
<b>Melinda Foster</b>					
Tuapeka-Lawrence Community Company Ltd	Director		57,755	78	
<b>Antony Robertson</b>					
Ideal Print and Design Ltd	Shareholder & Director		2,559	113	
<b>Garry Ian McCorkindale</b>					
Tuapeka-Lawrence Health Company Ltd	Director	190			

**Sarah Elizabeth Ritchie**

Southern Rehab Central Limited		215
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**Suzanne Stephenson**

Tuapeka-Lawrence Health Company Ltd	Director	190
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**Mayor Bryan Cadogan** is involved with Gore/Clutha Women's Refuge \$8,634 (2019: \$4,317), Clutha Foundation \$10,000 (2019: \$10,000).

**Chief Executive Steve Hill** is on the Board of Clutha Developments Incorporated \$520,523 (2019: \$614,464).

**Councillor Geoff Blackmore** is involved with Simpson Park Sporting Complex \$6,832 (2019: \$6,832), St Patricks Parish Council \$1,136 (2019: \$1,136).

**Councillor John Cochrane** is involved with Clinton Cemetery Trust \$2,500 (2019: \$2,500).

**Councillor Gaynor Finch** is involved with the Clutha Vet association \$2,858 (2019: \$2,457), Otago Museum Board \$124,586 (2019: \$123,108), Waiholo Looking Forward \$3,213 (2019: \$6,805).

**Councillor Rachel Jenkinson** is involved with Jenkinson Electrical \$32,211 (2019: \$16,182)

**Councillor Hilary McNab** is involved with Catlins Promotions \$0 (2019: \$460), Hina Hina Recreation Reserve \$1,800 (2019: \$1,800), Owaka Going Forward \$300 (2019: \$161), Catlins Coast \$1,917 (2019: \$3,122) and the Owaka Swimming Pool Committee \$9,694 (2019: \$9,694).

**Councillor Ken Payne** is involved with Agri Engineering Rosebank Industrial Estate \$4,144 (2019: \$164).

**Councillor Bruce Vollweiler** is involved with Milton Community Health Trust, Project Bruce \$8,368 (2019: \$8,330), Tokomairiro Community Recreation Centre Trust Inc. \$0 (2019: \$8,696).

**Councillor Bruce Graham** is involved with Duffy Engineering \$42,357 (2019: \$4,902)

**Councillor Melinda Foster** is involved with the Tuapeka-Lawrence Community Company Limited \$57,755 (2019: \$0).

There were no other transactions with related parties.

**A4 DEPRECIATION AND AMORTISATION****Accounting policy**

Depreciation is provided on all property, plant and equipment except for land, land under forests, road formation and land under roads. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight line basis over their useful economic lives (Note B1).

Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight line basis over their useful economic lives (Note B2).

	Note	2020 \$000	2019 \$000
<b>Depreciation and Amortisation Expenditure</b>			
Depreciation of property, plant and equipment	B1	12,708	12,506
Amortisation of Intangibles	B2	354	421
<b>TOTAL DEPRECIATION AND AMORTISATION</b>		<b>13,062</b>	<b>12,927</b>



### Local government disclosures

Depreciation and amortisation by group of activities:

	2020	2019
	\$000	\$000
Roading	8,504	8,487
Water	1,860	1,748
Sewerage	979	931
Stormwater	297	291
Community services	675	687
Solid waste management	58	47
Regulatory and emergency services	8	11
Internal Services	681	725
<b>Total depreciation and amortisation (Notes B1 and B2)</b>	<b>13,062</b>	<b>12,927</b>

## A5 FINANCE COSTS



### Accounting policy

Finance costs include interest expenditure, the unwinding of discounts on provisions and financial assets; and net realised losses on the early close-out of derivatives. Interest expenditure is recognised using the effective interest rate method. Interest expenditure includes the amortisation of borrowing costs recognised over the borrowing term. Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Finance Costs	2020	2019
	\$000	\$000
Bank	3	-
Local Government Funding Agency	114	20
Discount unwind on landfill provision	44	73
<b>TOTAL FINANCE COSTS</b>	<b>161</b>	<b>93</b>

Refer to Note E1 about the description of interest rate risk and interest rate risk management.

## A6 NET OTHER GAINS AND LOSSES



### Accounting policy

Net other gains and losses on the sale of property plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that Council will receive the consideration due.

Net other gains and losses	2020	2019
	\$000	\$000
Vested assets	4,445	694
Net loss on disposal of property, plant, and equipment	(348)	(583)
Net gain on disposal of forestry assets held for sale	4	432
Net gain on changes in fair value of financial assets at fair value through surplus or deficit	1,533	1,650
<b>TOTAL NET OTHER GAINS AND LOSSES</b>	<b>5,634</b>	<b>2,193</b>





### Explanation of major variances against budget

#### Net other gains and losses

- Vested assets from sub-divisions, and non-mapped laterals that councils have taken over because of the new water services by-law 2019, amounted to \$4,445k. Budget was zero.
- There was an unrealised gain of \$1,533k on the Nikko Investment portfolio Budget was zero.

## A7 INCOME TAX



### Accounting policy

Council activities are exempt from income tax under the Income Tax Act 2007.

## A8 CORPORATE AND DEVELOPMENT PROPERTY

Revenue	2020 \$000	2019 \$000
Proceeds Rosebank Industrial	-	-
Proceeds Plantation Heights	871	1,002
Proceeds Tapanui	-	140
Proceeds Other	295	135
<b>TOTAL REVENUE CORPORATE AND DEVELOPMENT PROPERTIES</b>	<b>1,166</b>	<b>1,277</b>
<b>Expenditure</b>		
Cost of sales Rosebank Industrial – (reversal) / impairment	(153)	353
Cost of sales Plantation Heights	793	956
Cost of sales Tapanui	-	159
Cost of sales Other	57	44
<b>TOTAL EXPENDITURE CORPORATE AND DEVELOPMENT PROPERTIES</b>	<b>697</b>	<b>1,512</b>
<b>Gain / (loss) on disposal of corporate and development properties</b>		
Gain / (Loss) Rosebank Industrial	153	(353)
Gain Plantation Heights	78	46
Loss Tapanui	-	(19)
Gain Other	238	91
<b>TOTAL NET GAIN / (LOSS) ON DISPOSAL OF CORPORATE AND DEVELOPMENT PROPERTIES</b>	<b>469</b>	<b>(235)</b>

## SECTION B: LONG TERM ASSETS

This section provides information about the investments Council has made in long-term assets to provide services and facilities to the people of the Clutha District. The long-term assets include physical assets such as infrastructure, land and buildings, parks and reserves and non-physical assets such as computer software.

The notes in this section are as follows:

- B1 Property, plant, and equipment
- B2 Intangible assets

## B1 PROPERTY, PLANT AND EQUIPMENT



### Accounting Policy

Property, plant and equipment consist of:

- **Operational Assets**

Land, buildings, furniture and equipment, plant and motor vehicles, land under forests and library books.

- **Infrastructural Assets**

Infrastructural assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function:

- Roads, bridges and lighting.
- Land under roads.
- Stormwater.
- Wastewater.
- Water.

Land (operational and restricted), buildings (operational and restricted), and library books are measured at cost less accumulated depreciation, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

- **Restricted Assets**

Restricted assets are mainly parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

### Revaluation

Infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenditure and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenditure but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

### Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the carrying value of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset class	Estimated useful lives	Depreciation Rate
<b>Operational Assets</b>		
Land	Not applicable	Not depreciated
Buildings	40-50	2% - 2.5%
Furniture and equipment	3-10	10% - 33.3%
Plant and motor vehicles	3-10	10% - 33.3%
Land under forest	n/a	Not depreciated
Library books	7	14.3%
<b>Infrastructural Assets</b>		
Roads - formation	Not applicable	Not depreciated
Roads - pavement (sealed)	2-100	1%-50%
Roads - pavement (unsealed)	35-100	1%-2.86%
Roads - other roading assets	20-150	0.6%-5%
Roads - other	10-50	2%-10%
Roads - bridges	50-150	0.6%-2%
Land under roads	Not applicable	Not depreciated
Stormwater	20-100	1-5%
Wastewater	20-100	1-5%
Water	20-100	1-5%
<b>Restricted assets</b>		
Reserves	Not applicable	Not applicable
Endowments	Not applicable	Not applicable
Other	Not applicable	Not applicable

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

### Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class of-asset to which the asset belongs.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expenditure and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expenditure and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

#### **Value in use for non-cash-generating assets**

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### **Value in use for cash-generating assets**

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

PROPERTY, PLANT AND EQUIPMENT continued

2020

	Cost /Valuation 1 July 2019 (\$000)	Additions (\$000)	Disposals (\$000)	Transfers (\$000)	Revaluation (\$000)	Cost /Valuation 30 June 2020 (\$000)	Accumulated depreciation charges 1 July 2019 (\$000)	Impairment losses charged in Statement of Financial Performance (\$000)	Depreciation expense (\$000)	Accumulated depreciation reversed on disposal (\$000)	Accumulated depreciation reversed on revaluation (\$000)	Accumulated depreciation charges 30 June 2020 (\$000)	Carrying amount 30 June 2020 (\$000)
<b>Operational Assets</b>													
<b>At Cost</b>													
Land	3,024	-	-	-	-	3,024	-	-	-	-	-	-	3,024
Buildings	14,160	19	-	-	-	14,179	(4,551)	-	(284)	-	(4,835)	9,344	
Land - restricted	1,422	35	-	-	-	1,457	-	-	-	-	-	1,457	
Land under forests	-	-	-	-	-	-	-	-	-	-	-	-	
Buildings - restricted	4,164	19	(52)	-	-	4,131	(1,380)	-	(83)	24	(1,439)	2,692	
Furniture and equipment	1,440	120	-	33	-	1,593	(1,027)	-	(159)	-	(1,186)	407	
Plant and Motor vehicles	3,547	239	(125)	28	-	3,689	(1,611)	-	(440)	111	(1,940)	1,749	
Library Books	866	103	-	-	-	969	(525)	-	(102)	-	(627)	342	
Work in progress	409	1,089	-	(61)	-	1,437	-	-	-	-	-	1,437	
<b>Total Operational Assets</b>	<b>29,032</b>	<b>1,624</b>	<b>(177)</b>	<b>-</b>	<b>-</b>	<b>30,479</b>	<b>(9,094)</b>	<b>-</b>	<b>(1,068)</b>	<b>135</b>	<b>-</b>	<b>(10,027)</b>	<b>20,452</b>
<b>Infrastructural Assets</b>													
Roads - Formation	536,836	46	-	-	44,452	581,334	-	-	-	-	-	-	581,334
Roads - Pavement (sealed)	152,048	2,971	-	-	(1,838)	153,181	(7,723)	-	(3,833)	-	11,556	-	153,181
Roads - Pavement (unsealed)	85,359	1,828	-	-	(7,449)	79,738	(4,851)	-	(2,229)	-	7,080	-	79,738
Roads - Other roading assets	42,027	623	-	-	13,280	55,930	(2,296)	-	(1,169)	-	3,465	-	55,930
Roads - Other	8,668	526	-	-	(1,595)	7,599	(1,013)	-	(488)	-	1,501	-	7,599
Roads - Bridges	42,051	441	-	-	3,371	45,863	(1,570)	-	(785)	-	2,355	-	45,863
Land under roads	7,833	-	-	-	-	7,833	-	-	-	-	-	-	7,833
Stormwater	12,025	1,638	-	140	1,281	15,084	(577)	-	(297)	-	874	-	15,084
Sewerage	41,394	2,583	(65)	278	7,054	51,244	(1,762)	-	(979)	7	2,734	-	51,244
Water	68,229	3,057	(406)	1,031	394	72,305	(3,366)	-	(1,860)	80	5,146	-	72,305
Work in Progress	2,542	2,760	-	(1,449)	-	3,853	-	-	-	-	-	-	3,853
<b>Total Infrastructural Assets</b>	<b>999,012</b>	<b>16,473</b>	<b>(471)</b>	<b>-</b>	<b>58,950</b>	<b>1,073,964</b>	<b>(23,158)</b>	<b>-</b>	<b>(11,640)</b>	<b>87</b>	<b>34,711</b>	<b>-</b>	<b>1,073,964</b>
<b>Total Property, Plant and Equipment</b>	<b>1,028,044</b>	<b>18,097</b>	<b>(648)</b>	<b>-</b>	<b>58,950</b>	<b>1,104,443</b>	<b>(32,252)</b>	<b>-</b>	<b>(12,708)</b>	<b>222</b>	<b>34,711</b>	<b>(10,027)</b>	<b>1,094,416</b>

## 2019

	Cost/Valuation					Cost/Valuation					Accumulated depreciation charges 30 June 2019 (\$000)	Impairment losses charged in Statement of Financial Performance (\$000)	Depreciation expense (\$000)	Accumulated depreciation reversed on disposal (\$000)	Accumulated depreciation reversed on revaluation (\$000)	Accumulated depreciation charges 30 June 2019 (\$000)	Carrying amount 30 June 2019 (\$000)
	1 July 2018 (\$000)	Additions (\$000)	Disposals (\$000)	Transfers (\$000)	Revaluation (\$000)	1 July 2018 (\$000)	30 June 2019 (\$000)	1 July 2018 (\$000)	30 June 2019 (\$000)	30 June 2019 (\$000)							
<b>Operational Assets</b>																	
<b>At Cost</b>																	
Land	3,024	-	-	-	-	3,024	-	-	-	-	-	-	-	-	-	-	3,024
Buildings	14,015	145	-	-	-	14,160	(4,270)	-	(281)	-	-	-	-	-	(4,551)	-	9,609
Land - restricted	1,457	-	(35)	-	-	1,422	-	-	-	-	-	-	-	-	-	-	1,422
Land under forests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - restricted	3,916	255	(16)	9	-	4,164	(1,308)	-	(79)	7	-	-	-	-	(1,380)	-	2,784
Furniture and equipment	1,281	147	-	12	-	1,440	(827)	-	(200)	-	-	-	-	-	(1,027)	-	413
Plant and Motor vehicles	2,864	764	(129)	48	-	3,547	(1,339)	-	(399)	127	-	-	-	-	(1,611)	-	1,936
Library Books	761	105	-	-	-	866	(436)	-	(89)	-	-	-	-	-	(525)	-	341
Work in progress	103	375	-	(69)	-	409	-	-	-	-	-	-	-	-	-	-	409
<b>Total Operational Assets</b>	<b>27,422</b>	<b>1,791</b>	<b>(180)</b>	<b>-</b>	<b>-</b>	<b>29,033</b>	<b>(8,180)</b>	<b>-</b>	<b>(1,048)</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,094)</b>	<b>-</b>	<b>19,939</b>	
<b>Infrastructural Assets</b>																	
Roads - Formation	536,648	188	-	-	-	536,836	-	-	-	-	-	-	-	-	-	-	536,836
Roads - Pavement (sealed)	149,339	2,709	-	-	-	152,048	(3,896)	-	(3,827)	-	-	-	-	-	(7,723)	-	144,325
Roads - Pavement (unsealed)	83,291	2,068	-	-	-	85,359	(2,622)	-	(2,229)	-	-	-	-	-	(4,851)	-	80,508
Roads - Other roading assets	41,288	739	-	-	-	42,027	(1,150)	-	(1,146)	-	-	-	-	-	(2,296)	-	39,731
Roads - Other	7,506	1,162	-	-	-	8,668	(512)	-	(501)	-	-	-	-	-	(1,013)	-	7,655
Roads - Bridges	41,593	458	-	-	-	42,051	(785)	-	(785)	-	-	-	-	-	(1,570)	-	40,481
Land under roads	7,833	-	-	-	-	7,833	-	-	-	-	-	-	-	-	-	-	7,833
Stormwater	11,587	437	(3)	4	-	12,025	(286)	-	(291)	-	-	-	-	-	(577)	-	11,448
Sewerage	38,533	392	(15)	2,484	-	41,394	(831)	-	(931)	-	-	-	-	-	(1,762)	-	39,632
Water	62,398	4,274	(629)	2,186	-	68,229	(1,638)	-	(1,748)	20	-	-	-	-	(3,366)	-	64,863
Work in Progress	5,457	1,759	-	(4,674)	-	2,542	-	-	-	-	-	-	-	-	-	-	2,542
<b>Total Infrastructural Assets</b>	<b>985,473</b>	<b>14,186</b>	<b>(647)</b>	<b>-</b>	<b>-</b>	<b>999,012</b>	<b>(11,720)</b>	<b>-</b>	<b>(11,458)</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,158)</b>	<b>-</b>	<b>975,854</b>	
<b>Total Property, Plant and Equipment</b>	<b>1,012,895</b>	<b>15,977</b>	<b>(827)</b>	<b>-</b>	<b>-</b>	<b>1,028,045</b>	<b>(19,900)</b>	<b>-</b>	<b>(12,506)</b>	<b>154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,252)</b>	<b>-</b>	<b>995,793</b>	



## Significant judgements and estimates

### Estimating the fair value of infrastructure

The most recent valuation of infrastructural assets effective 30 June 2020 was performed by:

- Stormwater, sewerage, and water infrastructural assets were valued at depreciated replacement cost as at 30 June 2020 by staff and reviewed by Rationale Limited.
- The roading infrastructural assets (excluding land under roads) were revalued at depreciated replacement cost at 30 June 2020 by Stantec.

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are several estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- **Estimating the unit rates.**

The unit rate review sourced data from recent CDC physical works contract payments, and unit rates from surrounding districts (Southland, Central Otago, and Dunedin City). These rates were analysed to:

- Benchmark CDC's 30 June 2017 unit rates against surrounding areas and recent project work.
- Compare the unit rate 'curves' for line assets (cost profile by pipe diameter).
- Update unit rates for the 30 June 2020 valuation.

In addition to regional comparisons, the following indices were used to calculate a weight adjusted rate of inflation. This was calculated using the same methodology as in 2017, resulting in 9.0% inflation over the 2017-20 period:

- Pipelines (50% weight)
- Electrical works (5% weight)
- Metal tanks, reservoirs, and containers (10% weight)
- Pumping and compressing equipment (10% weight)
- Private labour (25% weight).

- **Estimates of the remaining useful life over which the asset will be depreciated.**

Each asset is depreciated over its total useful life. An asset's total useful life defaults to its standard life except where its economic or physical life has been assessed. The economic or physical life of particular reticulation assets has not been assessed; therefore, the standard life has been applied in all instances.

- **Asset Optimisation**

Water supply, wastewater and stormwater line replacement costs have been optimised for material type. Further optimisation of reticulation assets has not occurred. Excess asset capacity, obsolescence and surplus assets are not considered a significant issue.

### Critical Judgements in applying accounting policies

#### Classification of Property

Council owns properties held to provide social housing. The receipt of market-based rental from these properties is incidental to holding them. These properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.



## Restrictions

Land and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both.

This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

Certain classes of property, plant, and equipment where restrictions apply follow:

	2020	2019
	\$000	\$000
Land and buildings, including parks and reserves	4,149	4,209
<b>TOTAL</b>	<b>4,149</b>	<b>4,209</b>

## Security over property, plant, and equipment

Other than property, plant, and equipment subject to finance leases, no other property, plant and equipment is pledged as security for liabilities (2019: \$nil) of Council.



## Local government disclosures

### Core assets

Under the Local Government (Financial Reporting and Prudence) Regulations 2014, Council is required to disclose information about core assets.

Included within the infrastructure assets are the following core assets:

		Closing Book Value 30 June 2020 \$000	Additions constructed by Council \$000	Additions transferred to Council \$000	Estimated replacement cost \$000
Water Supply	Treatment plants and facilities	23,600	1,160	537	40,798
Water Supply	Other assets (such as reticulation systems)	48,704	2,205	186	87,564
Sewerage	Treatment plants and facilities	19,286	622	2,020	28,676
Sewerage	Other assets (such as reticulation systems)	31,958	128	91	60,571
Stormwater/Drainage		15,084	166	1,612	32,110
Roads and Footpaths		923,645	6,435	-	1,114,546

### Insurance of assets

Under the LGA 2002, Council is required to disclose the following information on insurance of assets as at 30 June 2020:

	2020 Actual \$000	2019 Actual \$000	2018 Actual \$000
Total value of all assets of the local authority that are covered by insurance contracts	66,909	51,021	46,714
Maximum amount to which they are insured	147,205	158,751	156,917
Total value of all assets of the local authority that are covered by financial risk sharing arrangements	-	-	-
Maximum amount available to the local authority under those arrangements	-	-	-
Total value of all assets that are self-insured ( <u>Underground assets</u> )	86,258	80,005	78,127
<b>Total value of funds maintained for self-insured assets (<u>Underground assets</u>)</b>	<b>365</b>	<b>300</b>	<b>238</b>

Roads are not insured, there is an expectation of NZTA subsidy should an event occur.

## B2 INTANGIBLE ASSETS



### Accounting policy

#### Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of Council's website are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 to 5 years	20% to 33.3%
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#### Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note B1. The same approach applies to the impairment of intangible assets.

<b>Computer Software</b>	<b>\$000</b>
<b>Gross carrying amount</b>	
<b>Balance at 1 July 2018</b>	<b>2,139</b>
Additions	324
Transfer from Work in Progress	
Disposals	-
Intangibles Expensed during the year	-
<b>Balance at 1 July 2019</b>	<b>2,463</b>
Additions	103
Transfers from Work in Progress	-
Disposals	-
<b>Balance at 30 June 2020</b>	<b>2,566</b>
<b>Accumulated amortisation</b>	
<b>Balance at 1 July 2018</b>	<b>1,022</b>
Amortisation Expenditure	421
Disposals	-
Amortisation reversed on intangibles Expensed during the year	-
<b>Balance at 1 July 2019</b>	<b>1,443</b>
Amortisation Expenditure	354
Disposals	-
<b>Balance at 30 June 2020</b>	<b>1,797</b>
<b>Net Book Value</b>	
As at 30 June 2019	<b>1,020</b>
<b>As at 30 June 2020</b>	<b>769</b>

## SECTION C: BORROWINGS AND FINANCIAL INSTRUMENTS

This section provides details of Council’s borrowings, a major source of funding used to deliver the services to the people of the Clutha District. This section also provides information of financial instruments such as derivatives acquired to mitigate some of the risks arising from the borrowings.

The notes included in this section are as follows:

- C1 Borrowings
- C2 Financial instruments
- C3 Other financial assets
- C4 Fair value and classification of financial instruments

## C1 BORROWINGS



### Accounting policy

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

External Borrowings		
	2020	2019
Current	\$000	\$000
LGFA	4,000	-
Non-Current		
LGFA	5,020	5,020
<b>TOTAL</b>	<b>9,020</b>	<b>5,020</b>

Date Borrowed	Date Maturing	Amount \$000	Interest Rate
April 2019	April 2022	2,500	2.29%
April 2019	April 2023	2,500	2.44%
April 2020	April 2021	2,000	Base Rate + 83 b.p.
April 2020	October 2020	2,000	Base Rate + 31 b.p.

Council's borrowings with the LGFA are secured by negative pledge including future general rates. Council has a multi option credit line facility of \$3m which expires 31 July 2022 and a business MasterCard facility with a limit of \$20k. Interest is charged on a daily basis. At balance date the current weighted average effective interest rate on the bank borrowings is 0% (2019: 0%), and on LGFA borrowings 1.77% (2019: 2.39%).



### Local government disclosures

#### Internal borrowings

Internal borrowing occurs when an activity borrows from reserve funds held for another purpose. Internal borrowings are eliminated and not recorded in the financial statements. In relation to each group of activities, Council has incurred internal borrowings during the financial year to 30 June 2020, as reflected below:

Internal borrowings	Opening Balance 2019	Borrowed during the Year	Funds Repaid in the Year	Interest Paid in the Year (for information)	Closing Balance 2020
	\$000	\$000	\$000	\$000	\$000
Administration	165	95	10	6	250
Community Services	7,730	507	215	299	8,022
Community Leadership	1,964	22	67	75	1,919
Economic Development	368	353	11	14	710
Emergency Services	79	-	3	3	76
Water	6,324	2,470	300	247	8,494
Sewerage	2,626	61	123	103	2,564
Stormwater	354	-	34	14	320
Regulatory	150	85	17	6	218
Roading	7,044	30	329	275	6,745
<b>Total</b>	<b>26,804</b>	<b>3,623</b>	<b>1,109</b>	<b>1,042</b>	<b>29,318</b>



### Accounting policy

#### Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Council becomes a party to contractual provisions of the instrument. Council is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables and borrowings. The relevant accounting policies are stated under separate headings.

#### Financial Assets

Financial assets are classified into the following specified categories:

- Financial assets 'at fair value through surplus or deficit',
- 'Available-for-sale' financial assets, and
- 'Loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method, referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest revenue over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Financial Assets at Fair Value through Surplus or Deficit

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- Has been acquired principally for the purpose of selling in the near future.
- Is a part of an identified portfolio of financial instruments that Council manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through surplus or deficit are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Revenue and Expenditure. The net gain or loss is recognised in the Statement of Comprehensive Revenue and Expenditure and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

Council has classified its managed funds, held with Nikko Asset Management (ANZ Investments), as financial assets at fair value through surplus or deficit. This fund includes bonds and tradable securities.

#### Available-for-Sale Financial Assets

Available-for-sale financial assets are those that are designated as fair value through other statement of comprehensive revenue or expenditure or are not classified in any of the other categories. This category encompasses investments that Council intends to hold long-term, but which may be realised before maturity and equity securities held for strategic purposes.

Equity securities have been classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve; with the exception interest calculated using the effective interest method and impairment losses which are recognised directly in the Statement of Comprehensive Revenue and Expenditure. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of Comprehensive Revenue and Expenditure for the period.

Dividends on available-for-sale equity securities are recognised in the Statement of Comprehensive Revenue and Expenditure when Council's right to receive payments is established.

## Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for doubtful debts is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is expensed in the Statement of Comprehensive Revenue and Expenditure.

Loans, including loans to community organisations made by Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenditure as a grant.

Money Market Deposits are included within this classification.

## Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Revenue and Expenditure.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Revenue and Expenditure to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Financial Liabilities

- Trade and Other Payables

Trade payables and other accounts payable are recognised when Council becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

- Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Revenue and Expenditure over the period of the borrowing using the effective interest method.

## Derivative Financial Instruments

From time to time Council enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Council does not hold derivative financial instruments for speculative purposes.



Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Derivative instruments entered into by Council do not qualify for hedge accounting. The resulting gain or loss is recognised in the Statement of Comprehensive Revenue and Expenditure immediately.

There were no derivative financial instruments held by Council at 30 June 2020 or 30 June 2019.

- Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for financial assets held by Council is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

- Assets held for sale

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets (including those that are part of a disposal) are not depreciated or amortised while they are classified as held for sale.

	2020	2019
	\$000	\$000
<b>Financial Assets</b>		
Cash and cash equivalents (AC)	1,763	4,092
Trade and other receivables – Loans and receivables (AC)	5,309	4,088
<b>Other Financial Assets</b>		
Fair value through surplus or deficit - held for trading (FVTPL)	28,984	27,210
Borrower Notes in LGFA (AFS)	112	80
Available-for-sale financial assets (AFS)	32	55
<b>Financial Liabilities</b>		
Bank overdraft (AC)	-	-
Trade and other payables (AC)	5,535	6,354
LGFA Borrowings (AC)	9,020	5,020
Other Liabilities (AC)	55	60
Derivative Financial Liabilities	32	-

AC – Amortised cost; FVTPL – Fair sale through surplus and deficit; AFS – Available for sale

### C3 OTHER FINANCIAL ASSETS



#### Accounting policy

Other financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Other financial assets include unit trusts, loans to related parties, credit support annex, bonds, borrower notes, community loans and listed and unlisted shares.

The accounting policies on classification of these financial assets for the purpose of measurement are outlined in Note C4.

	2020 \$000	2019 \$000
<b>At fair value through surplus or deficit classified as held for trading</b>		
<b>Current</b>		
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,746	3,974
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,292	1,850
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	2,946	3,436
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	9,331	7,795
Wholesale Multi Strategy Fund – Nikko AM	1,326	-
Wholesale Multi Strategy Fund – MAR20	728	-
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,444	5,283
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	2,922	3,016
Wholesale Property Fund – Unit Trusts – Nikko AM	1,249	1,856
	<b>28,984</b>	<b>27,210</b>
<b>Available-for-sale at fair value:</b>		
<b>Non-Current</b>		
Equity Securities – Civic Assurance	32	55
Borrower Notes in Local Government Funding Agency	112	80
	<b>144</b>	<b>135</b>
Disclosed in the financial statements as:		
Current	28,984	27,210
Non-current	144	135
	<b>29,128</b>	<b>27,345</b>

There are no impairment provisions for other financial assets.

## C4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS



### Accounting policy

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Due to the immaterial size and nature of the Council's investment in the LGFA, the Council has estimated the fair value of this investment based on the LGFA's net asset backing at 30 June.

The carrying amount of financial assets and financial liabilities are recorded at amortised cost in the financial statements which approximates their fair values.

Fair value measurements recognised in the Statement of Comprehensive Revenue and Expenditure.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, reconciled into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data unobservable inputs).
- Refer to Note C2 and C3 for the valuation techniques used to value derivative financial instruments and other financial assets, respectively.

The fair value hierarchy for Council is as follows:

	Total	Quoted Market Price 2020 \$000	Observable Inputs 2020 \$000	Significant Non- observable Inputs 2020 \$000
<b>Financial assets at FVTPL</b>				
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,746	-	3,746	-
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,292	-	1,292	-
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	2,946	-	2,946	-
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	9,331	-	9,331	-
Wholesale Multi Strategy Fund – Nikko AM	1,326	-	1,326	-
Wholesale Multi Strategy Fund – MAR20	728	-	728	-
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,444	-	5,444	-
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	2,922	-	2,922	-
Wholesale Property Fund – Unit Trusts – Nikko AM	1,249	-	1,249	-
<b>Available for sale financial assets</b>				
Equity Securities – Civic Assurance	32	-	-	32
Borrower Notes - LGFA	112	-	-	112



## Accounting policy

For the purpose of measurement financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held.

Management determines the classification of financial assets and liabilities and recognised these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Loans and receivables	Amortised cost less provision for impairment	Surplus or deficit
Available for sale financial assets	Fair value	Other comprehensive revenue and expenditure
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit
Held to maturity financial assets	Amortised cost less provision for impairment	Surplus or deficit

Council does not have financial assets for purposes of trading. Council has listed investments in managed funds and unit trusts that are designated on initial recognition at fair value through surplus or deficit. This is because the performances of these groups of assets are managed, and performance evaluated, on a fair value basis, in accordance with Council's investment management policy. Derivatives are, by their nature, categorised as held for trading unless they are designated into a hedge relationship for which hedge accounting is applied.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenditures arising as a result of financial instrument earnings or fair value adjustments are recognised as a net result for like items.

Fair Value Reconciliation for level 3 shares	2020 \$000	2019 \$000
<b>Borrower Notes in LGFA and Equity Securities in Civic Assurance</b>		
Balance 1 July	135	52
Gains and losses recognised in the surplus or deficit	-	-
(Losses) / gains recognised in other comprehensive revenue and expense - Civic	(23)	3
Purchases - LGFA	32	80
Sales	-	-
Transfers into level 3	-	-
Transfers out of level 3	-	-
<b>Balance 30 June</b>	<b>144</b>	<b>135</b>

## SECTION D: WORKING CAPITAL AND EQUITY

This section provides information about the operating assets and liabilities available to Council's day-to-day activities. This section also contains analysis of the net assets of Council, accumulated funds and restricted reserves.

The notes included in the following section are as follows:

- D1 Cash and cash equivalents
- D2 Receivables and prepayments
- D3 Payables and accruals
- D4 Employee entitlements
- D5 Provisions
- D6 Ratepayer equity
- D7 Non-current assets held for sale
- D8 Development property

## D1 CASH AND CASH EQUIVALENTS



### Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

	2020 \$000	2019 \$000
Cash and cash equivalents	1,763	592
Term deposits with maturities of less than three months at acquisition	-	3,500
<b>Total cash and cash equivalents</b>	<b>1,763</b>	<b>4,092</b>

The total value of cash and cash equivalents that can only be used for a specified purpose as outlined in the relevant Trust deeds is \$55 (2019: \$60).

## D2 RECEIVABLES AND PREPAYMENTS



### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Certain balances have been reclassified in line with the current year's classification.

### Fair Value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

## Schedule of Receivables and Prepayments

	2020 \$000	2019 \$000
Trade and other receivables	1,502	1,060
Rates receivable	726	793
Sub-total – see below	2,228	1,853
Allowance for doubtful debts – see below	(204)	(251)
<b>Net trade and other receivables</b>	<b>2,024</b>	<b>1,602</b>
NZTA Subsidy	2,943	2,115
GST refundable	342	538
<b>Total receivables and prepayments</b>	<b>5,309</b>	<b>4,255</b>
Disclosed in the financial statements as:		
Current	5,309	4,255
Non-current	-	-
<b>Total receivables and prepayments</b>	<b>5,309</b>	<b>4,255</b>
Receivables from non-exchange transactions: This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates.	4,185	3,446
Receivables from exchange transactions: This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	1,124	809
	<b>5,309</b>	<b>4,255</b>

The age of these trade and other receivables that are past due, but are not impaired are as follows:

	2020 \$000	2019 \$000
Past due 1 to 3 months	880	781
Past due 3 to 6 months	167	188
Past due 6 to 9 months	206	99
Past due 9 to 12 months	256	99
Past due > 12 months	719	686
<b>TOTAL TRADE AND OTHER RECEIVABLES PAST DUE</b>	<b>2,228</b>	<b>1,853</b>

## Provision for impairment of receivables



### Accounting Policy

#### Assessment for uncollectability

Council does not normally provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after due date for payment. If payment has not been made within three months of the Court's judgment, then Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

Council provides for impairment on rates receivables only for abandoned land and properties at rating sales with little chance of recovery.

All receivables more than 30 days in age are considered to be past due.

The allowance for doubtful debts has been calculated based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt write offs.

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor.

Council holds no other collateral as security or other credit enhancements over receivables that are either past due or uncollectable.

Other than NZTA, Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Council believes no further credit provision is required in excess of the allowance for doubtful debts.

#### Movement in the allowance for doubtful debts:

	2020	2019
	\$000	\$000
Balance at Beginning of year	251	222
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in Statement of Comprehensive Revenue and Expenditure	(47)	29
<b>DOUBTFUL DEBT PROVISION BALANCE AT END OF YEAR</b>	<b>204</b>	<b>251</b>



### D3 PAYABLES AND ACCRUALS



#### Accounting policy

Current payables and accruals are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore, the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

Certain balances have been reclassified in line with the current year's classification.

#### Payables and accruals

	2020 \$000	2019 \$000
<b>Payables and accruals under exchange transactions</b>		
Trade and sundry payables	4,651	5,642
Rates in advance	396	377
Deposits and retentions	488	502
<b>Payables and accruals under non-exchange transactions</b>		
Trade and sundry payables	-	-
<b>TOTAL PAYABLES AND ACCRUALS</b>	<b>5,535</b>	<b>6,521</b>

The average credit period on purchases is 30 days.

## D4 EMPLOYEE ENTITLEMENTS



### Accounting policy

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported at the present value of estimated future cash outflows.

### Employee entitlements

	2020 \$000	2019 \$000
Salary and wage accrual	172	201
Annual leave	491	345
Long service leave	5	9
Retirement gratuities	57	54
<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>725</b>	<b>609</b>

## D5 PROVISIONS



### Accounting policy

Provisions are recognised in the Statement of Financial Position only where Council has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as finance cost in surplus or deficit.



### Judgements and estimates

The management of the Mt Cooee landfill will influence the timing of recognition of some future liabilities. However, it is likely that the main restriction on the future use of the current site will be the statutory and regulatory limitations rather than the capacity of the site. It is anticipated that the site will cease operating when the current consent expires in October 2023. At the current rates of usage there will be significant volumetric capacity remaining in 2023.

The cash outflows for closed landfills are not expected to occur until 2026. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 6% (2019: 6%).

Other assumptions made in the calculation of the provision are:

- No major capital projects will be required at existing closed landfill sites and
- The Mt Cooee Landfill will close when the current consent expires in 2023.

### Landfill aftercare provision

	2020 \$000	2019 \$000
Balance at beginning of year	765	731
Finance costs – Discount unwind	44	73
Amounts used	(27)	(39)
<b>BALANCE AT END OF YEAR</b>	<b>782</b>	<b>765</b>



### Accounting policy

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds;
- Restricted reserves;
- Property revaluation reserve; and
- Fair value through other comprehensive revenue and expenditure reserve.

### Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves include those subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

### Property revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

### Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expenditure.

### Capital management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires Council to make adequate and effective provision in its Long-Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in Council's LTP.

Council has the following council-created reserves:

- Reserves for different areas of benefit;
- Self-insurance reserves; and
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where funds have been used for the purpose they were donated.

## Reserves

	2020 \$000	2019 \$000
Available-for-sale revaluation reserve (a)	(77)	(22)
Asset revaluation reserve (b)	837,869	744,208
Trust Funds (c)	431	420
Reserves (d and e)	57,871	53,581
<b>BALANCE AT END OF YEAR</b>	<b>896,094</b>	<b>798,187</b>

	2020 \$000	2019 \$000
<b>(a) Available-for-Sale Revaluation Reserve</b>		
Balance at beginning of year	(22)	(25)
Valuation gain/(loss) recognised	(55)	3
Equity securities	-	-
<b>BALANCE AT END OF YEAR</b>	<b>(77)</b>	<b>(22)</b>

The available-for-sale revaluation reserve arises on the revaluation of equity securities. Where a revalued financial asset is sold, the portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in the Statement of Comprehensive Revenue and Expenditure. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Statement of Comprehensive Revenue and Expenditure.

**(b) Asset Revaluation Reserve**

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance at beginning of year</b>	<b>744,208</b>	<b>744,208</b>
Revaluation (decrease) / increase		
- Roding revaluation	76,178	-
- Stormwater revaluation	2,155	-
- Wastewater revaluation	9,788	-
- Water revaluation	5,540	-
		-
<b>BALANCE AT END OF YEAR</b>	<b>837,869</b>	<b>744,208</b>

The asset revaluation reserve arises on the revaluation of infrastructural assets. Where a revalued asset is sold, the portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to accumulated funds.

**Reconciliation of Revaluation Reserve**

	<b>Roding</b>	<b>Stormwater</b>	<b>Wastewater</b>	<b>Water</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 30 June 2018	677,123	6,683	26,634	33,768	744,208
Revaluation increase /(decrease)	-	-	-	-	-
Balance at 30 June 2019	677,123	6,683	26,634	33,768	744,208
Revaluation increase / (decrease)	76,178	2,155	9,788	5,540	93,661
<b>BALANCE AT 30 JUNE 2020</b>	<b>753,301</b>	<b>8,838</b>	<b>36,422</b>	<b>39,308</b>	<b>837,869</b>

**(c) Trust Funds (restricted)**

	2020 \$000	2019 \$000
<b>Balance at beginning of year</b>	420	408
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	12	12
- Transfer to accumulated comprehensive revenue and expenditure	(1)	-
<b>BALANCE AT END OF YEAR</b>	<b>431</b>	<b>420</b>

Trust Funds relate to funds that have been provided to Council by various people for specific purposes.

**Local government disclosures**

The restricted reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening	Transfers	Interest	Transfers	Closing
		Balance 2019 \$000	into the reserve \$000	Allocated \$000	out of the reserve \$000	Balance 2020 \$000
<b>Trust Funds</b>		<b>420</b>	<b>-</b>	<b>12</b>	<b>1</b>	<b>431</b>
Tapanui Domain Trust	Trust	16	-	-	-	16
Butler Trust	Trust	-	-	-	-	-
Milton Brass Band	Trust	1	-	-	-	1
O'Hara Sports Trust	Trust	2	-	-	-	2
JD Swan Estate	Trust	9	-	-	-	9
George Melville Estate	Trust	157	-	4	-	161
Kate Leslie Trust	Trust	116	-	4	1	119
Elderly Citizens Trust (Lawrence)	Trust	30	-	1	-	31
Clinton Endowment Land	Trust	89	-	3	-	92

**(d) Reserves**

	2020 \$000	2019 \$000
<b>Balance at beginning of year</b>	<b>53,580</b>	<b>51,572</b>
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	7,591	7,728
- Transfer to accumulated comprehensive revenue and expenditure	(6,267)	(8,248)
- Investment Fund Balance	2,967	2,529
<b>BALANCE AT END OF YEAR</b>	<b>57,871</b>	<b>53,581</b>

(d) Reserve Funds

 Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2019 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2020 \$000
<b>Community Leadership</b>		<b>364</b>	<b>45</b>	<b>12</b>	<b>26</b>	<b>395</b>
Election Fund	Spec	71	-	2	22	51
Lawrence/Tuapeka Community Board	Spec	34	-	1	1	34
West Otago Community Board	Spec	54	19	3	-	76
Tuapeka Bursary	Spec	33	-	1	3	31
Economic Development	Spec	26	-	1	-	27
Clutha Gold Trail	Spec	63	26	2	-	91
Opportunities Fund	Spec	71	-	2	-	73
Signage	Spec	8	-	-	-	8
Welcome to Signage	Spec	4	-	-	-	4
<b>Internal Services</b>		<b>775</b>	<b>548</b>	<b>19</b>	<b>639</b>	<b>703</b>
Information Technology	Depn	(1,011)	172	(34)	265	(1,138)
Office Computer Equipment	Spec	88	-	3	-	91
Rosebank Terrace Main Office	Depn	584	57	15	115	541
Underground Insurance	Spec	300	55	10	-	365
Human Resources	Spec	19	-	-	-	19
Cars	Spec	462	245	13	259	461
Gratuities	Spec	74	-	3	-	77
G.I.S.	Spec	104	19	4	-	127
District Assets Infrastructure	Spec	2	-	-	-	2
Policy and Communication	Spec	153	-	5	-	158
<b>Roading</b>		<b>7,311</b>	<b>665</b>	<b>222</b>	<b>642</b>	<b>7,556</b>
Roading	Depn	5,728	665	173	642	5,924
Roading – Bridge Lights	Spec	42	-	2	-	44
Balclutha Main Street	Spec	57	-	2	-	59
Deferred Roading	Depn	1,484	-	45	-	1,529
<b>Water</b>		<b>4,470</b>	<b>1,636</b>	<b>126</b>	<b>2,027</b>	<b>4,205</b>
Urban	Depn	(288)	699	1	400	12
Urban	Spec	398	-	12	-	410
Balmoral No. 1	Depn	321	23	9	74	279
Balmoral No. 1	Spec	31	-	1	-	32
Balmoral No. 2	Depn	147	52	4	109	94
Balmoral No. 2	Spec	133	-	4	-	137
Clydevale/Pomahaka	Depn	120	125	5	128	122
Glenkenich	Depn	327	110	9	156	290





## Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2019 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2020 \$000
Glenkenich Rural Water Scheme	Spec	1	-	-	-	1
Moa Flat	Depn	538	125	10	337	336
Moa Flat Rural Water Scheme	Spec	2	-	1	-	3
North Bruce	Depn	562	105	18	55	630
Richardson	Depn	27	121	(8)	400	(260)
Richardson Rural Water Scheme	Spec	505	-	15	-	520
South Bruce	Depn	34	21	-	26	29
Tuapeka RWS	Depn	108	81	6	-	195
Tuapeka RWS	Spec	-	-	-	-	-
Waipahi	Depn	141	28	3	70	102
Waitahuna	Depn	201	49	4	105	149
Wangaloa	Depn	123	14	4	-	141
Stirling Treatment Plant	Depn	(49)	38	-	-	(11)
Stirling Water Treatment	Spec	174	-	2	87	89
Kaitangata Treatment Plant	Depn	276	45	8	45	284
Wangaloa Plant Renewal	Spec	16	-	-	-	16
Telemetry	Depn	453	-	13	35	431
Telemetry	Spec	169	-	5	-	174
<b>Sewerage</b>		<b>6,956</b>	<b>838</b>	<b>191</b>	<b>1,477</b>	<b>6,508</b>
Sewerage	Depn	6,066	838	163	1,477	5,590
Sewerage	Spec	890	-	28	-	918
<b>Stormwater</b>		<b>1,841</b>	<b>283</b>	<b>54</b>	<b>343</b>	<b>1,835</b>
Stormwater	Depn	1,818	283	53	343	1,811
Stormwater	Spec	23	-	1	-	24
<b>Waste Management</b>		<b>2,262</b>	<b>56</b>	<b>69</b>	<b>-</b>	<b>2,387</b>
Solid Waste	Depn	2,262	56	69	-	2,387
<b>Community Services</b>		<b>5,663</b>	<b>495</b>	<b>168</b>	<b>835</b>	<b>5,491</b>
Libraries	Depn	75	132	4	103	108
Service Centres	Depn	117	16	4	34	103
Service Centres	Spec	229	-	7	-	236
Balclutha Pool	Depn	(1)	51	-	50	-
Kaitangata Pool	Depn	205	-	6	-	211
Kaitangata Pool	Spec	82	-	2	-	84
Lawrence Pool	Depn	134	-	4	-	138
Lawrence Pool	Spec	46	-	2	-	48
Milton Pool	Depn	2	24	1	-	27
Reserve Contributions	Spec	66	9	2	-	77



## Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2019 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2020 \$000
Parks and Reserves	Depn	83	15	3	-	101
Sports Grounds	Depn	256	-	7	-	263
Grandstand 2000	Depn	150	-	5	-	155
Cemetery	Depn	140	-	5	-	145
Cemeteries	Spec	506	-	16	-	522
Kaitangata Cemetery	Spec	14	-	1	-	15
Lawrence Cemetery	Spec	29	-	1	-	30
Public Conveniences	Depn	160	49	2	143	68
Balclutha Town Hall	Depn	503	47	5	370	185
Balclutha Town Hall	Spec	174	-	5	-	179
Milton Civic Centre	Depn	15	-	-	-	15
Kaitangata Hall	Depn	27	-	1	-	28
Clutha Valley Hall	Depn	45	3	2	-	50
Hillend Hall	Depn	28	3	2	-	33
Kaka Point Hall	Depn	39	7	-	23	23
Lovells Flat	Depn	13	-	1	-	14
Moneymore	Depn	10	-	1	-	11
Owaka Hall	Depn	71	3	2	4	72
Waiholo Hall	Depn	5	-	1	-	6
Waipahi Hall	Depn	12	1	-	-	13
Waitahuna Hall	Depn	201	4	6	-	211
Waiwera Hall	Depn	18	-	1	-	19
Various Halls	Depn	152	-	5	-	157
Naish Park Camping Ground	Depn	56	16	2	-	74
Kaka Point Camping Ground	Depn	76	-	2	17	61
Taylor Park Camping Ground	Depn	60	1	3	-	64
Pounaweia Camping Ground	Depn	10	7	1	-	18
Waiholo Camping Ground	Depn	7	-	1	-	8
Community Housing	Depn	687	107	21	91	724
Endowment Land	Spec	592	-	18	-	610
Depots	Depn	352	-	10	-	362
Other Property	Depn	125	-	4	-	129
Dunrobin Recreation Reserve*	Spec	70	-	2	-	72
Parkhill Recreations Reserve Board*	Spec	5	-	-	-	5
Waikoikoi Domain Board*	Spec	17	-	-	-	17
<b>Regulatory and Emergency Services</b>		<b>100</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>105</b>
Animal Control	Depn	15	2	1	-	18
Regulatory Reserve	Depn	52	-	1	-	53
Civil Defence	Depn	33	-	1	-	34

 Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2019 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2020 \$000
<b>Funds Not Specifically Allocated to an Activity</b>						
<b>Council</b>		<b>23,842</b>	<b>3,023</b>	<b>2,099</b>	<b>278</b>	<b>28,686</b>
General Funds	Spec	5,800	-	365	50	6,115
Serdel – Externally Invested	Spec	4,773	-	-	-	4,773
Forestry Fund – Externally Invested	Spec	5,851	-	235	-	6,086
Investment Fund Balance	Spec	-	3,023	-	-	3,023
Rates Disbursement Reserve	Spec	1,721	-	930	-	2,651
Treasury Return to Balance Reserve	Spec	863	-	435	16	1,282
Education Fund	Spec	14	-	-	-	14
Land and Buildings	Spec	201	-	6	-	207
Emergency Fund	Spec	4,419	-	122	212	4,329
Capital Works and Purchases	Spec	141	-	5	-	146
Bulb Growing Project	Spec	3	-	-	-	3
Lawrence Heritage	Spec	28	-	1	-	29
Milton Pipe band	Spec	-	-	-	-	-
Momona Airport Refund	Spec	28	-	-	-	28
<b>Unrestricted Reserves</b>		<b>53,580</b>	<b>7,591</b>	<b>2,967</b>	<b>6,267</b>	<b>57,871</b>

\*Council holds funds on behalf of 3 Recreation Reserve/Domain Boards.

**Accumulated Comprehensive Revenue and Expenditure**

	2020 \$000	2019 \$000
<b>Balance at beginning of year</b>	<b>225,138</b>	<b>226,803</b>
Net Surplus for the year	2,160	356
Transfer from/(to)		
- Transfer from Reserves	6,267	8,248
- Additional reserves created	-	-
- Transfer to Reserves to balance investments	(2,967)	(2,529)
- Transfer to Reserves	(7,591)	(7,728)
- Transfer to Trust Funds	(10)	(12)
<b>BALANCE AT END OF YEAR</b>	<b>222,997</b>	<b>225,138</b>

## D7 NON-CURRENT ASSETS HELD FOR SALE



### Accounting policy

Non-current assets (ex-forestry assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell for one growth cycle.

Gains or losses arising from a change in fair value less estimated costs to sell are recognised in the surplus or deficit. Forestry maintenance costs are recognised in the surplus or deficit when incurred. Any impairment losses for write-downs are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

	Notes	2020 \$000	2019 \$000
<b>Reconciliation of changes in carrying amount</b>			
Balance at beginning of year		-	420
Decrease due to sales		-	(420)
<b>BALANCE AT END OF YEAR</b>		-	-

As all the forests were sold during the year there is no need to provide a valuation.

## D8 DEVELOPMENT PROPERTY



### Accounting policy

Development Properties are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the development properties less all estimated costs to make the sale.

	2020 \$000	2019 \$000
<b>ROSEBANK INDUSTRIAL SITE</b>		
Opening Balance	824	25
Plus: Additions in current year	230	1,152
Less: Amounts expensed due to sale	-	-
Add impairment reversal, (Less: Impairment loss)	153	(353)
<b>Closing Balance</b>	<b>1,207</b>	<b>824</b>
<b>PLANTATION HEIGHTS</b>		
Opening Balance	2,913	3,529
Plus: Additions in current year	183	340
Less: Amounts expensed due to sale	(793)	(956)
<b>Closing Balance</b>	<b>2,303</b>	<b>2,913</b>
<b>TAPANUI SUBDIVISION</b>		
Opening Balance	-	146
Plus: Additions in current year	-	13
Less: Amounts expensed due to sale	-	(159)
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>KAITANGATA HOUSE AND LAND PACKAGE</b>		
Opening amount capitalised	58	-
Plus: Additions in current year	342	58
Less: Amounts expensed due to sale	(20)	-
Less: Impairment loss	(35)	-
<b>Closing Balance</b>	<b>345</b>	<b>58</b>
<b>TOTAL</b>	<b>3,855</b>	<b>3,795</b>

## SECTION E: FINANCIAL RISK MANAGEMENT

This section provides information on how Council is exposed to a variety of financial risks (market risk, credit risk and liquidity risk) and how these risks are managed under the Policy on Treasury Management approved by Council which incorporates a liability management policy and investment policy.

Council's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Council does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The following are the financial risks significant to Council:

- E1 Interest rate risk
- E2 Equity price risk
- E3 Credit risk
- E4 Liquidity risk
- E5 Foreign exchange risk

## E1 INTEREST RATE RISK

### Risk exposure

Interest rate risk is the risk that the actual interest expenditure and interest revenue will be significantly different to the projected interest expenditure and interest revenue in the Annual Plan and LTP 2018/2028. Interest rate risk refers to the impact that interest rate changes have on an organisation's financial performance. Council prefer predictable finance revenue and costs to minimise the risk of adverse movements impacting the surplus or deficit.

### Risk management

Council is exposed to interest rate risk as it has LGFA borrowings, as well as bonds, notes and cash investments held for trading as part of its managed funds held with Nikko Asset Management. The risk is managed by the diversification of Council's investment portfolio in accordance with the limits set out in the treasury management policy and resolutions. Council's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section.

### Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 10% lower or higher and all other variables were held constant, Council's:

- LGFA debt impact not considered material at this stage.
- The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.
- Surplus would decrease/increase by \$85k (2019: \$93k). This is mainly attributable to Council's exposure to interest rates on its investments within its managed funds held with Nikko Asset Management.
- Other equity reserves would remain unaffected.
- Council's sensitivity to interest rates has changed due to investment in Nikko funds.

## E2 EQUITY PRICE RISK

At reporting date, if equity prices had been 10% higher or lower and all other variables were held constant, Council's:

- Surplus would remain unchanged.
- Other equity reserves would increase / decrease by \$2,528k (2019: \$1,548k) as the equity investments are classified as fair value through surplus or deficit as held for trading.

Council's sensitivity to equity prices has increased with the move to the Nikko investment.

### **Risk exposure**

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to price risks arising from tradable equity investments held within Unit Trusts with Nikko AM. Council also holds equity securities which are designated as available-for-sale.

### **Risk management**

This price risk is managed by diversification of Council's investment portfolio in accordance with the limits set out in the treasury management policy.

### **Measurement of risk**

Council measures the risk through sensitivity analysis which is calculated based on a reasonably possible movement in the relevant unit price or listed share price of the unit trusts and listed share investments held by the entity.



## E3 CREDIT RISK

### Risk exposure

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to receivables, related party loans, financial guarantees as well as derivative financial instruments and other financial assets.

### Maximum exposure to credit risk

Other than NZTA, the Council has no significant concentrations of credit risk arising from trade receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

With respect to Other Financial Assets, credit risk is reduced by the number of securities held with different counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents Council's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### Risk management

Council's treasury management policy includes parameters for investing in financial institutions and other organisations including where applicable entities that have the required Standard and Poor's credit ratings.

### Maturity Profiles of Financial Liabilities

The following tables detail Council's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where Council anticipates that the cash flow will occur in a different period.

	Weighted Average Effective Interest Rate %	Fixed Maturity Dates						Non Interest Bearing	Total
		Less than 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+		
<b>2020</b>		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial liabilities:</b>									
Trade and other payables	-	-	-	-	-	-	-	5,535	5,535
Borrowings	1.77	4,192	2,618	2,561	-	-	-	-	9,371
Other Liabilities	-	-	-	-	-	-	-	55	55
<b>TOTAL</b>		<b>4,192</b>	<b>2,618</b>	<b>2,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,590</b>	<b>14,961</b>

	Weighted Average Effective Interest Rate %	Fixed Maturity Dates						Non Interest Bearing	Total
		Less than 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+		
<b>2019</b>		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial liabilities:</b>									
Trade and other payables	-	-	-	-	-	-	-	6,521	6,521
Borrowings	2.39	118	118	2,618	2,561	-	-	-	5,415
Other Liabilities	-	-	-	-	-	-	-	60	60
<b>TOTAL</b>		<b>118</b>	<b>118</b>	<b>2,618</b>	<b>2,561</b>	<b>-</b>	<b>-</b>	<b>6,581</b>	<b>11,996</b>

The above table also represents the maturity dates of the underlying securities.

The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note C1.

## E4 LIQUIDITY RISK

### Risk exposure

Liquidity risk is the risk that Council will encounter difficulty in raising liquid funds to meet commitments as they fall due.

### Risk management

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through diversified sources and an adequate amount of committed credit facilities and the ability to close out market positions.

Council manages liquidity risk by maintaining adequate funds on deposit, reserves, banking facilities, LGFA borrowings and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. There are also additional undrawn facilities that Council has at its disposal to further reduce liquidity risk.

### Borrowing Facilities

Secured bank overdraft facility with Westpac Banking Corporation, payable at call which expires 31 July 2022.

Overdraft facility:	2020 \$000	2019 \$000
Amount used	-	-
Amount unused	250	250
	250	250
Multi Option Credit Facility with Westpac Banking Corporation (secured by a negative pledge over rates):		
Amount used	-	-
Amount unused	3,000	3,000
	3,000	3,000

The Council is exposed to liquidity risk as a guarantor of all the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note C1.

## E5 FOREIGN EXCHANGE RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council is not exposed to currency risk, as it does not enter into foreign currency transactions.

## SECTION F: OTHER DISCLOSURES

This section provides other financial information that will enhance clarity and understanding of this financial report.

The notes included in this section are as follows:

- F1 Contingencies, commitments, and subsequent events
- F2 Funding Impact Statement

## F1 CONTINGENCIES, COMMITMENTS, AND SUBSEQUENT EVENTS



### Accounting Policy

Contingent liabilities and contingent assets are not recognised in the financial statements due to their uncertainty or the fact that they cannot be reliably measured. Disclosures are provided for as follows:

- Contingent liabilities are disclosed unless the possibility that these will crystallise is remote.
- Contingent assets are only disclosed when the possibility that these will crystallise is probable.

### Contingent liabilities and assets

Council has received legal notices with respect to consent breaches from the Otago Regional Council which Council is endeavouring to resolve. As we are unable to quantify any liability, we are disclosing these as contingent liabilities.

The council is one of 33 councils joined to a representative action brought by 130 homeowners against Carter Holt Harvey. The third party claim against the councils (including Clutha District Council) was filed in April 2019. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

There are no other contingent liabilities or contingent assets (2019 Nil).

### Guarantee

The Council has issued stock security certificates of \$750 thousand (2019: Nil) in favour of ANZ Bank.

### Expenditure commitments - Non- cancellable contracts

	2020 \$000	2019 \$000
Not later than 1 year	13,580	6,056
Later than 1 year, less than 5 years	3,904	7,446
Later than 5 years	-	-
	<b>17,484</b>	<b>13,502</b>

### Lease Commitments



### Accounting Policy

Leases which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases.

**(a) Council as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of Council's net investment in the leases. Finance lease revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on Council's net investment outstanding in respect of the leases.

Rental revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

**(b) Council as Lessee**

Assets held under finance leases are recognised as assets of Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the Statement of Comprehensive Revenue and Expenditure on a straight line basis over the term of the relevant lease.

**(c) Lease Incentives**

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

**Leasing Arrangements - Photocopier equipment leases.**

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-Cancellable Operating Lease Payments</b>		
No longer than 1 year	-	2
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	2

**Subsequent events**

There were no other significant events subsequent to balance date (2019: Nil).

## F2 FUNDING IMPACT STATEMENT – WHOLE OF COUNCIL

For the Year ended 30 June 2020

(\$000)	2020 Annual Plan	2020 Actual	2019 Annual Plan	2019 Actual
<b>SOURCES OF OPERATING FUNDING</b>				
General rates, UAGC's, rates penalties	2,877	4,976	4,506	4,609
Targeted rates	24,075	22,201	21,529	21,898
Subsidies and grants for operating purposes	4,024	4,482	3,647	3,905
Fees and charges	3,187	4,735	2,970	4,444
Interest and Dividends from Investments	1,275	452	1,257	505
Fuel tax, fines, infringement fees and other receipts	1,637	223	1,708	194
<b>Total operating funding</b>	<b>37,075</b>	<b>37,069</b>	<b>35,616</b>	<b>35,555</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>				
Payments to staff and suppliers	28,343	31,816	26,650	28,501
Finance costs	608	161	-	93
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>28,951</b>	<b>31,977</b>	<b>26,650</b>	<b>28,594</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>8,124</b>	<b>5,092</b>	<b>8,966</b>	<b>6,961</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure	6,850	4,026	5,084	4,296
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	17,946	4,000	6,000	5,020
Gross proceeds from sale of assets / development property	1,500	283	2,324	828
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>26,296</b>	<b>8,309</b>	<b>13,408</b>	<b>10,144</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>				
Capital expenditure to meet additional demand	592	3,756	37	223
Capital expenditure to improve the level of service	15,966	3,410	9,807	3,207
Capital expenditure to replace existing assets	19,877	11,034	13,517	12,879
(Increase) decrease in reserves	(2,312)	(4,799)	(1,125)	(2,704)
(Increase) decrease of investments	297	-	138	3,500
<b>Total applications of capital funding</b>	<b>34,420</b>	<b>13,401</b>	<b>22,374</b>	<b>17,105</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(8,124)</b>	<b>(5,092)</b>	<b>(8,966)</b>	<b>(6,961)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See various activity funding impact statements for narrative on capital expenditure.

# SECTION G: FINANCIAL REPORTING AND PRUDENCE

## BENCHMARKS

### Annual Report disclosure statement for the year ending 30 June 2020

#### **What is the purpose of this statement?**

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenditures, assets, liabilities, and general financial dealings.

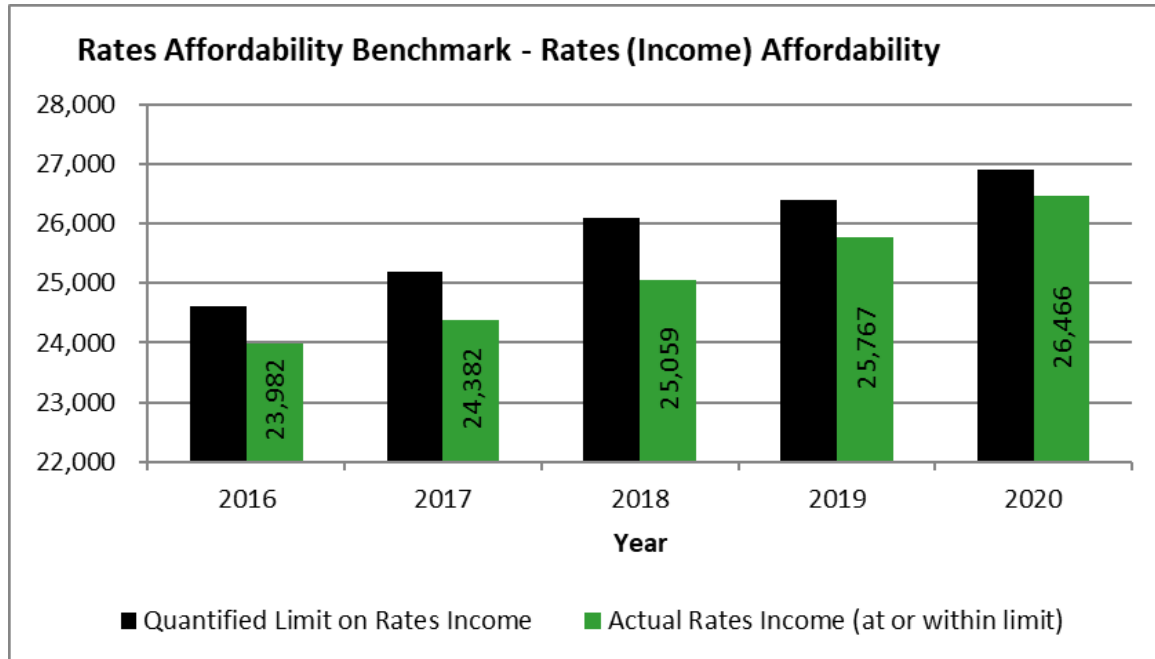
Unless prescribed by the regulations, the quantified limit for each benchmark is calculated using financial information disclosed in the LTP 2018/2028 including the prospective financial statements.

## RATES (REVENUE) AFFORDABILITY BENCHMARK

Council meets the rates affordability benchmark if:

- Its actual rates revenue equals or is less than each quantified limit on rates; and
- Its actual rates revenue increases equal or are less than each quantified limit on rates increases.

The following graph compares Council's actual rates revenue with a quantified limit on rates contained in the financial strategy included in Council's 2018/28 long term plan.

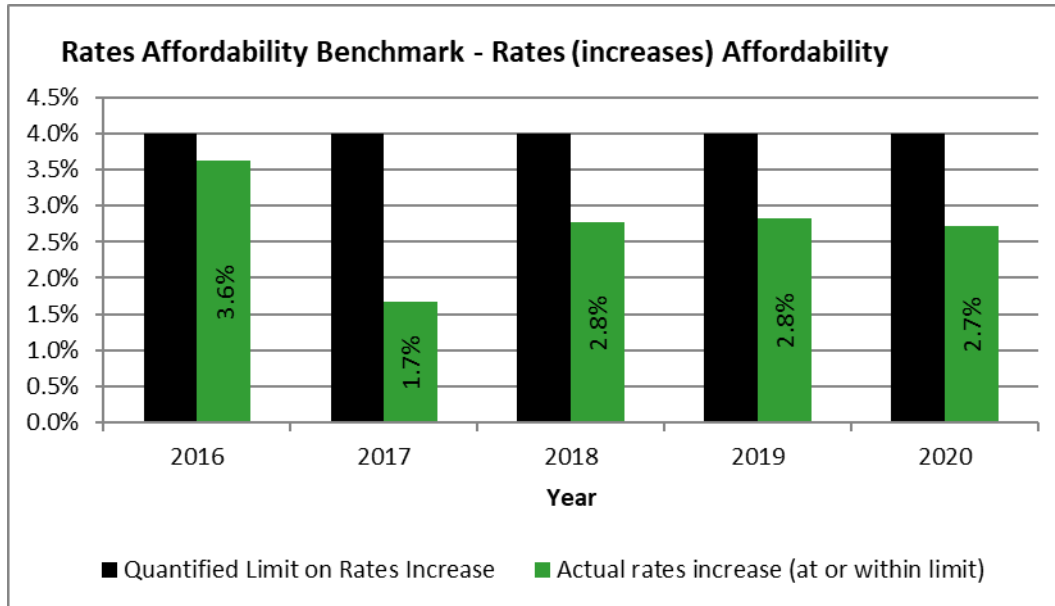


Council rates have not exceeded the rates revenue limits set.



## RATES (INCREASES) AFFORDABILITY

The following graph compares Council's actual rates increase percentages with a quantified limit on rates percentage increases included in the financial strategy included in Council's 2018/28 long term plan.

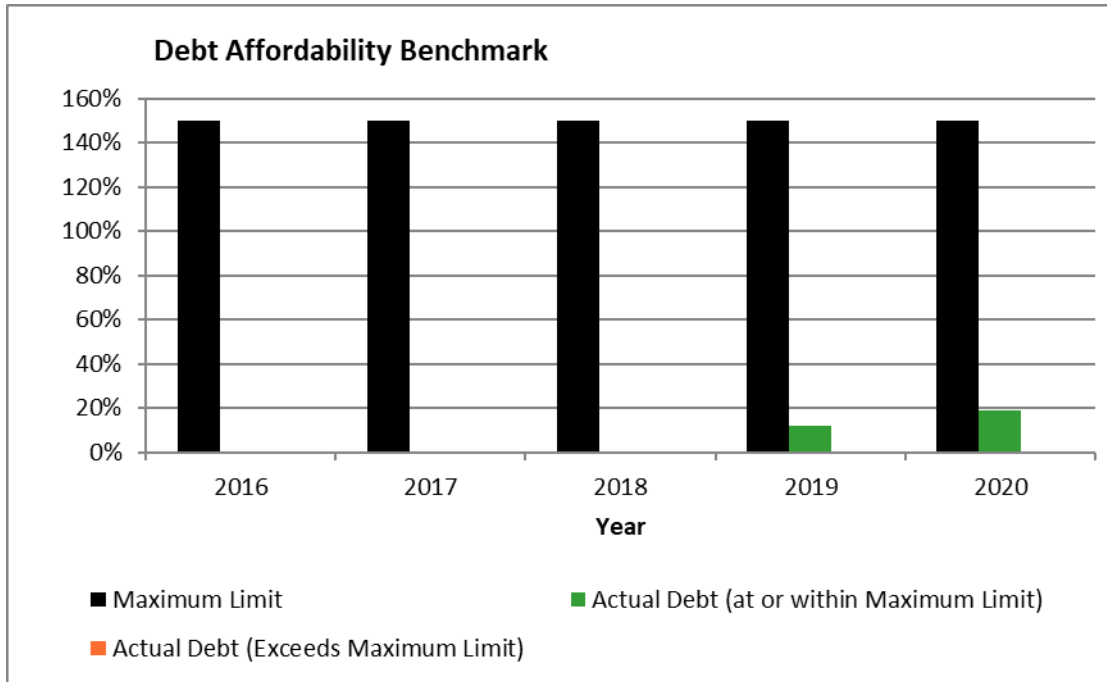


Council rates have not exceeded the percentage increase limits set.

### DEBT AFFORDABILITY BENCHMARK

Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council’s 2018/28 long term plan. The quantified limit is 150% of annual revenue.

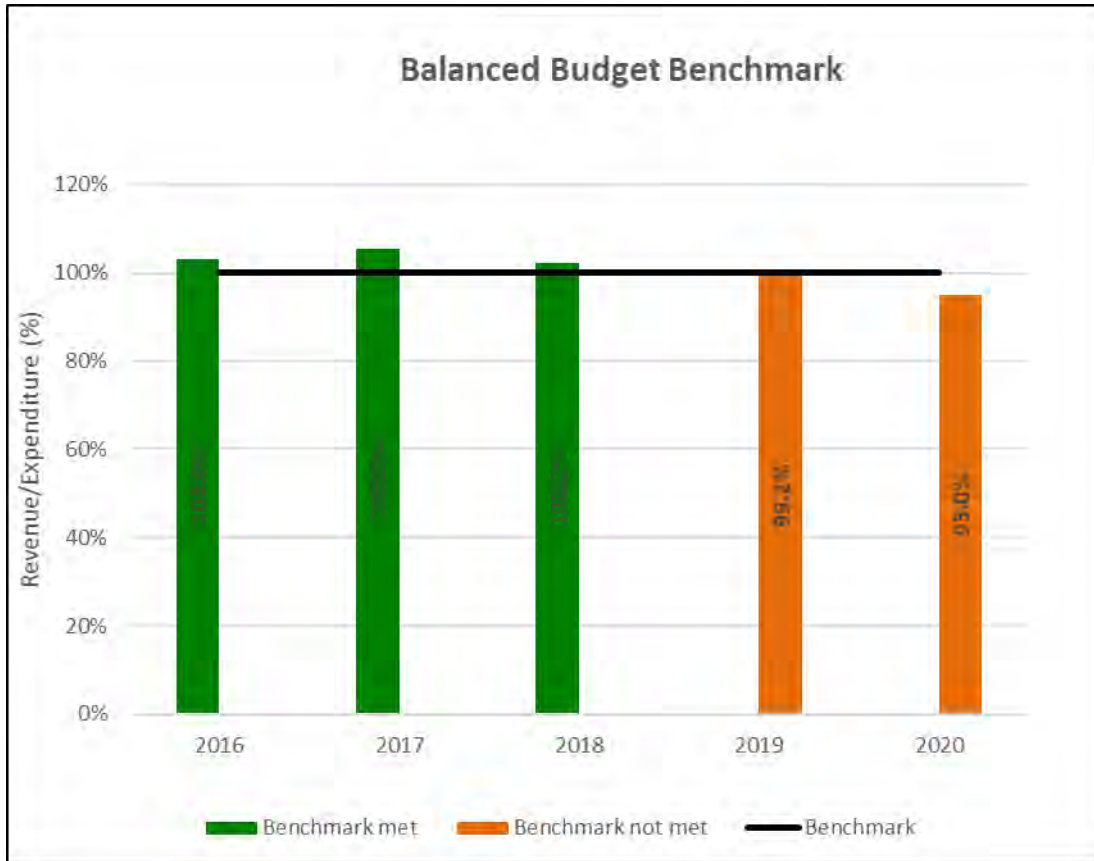


Council now has external public debt and has complied with its debt affordability benchmark.

## BALANCED BUDGET BENCHMARK

The following graph displays Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenditures (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

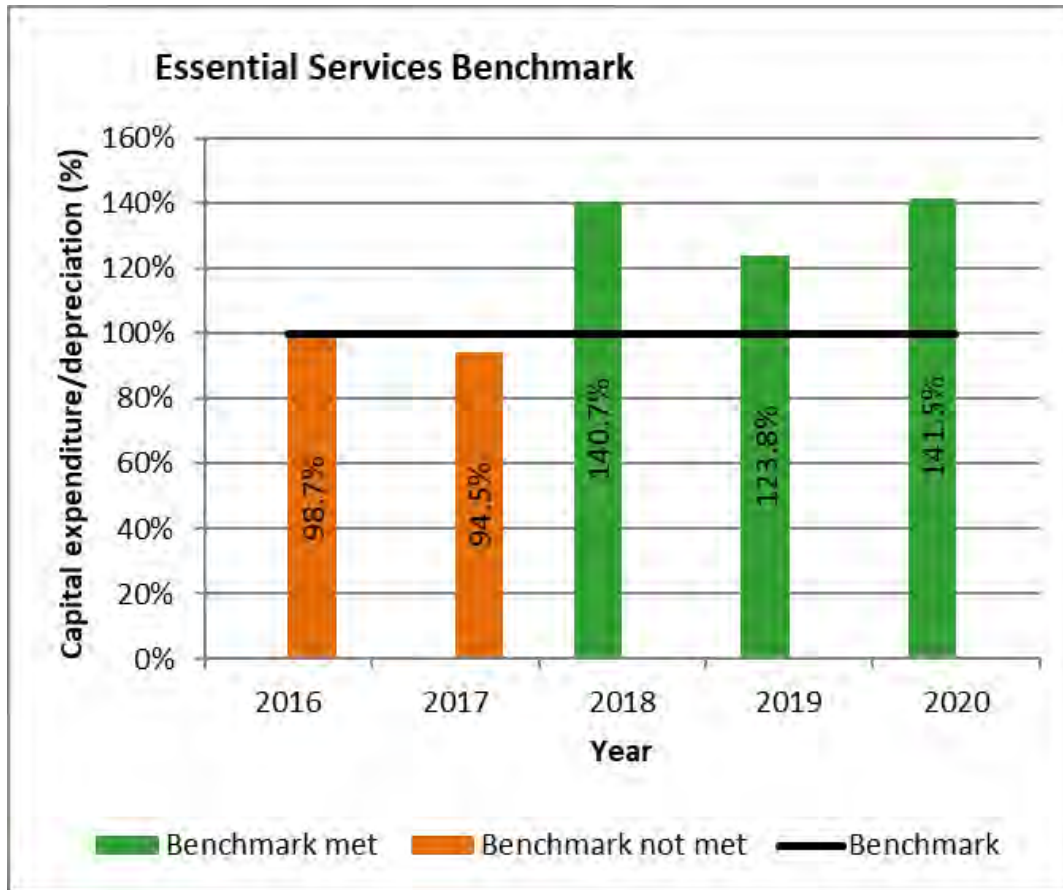
Council meets this benchmark if its revenue equals or is greater than its operating expenditures.



Council has narrowly missed this benchmark.

## ESSENTIAL SERVICES BENCHMARK

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services. Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Network services means infrastructure related to water services and roading.

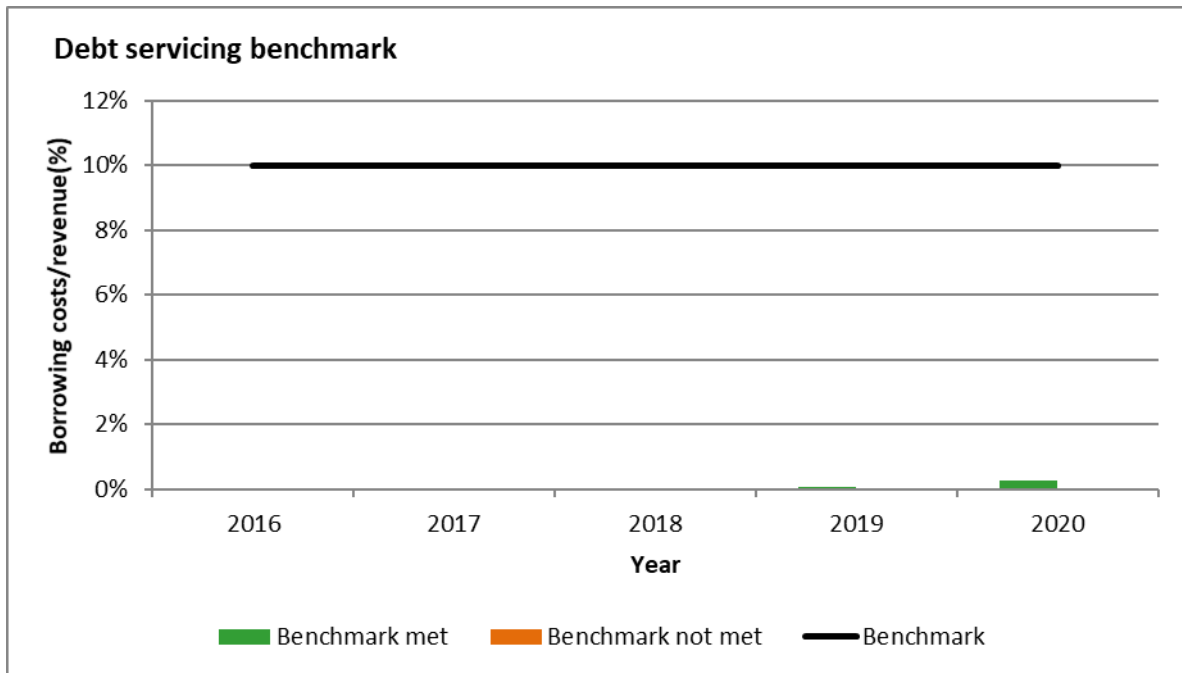


Council has met this benchmark.

## DEBT SERVICING BENCHMARK

The following graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because statistics New Zealand projects Council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



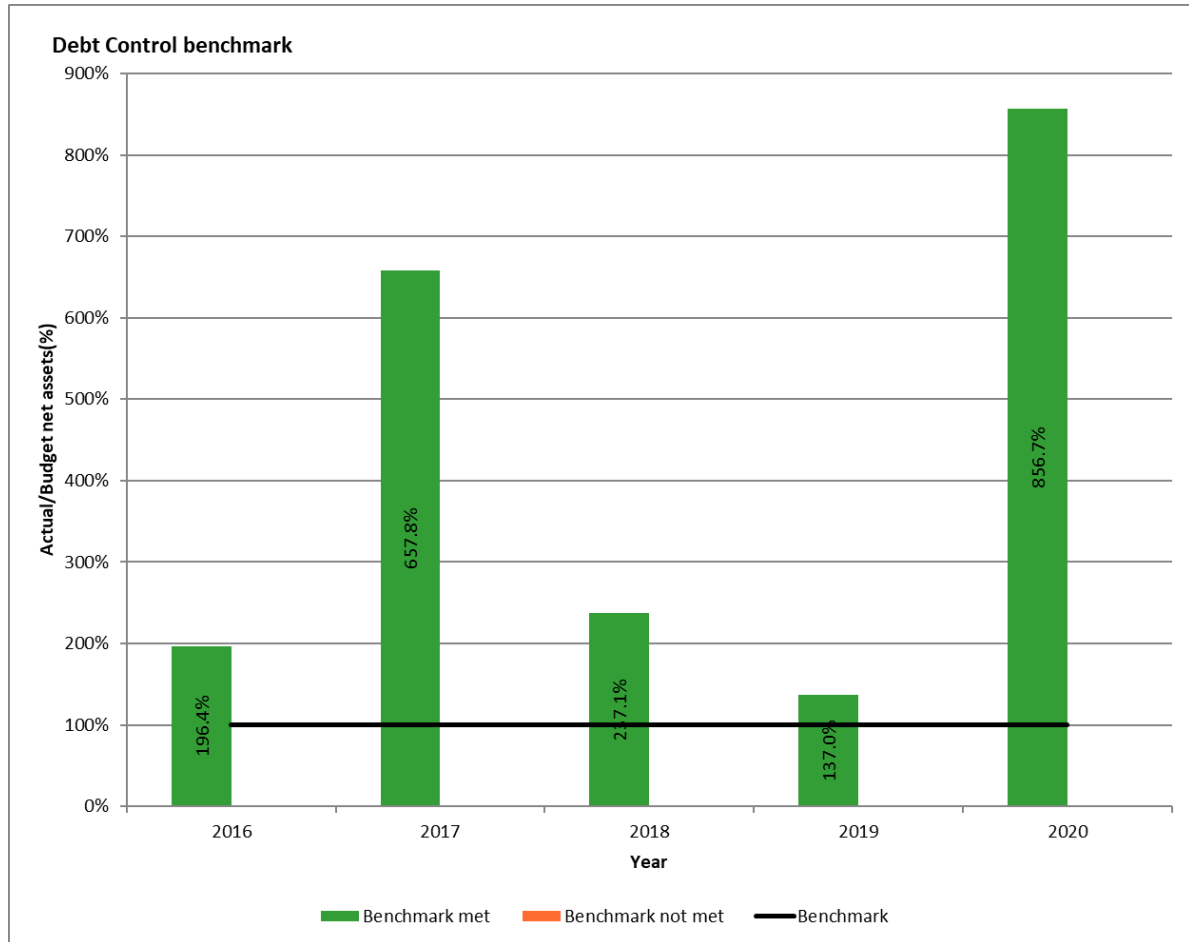
Council now has external public debt.

## DEBT CONTROL BENCHMARK

This benchmark is intended to report Council’s performance in relation to net debt, which is defined in the regulations as financial liabilities less financial assets (excluding Trade and Other Receivables).

Council is in a net asset position, because its financial assets exceed its financial liabilities. For that reason, the benchmark has been inverted to report Council’s performance on a net assets basis.

In this scenario, Council believes that it meets the debt control benchmark when actual net assets equal or exceed planned net assets.



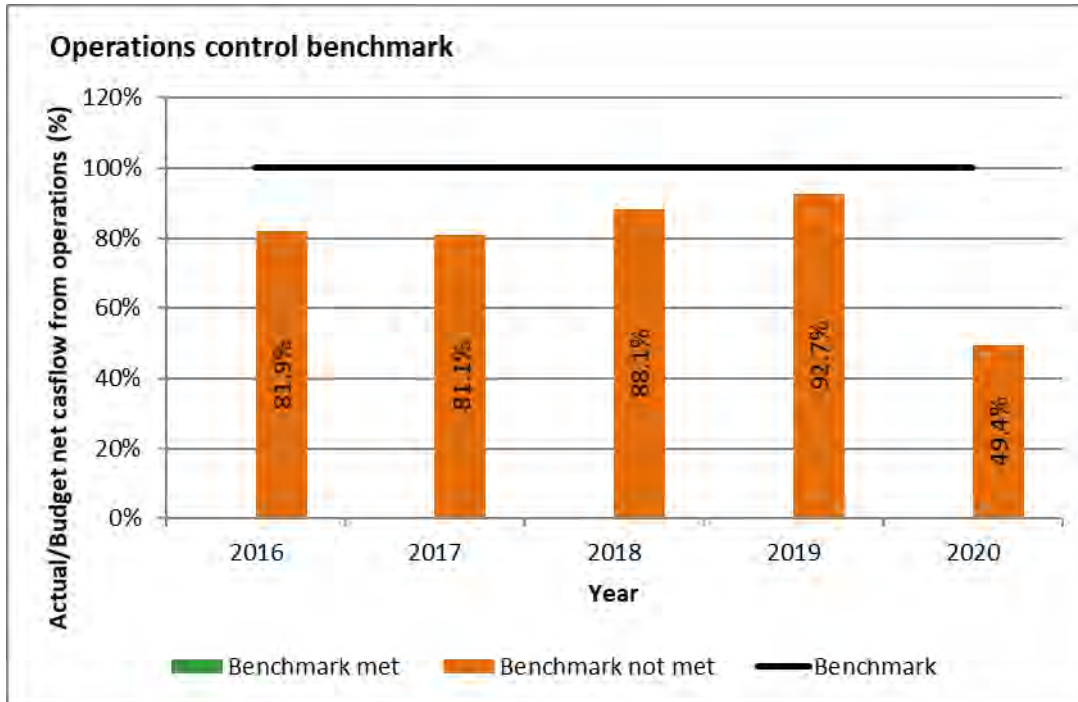
Council has met this benchmark.

Under expenditure on planned capital projects has meant financial assets are higher than budgeted.

## OPERATIONS CONTROL BENCHMARK

This graph displays Council's actual net cashflow from operations as a proportion of its planned net cashflow from operations.

Council meets the operations control benchmark if its actual net cashflow from operations equals or is greater than its planned net cashflow from operations.



Council did not meet this benchmark mainly due to not completing the capital programme and timings between the NZTA claim and contract payments.