

YOUR COMMUNITY - YOUR COUNCIL

ANNUAL REPORT SUMMARY

2015/16



Clutha District Council

FOREWORD



Welcome to the Summary of this year's Annual Report.

As a Council, much of our work does not change significantly from one year to the next: we look after roads, keep our water systems working well, maintain crucial infrastructure and work with our communities.

This year our service performance results demonstrate a sound outcome, where 70% of our targets were met and 14% were within five per cent of the target. There are some areas where we need to lift performance and we will be focusing on improving the timeliness of our service and the delivery of our capital projects. Budgeting for projects and then not delivering on all of them is an issue we intended to address.

The 2015/25 Long Term Plan identified an ambitious work programme to implement Council's growth strategy which resulted in a noticeable lift in Council's workload. Council undertook a review and restructure of our operations to help deliver on this work programme.

This year we have focused on delivering initiatives designed to stimulate economic activity in our District. We purchased the former Rosebank sawmill site for development as an industrial park and during this year we have started making physical changes at the site. Another initiative has been the decision to create a new housing subdivision on old Council-owned forestry land in North Balclutha. It will offer sections in a range of sizes and price-brackets, all of which will have services, including ultra-fast broadband, to the boundary. This development will be completed in 2016/2017.

The upgrade of Balclutha's main street was formally opened in December 2015. Extensive consultation and the patience of business owners and public during the construction phase has meant a very successful outcome which presents our District well and shows our commitment to growth.

In the latter part of the year Council has started working on Community Plans. These identify the actions needed within a Community to implement Council's economic development and Living and Working in Clutha strategies. Community Plans for Balclutha, Milton and Waiholo should be completed by the end of 2016/2017.

Throughout the year Council has been categorising Council-owned property. Other than land held for strategic, social or asset purposes, Council will only hold land if the returns to the ratepayer from that land are high enough to warrant its retention. Otherwise land will be sold. Council is also progressing a decision to sell its investment in forestry.

Thanks to many years of careful management, our Council is in the fortunate position of being able to operate without needing external debt. We have been able to fund major works via internal loans from our own resources, at an agreed interest rate. During 2015/16 it became clear that in the current financial climate this may not be the best option. After undertaking extensive research and seeking expert advice, it became clear that we should look to attract higher interest rates for our investments, and that we should use low-interest external debt to replace internal loans. Council has made the decision to explore these opportunities further, but this will have no impact on our commitment to keep major projects rates-neutral.

In summary Council has developed a sound strategic direction and taken a range of actions to begin delivering on that direction.

Bryan Cadogan
Mayor

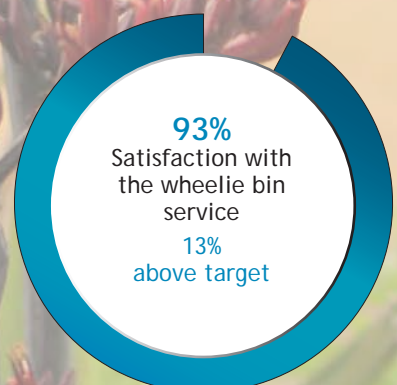
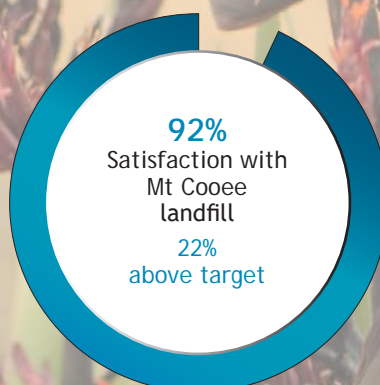
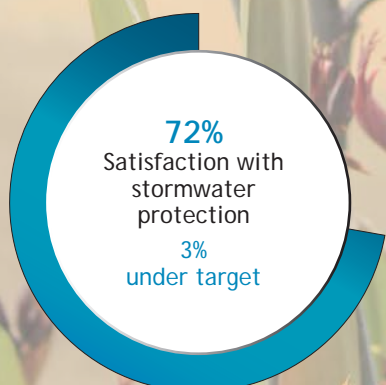
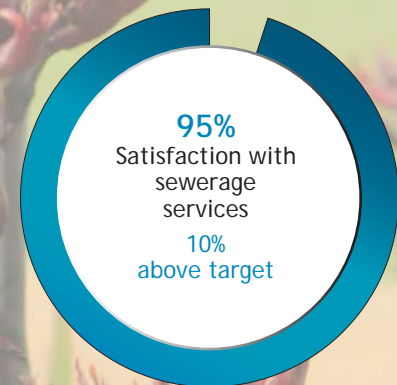
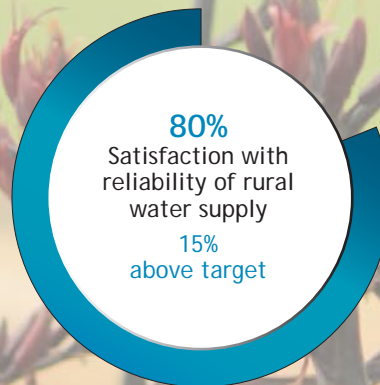
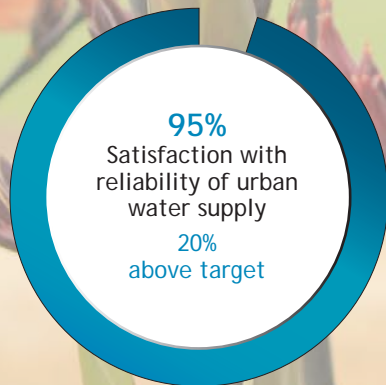
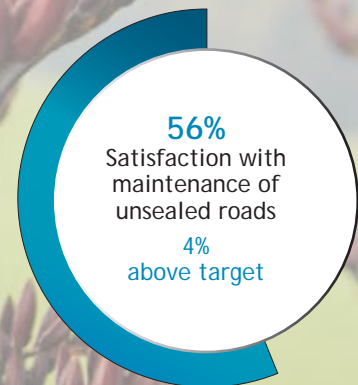
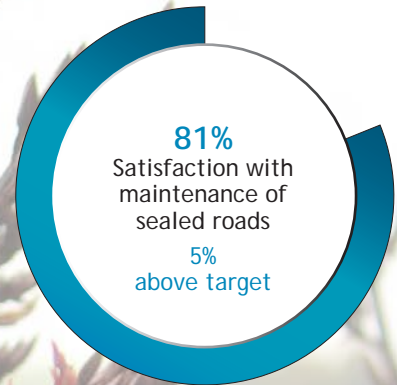
Steve Hill
Chief Executive

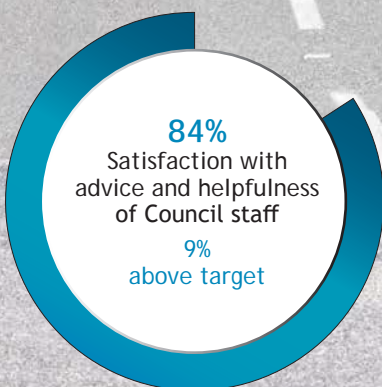
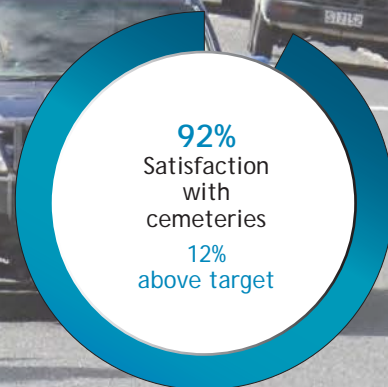
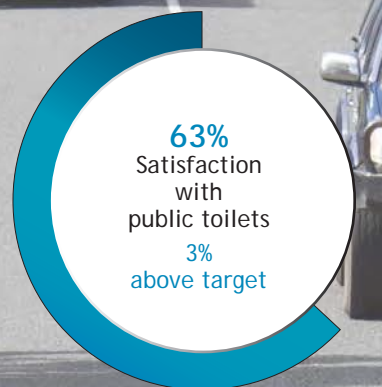
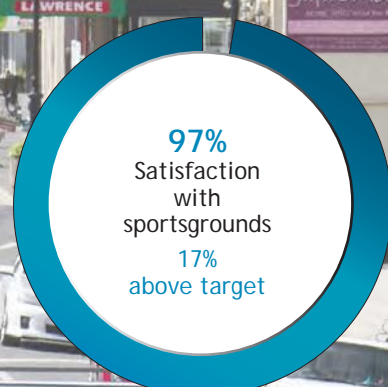
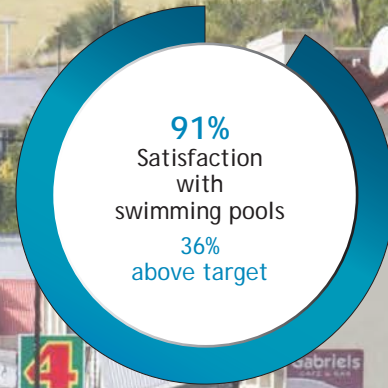
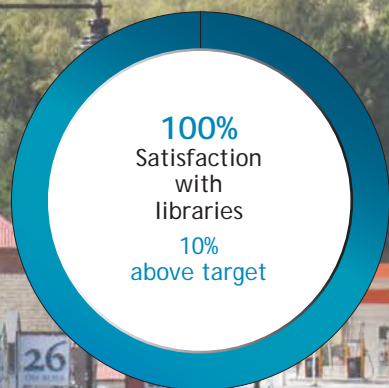
WHAT OUR RESIDENTS THOUGHT

This is how satisfied our residents were with our services in 2015/16.

These results come from our annual residents survey which determines community satisfaction levels with services and facilities.

The results are compared to our targets for 2015/16.





LIVING & WORKING IN CLUTHA



In our 2015-25 Long Term Plan, Council introduced two broad initiatives known as *Facilitating Growth* and *Living and Working in Clutha*. In this section of the report we provide updates on the larger programmes which are part of these initiatives.

BALCLUTHA STREETScape

Finally, after much preparation, design work and community consultation, the project to upgrade Balclutha's main street became a reality in 2015/16. The total cost of the main street project to the completion of stage one at the end of the 2015/16 financial year was \$3.1 million. This included the cost of undergrounding powerlines at almost \$500,000. Completion of stage one resulted in an overspend of \$189,000 which Council has chosen to fund from the \$600,000 set aside for stage two. Overall, a great result for a project of such a large scope, and we look forward to the commencement of stage two.

NORTH BALCLUTHA SUBDIVISION DEVELOPMENT GETS UNDERWAY

One of the goals of our 10-year Long Term Plan is for Council to take a leadership role in driving our district's economy and to be proactive about promoting growth.

In December 2015 Council decided to develop a block of land, previously in forestry, for residential development. In June 2016 Council held a series of open days at the 27 hectare site where a variety of sections were available. At the open days interested people were able to secure a first right to make an offer for a section on receipt of a small deposit and they should be able to confirm their purchase in December 2016.

MORE RESIDENTIAL DEVELOPMENT

Supporting opportunities in Kaitangata

During the consultation period for the 2016/17 Annual Plan Council received a proposal from Kaitangata Promotions for support to help encourage uptake of their newly-developed House and Land Packages.

Council agreed to provide support in the form of reimbursement of Council fees for building consent, and sewage and water connections of up to \$5,000, by expanding the current fee reimbursement scheme.

After an unexpected flurry of international publicity about the scheme, interest in the house and land package has been strong, and Kaitangata Promotions are working closely with Clutha Development to achieve the best possible outcomes for all concerned.

INDUSTRIAL DEVELOPMENT

Rosebank industrial area continues to develop

After identifying that there was a shortage of industrial land in Balclutha, Council purchased the old Rosebank sawmill site with the aim of developing it and making it available to encourage economic development and investment.

Council has started investigating options for the site, started the design and planning work necessary before significant physical work can proceed, sold assets and buildings, and demolished the old sawmill building.

COMMUNITY PLANS

Closely linked with the Living and Working Strategy is the development of community plans for our communities. These aim to help Council and the community determine the priorities and projects to implement the Living and Working Strategy in each community. In terms of priorities, Balclutha had initially been identified, followed by Milton.

Balclutha, Milton and Waiholā plans are expected to become a focus throughout 2016/17, with community plans for other communities to follow.

MAJOR INFRASTRUCTURE PROJECTS

Updating you on our main infrastructure projects from 2015/16

SEALING THE NUGGETS ROAD

In December 2015 approval was received from NZTA for funding up to \$1.64 million to support the sealing of the road to the iconic Nuggets lighthouse. The Nuggets are a key destination in the Catlins area, and once sealed the road will be safer for all drivers, but especially for those visitors who may be less familiar with driving on unsealed roads.

In May 2016, after a tender process, Council awarded the tender and the first stage of the work started before the end of the 2015/16 financial year.

The NZ Transport Agency approved a budget of \$2.7 million for the project and is contributing \$1.6 million, close to 60% of the total cost. The remaining cost will be met by Council.

RURAL WATER TREATMENT PLANT UPGRADES

Several rural water treatment plants are in line for upgrades to improve water quality. After initially being programmed for 2015/16, these upgrades are now expected to take place in 2016/17. This affects the Clydevale-Pomahaka, Glenkenich, Moa Flat, North Bruce, Richardson, and Tuapeka schemes.

KAITANGATA AND HERIOT SEWERAGE UPGRADES

This is part of a programme to upgrade our plants over the next ten years to meet increasingly stringent resource consent conditions. Ongoing work has now given us firm details for these upgrades and physical works are now planned for 2016/17.

CLYDEVALE-POMAHAKA RURAL WATER SCHEME EXTENSION

The major upgrade of capacity on the Clydevale-Pomahaka rural water scheme was completed in 2015/16. This enabled the supply of water to support further land use intensification and dairy expansion on the Pomahaka side of the scheme. Once work was complete, additional water units were made available and the uptake was significantly higher than anticipated.

WAITAHUNA RISING MAIN RENEWAL

The Waitahuna Treatment Plant treats water for the Balmoral 1, Balmoral 2 and Tuapeka East Rural Water Schemes. In 2014/15 the rural water scheme committees and Council confirmed a budget for the renewal of the two high pressure rising mains from this treatment plant. Delays in the supply of key components at the treatment plant meant that the final completion of this project had to be delayed. We expect to finish this multi-year project in 2017/18.











PAPATOWAI BRIDGE

Papatowai Bridge is a crucial part of the road through the Catlins, regularly used by tourists and locals.

During 2015/16 we completed a major refurbishment of Papatowai Bridge. Although the initial budget was \$1,370,000, the project was finally completed at a cost of \$827,000. The savings were achieved by lower-than-expected tenders for the work.

COUNCIL SPENDING AT A GLANCE



	Operating Spend 2015-16	Capital Spend 2015-16	Rates value per \$100
 Roothing	\$7.0m	\$9.6m	\$31
 Water	\$5.0m	\$2.1m	\$26
 Community Services	\$4.3m	\$0.4m	\$15
 Regulatory & Emergency Services	\$1.4m	\$0m	\$4
 Sewerage	\$1.3m	\$0.2m	\$7
 Solid Waste	\$1.3m	\$0m	\$3
 Economic & Community Development	\$1.2m	\$0m	\$5
 Community Leadership	\$1.0m	\$0m	\$5
 Stormwater	\$0.3m	\$0.2m	\$2
 Internal Services	\$4.6m	\$0.8m	\$2

FINANCIAL OVERVIEW

2015/16

Council operates a diverse and complex business and this is reflected in the items recorded against operating revenue and costs, and ultimately in the operating surplus result.

After forecasting a \$4 million surplus in 2015/16, Council recorded a \$1.5 million surplus.

Revenue was \$3.2 million less than budgeted. This was due to a combination of factors including:

- New Zealand Transport Agency income for the subsidised roading programme was less than budgeted mainly owing to the timing of approval from NZTA for The Nuggets seal extension. There were also significant savings obtained in tender pricing for the Papatowai bridge project.
- The decision during 2015/16 to divest Council's forestry assets influenced forestry income. There were no sales in 2015/16, as Council went on to begin developing a marketing plan as part of the forestry divestment strategy. This meant budgeted income of \$0.97 million was not received.

Operating costs were \$0.61 million less than budgeted. This was generated from several areas as outlined below.

- Wages costs were less than budgeted by \$0.58 million owing to a Council restructure and the time taken to recruit to be fully staffed.
- Rates levied on Council's own properties have been removed from both revenue and expenditure (\$0.3 million less revenue and expense).

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

SUMMARY OF KEY FINANCIAL INDICATORS

(\$,000)	ACTUAL 30 JUNE 2016	LTP 30 JUNE 2016	ACTUAL 30 JUNE 2015
SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
INCOME			
Rates Revenue	24,195	24,426	23,342
Other Operating Revenue	12,888	15,879	14,515
Total Operating Revenue	37,083	40,305	37,857
EXPENDITURE			
Employee Benefits Expense	4,491	5,071	4,424
Depreciation	13,066	12,040	12,371
Interest Expense	0	0	0
Other Expenditure	18,059	19,111	18,527
Total Operating Expenditure	35,616	36,222	35,322
Operating Surplus	1,467	4,083	2,535
Available for Sale Valuation Gain/(Loss)	6	0	3
Gain/(loss) on PP&E Revaluation	0	0	0
Total Other Comprehensive R&E	6	0	3
Total Comprehensive Revenue & Expense for the year	1,473	4,083	2,538
SUMMARY STATEMENT OF CHANGES IN NET ASSETS/EQUITY			
Equity at the beginning of the year	1,019,638	1,017,375	1,017,100
Total Other Comprehensive Revenue & Expense for the year	1,473	4,083	2,538
Equity at the end of the year	1,021,111	1,021,458	1,019,638
SUMMARY STATEMENT OF FINANCIAL POSITION			
Current Assets	32,977	18,681	28,344
Non Current Assets	994,099	1,008,520	997,859
Total Assets	1,027,076	1,027,201	1,026,203
Current Liabilities	5,135	4,954	5,698
Non Current Liabilities	830	789	867
Total Liabilities	5,965	5,743	6,565
Net Assets/Equity	1,021,111	1,021,458	1,019,638
SUMMARY STATEMENT OF CASHFLOWS			
Net Cashflows from Operating activities	13,205	16,122	11,880
Net Cashflows from Investing activities	(13,235)	(16,174)	(11,895)
Net Cashflows from Financing activities	1	0	(1)
Net Cashflows for the Year	(29)	(52)	(16)

COUNCIL'S FINANCIAL POSITION

Short term investments, included in Current Assets, are higher than budgeted by \$10 million. Most of the variance is owing to funds not being required for various water and sewerage scheme upgrades.

Fixed assets are less than budgeted. This is principally owing to \$3.2 million of water capital projects not being completed, \$3.9 million less being spent on roading capital projects and the revaluation completed in 2014 indicating \$3.5 million less valuation of our assets than budgeted.

Refer to the Statement of Financial Position and notes to the financial statements in the full Annual Report 2015/16 for more information.

CAPITAL EXPENDITURE

After forecasting \$21.9 million worth of capital works in 2015/16, a total of \$13.2 million went through the books this year. This result reflects the change in timing for several major projects including sewerage treatment upgrades, rural water treatment upgrades and the sealing of the Nuggets Road to the iconic lighthouse situated on the Southern Scenic Route. These projects have been reprogrammed for delivery in 2016/17. The Nuggets sealing was impacted by the timing of securing NZTA assistance towards the project. Treatment upgrades and our capital renewals programme was impacted by lack of organisational capacity. Moves to address this were undertaken during 2015/16 with a major restructure of the Service Delivery area of Council tasked with the delivery of Council's capital programme, and additional staff recruited.

FINANCIAL STRATEGY

In our 2015-25 Long Term Plan we established our Financial Strategy to guide our financial decisions. The following tables show our performance against these measures for the 2015/16 financial year.

RETURN ON INVESTMENTS

During the 2015/16 year Council received a 8.43% return on its investments. This was 0.39% above the NZ Government Stock index, but slightly below the target of 0.8 to 1% above this benchmark. This is still a strong return in the current economic climate. Investments

have also been an area of focus for Council during the 2015/16 year. Our investment strategy is currently under review to help decide what mix of investments will bring the best long term returns in the future.

CHANGES IN INVESTMENTS 2015/16

(\$M)	LONG TERM PLAN 2015/16	ACTUAL 2015/16
OPENING	20.3	21.8
CLOSING	14.6	24.1
CHANGE	(5.7)	2.3

LIMITS ON INTERNAL DEBT

Council's internal limits set in the financial strategy were to ensure interest cost are less than 10% of our annual rate income, and that total internal debt per capita will not exceed \$1,800 per capita. The results of 5.03% and \$1,562 per capita stayed well within those limits in 2015/16.

INTERNAL DEBT 2015/16

	LONG TERM PLAN 2015/16	ACTUAL 2015/16
INTERNAL DEBT (\$M)	28.5	27.3
INTEREST COSTS AS A % OF RATES	5.07	5.03
DEBT PER CAPITA (\$)	1,628	1,562

LIMITS ON RATES AND RATE INCREASES

Rates are the most important source Council uses to fund services. The \$24.2M collected in 2015/16 meant an increase on 2014/15 of 3.54%. This was above the forecast of 3.19%, but still well below the 4% cap Council set itself. This variance was a flow on effect from increased water units being sold to consumers on the Clydevale-Pomahaka Rural Water Scheme extension that were not initially included in the 2015/16 forecast.

RATES AND LIMITS ON RATES 2015/16

	LONG TERM PLAN 2015/16	ACTUAL 2015/16
FORECAST RATES (\$M)	24.4	24.2
FORECAST RATES CHANGES (%)	3.19	3.54
RATES LIMIT AT 4% (\$M)	24.4	24.3

DISCLOSURES

Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report.

This summary booklet of the Annual Report 2015/16 provides:

- [An outline of Council's end of year financial position.](#)
- [An overview of Council services during 2015/16](#)
- [A statement from Council's auditors - Deloitte.](#)

The specific disclosures included in the summary have been extracted from the full Annual Report 2015/16 adopted by Council on 6 October 2016. This summary document cannot be expected to provide as complete an understanding as provided by the full financial report itself.

A full copy of the Annual Report 2015/16 is available from Council main office at Rosebank Terrace, Balclutha or by contacting 0800 801 350. It is also available on the Council website at www.cluthadc.govt.nz.

The Annual Report 2015/16 has been audited and gained an unmodified opinion, which means the report has met the requirements of the Local Government Act 2002.

This summary financial report has been examined by the auditor for consistency with the full financial report. The auditor's report on the summary annual report is included with this summary.

The Council's full financial report has been prepared in accordance with Tier 1 PBE Standards and has been complied with NZ GAAP and stated explicitly that they comply with NZ equivalents to IPSAS (International Public Sector Accounting Standards) as applicable for public entities. The summary financial report complies with FRS PBE 43 - summary financial statements.

The presentation currency of the annual report is in New Zealand dollars. The summary annual report is rounded to the nearest thousand dollars.

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
OF CLUTHA DISTRICT COUNCIL'S SUMMARY ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

The summary annual report was derived from the annual report of the Clutha District Council (the District Council) for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 to 10:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue & expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance, referred to as 'what our residents thought', of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 6 October 2016.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Basis of Opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council.




B E Tomkins
Deloitte
On behalf of the Auditor-General
Dunedin, New Zealand
6 October 2016