

YOUR COMMUNITY - YOUR COUNCIL ANNUAL REPORT SUMMARY 2016/17



Clutha District Council

FOREWORD

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

"Transformational" best describes this past year, as our Council has evolved to meet its challenges. Many of the numerous projects and structural changes to the organisation that were considered for years have actually come to fruition. But, the greatest change has been our organisation's capacity to perform with a noticeable lift in staff numbers allowing us to respond to the fast-changing and ever-growing needs of our district.

These changes have not been without their challenges but the organisation can be proud of the fact that our ratepayer surveys showed continuing strong satisfaction levels in general and from the public's perception it was "business as usual".

Our district still has jobs in abundance, along with a noticeable tightening of accommodation available. Thankfully Council had foreseen this changing dynamic and continues to, as best they can, maximise the growth potential through our Living and Working strategy.

The Plantation Heights subdivision in North Balclutha came in on time and under budget, with titles available in mid-June. Success is still dependant on sales, but overall this result bodes well for our districtwide outcomes. The Rosebank industrial park has proven more problematic with delays outside Council's control, but the scene is now set to rapidly advance with completion of subdivision requirements and sales of various areas within the park.

Council has also advanced the Living and Working strategy with our ongoing "Our Place Community Plans". Balclutha and Milton's plans are nearing completion and Waihola is now in the early stages. This has been an exhaustive but rewarding process to date, giving Council a great insight into the varying requirements our communities have to facilitate growth, and is providing the platform for change in the coming years.

One of our growth areas is tourism and this year saw the completion of "The Nuggets" road sealing project, again on time and under budget. Recent years have seen an explosion of tourists to our district and "The Nuggets" is now the seventh most photographed place in New Zealand, consequently a major commitment to seal the

road was made by Council to support our tourism sector.

From an organisational perspective there have been a number of structural changes. This year saw the completion of the Enterprise Resource Planning project (our new I.T. system) that promises a more efficient platform across the broad delivery of services, both to ratepayers and across Council departments.

The proposal to shift some of our internal debt into external debt is in progress with the expectation of tangible financial gains for our ratepayers through lower debt interest rates. The same can be said with the sale of the vast proportion of our forestry holdings. Council was very satisfied with the end result and has "ring fenced" the net proceeds, using future interest earned to mitigate the UAGC (the general rate for all ratepayers) each year.

This year has also seen a distinct lift in the number of "three waters" projects under way with five sewerage ponds being de-sludged and consenting works started at Heriot and Kaitangata. It is apparent that this area will always have increasing demands placed on it, as communities and legislative expectations grow.

The expectation at the start of the year was a significant percentage increase in delivering our capital projects. Whilst the reality is that staff recruitment has taken time, the actual number of projects delivered has been consistent with the numbers of available staff. As the next financial year begins it is pleasing to report that we have successfully recruited for nearly all of our vacant positions.

In conclusion, this year has seen the fulfilment of many of the commitments Council made to its ratepayers and we have developed the capacity of the organisation to ensure further advancements in the coming years.



Bryan Cadogan
Mayor



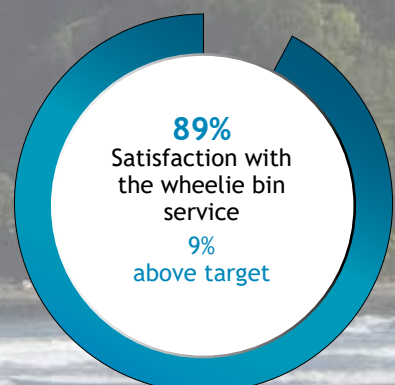
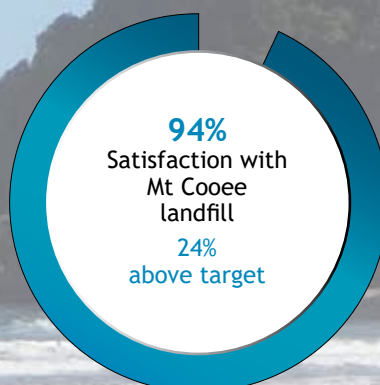
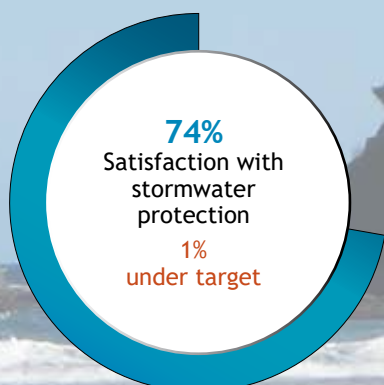
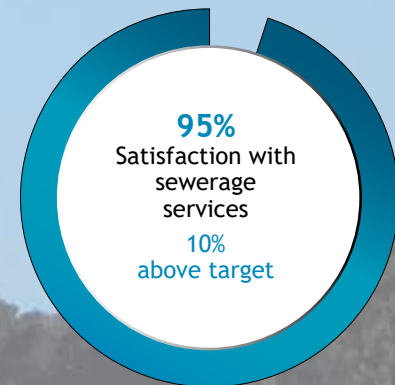
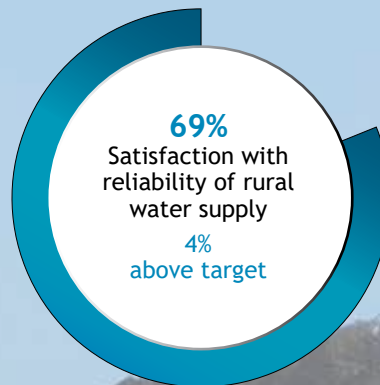
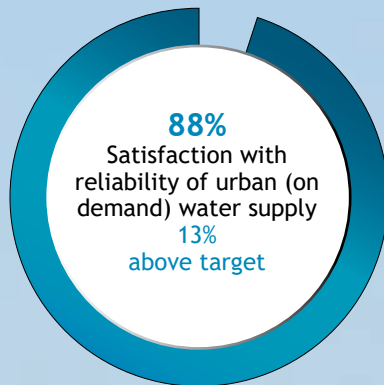
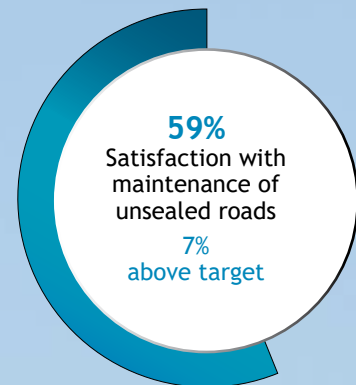
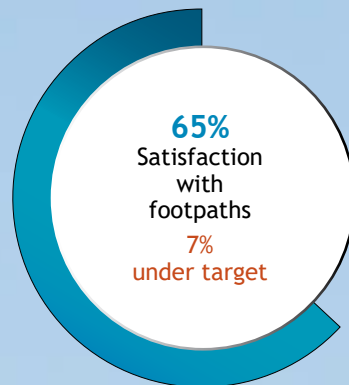
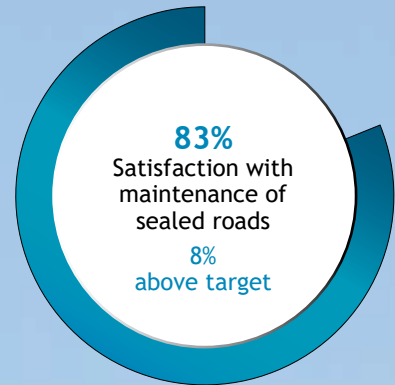
Steve Hill
Chief Executive

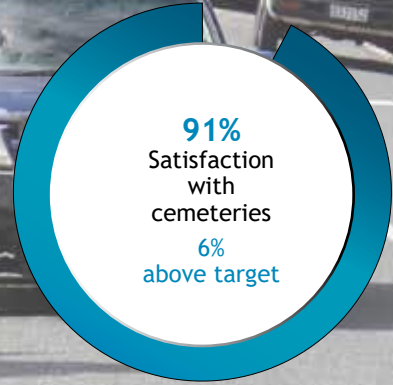
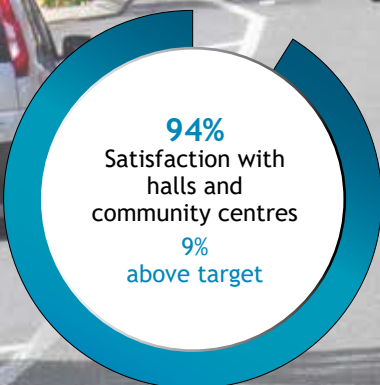
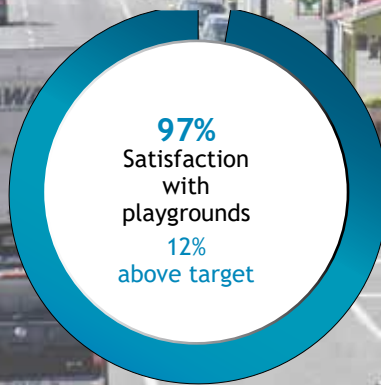
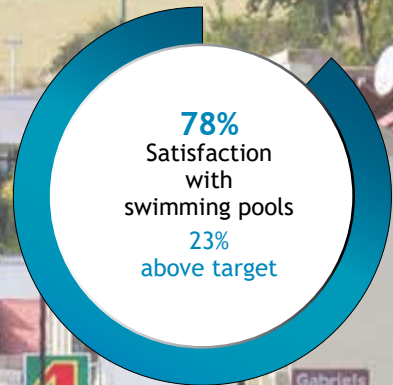
WHAT OUR RESIDENTS THOUGHT

This is how satisfied our residents were with our services in 2016/17.

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 2016/17.





LIVING & WORKING IN CLUTHA



In our 2015-25 Long Term Plan, as part of our Community Leadership activities, Council introduced 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.

SUBDIVISION DEVELOPMENT GETS UNDERWAY WORKING IN CLUTHA INITIATIVE

Completion of the Plantation Heights subdivision gives Balclutha the ability for further residential development.

In December 2016 Council decided to develop a block of land in North Balclutha previously in forestry and being used for grazing, into a 27 hectare residential development to help facilitate growth in Balclutha. The design work created a development with 66 sections with views out to Kaka Point and the Nuggets. Roads, footpaths, cycle and walkways, including reserve park land, are also provided for. Services, including ultra-fast broadband, are available at the boundaries of all sites.

The main construction contract for road, water, sewer and stormwater construction was awarded in October 2016 and was completed in May 2017 with titles issued in late June. The contract was completed on time and under budget. As of 30 September, 10 sections have been sold with 4 currently under offer.

MORE RESIDENTIAL DEVELOPMENT

Supporting opportunities in Kaitangata

During the consultation period for the 2017/18 Annual Plan, Council received a proposal from Kaitangata Promotions for support to help encourage uptake of its newly-developed House and Land Packages. Council agreed to provide support for this initiative in the form of reimbursement of Council fees for building consent, and sewage and water connections of up to \$5,000 per section, by expanding the current fee reimbursement scheme.

Completing a development in Tapanui

Through a review of all Council-owned property it was identified that Council had titles to an unfinished subdivision in Tapanui. Demand was strong in Tapanui for any available land and so Council completed the subdivision and has sold 4 out of 12 lots.

This is about implementing and managing a project to facilitate recruitment and employment opportunities in the Clutha District.

Council supported a Clutha Development Inc initiative called 'Working in Clutha'. This initiative developed and established support systems to connect employers and job seekers in the Clutha District, reducing the gap between jobs available and jobs filled. As a result positions were filled, industry skill shortages identified and discussions held with employers and industry stakeholders to look for options to upskill local people looking for work. There has also been work to see how we can meet the requirements to employ and support migrant workers.

INDUSTRIAL DEVELOPMENT

Rosebank industrial area continues to develop.

Council purchased the old Rosebank sawmill site at the start of 2016/17 and has progressed the preparation of resource consent applications, completed studies on landfill remediation and infrastructure, and finalised a scheme plan for subdivision.

OUR PLACE COMMUNITY PLANS

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 centred on what Council can do with our key facilities and how we can work with the community to make things happen. The focus of this planning was on Balclutha, Milton and Waihola in 2016/17.

MAJOR INFRASTRUCTURE PROJECTS

Updating you on our main infrastructure projects from 2016/17

SEALING THE NUGGETS ROAD

Sealing of the road to the iconic Nuggets lighthouse was completed with an official opening taking place on 11 April 2017.

The Nuggets Road is the only one to Nugget Point Lighthouse and the Nuggets, one of the most popular visitor destinations in our district, attracting more than 60,000 visitors a year. Sealing means the road will now be safer for all drivers, especially for those visitors who may be less familiar with driving on unsealed roads.

The NZ Transport Agency approved a budget of \$2.7 million for the project, which included project development and supervision and contributed \$1.6 million, close to 60% of the total cost. The remaining cost was met by Council.

The final total project fees including the contract costs, design and professional fees came in under budget at approx. \$2.2 million.

BRIDGES UPDATE

The Maclennan and Tahakopa Valley bridges were finished during the 2016/17 year. These upgrades caused disruptions to motorists and it is good to have these bridges upgraded with no significant further work planned for the foreseeable future.

Hina Hina Bridge is an important part of our roading network offering a shorter route for the local farming community and to the increasingly popular Jacks Bay and Jacks Bay blowhole. Council has now agreed with the NZTA to look at building a new bridge, rather than repairing the current one, as this is expected to be more cost-effective in the long term. This bridge renewal will be considered as part of the 2018-21 roading programme, and initial geotechnical investigations are expected to commence in the next few months.

KAITANGATA AND HERIOT SEWERAGE UPGRADES

Progress was made to upgrade these plants to meet our increasingly stringent consent conditions.

Ongoing work has now given us firm details for these upgrades and physical works began in 2016/17, with desludging of the ponds prior to the upgrade and installation work beginning at the close of the year. The improvements help provide security into the future for these areas of the district.

RURAL WATER IMPROVEMENTS

Progress made for rural treatment plants is in line with improving water quality.

Good progress was been made on the rural water treatment upgrades during the year. Upgrade work to the Waitahuna plant servicing the Balmoral 1, Balmoral 2 and Tuapeka East water schemes, along with the Puerua plant servicing the Richardson scheme were completed, including installation of monitoring equipment. These upgrades will make these plants more reliable and are part of working towards meeting the drinking water standards and meeting consent requirements. Work for Glenkenich, Moa Flat and North Bruce will continue into 2017/18.

MILTON WATER TREATMENT PLANT IMPROVEMENTS











Work continued towards improving the plant's capability including during flood events.

All work was tendered and committed in 2016/17 for this work to improve this plant's pre-treatment capability so it can operate better during flood events, and to help remove soluble iron and manganese from the water supply. The upgrade should also mean the plant's new membranes need to be cleaned less often, saving money and extending their life-span, which in turn will save on future renewal costs. Physical works will take place in the 2017/18 year.

PROGRESS IN THE STORMWATER AREA

A combination of improvements in the Taieri Mouth area and renewal work in Balclutha and Tapanui were highlights in 2016/17.

COUNCIL SPENDING AT A GLANCE

	Operating Spend 2016-17	Capital Spend 2016-17	Rates value per \$100
 Rooding	\$7.1m	\$9.4m	\$44
 Water	\$4.9m	\$2.3m	\$17
 Community Services	\$4.9m	\$0.1m	\$13
 Regulatory & Emergency Services	\$2.1m	\$0.3m	\$5
 Sewerage	\$1.2m	\$0.9m	\$6
 Solid Waste	\$1.4m	\$0.1m	\$3
 Economic & Community Development	\$1.3m	\$0.1m	\$3
 Community Leadership	\$1.0m	\$0.1m	\$3
 Stormwater	\$0.3m	\$0.3m	\$1
 Internal Services	\$7.2m	\$5.3m	\$5

FINANCIAL OVERVIEW

2016/17

MAJOR VARIANCES 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 2016/17. After forecasting \$4.0 million in 2016/17, Council recorded a \$2.7 million surplus.

Revenue was greater than budget but within the different categories there was some variance. Actual investment returns were \$110k compared to the budget of \$704k. This reflected the volatility in the bond market translating into losses within the investment portfolio. We budgeted to spend \$11.6m on roading assets but actually spent \$9m. This translated into a reduction of NZTA funding of approximately \$1m.

Expenditure was \$1.4 million more than forecast. The main drivers behind this variance were:

- Depreciation and amortisation of \$1.4 million mainly due to under budgeting on asset revaluations.
- Other operating expenditure more than budget due to additional costs due to the payment of a legal claim in accordance with the Construction Contracts Act.

Other comprehensive revenue and expense items:

- There is a \$81.4 million variance on the property, plant and equipment valuation due to lower oil prices, stronger NZ \$, lower inflation rates and more competitive prices due to lack of work nationally.

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

SUMMARY OF KEY FINANCIAL INDICATORS

	ACTUAL 30 JUNE 2017 (\$,000)	BUDGET 30 JUNE 2017 (\$,000)	ACTUAL 30 JUNE 2016 (\$,000)
SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
INCOME			
Rates Revenue	24,936	25,245	24,195
Other Operating Revenue	16,767	16,382	12,888
Total Operating Revenue	41,703	41,627	37,083
EXPENDITURE			
Employee Benefits Expense	5,342	5,257	4,491
Depreciation	13,752	12,332	13,066
Other Expenditure	19,925	20,033	18,059
Total Operating Expenditure	39,019	37,622	35,616
Operating Surplus	2,684	4,005	1,467
Available for Sale Valuation Gain/(Loss)	5	-	6
Gain/(loss) on PP&E Revaluation	(3,391)	78,049	-
Total Other Comprehensive R&E	(3,386)	78,049	6
Total Comprehensive Revenue & Expense for the year	(702)	82,054	1,473
SUMMARY STATEMENT OF CHANGES IN NET ASSETS/EQUITY			
Equity at the beginning of the year	1,021,111	1,021,796	1,019,638
Total Other Comprehensive Revenue & Expense for the year	(702)	82,054	1,473
Equity at the end of the year	1,020,409	1,103,850	1,021,111
SUMMARY STATEMENT OF FINANCIAL POSITION			
Current Assets	36,057	22,701	32,977
Non Current Assets	989,982	1,087,665	994,099
Total Assets	1,026,039	1,110,366	1,027,076
Current Liabilities	4,819	5,695	5,135
Non Current Liabilities	811	821	830
Total Liabilities	5,630	6,516	5,965
Net Assets/Equity	1,020,409	1,103,850	1,021,111
SUMMARY STATEMENT OF CASHFLOWS			
Net Cashflows from Operating activities	12,130	14,424	13,205
Net Cashflows from Investing activities	(11,240)	(14,416)	(13,235)
Net Cashflows from Financing activities	-	-	1
Net Cashflows for the Year	890	8	(29)

COUNCIL'S FINANCIAL POSITION

- Short term investments, included in current assets are higher than budgeted by \$18 million. This is due to the underspend on capital projects as well as the proceeds from the sale of the forestry assets which were not budgeted.
- There is a \$81.4 million variance on the property, plant and equipment valuation due to lower oil prices, stronger NZ \$, lower inflation rates and more competitive prices due to lack of work nationally. Capital projects built were \$16 million below budget.
- Development property - some disposals of equipment and property have been recognised earlier on the Rosebank Industrial Development and expenditure on Plantation Heights has been less than budgeted.

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

CAPITAL EXPENDITURE

After budgeting for \$23.7 million, a total of \$8.4 million went through the books. This result reflects less projects being completed due to vacancies in the Service Delivery department.

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 2016/17 financial year.

RETURN ON INVESTMENTS

At the close of the 2016/17 year Council's investments rose to \$25.4 million, well above the \$14.3 million forecast for 2016/17 in the Long Term Plan. This is due to under expenditure on capital projects as well as unbudgeted proceeds from the sale of forestry assets.

CHANGES IN INVESTMENTS 2016/17

(\$M)	LONG TERM PLAN 2016/17	ACTUAL 2016/17
OPENING	14.6	24.1
CLOSING	14.3	25.5
CHANGE	(0.3)	1.4
BUDGETED RETURN	4.51%	0.70%

LIMITS ON INTERNAL DEBT

Council's internal limits set in the financial strategy were to ensure interest costs are less than 10% of our annual rates income, and that total internal debt per Capita did not exceed \$1,800. The results of **4.25%** and \$1,488 per capital are well within those limits in 2016/17.

INTERNAL DEBT 2016/17

	LONG TERM PLAN 2016/17	ACTUAL 2016/17
INTERNAL DEBT (\$M)	28.5	26.0
INTEREST COSTS AS A % OF RATES	5.83%	4.25
DEBT PER CAPITA (\$)	1,664	1,488
INTERNAL RATE OF INTEREST	5.5%	3.98%

LIMITS ON RATES AND RATE INCREASES

Rates are the most important source Council uses to fund services. The \$24.9 million collected in 2016/17 meant an increase on 2015/16 of 3.05%. This was below the 3.34% and \$25.1 million forecast for 2016/17 in the Long Term Plan.

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

RATES AND LIMITS ON RATES 2016/17

	LONG TERM PLAN 2016/17	ACTUAL 2016/17
FORECAST RATES (\$M)	25.1	24.9
FORECAST RATES CHANGES (%)	3.34	3.05%
RATES LIMIT AT 4% (\$M)	25.2	25.2

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 2016/17 provides:

- [An outline of Council's end of year financial position.](#)
- [An overview of Council services during 2016/17](#)
- [A statement from Council's auditors - Deloitte.](#)

The specific disclosures included in the summary have been extracted from the full Annual Report 2016/17 adopted by Council on 19 October 2017. 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 2016/17 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 2016/17 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 CLUTHA DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The summary of the annual report was derived from the annual report of the Clutha District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 3 to 10:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

- the summary of the 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*.

Summary of the Annual Report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The Full Annual Report and our Audit Report Thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 19 October 2017.

Council's Responsibility for the Summary of the Annual Report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.



Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

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

A handwritten signature in blue ink, appearing to read "B E Tomkins".

B E Tomkins
Deloitte Limited
On behalf of the Auditor-General
DUNEDIN, New Zealand
19 October 2017