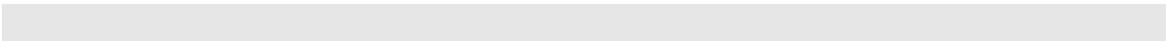


Kaikoura – EarthCheck Platinum Certified

The Kaikoura community is proud to be among the first in the world to achieve EarthCheck certification in recognition of our commitment to protecting our environment and working towards sustainability for our residents and visitors, and in 2016 we were again awarded Platinum Status in the programme.



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General Information

Kaikoura Our Town, Our District

The Kaikoura district spans from the Haumuri bluffs in the south to the Kekerengu valley in the north, covering 2,048 square kilometres of diverse landscape. The inland boundary of our district is the Inland Kaikoura Range, climbing 2,885 metres and snow covered for much of the year. The spectacular coastline provides excellent fishing, sporting and recreation for Kaikoura's population of 3,555 (Census 2013). The Kaikoura Canyon, at around 1,300 metres deep, provides the natural habitat for southern right and sperm whales, orca and dusky dolphin, and is also host to over 200 species of marine life.

The township is situated on a peninsula protruding from this rugged coastline. Maori legend tells that it was from this peninsula that Maui fished up the North Island from out of the ocean. Maori history and culture is an integral part of Kaikoura, and there is evidence of Maori settlement in the area up to 1,000 years ago.

Historically the district has thrived in the fishing, farming and dairy industries. Today Kaikoura is a world-class tourism destination, boasting award-winning restaurants, cafés and accommodation facilities, a winery, cheese factory, and retail shops.

Kaikoura has set the stage as a leader in environmental awareness, having imposed a zero waste policy, and making huge inroads into recycling innovation, plus achieving platinum certification standards in the international Earthcheck sustainable communities programme.

Statistics as at 30 June 2016 (the end of the preceding financial year)

Population	3,555 (Census 2013)
Rateable properties	2,940
Total rating units	3,197 (includes non-rateable properties)
Total capital value	\$1,470,327,900
Total land value	\$903,872,700
Land Area	2,048 sq. km

Kaikoura District Council as at 30 June 2017

Represented by	1 Mayor and 7 Elected Representatives
Total Equity	\$147,273,357
Total Assets	\$165,002,312
Number of Staff	33.5 FTE
Utilities & Services	1 Landfill 8 Public Water Supplies 1 Sewerage System

Kaikoura – A Sustainable Community

Kaikoura's environment is unique to the local community and throughout the world. It is the local coastal environment that attracts large numbers of visitors and it needs to be cared for, to ensure the residents, the visitors, and future generations can enjoy and appreciate nature at its best.

Ever since 2004, Kaikoura has been successfully participating in the EarthCheck Environmental Standards programme. The EarthCheck standard is an international framework for tourism operators and destinations to measure and manage their environmental impact. In using the EarthCheck standard, the Kaikoura community first measured its environmental impact, called benchmarking, and then adopted and implemented strategies to reduce its impact.

Kaikoura District Council was the first local authority in the world to achieve certification, in many instances exceeding global best practice environmental standards. In 2014 we were awarded platinum certified status. This is a stunning achievement for our district, and one of which our community is extremely proud.

But what does it mean to be a sustainable community?

To maintain our sustainable certification, each year we measure our performance against eleven environmental indicators and set goals to reduce the negative effects. The indicators include; energy use, greenhouse gas production, water conservation, water quality, air quality, waste production, biodiversity, the number of travel and tourism operators with environmental accreditation, the number of truck accidents on the state highway involving chemical spills, resource conservation, the social health and well-being of the community and we ensure our environmental and social sustainability policy is updated annually.

Our certification status is still pending for 2017.

Our Vision

***“The Kaikoura community displays responsible custodianship of its unique natural, social and built environmental resources by striving towards the sustainable utilisation and management of these resources.*”**

It is a community that treasures the present small-scale town atmosphere and strives to retain and enhance this coastal village character and atmosphere.”

Statement of Compliance and Responsibility

Compliance

The council and management of the Kaikoura District Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, **other than the exception noted below.**

Section 111 of the Local Government Act requires the Council to prepare information in accordance with generally accepted accounting practice. Generally accepted accounting practice for Council means Public Benefit Entity International Public Sector accounting standards (PBE IPSAS). **In respect** of the uncertainty over the full extent of the damage to the Council's assets and the Council being unable to reliably determine the appropriate classification of earthquake event expenditure between capital and operating expenditure, it has not been possible to comply with this requirement.

Responsibility

1. The council and management of the Kaikoura District Council accept responsibility for the preparation of the annual financial statements and the judgements used in them.
2. The council and management of the Kaikoura 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.



Angela Oosthuizen
Chief Executive



Winston Gray
Mayor

Date: 22 November 2017

Impact of the 7.8 earthquake

2016/2017 has proved to be a demanding year as our small community faced significant challenges.

At the beginning of 2016, the priority focus was to complete the civic centre. The construction was completed in November and staff moved into the new building. The move was finalised on Friday 11 November 2016. The jubilation of moving into our new building was short lived and at two minutes after midnight on 14 November 2016, a 7.8 magnitude earthquake hit.

A bit about the uniqueness of the M7.8 Quake

The earthquake started at about 15 kilometres north-east of Culverden and 60 kilometres south-west of the tourist town of Kaikoura and at a depth of approximately 15 kilometres. Ruptures occurred on multiple fault lines in a complex sequence that lasted for about two minutes.

The epicentre was recorded as being near Waiau in North Canterbury at a depth of 15 km. The rupture extended 200km north and is said to have stopped about 50km south of Wellington. The earthquake generated extreme surface displacements, considerable land deformations, significant and strong ground motions as well as a local tsunami. The earthquake was felt widely but was especially strong in Waiau, Hanmer Springs, Kaikōura, Ward, Seddon, Blenheim and Wellington.

The cumulative magnitude of the ruptures was 7.8, with the largest amount of that energy released far to the north of the epicentre.

The size of this earthquake is comparable to the really big earthquakes in New Zealand such as the 1929 Murchison and 1931 Napier Earthquakes. It does not come up to the Great Wellington Earthquake of 1855 but released more than 10 times the energy of the 2010 Darfield Earthquake and more than 100 times the energy of the 2011 Christchurch Earthquake.

The actual event was the second largest quake in New Zealand history for the second smallest local authority and was unique in that it involved at least 21 faults, among them the Hundalee Fault, the Hope Fault, the Waipapa Fault and the Kekerengu Fault. The biggest displacements were seen on the Hope, Hundalee, Waipapa Bay and Kekerengu faults - the latter accommodating up to 10m of slip.

Kaikoura moved to the northeast by nearly one metre, and rose seventy centimetres.

Impact on our Community

Our district suffered one fatality. A man was killed when the historic Elms Farm homestead near Kaikoura collapsed. A woman also suffered a fatal heart attack while trying to escape her home at Mt Lyford, in the Hurunui district.

Kaikōura was completely cut-off by numerous slips on the main road north and south of the town and the alternative road to Kaikōura, the Inland Road suffered significant damage. The main trunk railway was also made impassable by landslides. Our small community was isolated.

As a consequence the movement of essential supplies to Kaikōura was severely disrupted and a large number of tourists and visitors were isolated in the town. Farms suffered land deformations, damage to infrastructure, and challenges with access.

The Emergency Operating Centre (EOC) was immediately setup on the 14th and manned by a small contingent of staff. By the end of the day assistance started arriving and continued to arrive over the course of the next few days.

The Response

No emergency response is perfect. Disasters by their very nature overwhelm. They are confusing and chaotic. Nerves are fraught and the demand for resources, time and attention can be impossible to meet. However, the combination of local responders, iwi, community volunteers, businesses and agencies combined with support from their regional and national counterparts and the Defence Force's experience responding to international emergency events resulted in a world class response to the 14 November earthquake.

Prime Minister John Key surveyed the damage from the air and later described the scenes as "utter devastation" and estimated that reconstruction would take months and cost billions of dollars. The New Zealand Defence Force dispatched five Royal New Zealand Air Force helicopters (four NH90s and one Agusta A109), a P-3 Orion and a C-130 Hercules to survey and provide essential emergency supplies to the most severely affected areas around Kaikoura.

Airport was too small to take larger multi-engine aircraft so landing was limited to helicopters and small aircraft. The Royal New Zealand Navy's multi-role vessel HMNZS Canterbury and off-shore patrol vessel HMNZS Wellington were deployed to Kaikoura to provide aid supplies and evacuate people.

Our district was fortunate in that The NZ Defence Force and an international naval fleet had been undertaking exercises in Auckland allowing them to be deployed in the response efforts. HMCS Vancouver, HMAS Darwin and USS Sampson, in New Zealand waters for the RNZN's 75th birthday celebrations in Auckland, were redirected by their respective governments to assist. A United States Navy P-3 Orion of VP-47 and two Kawasaki P-1s of the Japan Maritime Self-Defence Force's Air Patrol Squadron 3, also visiting RNZAF Base Whenuapai for the RNZN 75th anniversary events, were deployed to assist. The New Zealand Defence Force also deployed HMNZS Te Kaha and HMNZS Endeavour to support the operation.

The New Zealand Fire Service dispatched urban search and rescue teams to Wellington and Kaikoura. Paramedics were also dispatched from St John. Over 200 people were airlifted out of Kaikoura by late evening on 15 November, with about 1,000 still to be evacuated on the following morning. Stranded tourists with health issues and travel plans were put on a flight priority list.

HMNZS Canterbury arrived in Kaikoura on 16 November and transported about 450 evacuees, 4 dogs, and 7 tonnes of luggage to Lyttelton, arriving early the following morning. On the morning of 20 November, HMNZS Canterbury arrived at Lyttelton with another group of evacuees, bringing the total number evacuated from Kaikoura to more than 900.

The size of the civic centre allowed NZ Fire and Police, DF, Red Cross and the EOC to be located in the same building fostering communication and cooperation. The newly opened Integrated Health Centre provided a solid base for the health response and Wi-Fi for the visiting guests.

The local iwi, Te Rūnanga o Kaikoura and Ngai Tahu supported both iwi and the community alike working with the Red Cross and CDEM welfare to feed over 700 people on the night of the 14th, offer shelter to capacity and continued to feed all those who came to Takahanga Marae including the EOC for the first week.

The NZ Defence Force worked in EOC functions alongside council staff and responders, supporting, rather than leading, the response. The additional manpower on the ground and in the air was reassuring to the community and added support to the heavy work involved in earthquake response. They were self-contained and even brought members of the NZ Army Band spreading Christmas cheer to the downtown the week before Christmas.

Support came from across New Zealand from national, regional and local territorial authorities, geotechnical experts, GIS specialist and many others, braving the aftershocks along with the locals. Greater Christchurch, still in recovery from their own events, went above and beyond to help our district during response and well into recovery.

Volunteers stepped up to offer whatever help they could offer to each other, strangers and the EOC effort. Local pilots and contractors put competition aside in the relief effort both by air and in opening the Inland Road. Utility and Council contractors quickly restored power, water and telecommunications. This is but a small slice of the larger puzzle of people who helped in the first month of response.

Our Councillors and management wish to thank the many Councils, agencies and volunteers who assisted us during the response. Your assistance was invaluable for our small Council.

The Isolation and its impact on our local businesses

On 30 November 2016, the Inland Kaikoura Road, redesignated "Kaikoura Emergency Access Road", was reopened to civilian drivers holding a permit and for restricted times of the day. Twenty-five crews had worked to clear 50 landslips on that highway alone. It reopened unrestricted to all traffic on 19 December 2016. State Highway 1 south of Kaikoura reopened two days later on 21 December 2016, albeit only during daylight hours, on Friday through to Monday each week, and can suffer further closures if there is significant rain fall that increases the risk of landslips or rockfall. Long term closure of State Highway 1 north of Kaikoura (between Mangamaunu and Clarence) has resulted in a detour through the Lewis Pass being the only major route from Picton to Christchurch.

The isolation impacted our community significantly. Tourism is one of the sectors hit hard by the road closures and infrastructure damage that have cut Kaikoura off from the rest of the country. The uplift in the seabed significantly impacted our whale watch, dolphin and fishing operators.

The decrease of 50.21% and 63.20% international and domestic spend is having a major impact on the local economy and can be attributed to the isolation effect of the restricted or no access by roads. The earthquake as had a marked impact in the Kaikoura economy with approximately 50-70% below last year's expenditure from loss of market due to the loss of road and rail access.

Another primary impact of the earthquake on the Kaikōura marine facilities is from the uplift of the seafloor by 0.9-1.2m. As a result there is insufficient water depth for vessels to launch, navigate the approaches and tie up at wharves at all stages of the tide. Currently harbour tour operations are only able to operate between 20 to 40% of the pre-earthquake tour capacity. Hospitality, retail and accommodation businesses are running huge losses.

Natural Hazards

The 14 November 2016 earthquake triggered natural hazards such as rock falls, landslides, and dam bursts; which elevated life risks and caused land damage which affected an estimated 100 properties across the Kaikoura District. About 290 civil defence placards were placed on buildings in the Kaikoura District immediately following the event, due to either building damage and/or an elevated life risk from natural hazards, such as boulder roll or landslide.

Following recent placard reviews, the Kaikoura District Council (KDC) has assessed that about 14 properties are likely to be at unacceptably high life risk from adjacent hazards and warrant a Building Act (2004) s124 notice.

In addition, about 25 properties at Lyell Creek may be on land that has been damaged so significantly it is now unfit to be built on.

An additional number of residents are likely to be facing intolerable financial hardship as a result of an elevated life risk as well as land damage; e.g. they cannot return to their home because of a significant life risk (which although considered high, does not meet the requirements of a s124 notice) but cannot relocate because they are not eligible for insurance payouts (because their home has not been damaged); or their insurance will not cover necessary repairs to meet building code requirements.

Public engagement is now underway with property owners at most of the affected sites to share information Council has gained about their properties and to understand residents' issues and aspirations for the future.

In order to give effect to KDCs duty of care to its residents, there is a need to consider how Council can help people who are at unacceptable risk, or who face intolerable financial hardship, as a result of natural hazards or land damage; i.e. whether intervention is required, and if so what the best options might be.

Recovery Team

Early in December a Recover Manager was appointed and a recovery team established. The Recovery team's main focus has been providing support and advice to our district residents.

The social recovery team, largely funded by grants, works with the areas of our community that need it most, connecting them to the support services that are available and providing assistance however and whenever it is needed.

Business support is another main focus. We are all very aware of how much some of our businesses are hurting through the continued isolation. The Recovery team has been working hard to help them get as much support as possible and navigate the paperwork and processes they need to complete to get assistance.

Recovery Plan

A Kaikōura District Recovery Plan was officially adopted in April 2017, marking a significant step in our recovery process.

"Reimagine Kaikōura" provides clear direction for restoring and enhancing the Kaikōura District post the November 2016 earthquake. It lays out a community led roadmap for integrating five key themes;

- Economy - Developing a sustainable economy
- Rebuild - Rebuilding quality facilities and infrastructure
- Community - Enabling a strong and healthy community
- Natural Environment - Protecting and enhancing the natural environment
- Future - Striving for a resilient and positive future

To create this Plan, we brought together all the elements of our communities. Through the process we received nearly 3000 different ideas. It was overwhelming to see so many members of our district not

only passionate but positively contributing to the plans creation. The end result is something we can all be proud of and provides aspirations and inspiration for our future.

Impact on Council Infrastructure

The Council's roading, 3-waters and community facilities infrastructure assets have sustained significant damage as a result of the earthquake.

Council's District Recovery Plan 2017 outlines the following objective in relation to the reassessment, repair and rebuild on the Council's built environments:

'Build cost-effective and easily accessible infrastructure, transport networks, housing and buildings which are able to withstand extreme weather events, flooding, tsunamis, earthquakes and landslides'.

The scale of the damage is comparable to that faced by Christchurch after the Canterbury earthquakes.

Over the next 18-24 months Council needs to spend five times our normal annual infrastructure budget as part of the rebuild programme. Getting this rebuild programme done on time, within budget, and to the required standard has been our top priority.

Most things that the community takes for granted (clean safe water, operational sewerage system and safe roads) require extensive rebuild work. This is estimated to cost close to \$40 million.

In the next 18-24 months we will focus on;

- road rehabilitation works down Mt Fyffe, Mill and Red Swamp roads
- repair structural damage to bridges
- re-install the main sewer line and replace pump stations
- replace water reservoirs
- repair sewer and water reticulation systems

In the short term we do not have the financial resources to replace and restore all existing community facilities. We are working with Sport Tasman, Sport NZ and the local sporting groups to assess the District's needs and the affordability of new sport and recreational facilities.

Tourist attractions are Kaikōura Districts' main drawcard. Over 50% of our workforce is dependent on the tourism industry, so extensive work has been undertaken to get the harbour functional by November 2017. We have made significant progress reinstating the harbour slipways both for recreational and commercial users. We are currently finalising the dredging and excavation in the South Bay harbour.

A Rebuild Steering Group provide oversights of the rebuild design, projects, advice and decision making. The immediate priority will be working with the funders to decide the details of the programme, budget, standards and procurement process. The Group is also responsible for leading the rebuild of Council-owned facilities and structures.

Waste Minimisation

A waste minimisation grant of \$623,000 was allocated to the Kaikōura District Council from the Ministry for the Environment. This grant is to help Council rebuild waste facilities, recycle as much as possible of the huge increase in waste and put in place effective measures to carefully manage hazardous waste like asbestos.

An effective process to assist the community with post-earthquake management of recycling from damaged buildings needs to be established to avoid significantly impacting IWKs recycling programmes. Demolition waste will need to be carefully and proactively managed to protect the natural environment and reduce waste to landfill.

A key focus of the project is to support residents and business owners whose buildings either require demolition or extensive structural repairs, in order to make them safe for occupation or habitation.

External Financial Assistance and Crown Support

The Government has provided substantial support for the people, communities and businesses affected by the earthquake on 14 November 2016. Some support has targeted businesses and the community (e.g. advertising for tourism, wage subsidies). This has helped take the pressure off the Council. Other support directly assists the Council with its responsibilities and so significantly reduces the financial burden of the recovery for ratepayers.

Some of the specific support for Kaikōura District Council:

The Harbour

\$5.7 million from the Crown, to restore the council owned Harbour (the cost would normally fall on ratepayers and potentially operators, if not covered by insurance).

The Health Centre

\$2 million from the Canterbury District Health Board, to cover Council debt on Kaikōura Health Centre.

Council statutory functions

KDC will get a significant share of the \$2.5 million funding approved by the Department of Internal Affairs, for the affected local authorities (particularly Kaikōura and Hurunui) to support their additional statutory functions after the earthquake, e.g. building consents, planning and hazard management.

Water, stormwater and wastewater repair

We suffered huge damage to essential infrastructure, such as water pipes and bore holes, after the earthquake - about \$20 million worth of damage. Councils usually pay upfront for repairs after emergencies like this, then the government reimburses 60% of the costs.

However, a small council like ours simply does not have the cash reserves to pay upfront. Government will therefore pay its share of 60% of repair costs upfront by providing cash advances of up to \$12 million to the council.

On top of this, another \$2.4 million has been set aside by the Crown to help the council upgrade damaged infrastructure, rather than just replacing or repairing it. This betterment funding means we can build in extra capacity and extra resilience, and even add new assets to take into account the changing needs of the community, the growing economy and the ongoing seismic risks. As is standard after these sort of events, the government also reimbursed our welfare costs that we incurred after the event.

Local roads

The estimated cost of local road repairs is \$12 million. Normally, Kaikōura would need to pay for about 30% of these emergency repairs, with the government picking up the remainder through the National Land Transport Fund. However, a special arrangement has been reached between the Council and Crown that will see Kaikōura District Council picking up only 5% of the costs (about \$0.6 million) with the National Land Transport Fund meeting the remainder (about \$11.4 million).

The National Land Transport Fund will also pay for 100% of the repair, maintenance and management costs for Route 70 until councils can take on their share of these costs once again. This has provided a small benefit for Kaikōura's local road recovery as approximately 26kms of Route 70 is in the Kaikōura District. As usual, the Crown (via the National Land Transport Fund) will carry the full costs of reinstating the State Highway between Picton and Christchurch.

Other non-financial support

Other non-financial support that helps keep rates increase to a minimum are:

- Government adviser time on governance committees – i.e. on the new Rebuild Committee.
- Proposed Order in Council to reduce the potential burden on the Council or responding to request for rate revaluations
- Expected future Order in Council to assist with its long term plan process.

Message from the Chief Executive Officer

2016/2017 has proved to be a demanding year as our small community faced significant challenges. At the beginning of 2016, the priority focus was to complete the civic centre construction.

As the current Council moves towards completion of its first year in office, we continue to work through a number of issues to ensure our community is well positioned to meet current and future challenges.

One of these challenges has been the 14 November 2016 7.8 magnitude earthquake that caused considerable damage across our district.

It is likely to take a number of years for the community to be restored fully. The Council and the Earthquake Recovery Committee have worked very hard to support the affected communities, while maintaining usual Council services to the best of its ability. The Council has led numerous community meetings, seeking to address community concerns and answer questions, while explaining the Council's role in the recovery.

The Council has been enormously proud of the community's resilience and resourcefulness as it had to withstand some very trying conditions in the days and months that followed the earthquakes. It has been a testament to the resilience of the Kaikoura community.

Our ability to plan with confidence for the future is hampered by continued uncertainty about the extent of damage to our assets, the amount of insurance recoveries and escalating earthquake related costs. As explained further in the Audit Opinion (page 25) these uncertainties contributed to a qualified audit report from Audit New Zealand and the Auditor-General.

We have tackled the various challenges head on. Kaikoura District Council worked through a change process of which a restructure is a part. Council exists to support and provide services to our District. Last years' earthquakes significantly changed our District, so Council has to change. The restructure is all about making sure that who we are as a Council, the skills, priorities and way we work lines up with what our District needs and expects from us.

I continue to be very proud of our small staff, particularly of their efforts during the earthquake response and recovery. The earthquake has increased our workload and in some cases our statutory responsibilities. We needed to increase our capability and capacity in specialist areas including natural hazards, infrastructure rebuild and building regulation, and to support the social and economic recovery of our communities.

The Recovery Plan, 'Reimagine Kaikoura' was created from over 3000 community submissions. 3000 ideas from the people of our District about what they want and need from our Recovery. This creates a solid foundation on which to base our future focus

The earthquake put considerable strain on Council finances, just as it did on the finances of many of our ratepayers and local businesses. The work required to rebuild is expensive and we must continually strive to deliver value for money. We know that many ratepayers continue to be concerned by potential rate rises and this year we have done everything to seek alternative funding and minimise the cost to ratepayers.

Recovery is a long process. The changes to the District as a result of the earthquake are here for the foreseeable future.

This year our primary focus has been on the various facets of Recovery:

1. Social recovery providing support to our community and support our residents through their personal rebuild process – insurance, legal advice through support networks, insurance advice through various agencies and governmental departments such as MBIE, MSD, MfE to advocate for solutions to the various consequences and problems that arose from the earthquake
2. Economic Recovery which has been targeted at the support our local businesses needed. This involved advocating for the extension of the wage subsidy to assist businesses to cope with the loss of market and business that resulted from the lack of road access to Kaikoura. The next suite of financial assistance was the provision of grants to viable local businesses to help them survive the third winter (in terms of visitor seasons). Ongoing support has also been provided by working with the Canterbury Chamber of Commerce and Christchurch New Zealand to help develop business capability. Collaborative arrangements were setup with NCTIR to ensure that the local hospitality provided benefitted from the presence of the many contractors working on the roads south and north and restoring the rail access.
3. Identifying the various natural hazards that arose from the earthquakes such as rock-falls, landslides, landslide dams, land damage and subsidence. This has affected many communities (Rakautara, Oaro, Boat Harbour, Torquay Street in Kaikoura, residents along Lyell Creek and residents in the Clarence). These hazards have posed life risks threats to some residents preventing access to their homes.
4. Making sure that we addressed the immediate infrastructural damage and continuing to develop long term quality infrastructural solutions for the remainder that is fit for purpose and achieves value for money outcomes. The final restoration of the infrastructure has started and will be a top priority focus for the next 2-3 years.

In addition to the above, we continue to be focussed on our financial management and sustainability ensuring that we seek out external financial support where possible. We are fortunate to have received extensive financial support from the Crown and assistance from Environment Canterbury relative to the harbour restoration.

We continue to be very appreciate of all the external support received during the response from the local Runanga and Ngai Tahu, government, Defence Force, Navy, MBIE, MSD and the many other governmental and non profit organisations that assisted such as the Red Cross, St Johns, Community Energy actions and so many more. We have been humbled by the staff and support from local governments, in particular our close neighbour Waimakariri District who has been instrumental in developing our Recovery approach.

We continue to be focussed on developing partnerships and collaborative solutions as we continue to face the myriad of complex earthquake issues.

Finally I would like to thank the Mayor, elected members and my staff for their hard work, commitment and the many long hours they have worked throughout the past year for the good of our community. Together we have all made a positive contribution and a difference for our community.

ANGELA OOSTHUIZEN
Chief Executive Officer

Directory of Council

Kaikoura District Council
PO Box 6
96 West End
Kaikoura

Phone (03) 319-5026
Fax (03) 319-5308
Email kdc@kaikoura.govt.nz
Website: www.kaikoura.govt.nz

MAYOR

Winston Gray

COUNCILLORS

Julie Howden (Deputy Mayor)

Tony Blunt

Lisa Bond

Celeste Harnett

Craig Mackle

Derrick Millton

Neil Pablecheque

CHIEF EXECUTIVE

Angela Oosthuizen

Bankers

Bank of New Zealand
 West End
 Kaikoura

Auditor

Audit New Zealand
 on behalf of the Auditor General
 PO Box 2
 Christchurch

Solicitors

Hardy-Jones Clark
 PO Box 646
 Blenheim

Financial Advisors

PriceWaterhouseCoopers
 PO Box 13244
 Christchurch

Resident & Ratepayer Surveys

Each year the council conducts this survey to understand community opinion about the services provided by the council, and residents' and ratepayers' perception of the quality of life in Kaikoura. This helps us set the priorities for improving these services, as the feedback from these surveys helps determine which projects we will focus on, or which services we need to improve, for the coming year. As part of the EarthCheck benchmarking process, our surveys also ask questions about involvement in environmental and social issues, and participation in local government decision making. The survey is undertaken by enclosing the survey forms with the rates instalment, and providing free postage to return.

The results of these surveys are very important to us in setting our priorities for future development and upgrading of facilities, and improving our customer services. These surveys continue to initiate various major capital projects, such as ongoing footpath and walkway/cycleway development.

Throughout this annual report, in the Council Activities section, the results of the resident and ratepayer satisfaction surveys have been incorporated as performance measures, to assess our progress towards the achievement of our annual targets.

Survey 2017

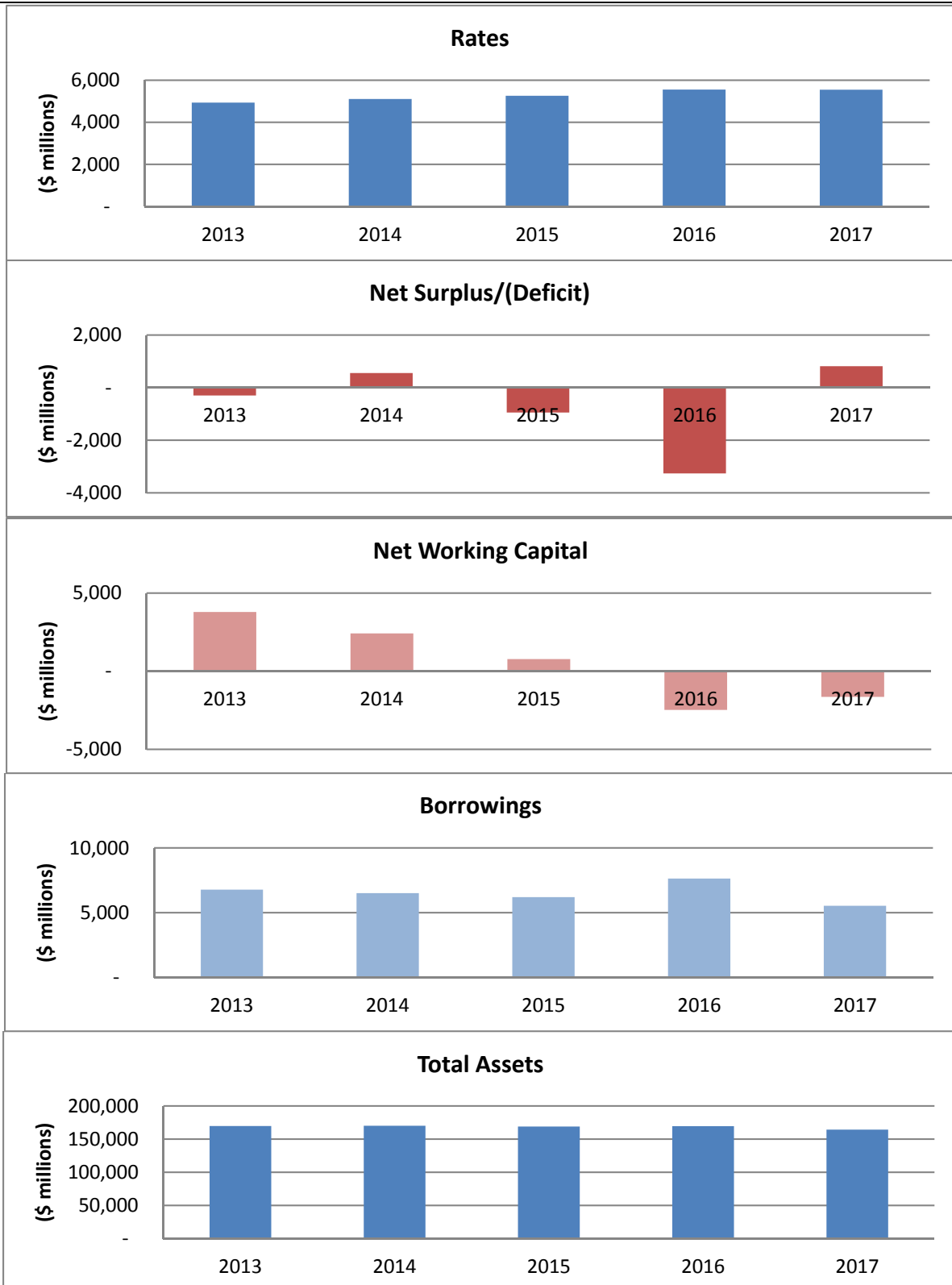
This year, due to the earthquake, the survey included questions on the earthquake response and recovery, and had an expanded civil defence section. Questions about council services enabled respondents to answer pre-quake and post-quake satisfaction levels, and a "neutral" and "no opinion" option was available to be selected. For the first time the survey was available online through our website and Facebook, as well as hard copies delivered with the April rates instalment notices. We received 244 responses (last year 234), including 54 online responses.

As expected, satisfaction with core infrastructure services dropped post-quake. Most services showed a 10% increase in those dissatisfied or very dissatisfied with water, sewer, stormwater, roads and footpaths. Addressing the dissatisfaction with rural roads was highlighted as a key focus.

Responses in the "Earthquake recovery" section indicated a reasonable level of satisfaction with the actions of Council and contractors post-quake.

Financial Information

Five Year Financial Performance



Audit New Zealand Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Kaikoura District Council and group's annual report
for the year ended 30 June 2017

The Auditor-General is the auditor of Kaikoura District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to report on the information in the District Council and Group'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.

The earthquake which occurred on 14 November 2016 caused significant damage to a number of the District Council's assets. It also significantly affected the District Council's ability to deliver and manage its services.

Because of the effects of the earthquake it has been difficult for the District Council to prepare financial statements and performance information that complies with generally accepted accounting practice and legislation. These difficulties include determining the full extent of the damage arising from the earthquake, distinguishing between capital and operating expenditure when repairing that damage, and reporting complete performance information.

These matters, which have affected our audit, are explained in more detail in the *Basis for our disclaimer of opinion* and the *Basis for our qualified opinion* sections below.

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 22 November 2017. This is the date on which we give our report.

Disclaimer of opinion on the statement of service provision (reported as Council Activities)

We do not express an opinion on the Council Activities reported on pages 94 to 137.

Because of the significance of the matters described in the *Basis for our disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence that would have allowed us to form an audit opinion on the Council Activities.

Basis for our disclaimer of opinion on the Council Activities

The introduction section of the Council Activities on page 96 explains the impact of the significant disruption the earthquake caused to the Council's normal management processes, including the monitoring systems and processes for a large number of its non-financial performance measures. These measures are important in enabling readers to make an informed assessment of the District Council's performance for the year.

For the majority of its performance measures, the Council is either:

- unable to report any performance for the year; or
- has reported only an estimate of performance.

For those measures where the Council was unable to report any performance for the year, we were unable to perform any audit procedures. For those where it has reported only an estimate of performance, we were unable to obtain sufficient appropriate evidence that the reported performance is accurate. Accordingly, we do not express an opinion on the Council Activities for the year ended 30 June 2017.

Qualified opinion on the audited information, other than the Council Activities – Our work was limited due to the effects of the earthquake

In our opinion, except for the matters described in the *Basis for our qualified opinion on the audited information* section of our report:

- the financial statements on pages 29 to 85:
 - present fairly, in all material respects:
 - the District Council and Group’s financial position as at 30 June 2017;
 - the results of the 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 Accounting Standards;
- the funding impact statement on page 93, 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 Annual plan;
- the statement about capital expenditure for each group of activities on pages 100 to 137, 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 100 to 137, 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.

Basis for our qualified opinion on the audited information other than the Council Activities

The District Council has included a summary about the effects of the earthquake on its financial statements on pages 29 and 30.

The District Council has been unable to determine the full extent of the damage caused by the earthquake. For much of its expenditure on the earthquake event, the District Council has also been unable to reliably determine the appropriate classification between capital and operating expenditure.

As a result of these matters, our audit was limited as set out below.

Limitations in scope with respect to the financial statements

Determining the extent of damage to property, plant and equipment

There is significant uncertainty about the extent of the damage suffered by the Council’s roading, stormwater, water supply, sewerage, and harbour assets, as well as land and building assets (collectively referred to as the “damaged assets”). Although the Council has estimated an amount for impairment and asset write-offs using the best information

available, it is still determining the extent of damage to these assets. As a result, we were unable to obtain sufficient audit evidence to support:

- the impairment losses recognised in other comprehensive revenue and expense in the statement of comprehensive revenue and expense, set out in Note 7 and reflected in the statement of changes in equity;
- asset write-offs recognised as an expense in the statement of comprehensive revenue and expense, set out in Note 7 and reflected in the statement of changes in equity;
- The total comprehensive revenue and expense for the year recognised in the statement of changes in equity;
- the carrying value of the damaged assets on the statement of financial position as at 30 June 2017 and set out in note 19; and
- the associated depreciation charge on the damaged assets for the year ended 30 June 2017 recognised in the statement of comprehensive revenue and expense and set out in note 9.

Distinguishing between capital and operating expenditure when repairing the damage

The District Council has incurred significant costs to repair assets after the earthquake. Due to the circumstances and nature of the repair work undertaken, the District Council has not been able to reliably analyse all of this expenditure as either capital or operating in nature and has recognised its repair costs as operating expenses. Consequently, we are unable to obtain sufficient audit evidence that repair expenditure has been accurately classified in either the statement of comprehensive revenue and expense or the statement of financial position, as appropriate.

As a result, we are unable to obtain sufficient appropriate audit evidence about the classification of the repair costs as an operating cash flow in the statement of cash flows.

The limitations in scope described above also affect the District Council's Funding Impact Statements and the statements about each group of activities, to the extent that these statements are compiled based on the classification of revenue and expenditure streams within the District Council's financial statements. This includes the new "Earthquake Event" activity established following the earthquake.

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 qualified opinion on the audited information other than the performance information in the Council Activities.

Recognition of insurance proceeds

We draw your attention to Note 33 of the financial statements, which explains the status of Council's insurance claims and the uncertainties associated with the amount of these claims. Our opinion is not modified in respect of this matter.

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 and the Group 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 and long-term 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 and Group'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 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 and Group'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 and the Group 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 obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

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.

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 its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 86 to 92, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

In reporting this, we highlight that the benchmark results and Schedule 10 disclosures for 2017 are compiled using figures from the audited financial statements. As described in the *Basis for our disclaimer of opinion* and *Basis for our modified opinion on the audited information* sections of our report, our audit was limited due to the effects of the November 2016 earthquake. Some of the benchmarks are based on information over which we have qualified our audit opinion.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 5 to 20, 23 and 138 to 144, 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 and Group 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.

Other than the audit and our report on the disclosure requirements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Impact of the earthquake on the financial statements

This note summarises the effect of the earthquakes on the financial statements.

Property plant and equipment

Work in progress

As at 30 June 2017, the Council has incurred \$4.352million capital expenditure replacing and restoring the following assets

- \$0.926 million on the replacement of Mt Fyffe water main that shattered, and
- \$3.409 million dredging and reinstating the harbour to provide sufficient depth for the vessels to launch. The Council expects to incur a further \$4.1million in 2017/18 on the dredging and reinstatement of the harbour

Impairment

The earthquakes caused substantial damage to a significant number of Council's infrastructure assets and building assets. The value of the various asset classes has been impaired by a total of \$17.296million.

Impairment has been provided based on actual values where the extent of damage to an individual asset could be identified. These specific impairments total \$4.720 million. However, where the extent of damage has not yet been reliably determined, impairments have been made on the basis of general assessments, which reflect broadly based best estimates of the proportion of damage to each class of asset, or to assets within a particular location. These general impairments total \$12.576 million. Further information is provided in note 7.

Operating Expenses

As a result of the earthquakes, the Council has incurred expenditure of \$8.887million on:

- Reinstating services disrupted by the earthquake, which includes replacement and repairs to assets to get the services operational again - \$6.672million
- Initial response, including establishing the Earthquake Operation Centre - \$0.741million
- Welfare costs, including support provided to the community and local businesses - \$0.529million
- Recovery activities, including development of the recovery plan - \$0.204million
- Additional wage costs, including the establishment of the recovery team and employment of new staff with skills in specialist areas such as natural hazards, infrastructure rebuild and building regulation - \$0.741million

The Council is unable to determine the amount of this expenditure that should be classified as capital expenditure.

Insurance recoveries

The Council has received insurance advances totalling \$2m from the Local Authority Protection Programme (LAPP) for water and sewer rebuild, and from material damage insurers for building repairs.

Insurance recoveries are only recognised as revenue when there is virtual certainty of receiving the recovery. The Council has not submitted any insurance claims yet. While an estimate of repair costs has been obtained by the Council and provided to the insurer, there are still significant uncertainties in the numbers and is still subject to discussion and agreement with the insurers, therefore no further insurance revenues have been recognised.

Grants and donations received

The Council has received \$12million in the form of grants and subsidies from multiple organisations, agencies and donations in response to the earthquake. Further information is provided in note 4.

Rates remissions

The Council has remitted rates totalling \$0.269million, including fully remitting the Kaikoura Hospital Charge rate, and the adoption by Council of a rates remission policy for properties that were deemed to be unsafe to occupy.

Borrowings

Borrowings have decreased by \$2.098million due to the Council using the \$2m donation received from CDHB to repay the Kaikoura Hospital loan.

At year end, the Council had not needed to take on any additional borrowing, due to the up-front Government funding and the grants and subsidies received in response to the earthquake.

Cash at bank

Council has \$6.5 million cash at bank at year end, primarily due to:

- The Government providing up-front funding to reduce the financial burden on the Council and community;
- The Council has received grants from the Ministry of Business, Innovation and Employment and Ministry of Primary Industries to aid local businesses. The money is passed on by the Council once approval by the Ministries of applications is received. At year end \$618k of these grants had not been paid out and therefore included as a liability.

However, this large cash balance is more than matched by the increased amounts owed to creditors at year-end of \$10.985million, due to the large amount of repair work undertaken in May and June 2017. It does not reflect an improvement in the Council's overall financial position.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2017

			COUNCIL			GROUP	
		NOTE	2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
Revenue							
	Rates	2	5,914	5,642	5,759	5,642	5,759
	Fees & charges	3	1,286	1,224	1,175	1,859	1,854
	Development & financial contributions	25	30	650	-	650	-
	Grants & subsidies	4	522	12,406	761	12,441	772
	Interest revenue	5	39	9	38	9	38
	Other revenue	6	1,025	4,116	830	4,116	830
	Gains	7	-	274	570	274	570
Total revenue			8,816	24,321	9,133	24,991	9,823
Expenses							
	Personnel costs	8	1,773	2,369	1,762	3,209	2,526
	Depreciation & amortisation	9	1,912	2,071	2,176	2,146	2,256
	Finance costs	5	526	418	398	428	411
	Other expenses	10	4,872	12,727	8,009	12,103	7,810
	Losses	7	-	6,378	-	6,378	-
Total expenses			9,083	23,963	12,345	24,264	13,003
Operating surplus/(deficit)			(267)	358	(3,212)	727	(3,180)
	Environment Canterbury share of Marlborough Regional Forestry (Surplus)/Deficit	11	-	(48)	(65)	(48)	(65)
Surplus/(Deficit) before tax			(267)	310	(3,277)	679	(3,245)
	Income tax expense	29	-	-	-	(103)	(119)
Net Surplus/(Deficit) after tax			(267)	310	(3,277)	576	(3,364)
Other comprehensive revenue & expense							
	Gains/(losses) on asset revaluation	12	-	33	1,274	33	1,274
	Impairment losses	7	-	(10,919)	-	(10,919)	-
Total other comprehensive revenue & expense			-	(10,886)	1,274	(10,886)	1,274
Total comprehensive revenue & expense			(267)	(10,576)	(2,003)	(10,310)	(2,090)

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2017

	COUNCIL			GROUP	
	2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
Equity at start of year	163,665	157,847	159,850	158,090	160,180
Comprehensive revenue & expense					
Net Surplus/(Deficit)	(267)	310	(3,277)	576	(3,364)
Gains/(losses) on asset revaluation	-	33	1,274	33	1,274
Impairment losses	-	(10,919)	-	(10,919)	-
Total comprehensive revenue & expense	(267)	(10,576)	(2,003)	(10,310)	(2,090)
Equity at end of year	163,398	147,271	157,847	147,780	158,090

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

Statement of Financial Position

As at 30 June 2017

	NOTE	COUNCIL			GROUP	
		2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
Assets						
Current assets						
Cash and cash equivalents	13	1,422	6,553	2,052	6,924	2,191
Receivables	14	1,082	5,154	595	5,260	659
Prepayments & inventory	15	98	144	79	145	80
Other financial assets	16	-	-	-	-	-
Non-current assets held for sale	18	-	-	-	-	-
Total current assets		2,602	11,851	2,726	12,329	2,930
Non-current assets						
Other financial assets	16	-	9	9	9	9
Forestry assets	17	2,583	2,056	2,136	2,056	2,136
Investment property	18	2,113	1,860	1,870	1,860	1,870
Property, plant & equipment	19	167,402	149,009	161,876	149,591	162,407
Intangible assets	20	-	215	208	215	208
Total non-current assets		172,098	153,149	166,099	153,731	166,630
Total assets		<u>174,700</u>	<u>165,000</u>	<u>168,825</u>	<u>166,060</u>	<u>169,560</u>
Liabilities						
Current liabilities						
Payables and deferred revenue	21	1,119	10,985	1,711	11,098	1,796
Employee entitlements	22	100	405	241	532	331
Borrowings	23	1,277	1,792	2,589	1,859	2,719
Current portion of other term liabilities	25	-	-	647	-	647
Current tax liability	29	-	-	-	108	51
Total current liabilities		2,496	13,182	5,188	13,597	5,544
Non-current liabilities						
Borrowings	23	8,241	3,741	5,042	3,818	5,110
Deferred tax liability	29	-	-	-	59	68
Provisions	24	-	472	414	472	414
Other term liabilities	25	565	334	334	334	334
Total non-current liabilities		8,806	4,547	5,790	4,683	5,926
Equity	26	163,398	147,271	157,847	147,780	158,090
Total equity		163,398	147,271	157,847	147,780	158,090
Total liabilities & equity		<u>174,700</u>	<u>165,000</u>	<u>168,825</u>	<u>166,060</u>	<u>169,560</u>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

Statement of Cash Flows

For the year ended 30 June 2017

	COUNCIL			GROUP	
	2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
<u>Operating Activities</u>					
Receipts from rates (excluding water meter charges)	5,784	5,527	5,755	5,527	5,755
Interest received	39	9	38	9	38
Receipts from other revenue	2999	11,296	2,706	11,690	3,299
Payments to supplier and employees	(6,927)	(8,988)	(9,107)	(8,984)	(9,761)
Interest paid	(525)	(418)	(398)	(427)	(411)
Goods & services tax (net)	-	524	87	547	102
Net cash from operating activities	1,369	7,950	(919)	8,362	(978)
<u>Investing Activities</u>					
Grants received for purchase of assets	-	3,560	-	3,560	-
Maturing of term deposits	-	-	2,250	-	2,250
Purchase of property, plant & equipment	(2,562)	(4,902)	(2,811)	(5,028)	(2,719)
Sale/(purchase) of forestry assets	-	-	744	-	744
Sale /(purchase) of investment properties	-	-	383	-	383
Purchase of intangible assets	-	(9)	(98)	(9)	(98)
Acquisition of term deposits	-	-	-	-	-
Net cash from investing activities	(2,562)	(1,351)	468	(1,477)	560
<u>Financing Activities</u>					
Grants received for repayment of borrowings	-	-	-	-	-
Proceeds from borrowings	3,277	1,400	2,400	1,477	2,518
Repayment of borrowings	(2,781)	(3,498)	(965)	(3,629)	(1,025)
Net cash from financing activities	496	(2,098)	1,435	(2,152)	1,493
Net increase/(decrease) in cash & cash equivalents	(698)	4,501	984	4,733	1,075
Cash & cash equivalents at the beginning of the year	2,120	2,052	1,068	2,191	1,116
Cash & cash equivalents at the end of the year (note 13)	1,422	6,553	2,052	6,924	2,191

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

Statement of Accounting Policies

For the year ended 30 June 2017

Reporting Entity

The Kaikoura District Council group consists of the ultimate parent, Kaikoura District Council, and its subsidiary, the Kaikoura Enhancement Trust, a charitable trust owned by the council. That trust in turn owns of Innovative Waste Kaikoura Ltd. A new trust, the Kaikoura Community Facilities Trust, was established in 2009 with the objective to determine what facilities the community requires and where these are best located. That trust has been active in terms of driving the project, but is financially dormant; meaning it currently has no financial transactions, assets, or liabilities. The council has an 11.5% interest in the Marlborough Regional Forestry joint venture.

The council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the council are for the year ended 30 June 2017. The financial statements were authorised for issue by the council on 22 November 2017.

Basis of Preparation

The financial statements have been prepared on an ongoing concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the council and group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards, as appropriate for public benefit entities that have expenses of less than \$30 million and do not issue debt or equity securities, or hold funds in a fiduciary capacity as part of our primary business. These statements comply with PBE standards.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructure assets, investment property, forestry assets and financial instruments.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective that have been early adopted

Impairment of Revalued Assets

In April 2017, the XRB issued *Impairment of Revalued Assets*, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were included in the impairment accounting standards.

The Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017 financial year onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the 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. The Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

Other changes in accounting policies

There have been no other changes in accounting policies.

Summary of significant accounting policies

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Subsidiaries

The council consolidates as subsidiaries in the group financial statements, all entities where the council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

The council's investments in its subsidiaries are carried at cost in the parent entity financial statements.

Joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. For jointly controlled operations the council recognises in its financial statements its share of the assets that it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

Of the council's interest in the Marlborough Regional Forestry joint venture, 13.37% is held in trust on behalf of Environment Canterbury. This is recognised as a non-current liability in the financial statements.

Revenue

Revenue is measured at the fair value of consideration received. The specific accounting policies for significant revenue items are explained below:

Rates revenue

Rates are set annually by a resolution from the council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Rates collected on behalf of Environment Canterbury are not recognised in the financial statements as the council is acting as agent for Environment Canterbury.

Water billing revenue

Water billing revenue 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.

New Zealand Transport Agency roading subsidies

The council receives funding assistance from the NZ Transport Agency, 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.

Other grants and subsidies received

Other 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.

Donations and bequests

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability is released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sale of goods

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale (excluding GST).

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the council are recognised as revenue when control over the asset is obtained.

Agency arrangements

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recorded net of imputation credits.

Development contributions

The revenue recognition point for development and financial contributions is at the later of the point when the council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

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 the council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the council's decision.

Foreign currency transactions

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income tax

Income tax expense includes components relating to both current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Derivative financial instruments and hedge accounting

The council does not engage in the use of derivative financial instruments and hedging activities.

Other financial assets

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.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- Fair value through surplus or deficit
- Loans and receivables
- Held to maturity investments
- Fair value through other comprehensive revenue and expense

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

The council's investments in this category include bank term deposits.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

Council includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity
- Shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first-in first-out (FIFO) method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant and equipment.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current 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 non-current assets held for sale are recognised in the surplus or deficit.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, plant and equipment

Property, plant and equipment consists of:

- Operational assets
These include land, buildings, harbour assets, library books, plant and equipment, and motor vehicles.
- Restricted assets
Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets
Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

Those asset classes that are revalued are valued on a three yearly cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

- Operational land and buildings
As key properties, the Council office and memorial hall were valued to component level by Sarah Rowse, (ANZIV, SPINZ) of Quotable Value NZ as at 30 June 2016. The balance of land and buildings were valued effective as at 30 June 2016 by Sarah Rowse, (ANZIV, SPINZ) of Quotable Value NZ, at fair value as determined from market-based evidence. Carrying values for those specific assets are shown less accumulated depreciation and plus any subsequent additions at cost.
- Restricted land and buildings
The most recent valuation was performed by Sarah Rowse, (ANZIV, SPINZ) of Quotable Value NZ, and the valuation is effective as at 30 June 2016 at fair value as determined from market-based evidence. Subsequent additions are recorded at cost.
- Infrastructure
This includes roads, bridges & footpaths, water systems, sewerage systems and stormwater systems, stated at fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date the council assesses the carrying values of its infrastructure assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation of water, sewer and stormwater infrastructure was performed by Frances Charters, Chartered Engineer, of MWH New Zealand Ltd, and the valuation is effective as at 30 June 2016. Roading assets were valued by Larissa McDonald, Chartered Engineer, of MWH New Zealand Ltd, valued effective as at 30 June 2016.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the 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 recognised at cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included 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 retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The estimated useful economic lives of major classes of assets have been estimated as follows:

Infrastructural assets	Years	Rate (rounded)
<i>Roading</i>		
Base course	25	4%
Bridges	50	2%
Sealed top layer	7	15%
Kerb and channels	50	3%
Drainage	50	2%
Traffic facilities	4	20%
Seawalls	50	2%
Footpath surface	25	7%
Street lighting	17	6%
<i>Sewerage</i>		
Equipment and pump stations	17 - 100	From 2% to 7%
Rising mains/gravity reticulation	25 – 77	From 2% to 4%
<i>Water</i>		
Rural water supplies	50	2%
Buildings and equipment	50	2%
Intake gallery	77	1.3%
Chlorine treatment facility	20	5%
Groundwater bores and pumps	20 – 60	From 1.7% to 5.0 %
Pressure mains	50 – 77	From 1.3% to 2.0%
Valves and fittings	15 – 50	From 2.0% to 6.7%
<i>Stormwater drainage</i>		
Manholes, outlets, pipes	33 – 100	From 1% to 3%
Drums	8	12.5%
Other assets		
Buildings – structure	50	2%
Buildings – services	25 - 33	From 3% to 4%
Buildings – internal fit out	5 - 12	From 8% to 20%
Harbour seawall & wharf	50	2%
Computer equipment	5	20%
Plant, vehicles and machinery	5 - 50	From 2% to 20%
Library books	12	8%

Library non-books	5	20%
Parks furniture & other assets	8 – 50	From 2% to 12%
Artwork		Not depreciated
Computer software	5	20%

In relation to infrastructural assets, depreciation has been calculated at a component level based on the estimated remaining useful lives as assessed by the council's engineers and independent registered valuers. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Subsequent costs

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 the 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.

Deemed cost

Land under roads, was valued based on fair value of adjacent land determined by Connell Wagner Ltd effective 30 June 2001. On transition to NZ equivalents to IFRS on 1 July 2006, the council elected to use the fair value of land under roads as at 30 June 2001 as deemed cost. Land under roads is no longer revalued.

Library collections

Library Books were valued at 30 June 2007 using actual cost per book, by the Kaikoura District Librarian, and this value has been deemed cost at that date. Library collections are no longer revalued.

Accounting for revaluations

The council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets 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 credited to the other comprehensive revenue and expense and revaluation reserve for that class of asset.

Forestry assets

Forestry assets owned via the Marlborough Regional Forestry joint venture, and also the council's own forestry assets, are independently revalued annually at fair value less estimated point of sale costs. These valuations are performed by Merrill & Ring Ltd. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. After initial recognition, the council measures all investment property at fair value as determined annually by an independent valuer, Quotable Value New Zealand.

Gains and losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Intangible assets

- Carbon credits
Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.
- Software acquisition
Acquired computer software licences are capitalised on the basis of costs to acquire and bring to use the specific software. Costs associated with maintaining computer software, staff training on software use, and website development and maintenance, are recognised as an expense when incurred.

Impairment of property, plant and equipment and intangible assets

Non-financial assets that have an indefinite useful life, are not yet available for use and are not subject to amortisation are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events and 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 value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash flows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

If an asset's carrying amount exceeds its recoverable amount the asset is 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.

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 the revaluation reserve. 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.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value net of transactions costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

Employee entitlements

- Short-term benefits

Employee benefits that the council expects to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the council anticipates it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

- Long-term benefits

Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

The council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the board of trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/(deficit) will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

The Actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Equity

Equity is the community's interest in the council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Public equity – accumulated funds
- Special reserves
- Special funds
- Asset revaluation reserves

- Fair value through other comprehensive revenue and expense reserves

Special and Council-created reserves

Special 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 the council.

Restricted reserves are those subject to specific conditions accepted as binding by the council and which may not be revised by the 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.

Council created reserves are reserves restricted by council decision. The council may alter them without references to any third party or the courts. Transfers to and from these reserves are at the discretion of the council.

The council's objectives, policies and processes for managing capital are described in note 35.

Asset revaluation reserves

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

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive revenue and expense instruments.

Goods and services tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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 the council in its 2014/2015 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for the preparation of the financial statements.

Cost allocation

The cost of service for each significant activity of the 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, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are allocated to council activities on a percentage of use basis.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments, with original maturities of three months or less, in which the council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and cash payments made for the supply of goods and services. Agency transactions (the collection of regional council rates) are recognised as receipts and payments in the statement of cash flows because they flow through the council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the council.

Critical accounting estimates and assumptions

In preparing these financial statements, the council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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 discussed below:

- Landfill aftercare provision
Note 24 discloses an analysis of the exposure of the council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.
- Infrastructural assets
There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets.

These include:

- The physical deterioration and condition of an asset, for example the council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset;
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the council could be over or under-estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, the council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the council's asset management planning activities, which gives further assurance over useful life estimates.

Experienced independent valuers perform the council's infrastructural asset revaluations.

- Impairment
The Council has not yet completed detailed assessments of its various asset categories. This meant that, in the absence of detailed damage information, the determination of the impairment of the roading, water services, sewerage and stormwater networks and structures, and community facilities required the Council to broadly estimate the proportion of the networks that are damaged. This uncertainty required it to exercise judgement making an estimate of the damage and the impairment determination

- Earthquake related asset expenditure

Management is required to exercise judgement when determining whether earthquake related expenditure to assets is repairs and maintenance, which should be expensed in the current year, or capital expenditure. In performing this assessment, management makes judgements about the expected length of service potential of the asset, including the likelihood of it becoming obsolete as a result of other more permanent repairs.

Critical judgements in applying council's accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

- Classification of property

The council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the council's social housing policy. These properties are accounted for as property, plant and equipment.

Notes to the Financial Statements

1 Summary revenue and expense for groups of activities

	COUNCIL		
	2017 REVENUE \$000	2017 EXPENSE \$000	2017 NET RESULT \$000
Activity revenue & expense			
Roading	1,202	(1,285)	(83)
Water services	868	(1,016)	(148)
Sewerage services	618	(835)	(217)
Stormwater	131	(104)	27
Refuse & recycling	138	(487)	(349)
Community facilities	3,001	(1,545)	1,456
Commercial activities	862	(650)	212
Leadership & governance	65	(737)	(672)
Regulation & control	509	(709)	(200)
Safety & wellbeing	345	(265)	80
Development	784	(728)	56
Earthquake event	11,325	(8,944)	2,381
Hospital	2,060	(48)	2,012
Total activity revenue & expense	21,908	(17,353)	4,555
Non-activity revenue & expense			
Plus general rates, uniform annual general charges, and penalties (less remissions)			2,131
Plus interest received			7
Plus net gain on forestry assets			274
Less losses on impairment of assets			(6,378)
Plus bad debt movement in provision			(225)
Less bad debt expenses			(4)
Total non-activity revenue & expense			(4,195)
Operating surplus/(deficit) per Statement of Comprehensive Revenue and Expense (page 32)			360

Notes to the Financial Statements

2 Rates

	COUNCIL & GROUP		
	2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
General rates	929	927	935
Uniform annual general charges	1,179	1,180	1,278
Town water uniform annual charge	411	418	394
Town water loan annual charge	95	95	108
Suburban water unit charge	18	17	15
East coast water unit charge	85	86	77
Kincaid water unit charge	90	88	90
Fernleigh water unit charge	5	5	5
Oaro water unit charge	18	16	15
Peketa water charge	5	4	4
Ocean ridge water charge	28	28	26
Stormwater rate	124	125	122
Sewerage loan rate	152	155	146
Sewerage pan charges	445	450	419
Harbour rate	58	61	59
District planning rate	186	186	135
Commercial rate	321	311	285
Accommodation sector charge	41	52	50
Stock control rate	12	12	13
Rural fire control rate	84	83	86
Roading rate	654	653	662
Footpath & streetlights rate	188	196	178
Town centre rate	113	118	120
Registered premises charge	29	29	29
Urban recycling charge	69	69	70
Rural recycling charge	25	25	24

Continued ...

Notes to the Financial Statements

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	COUNCIL & GROUP		
	2017 BUDGET \$000	2017 ACTUAL \$000	2016 ACTUAL \$000
Public rubbish bin charge	31	31	32
Civic centre rate	157	157	63
Kaikoura Hospital charge	230	231	137
Rate penalties	-	47	27
Rates remissions	-	(269)	(51)
Water meter charges	130	95	205
Total revenue from rates	5,914	5,642	5,759

During the year, the Council received \$2 million from the Canterbury District Health Board (the CDHB) to repay the donation the Council had made to the CDHB in 2015 for a shortfall in funding for the Kaikoura Hospital. As a result, the Council was able to repay the Kaikoura Hospital Loan and fully remit the Kaikoura Hospital charge.

Following the November earthquake, the Council adopted a rates remission policy for properties that were deemed to be unsafe to occupy. Under that policy, the Council remitted \$84,343 in rates revenue. The rates revenue disclosed in Note 2 above is the total rates received net of all remissions.

3 Fees and charges

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Building & resource consent fees	292	191	292	191
Parking and slipway fees	74	124	74	124
Lease & rental revenue	498	539	498	539
License fees	133	123	133	123
Other fees and charges	227	198	862	877
Total fees and charges	1,224	1,175	1,859	1,854

Building consent revenues dropped substantially for several months immediately following the earthquake, but by the end of the financial year, consent applications more than tripled and the building team has taken on extra resources to cope with the workload as people begin to rebuild their homes. Post-quake, parking revenue was affected by fewer visitors coming to town, and the slipway has been dramatically limited in use. The Council also gave many lease discounts post-quake. Conversely, airport landing fees were well up from last year as flying became the only option for some residents and visitors.

Notes to the Financial Statements

4 Grants & subsidies

The Council is very grateful to have received substantial funding assistance from multiple organisations, agencies, and kind donors, in response to the November 2016 earthquake.

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
NZ Crown	4,918	-	4,918	-
NZ Transport Agency roading subsidy	4,276	649	4,276	649
Canterbury District Health Board	2,000	-	2,000	-
Ministry of Business, Innovation & Employment	188	-	188	-
NZ Lottery grants	314	-	314	-
Donations to the Mayoral Earthquake Relief Fund	200	-	200	-
Department of Internal Affairs	190	-	190	-
ASB Tennis Classic donation	72	-	72	-
Donations to Earthquake Recovery Fund	63	-	63	-
Kaikoura Community Facilities Charitable Trust donation	60	-	60	-
Canterbury Community Trust donation	50	-	50	-
Other grants, subsidies & donations	75	112	110	123
Total grants & subsidies	12,406	761	12,441	772

Notes to the Financial Statements

5 Interest revenue & finance costs

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Interest revenue				
Interest on term deposits	9	38	9	38
Total financing revenue	9	38	9	38
Financing expense				
Interest on borrowings	361	375	371	388
Unwinding of landfill provision	57	23	57	23
Total financing expense	418	398	428	411
Net finance cost	(409)	(360)	(419)	(373)

6 Other revenue

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Insurance claim revenue	3,399	-	3,399	-
Share of Marlborough Regional Forestry joint venture other revenue	663	715	663	715
Petrol tax	38	36	38	36
Waste minimisation levies	14	14	14	14
Infringement fees, fines and other	2	65	2	65
Total other revenue	4,116	830	4,116	830

The Council has received insurance advances from the Local Authority Protection Programme (LAPP) for water and sewer rebuild, as well as from material damage insurers for building repairs. A portion of these advances are yet to be spent, so have been stated as revenue in advance. The Council also successfully negotiated an insurance settlement for the roof damage to the civic centre following a product failure in the insulation materials during construction.

Notes to the Financial Statements

7 Fair value gains and losses

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Gains		
Forestry asset revaluation gains	274	389
Investment property revaluation gains	-	178
Vested land	-	-
Gains on sale of assets	-	3
Total Gains	274	570
Losses		
Impairment losses from earthquake damage		
Assets fully impaired	5,250	-
Investment properties	10	-
Impairment losses in excess of revaluation reserves	1,118	-
	6,378	
Impairment losses to revaluation reserve	10,919	-
Total Losses	17,297	-
Net Gains & Losses	(17,023)	570

The November 2016 earthquakes caused substantial damage district-wide, including damage to assets owned by the Council. Impairment values have been prepared based on actual values where an asset could be identified individually (such as the Mt Fyffe water main), on best-known estimates of the portion of damage for each class of asset or assets within a location (such as culverts or sewer pipes on the Lyell Creek catchment), or as a general estimate to allow for damage where the extent of the damage has not yet been verified (such as stormwater).

In summary, the impairment losses have been calculated as:

Category of asset	Estimated impairment portion	Value of impairment \$000s
Bridges	From 10% to 100%	2,155
Roads & footpaths	From Nil to 20%	8,115
Water pipes & structures	From Nil to 100%	772
Sewerage pipes & structures	From Nil to 100%	2,670
Stormwater pipes & structures	From 5% to 66%	610
Land & Buildings	From Nil to 100%	2,975
		17,297

Notes to the Financial Statements

8 Personnel expense

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Salaries, wages and honorarium	2,277	1,723	3,117	2,487
Employer contributions to defined contribution plans	60	44	60	44
Increase/(decrease) in employee entitlements	32	(5)	32	(5)
Total personnel expense	2,369	1,762	3,209	2,526

Employer contributions to defined contribution plans include contributions to Kiwisaver and Super Trust of NZ. Salaries, wages and honorarium include remuneration expenses relating to the Chief Executive, elected members, and council employees. See note 27 for further disclosure on these expenses.

9 Depreciation & amortisation by group of activity

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Roading	795	943	795	943
Water Services	421	463	421	463
Sewerage Services	476	339	476	339
Stormwater	52	59	52	59
Refuse & Recycling	16	16	91	96
Community Facilities	224	258	224	258
Commercial Activities	36	32	36	32
Leadership & Governance	27	42	27	42
Regulation & Control	-	-	-	-
Safety & Wellbeing	24	24	24	24
District Development	-	-	-	-
Total depreciation and amortisation	2,071	2,176	2,146	2,256

Notes to the Financial Statements

10 Other expenses

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Audit fees to principal auditor	78	82	101	100
Contractors	1,285	1,555	1,285	1,555
Donations and Grants paid out	548	2,304	548	2,304
Insurance premiums	250	159	266	175
Legal fees	65	41	65	41
Receivables written off	4	28	4	28
Movement in provision for impairment of receivables	225	-	225	-
Operating lease expense	28	38	31	41
Loss on sale/impairment of fixed assets	-	35	-	35
Addition to landfill aftercare provision	-	-	-	-
Share of MRF joint venture expenses	541	562	541	562
Personnel related expenses	180	114	180	114
Other operating expense	1,377	3,090	2,498	2,854
Earthquake – welfare expenses	529	-	529	-
Earthquake – initial response expenses	741	-	741	-
Earthquake – recovery phase	204	-	204	-
Earthquake – emergency repairs	6,672	-	4,885	-
Total other expenses	12,727	8,008	12,103	7,809

Notes to the Financial Statements

11 Environment Canterbury's share of the Marlborough Regional Forestry joint venture surplus/(deficit)

Council holds an 11.5% share in the Marlborough Regional Forestry (MRF) joint venture (see note 30). Of that share, Council holds 13.37% share on behalf of Environment Canterbury, and share of any surplus or deficit. Any gains or losses on asset revaluation (note 12), are shown in the statement of comprehensive revenue and expense, and the total share is disclosed as a non-current liability (note 25).

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Marlborough Regional Forestry joint venture surplus/(deficit)	360	486
Environment Canterbury share @ 13.37%	(48)	(65)

12 Gains/(losses) on asset revaluation

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Marlborough Regional Forestry joint venture revaluation	38	16
Environment Canterbury share of MRF revaluation (13.37%)	(5)	(2)
Gains on revaluation of assets	-	1,260
Total gains/(losses) on asset revaluation	33	1,274

13 Cash & cash equivalents

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Cash at bank and in hand	6,506	1,972	6,877	2,111
Term deposits with a maturity of three months or less at acquisition	-	-	-	-
MRF bank accounts	47	80	47	80
Total cash & cash equivalents	6,553	2,052	6,924	2,191

Financial assets recognised in a non-exchange transaction that are subject to restrictions

The council holds unspent funds, included in cash at bank and investments, of \$2,731,088 (2016: \$1,214,467), that are subject to restrictions. These unspent funds relate to grants received, targeted rates accumulating and/or loans drawn for special projects, and other funds where the spending of funds is separately monitored. These special funds and special reserves are detailed on pages 63-64.

Notes to the Financial Statements

14 Trade & other receivables

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Rates receivables	404	474	404	474
Debtor receivables	4,741	622	4,847	686
Debtor accruals	1,051	316	1,051	316
Receivables prior to impairment	6,196	1,412	6,302	1,476
Less provision for impairment	(1,042)	(817)	(1,042)	(817)
Total trade & other receivables	5,154	595	5,260	659
Total receivables comprise:				
Receivables from non-exchange transactions – this includes rates, grants & subsidies, and development contributions	412	442	412	442
Receivables from exchange transactions – including fees and charges, lease revenue and consent fees	4,742	153	4,848	217
	5,154	595	5,260	659

Non-exchange transactions are primarily rates and other taxes, levies, grants, donations, infringements and fines, where there has not been an exchange of goods, services, or use of assets of an equal value.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Movements in the provision for impairment of receivables are as follows:

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
At 1 July	817	276	817	276
<i>Additional provisions</i>				
Increase/(decrease) in provision	225	541	225	541
Receivables written off	-	-	-	-
Total movement in provision	1,042	817	1,042	817

Notes to the Financial Statements

15 Prepayments & inventory

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Prepayments	144	79	144	79
Inventory	-	-	1	1
Total prepayments & inventory	144	79	145	80

The Kaikoura Enhancement Trust holds \$836 worth of material bags as part of its “Fantastic, No Plastic” initiative (2016: \$836).

16 Other financial assets

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Current portion				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	-	-	-	-
<i>Total current portion</i>	-	-	-	-
Non-current portion				
Unlisted shares in Civic Financial Services Ltd	9	9	9	9
<i>Total non-current portion</i>	-	-	-	-
Total other financial assets	9	9	9	9

Due to the immaterial size and nature of the council’s investment in Civic Financial Services Ltd, the council has estimated the fair value of this investment based on Civic Financial Services Ltd’s net asset backing as at 30 June. There were no impairment provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.

Notes to the Financial Statements

17 Forestry assets

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Opening balance 1 July	2,136	2,491
Increases due to purchases	65	43
Gains/(Losses) arising from changes in fair value attributable to physical changes	202	144
Gains/(Losses) arising from changes in fair value attributable to price changes	72	245
Decreases due to sales (harvest)	(419)	(457)
Decreases due to sales (sale of Clarence Forest)	-	(330)
Less fair value loss on valuation	-	-
Closing balance 30 June	2,056	2,136

The council has an 11.50% interest in a joint venture agreement on the Marlborough Regional Forestry. Of the council's share of Marlborough Regional Forestry, 13.37% is held on behalf of Environment Canterbury. The forestry assets are at varying stages of maturity. The joint venture continued its normal logging activity during the year, the council's share of the sales revenue was \$663,088 (2016: \$715,273).

The council has reduced its forestry holdings over the last few years and now owns only eight hectares of pine forest at South Bay. The council didn't harvest any logs from the forest in 2017, and so net logging sales returned \$nil during the year (2016: \$nil).

Valuation assumptions

Independent registered valuers Buck Forestry Services value the Marlborough Regional Forestry assets at 30 June each year using the estate based net present value method. Forestry estate land and improvements owned by Marlborough Regional Forestry were valued as at 30 June 2017 at fair value. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A pre-tax discount rate of 8% (2016: 8%) has been used in discounting the present value of expected future cash flows;
- The forest have been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis;
- No allowance for inflation has been included; and
- Costs are current average costs. No allowance has been made for cost improvements in future operations

The South Bay forest has only minimal value in its standing trees, and was not revalued in 2017.

Notes to the Financial Statements

18 Investment property

The council's investment properties are 25 Beach Road (currently occupied by the Opshop plus a joinery business), an area of land between Beach Road and the railway line, and the land at Wakatu Quay. Investment property was not revalued in 2017 due to extreme uncertainties in property values following the November 2016 earthquake, but the building at 25 Beach Road was assumed to have suffered 50% impairment in quake damage. No impairment has been recognised for any of the other investment properties.

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Opening balance 1 July	1,870	2,075
Additions from subsequent expenditure	-	-
Disposals	-	(383)
Fair value gains/(losses) on valuation	-	178
Loss on impairment	(10)	-
Closing balance 30 June	1,860	1,870

The council does not currently intend to sell any of its remaining investment properties.

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Current portion		
Investment property held for sale	-	-
Non-current portion		
Investment property	1,860	1,870
	1,860	1,870

Last year, investment properties had been valued at fair market value by Sarah Rowse, (ANZIV, SPINZ), of Quotable Value and – for the civic centre – Geoff Maxwell (SPINZ, ANZIV, NZIPIM) of Maxwell Valuations Limited as at 30 June. Both are experienced valuers with extensive market knowledge in the type and location of investment properties owned by the council. The fair value of investment property was determined using the highest and best use method; which is defined as the most probable use of the asset that is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value. The council has no contractual obligations for capital expenditure, nor for operating expenditure, on its investment properties.

This year, the impairment loss was estimated from visual inspection by structural engineers.

Notes to the Financial Statements

19 Property, plant & equipment

Land and buildings were valued at fair value as at 30 June 2016, by Sarah Rowse of Quotable Values.

Stormwater, water supplies and sewerage systems were valued as at 30 June 2016 by Christine McCormack and Frances Charters of MWH New Zealand Ltd. Roding assets were valued as at 30 June 2016 by Larissa McDonald of MWH New Zealand Ltd. Library books were valued at 30 June 2007 by the District Librarian and this value has been deemed cost as at that date; library books are not revalued. Marlborough Regional Forestry PPE is valued annually. The council does not revalue office equipment, plant and machinery, artworks, or harbour assets.

Land values include restricted land, which are parks and reserves owned by the council but cannot be disposed of due to legal or other restrictions. At 30 June 2017 this land has a carrying value of \$4,177,050 (2016: \$4,206,100). Building values include restricted buildings, playgrounds, and other structures, that at 30 June 2017 have a carrying value of \$552,701 (2016: \$1,292,612).

Land under roads of \$18,237,242 (2016: \$18,237,242) is included under Roding in the tables on the following pages. The council has elected to use the fair value of land under roads as at 30 June 2001 as deemed cost. Land under roads is no longer revalued.

The November 2016 earthquake caused significant damage to Council assets. Impairment losses have been estimated, with further information to be found in note 7.

2017	Cost/ revaluation 1 Jul 2016 \$000	Accumulated depreciation 1 Jul 2016 \$000	Carrying amount 1 Jul 2016 \$000	Current year additions \$000	Current year transfers/ write back \$000	Current year depreciation \$000	Current year impairments \$000	Cost/ revaluation 30 Jun 2017 \$000	Accumulated depreciation 30 Jun 2017 \$000	Carrying amount 30 Jun 2017 \$000
Land	10,096	-	10,096	17	-	-	(92)	10,021	-	10,021
Buildings	4,306	-	4,306	20	7,129	(81)	(1,922)	9,533	(81)	9,452
Office equipment	275	(224)	51	40	-	(12)	-	315	(236)	79
Vehicles & plant	640	(440)	200	33	-	(73)	-	673	(513)	160
Park furniture & other	370	(61)	309	17	-	(14)	(3)	384	(75)	309
Library books	552	(356)	196	13	-	(65)	-	565	(421)	144
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	2,577	(673)	1,904	3	-	(46)	(947)	1,303	(389)	914
Roading	110,643	-	110,643	374	-	(794)	(10,269)	100,708	(754)	99,954
Stormwater	4,284	-	4,284	31	-	(51)	(610)	3,701	(47)	3,654
Water supplies	11,150	-	11,150	67	-	(422)	(772)	10,432	(408)	10,024
Sewerage	11,878	-	11,878	1	-	(474)	(2,670)	9,209	(474)	8,736
MRF PPE	1,353	(283)	1,070	83 ¹	-	(35)	-	1,436	(316)	1,118
Work in progress	5,700	-	5,700	5,781	(7,129)	-	-	4,352	-	4,352
Council total	163,913	(2,037)	161,876	6,480	-	(2,067)	(17,285)	152,548	(3,539)	149,009
Subsidiary buildings	419	(117)	302	-	-	(19)	-	419	(136)	283
Subsidiary plant	866	(637)	229	126	-	(56)	-	992	(693)	299
Group total	165,197	(2,791)	162,407	6,606	-	(2,142)	(17,285)	153,959	(4,368)	149,591

¹ This is made up of MRF PPE additions \$45,000 and \$38,000 revaluation increase

2016	Cost/ revaluation 1 Jul 2015 \$000	Accumulated depreciation 1 Jul 2015 \$000	Carrying amount 1 Jul 2015 \$000	Current year additions \$000	Current year disposals /transfers \$000	Current year depreciation \$000	Revaluation/ depreciation write back \$000	Cost/ revaluation 30 Jun 2016 \$000	Accumulated depreciation 30 Jun 2016 \$000	Carrying amount 30 Jun 2016 \$000
Land	10,369	-	10,369	5	-	-	(278)	10,096	-	10,096
Buildings	4,391	(215)	4,175	74	(57)	(98)	212	4,306	-	4,306
Vehicles & plant	591	(421)	170	92	(43)	(62)	43	640	(440)	200
Park furniture & other	313	(50)	263	-	57	(11)	-	370	(61)	309
Office equipment	249	(212)	37	26	-	(12)	-	275	(224)	51
Library books	536	(286)	250	16	-	(70)	-	552	(356)	196
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	2,558	(605)	1,953	19	-	(68)	-	2,577	(673)	1,904
Roading	111,801	(1,648)	110,153	691	-	(942)	741	110,643	-	110,643
Stormwater	4,361	(117)	4,244	47	-	(59)	52	4,284	-	4,284
Water supplies	11,317	(883)	10,434	301	-	(463)	878	11,150	-	11,150
Sewerage	12,835	(592)	12,243	47	-	(337)	(75)	11,878	-	11,878
MRF PPE	1,277	(252)	1,025	60	-	(31)	16	1,353	(283)	1,070
Work in progress	4,537	-	4,537	1,511	(78)	-	(270)	5,700	-	5,700
Council total	165,224	(5,282)	159,942	2,888	(121)	(2,153)	1,319	163,913	(2,037)	161,876
Subsidiary buildings	419	(98)	321	-	-	(19)	-	419	(117)	302
Subsidiary plant	774	(575)	199	92	-	(62)	-	866	(637)	229
Group total	166,417	(5,955)	160,463	2,980	(121)	(2,234)	1,319	165,197	(2,791)	162,407

Notes to the Financial Statements

Core infrastructure asset disclosures

The Local Government (Financial Reporting and Prudence) Regulations 2014 require separate disclosure for water supply, sewerage, stormwater drainage, flood protection and control works, and roads and footpaths. In addition, water and sewerage asset disclosures must be further split between treatment plants and facilities, and other assets. These are separately disclosed in the following table. The council does not own any assets associated with flood protection and control works.

Included within the council infrastructure assets above are the following core council assets:

	Closing book value at 30 June \$000	Additions constructed by council \$000	Additions transferred to council \$000	Replacement cost estimate for revalued assets \$000
2017				
Water supply:				
- treatment plants & facilities	2,699	31	-	5,714
- other assets	7,325	37	-	17,578
Sewerage:				
- treatment plants & facilities	3,361	1	-	6,884
- other assets	5,375	-	-	10,567
Stormwater drainage	3,654	31	-	5,547
Roads and footpaths	99,954	374	-	113,245
2016				
Water supply:				
- treatment plants and facilities	3,124	5	-	5,714
- other assets	8,026	296	-	17,578
Sewerage:				
- treatment plants and facilities	4,591	31	-	6,884
- other assets	7,287	15	-	10,567
Stormwater drainage	4,284	47	-	5,547
Roads and footpaths	110,643	691	-	113,245

Replacement cost differs to the closing book value (carrying amounts) because the closing book values are determined using depreciated replacement cost. Replacement costs were determined at 30 June 2016 for all disclosed categories.

Notes to the Financial Statements

20 Intangible assets

Carbon credits

At the start of the year, the council held 967 carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations. The council was not required to forfeit any carbon credit for emissions following the end of the 2017 calendar year.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit as long as the Emissions Trading Scheme is in place.

Computer software

Last year the council implemented a new software solution, Ozone, supplied by Datacom NZ Ltd. This whole-of-council software solution provides financial, rates, customer service and regulatory modules.

	COUNCIL			GROUP	
	Carbon credits \$000	Computer software \$000	Council Total \$000	Group intangibles \$000	Group Total \$000
Opening balance 1 July 2016	2	206	208	-	208
Additions	-	17	17	-	17
Disposals	-	-	-	-	-
Amortisation	-	(8)	(8)	-	(8)
Closing balance 30 June 2017	2	215	217	-	217
Opening balance 1 July 2015	2	132	134	-	134
Additions	-	96	96	-	96
Disposals	-	-	-	-	-
Amortisation	-	(22)	(22)	-	(22)
Closing balance 30 June 2016	2	206	208	-	208

Notes to the Financial Statements

21 Payables and deferred revenue

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Current portion				
Payables and deferred revenue under exchange transactions:				
Trade payables and accrued expenses	9,537	1,230	9,603	1,254
Marlborough Regional Forestry creditors	160	48	160	48
Salaries and wages	-	46	-	46
Total	9,697	1,324	9,763	1,348
Payables and deferred revenue under non-exchange transactions:				
Interest and penalties	-	-	-	26
Goods & services tax	241	7	290	42
Deposits and bonds held	261	-	261	
Environmental Canterbury liability	105	380	105	380
Other grant liabilities	681		681	
Total	1,288	387	1,337	448
Total current portion	10,985	1,711	11,100	1,796

22 Employee benefit liabilities

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Accrued salaries & wages	184	61	230	99
Annual leave	129	98	210	150
Sick leave	62	58	62	58
Long service leave	30	24	30	24
Total employee benefit liabilities	405	241	532	331

Key assumptions in measuring long service leave obligations

It is assumed that long service leave will be taken within twelve months. No discount rate has been applied, and leave obligations are stated at current rates of pay.

Notes to the Financial Statements

23 Borrowings

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<i>Current</i>				
Secured loans	1,792	2,589	1,859	2,719
Short term loan (cash advance)	-	-	-	-
Total current borrowings	1,792	2,589	1,859	2,719
<i>Non-current</i>				
Secured loans	3,741	5,042	3,818	5,110
Total non-current borrowings	3,741	5,042	3,818	5,110
Total borrowings	5,533	7,631	5,677	7,829

Security

The council's loans are secured by negative pledge. The council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the council's Long Term Plan. The council has in place a committed cash advance facility with the Bank of New Zealand, secured by negative pledge.

Maturity analysis and effective interest rates

The following is a maturity analysis of the council's borrowings.

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Less than one year	1,792	2,589	1,859	2,719
Weighted average effective interest rate	4.41%	5.62%	4.45%	5.54%
Later than one year but not more than five years	3,741	5,042	3,818	5,110
Weighted average effective interest rate	4.97%	4.75%	4.98%	5.11%
Later than five years	-	-	-	-
Weighted average effective interest rate	-	-	-	-

There is no significant difference in the carrying amount and the fair values of borrowings in each year. There are no internal borrowings.

Notes to the Financial Statements

24 Provisions

Provision for landfill aftercare costs

The council gained resource consent to operate the landfill, and has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site has closed, until 2045. The cash outflows for landfill post-closure are expected to occur between 2017 and 2045. 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 4.78% (2016: 5.05%), and an inflation factor of 1.70% (2016: 0.30%).

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
<i>Current</i>		
Landfill aftercare costs	-	-
<i>Non-current</i>		
Landfill aftercare costs	472	414
Total provisions	472	414

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Opening balance 1 July	414	391
Amount used	-	-
Unused amounts reversed	-	-
Unwinding of landfill provision	58	23
Additional provisions made	-	-
Closing balance 30 June	472	414

Notes to the Financial Statements

25 Other term liabilities

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
<i>Current</i>		
Development contribution liability	-	647
<i>Non-current</i>		
Share of interest in MRF held on behalf of Environment Canterbury	334	334
Total other term liabilities	334	981

The development contributions revenues relating to community facilities had been disclosed as a liability since 2014. These contributions could not be stated as revenue until the project they were tagged to fund became available for use. The project giving rise to the collection of these contributions was the Civic Centre, which was only completed in November 2016 – immediately before the earthquake. Those contributions have now been transferred from liabilities to revenue.

Notes to the Financial Statements

26 Equity

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Public equity	82,650	86,025	83,026	86,269
Special reserves & special funds	5,533	1,214	5,533	1,214
Asset revaluation reserves	59,088	70,608	59,221	70,609
Total equity	147,271	157,847	147,780	158,092

Public Equity

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance 1 July	86,025	87,911	86,269	88,241
Transfers (to)/from special reserves	(4,097)	3	(4,097)	3
Transfers (to)/from special funds	(221)	1,388	(221)	1,388
Transfer from revaluation reserve	633			
Net surplus/(deficit)	310	(3,277)	1,075	(3,363)
Closing balance 30 June	82,650	86,025	83,026	86,269

Special Reserves and Special Funds

Special reserves are balances set aside by legislation and are held for specific purposes which the council has funded by way of targeted rates, such as water maintenance.

Special funds are also funds set aside by the council for specific purposes, but which are generally funded by sources other than rates, e.g. grants and development contributions.

Details of these funds, their purpose, and movements in funds, are detailed on the following pages.

Notes to the Financial Statements

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
Special reserves					
Kaikoura water	All costs for the Kaikoura, Oaro, and Peketa water supplies	(66)	952	(886)	-
Ocean Ridge Water	All costs	(5)	28	(23)	-
East Coast water	All costs	(31)	86	(58)	(3)
Kincaid water	All costs	77	91	(73)	95
Fernleigh water	All costs	46	11	(57)	-
Roading	All costs	46	4,871	(2,016)	2,902
Footpaths & streetlights	All costs	39	278	(377)	(60)
Recycling	Recycling collection and sorting, and recycling stations	(14)	91	(90)	(13)
District Plan	All costs	(184)	301	(281)	(164)
Stormwater	All costs	(51)	131	(60)	20
Sewerage	All costs	345	1,057	(1,402)	-
Commercial Rate	Traffic control, public toilets, public rubbish bins, and a portion of harbour facilities costs	57	130	(132)	55
Harbour	All costs	155	3,672	(2,230)	1,598
Registered Premises	All costs	7	82	(61)	28
West End town centre	All costs	36	137	(104)	69
Stock control	All costs	18	12	(9)	21
Rural fire control	All costs	(25)	82	(57)	-
		450	12,012	(7,916)	4,548

Notes to the Financial Statements

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
Special funds					
Social services committee	Social projects	4	1	-	5
Tourism	All costs	14	230	(244)	-
Creative communities	Arts funding	11	8	(8)	11
George Low bequest	Sports & recreation funding	56	-	(3)	52
Economic development	Marketing & leadership	-	213	(64)	149
Forestry	Strategic investment	339	276	(18)	597
Significant natural areas	Biodiversity project	29	-	-	29
Parks & reserves	New/upgrades	79	-	(10)	69
Pensioner flats	All costs	(22)	92	(65)	5
Property	All costs	-	2,283	(3,300)	(1,017)
Community facilities	New/upgrades	-	1,400	-	1,400
Vehicles and plant	New/replacement	29	7	-	36
Waste minimisation levy	Waste minimisation projects	25	14	(28)	11
Landfill development	New/upgrades	81	-	-	81
Landfill aftercare	Closure expenses	94	-	-	94
Library grants and donations	Library resources	12	29	(15)	27
Airport	Debt repayment	-	35	(33)	2
Youth development	All costs	5	11	(13)	2
Mayoral fund	Discretionary	8	-	-	8
Airport	Debt repayment	-	35	(33)	2
Earthquake fund	Earthquake recovery	-	185	(62)	123
LAPP fund	Water and sewer repairs	-	2,486	(3,606)	(1,120)
Mayoral EQ relief	Hardship grants	-	200	(79)	121
MCDEM fund	Caring for the displaced, and emergency response plus water, sewer and stormwater repairs	-	1,463	(1,463)	-
NZ Lottery grant	Outreach coordination	-	299	-	299
		764	9,267	(9,044)	986

Note that the values shown on pages 62 and 63 are in whole dollars.

Notes to the Financial Statements

Asset Revaluation Reserves

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Opening balance 1 July	70,608	69,334
Revaluation gains/(losses)	(10,882)	1,276
Transferred to general equity	(633)	
Environment Canterbury's share of MRF Revaluation gains/(losses)	(5)	(2)
Closing balance 30 June	59,088	70,608

The Asset Revaluation Reserves consist of:

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Land	3,279	3,372
Buildings	-	320
MRF Land & Improvements	68	37
Library Books	65	65
Roading	52,237	61,269
Stormwater	946	1,555
Water Supply	2,493	3,091
Sewerage	-	899
	59,088	70,608

27 Remuneration

Chief Executive

The total remuneration (including any non-financial benefits, and including fringe benefit tax) paid or payable for the year to the Chief Executive was \$184,932 (2016: \$194,812).

Notes to the Financial Statements

Elected Representatives

The Mayor and Councillors of the Kaikoura District Council received the following honorarium and attendance fees.

	COUNCIL	
	2017 \$000	2016 \$000
Mayor Winston Gray	56	54
Councillor Julie Howden	18	17
Councillor Tony Blunt	18	17
Councillor Craig Mackle	18	17
Councillor Derrick Millton	18	21
Councillor Lisa Bond	12	-
Councillor Celeste Harnett	12	-
Councillor Neil Pablecheque	12	-
Councillor John Diver	5	18
Councillor Geoff Harmon	5	17
Councillor Darlene Morgan	5	17
Total elected representatives remuneration	180	178

Local government elections were held in October 2016. As a result of that vote, three new councillors (Councillors Bond, Harnett and Pablecheque) were elected to the Council table, replacing councillors Diver, Harmon and Morgan.

Council employees

At balance date, the council employed 26 full-time employees (19 in 2016), with the balance of staff representing 7.5 full-time equivalent employees (4.4 in 2016). A full time employee is determined on the basis of a 35-hour working week. Council employees do not receive any non-financial benefits.

COUNCIL			
Total annual remuneration by band for employees as at 30 June:			
	2017		2016
< \$60,000	25	< \$60,000	19
\$60,000 - \$79,999	6	\$60,000 - \$119,999	6
\$80,000 - \$199,999	6	\$120,000 - \$199,999	2
\$200,000 - \$259,999	1		
Total employees	38	Total employees	27

Notes to the Financial Statements

During the year, due to an organisation restructure, the Council paid severance payments of \$20,000 (2016: Nil).

28 Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Loans and receivables				
Cash & cash equivalents	6,553	2,052	6,924	2,191
Trade & other receivables	5,154	595	5,260	659
Other financial assets	-	-	-	-
	11,707	2,647	12,184	2,850
Financial liabilities at amortised costs				
Trade & other payables	10,063	1,711	10,175	1,796
Secured loans	5,533	7,631	5,677	7,829
Share of MRF held on behalf of Environment Canterbury	334	334	334	334
	15,930	9,676	16,186	9,959

29 Taxation

The council's harbour activities attract taxation. A deferred tax asset has not been recognised in relation to unused tax losses of \$148,055 (2016: \$158,915), which are available to carry forward and offset against future taxable profits. The tax effect of the losses is \$41,456 (2016: \$44,497), based on a tax rate of 28%.

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Components of tax expense recognised in statement of comprehensive revenue and expense:				
Current Taxation	-	-	112	27
Current tax prior year adjustment	-	-	-	24
Deferred tax prior year adjustment	-	-	-	74
Deferred Taxation			(9)	(6)
Income tax expense	-	-	103	119
Components of deferred tax recognised directly in equity:				
	-	-	-	-
Income tax expense	-	-	103	119

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	812	(3,276)	1,179	(3,244)
Tax at 28%	227	(917)	330	(908)
Add/(less) tax effect of:				
(Non-taxable Income)	(227)	917	(227)	929
Non Deductible Expenditure	-	-	-	-
Tax loss not recognised	-	-	-	-
Prior period adjustments	-	-	-	98
	-	-	103	119
Imputation credit account:				
Balance at the start of the year	-	-	(51)	-
Income tax payments/(refunds)	-	-	56	-
Imputation credits accrued on balance of current year tax not yet paid	-	-	112	(51)
Reversal of prior year estimate	-	-	51	-
Credits attached to dividends paid	-	-	(10)	-
Balance at the end of the year	-	-	158	(51)
Movement in tax (refund)/payable:				
Balance at start of year	-	-	51	-
Taxation (paid)/refunded	-	-	(55)	-
Provided for this year	-	-	112	27
Under provision prior year	-	-	-	24
Balance at the end of the year	-	-	108	51

Deferred taxation			
Deferred taxation assets and liabilities	Assets	Liabilities	Net
	2017 Group only		
	\$000s	\$000s	\$000s
Property, plant and equipment	-	(82)	(82)
Employee benefits	20	-	20
Accrued expenses	3	-	3
Balance at end of year	23	-	(59)
	2016 Group only		
Property, Plant and equipment	-	(80)	(80)
Employee benefits	12	-	12
Balance at end of year	12	(80)	(68)

Movement in temporary differences	2017 Group only			
	Balance 30/6/2016	Recognised in income	Recognised in equity	Balance 30/6/2017
Property, plant and equipment	(80)	(2)	-	(82)
Employee benefits	12	8	-	20
Accrued expenses	-	3	-	3
	(68)	9	-	(59)
	2016 Group only			
	Balance 30/6/2015	Recognised in income	Recognised in equity	Balance 30/6/2016
Property, plant and equipment	-	(80)	-	(80)
Employee benefits	-	12	-	12
	-	(68)	-	(68)

Historically, Innovative Waste Kaikoura Limited has not recognised any tax obligations as it understood it was exempt for income tax purposes. However, in 2016 it came to the attention of management that Innovative Waste Kaikoura Limited is not exempt from income tax. Innovative Waste Kaikoura Limited now recognises its tax obligations.

Notes to the Financial Statements

30 Joint venture

Marlborough Regional Forestry

The council has an 11.5% participating interest in the Marlborough Regional Forestry joint venture. Of the council's share, 13.37% is held on behalf of Environment Canterbury. The council's interest in the joint venture is accounted for as a jointly controlled operation, and are as follows:

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Current assets	308	162
Non-current assets	3,049	3080
Total assets	3,357	3,242
Current liabilities	160	48
Non-current liabilities	695	695
Total liabilities	855	743
Share of net assets employed	2,502	2,499
Share of net surplus/(deficit)	360	486

The council has no capital commitments, contingent liabilities, or contingent assets in relation to the joint venture.

Notes to the Financial Statements

31 Related party transactions

Intergroup

During the year, through the ordinary course of business, the council has paid \$3,168,808 (including GST) in fees to Innovative Waste Kaikoura Ltd (2016: \$1,302,573). Of this, \$2,381,545 was emergency work in response to the earthquake, such as restoring water and sewerage services, supply and cleaning of portaloo's, etc. The balance of transactions included the day to day operations of the resource recovery centre and landfill, the kerbside recycling collection, normal maintenance and operations of the three waters (water supplies, stormwater and wastewater), public toilet cleaning, and emptying of public rubbish bins.

At year end there was \$366,007 (2016: \$98,900) payable by the Council to Innovative Waste Kaikoura Ltd and \$2,846 (2016: \$220) receivable by the Council from Innovative Waste Kaikoura Ltd.

Key management and members of Council

Key management, for the purposes of this disclosure, is the Chief Executive, Mayor and Councillors. Details on the key management personnel compensation is provided in Note 27. All related party transactions have been carried out at arm's length.

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Chief Executive (<i>one full-time equivalent member</i>)	185	195
Elected representatives (<i>eight full-time equivalent members</i>)	180	178
Total key management personnel remuneration	365	373
Total full-time equivalent key management personnel	9	9

Due to difficulty in determining the full-time equivalent for Councillors, the full time equivalent figure is taken as the number of Councillors.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the council (such as payment of rates, processing of consent applications, etc.). No provision has been required, nor any expense recognised for impairment of receivables for any receivables to related parties (2016: \$nil).

Notes to the Financial Statements

32 Commitments and contingent liabilities

No restrictions are placed on the council by the following leasing arrangements.

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Non-cancellable operating leases as lessee		
Not later than one year	32	29
Later than one year and not later than five years	81	67
Later than five years	-	-
	113	96

Capital commitments

While the Council faces a significant rebuild programme following the November 2016 earthquake, no contracts have yet been let for the main rebuild work to commence. The North Canterbury Transport Infrastructure Recovery Alliance (NCTIR Alliance) is undertaking certain works for and on behalf of KDC, such as the harbour dredging and remediation work.

	COUNCIL & GROUP	
	2017 \$000	2016 \$000
Civic Centre construction at 96 West End	-	985
Harbour dredging and remediation works	4,120	-
	4,120	985

Housing NZ Corporation funding

Housing New Zealand Corporation has provided \$497,776 as at 30 June 2016 (2016: \$497,776) towards the construction of social housing. This advance would be payable if the council were to withdraw its investment in the joint funded social housing. The advance was stated as grant revenue in 2008/2009.

Superannuation schemes

The Council is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. If all the other participating employers cease to participate in the Scheme, the Council could be responsible for any deficit of the Scheme. Similarly, if only some employers cease to participate in the Scheme, the Council could be responsible for an increased share of any deficit.

As at 31 March 2017, the scheme had a past service surplus of \$7.95 million (exclusive of Employer Superannuation Contribution Tax (2016: \$11.7 million). This surplus was calculated using a discount rate equal to the expected return on assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

Notes to the Financial Statements

33 Contingent assets

Insurance settlements for earthquake damage

As at 30 June 2017 the Council has an unquantified contingent asset for insurance recoveries. The Council has not submitted any insurance claims yet. Insurance claims will be submitted for material damage to Council buildings, including (but not limited to) the Esplanade office, Memorial Hall, public toilets, airport terminal and hangar, swimming pool, West End amphitheatre and various pump stations, reservoirs and oxidation ponds. Insurance claims will also be made for business interruption, as well as to LAPP for earthquake damage to water, sewer and stormwater pipe network and structures.

The Council's preliminary assessment of earthquake repairs is in the region of \$51.2 million; which includes roads and bridges of \$21.3 million not covered by insurance but expected to be 95% subsidised by NZTA. The indemnity value of assets is \$36.5 million under the material damage policy, and \$42.5 million under LAPP. While an estimate of repair costs has been obtained by the Council and provided to the insurer, there are still significant uncertainties in the numbers and is still subject to discussion and agreement with the insurers. This means that the amount that the Council will receive cannot be reliably measured.

The New Zealand Emissions Trading Scheme

The New Zealand Emissions Trading Scheme (ETS) became law on 28 September 2008 with the passing of the Climate Change Response (Emissions Trading) Amendment Act 2009 (the Act). The Act provides for carbon credits to be allocated to owners of pre 1990 forest land pursuant to the New Zealand governments' Allocation Plan. Marlborough Regional Forestry is registered. Additionally, MRF has registered its post 1989 forestry which will entitle it to emission units as carbon is sequestered through forestry growth. The council has no other post 1989 forestry that is eligible to enter in the Scheme.

Under the ETS, both the council and MRF will have an obligation to account for any emission released as a consequence of deforestation of pre 1990 land by surrendering credits equal to the extent of that emission. The council has no liability for deforestation as at 30 June 2017, either on its own account or as a joint venture partner in MRF.

Non-cancellable operating leases as lessor

	COUNCIL		GROUP	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Not later than one year	177	292	177	292
Later than one year, but not later than five years	634	968	634	968
Later than five years	839	13,465	839	13,465
	1,650	14,725	1,650	14,725

Notes to the Financial Statements

34 Insurance on assets

The Kaikoura earthquake caused substantial damage to Council assets, most notably to roads, water and sewerage infrastructure. The Council holds a range of insurances and, with funding assistance from the Crown and agencies such as NZ Transport Agency, the lion's share of the cost to rebuild will be covered.

Notwithstanding this, several assets will cost more to replace than the value insured. The Council will be working with the community to prioritise which assets we can afford to replace, where there is a funding shortfall.

The Council was fortunate to secure ongoing material damage cover following the earthquake, however the terms and conditions of the policy were subject to an embargo and include a deductible of 20% of the site sum insured in the event of a natural disaster (previously 5%).

Buildings and building contents

The assets covered by the council's material damage policy carry a total depreciated value as at 30 June 2017 of \$15,054,865, and have a total sum insured of \$36,539,593. The insured value takes into account the cost to replace/rebuild the assets including demolition (if any). The carrying value of the assets is their last known market value less depreciation, and after impairment. The council has an excess of \$10,000 for any one claim.

Vehicles and plant

This activity has a total asset value at 30 June 2017 of \$159,741, with insurance cover for replacement value of \$277,400. Insured cover includes windscreen replacement for all vehicles.

Water, sewerage, and stormwater assets

These activities have a total asset value for insurance purposes of \$42,522,965 with protection under the NZ Local Authority Protection Programme (LAPP) for a disaster being covered up to \$125 million, or 40% of the total loss – whichever is the least. The remaining 60% of a loss would be covered by central government. Water reservoirs are not covered in this section; they are included in the material damage policy for buildings and building contents.

Roads, bridges and footpaths

These assets have a total carrying value at 30 June 2017 of \$81,716,935 (excluding land under roads, and after impairment). For normal maintenance work, the council receives 51% subsidy from the NZTA. The subsidy for emergency repairs and reinstatement to repair the damage caused by the earthquake, is 95%. With a rebuild programme estimated at over \$25 million, this leaves the Council to find \$1.25 million, from reserves in the first instance and then from loans. As at 30 June 2017, the council has no cash in the roading special reserve, having spent all available funds on emergency roading repairs.

There is \$1,797,244 of assets that the council considers to be uninsured within this group of activities. These include sea walls and footpaths.

Notes to the Financial Statements

35 Explanation of major variations against budget

Variations from the council's budget figures in the 2016/2017 Annual Plan, and/or the 2016/2017 financial year within the 2015-2025 Long Term Plan, have been significant. The earthquake has had – and continues to have – a massive impact on the Council's financial operations and services.

Statement of Comprehensive Revenue & Expense

The council's financial operating result for the year to 30 June 2017 was a \$0.878 million surplus, against a budgeted deficit of \$0.267 million.

While the operating result is a surplus, this has occurred in a post-quake environment where the Council has incurred impairment losses of \$4.3 million in total write-offs and a further \$13 million of partial impairment damage across all of its infrastructure – roads, water, sewer and stormwater networks, as well as community buildings and other assets.

\$12.4 million in grants revenue, \$2 million in advances from insurers (LAPP and material damage), plus \$2 million from the Canterbury District Health Board to repay the hospital loan, has boosted revenue well beyond the Annual Plan budget forecast.

Emergency repair costs of \$6.672 million, plus initial response costs such as portaloos, evacuation, geotechnical assessments and other costs of \$1.474 million, pushed expenses to over \$23.96 million. The Council is facing a rebuild programme, commencing in 2017/2018, of between \$45-\$55 million.

Statement of Financial Position

- Impairment of earthquake-damaged assets reduced the value of property, plant and equipment and investment property by \$17.296 million.
- The Civic Centre was finally completed in November 2016 (immediately before the quake).
- Cash and trade receivables both substantially increased with the generous grant revenues incoming from the Crown, NZTA and various other sources.
- Payables of \$10.985 million reflect the enormity of the repair costs as at 30 June 2017.

Statement of Cash Flows

- The substantial grant revenues and insurance advances have helped the Council to cover the cost of the initial response. Net cash from operating activities is particularly high (\$7.950 million) with much of the funds received immediately before the end of the financial year, and paid over to suppliers early in July 2017.
- The donation from the Canterbury District Health Board enabled the Council to repay the Kaikoura Hospital loan, and to remit the Kaikoura Hospital loan charge for ratepayers.

36 Post Balance Date Events

There have been no events subsequent to balance date that have significantly affected the council's operating activities or its financial position.

Annual Report Disclosure Statement

For the year ending 30 June 2017

What is the purpose of this statement?

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

The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. Please refer to those regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

The council meets the rates affordability benchmark if –

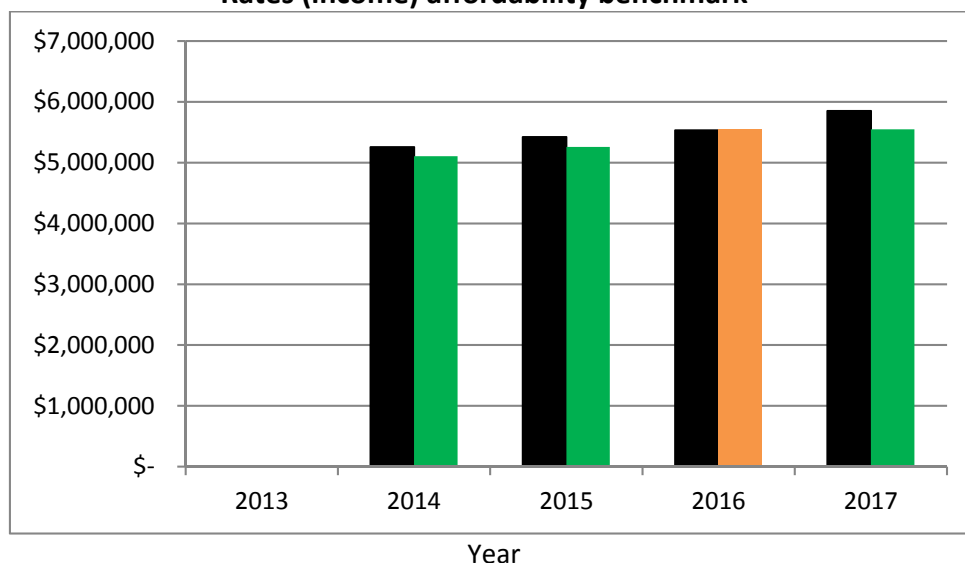
- actual rates income equals or is less than each quantified limit on rates; and
- actual rates increases equal or are less than each quantified limit on rates increases.

The council went beyond the limits set by its financial strategy in 2016, because of its decision to fund the Canterbury District Health Board’s shortfall for the Kaikoura Hospital. Community support for the hospital was overwhelming, and so the council felt their decision to breach its rates limit was justified.

Rates (income) affordability

The following graph compares the council’s actual rates income with the quantified limit on rates increases contained in the financial strategy included in the council’s Long Term Plan. That quantified limit is the Local Government Cost Index (LGCI) plus 3% - which in 2017 equates to 5.30%, and in dollar terms sets a cap of \$5,849,005. The council’s actual rates for the 2017 financial year were \$5,546,228 – less than for 2016 because we were able to fully remit the Hospital annual charge when the hospital loan was repaid in full with a donation from the Canterbury District Health Board.

Rates (income) affordability benchmark



Quantified limit on rates income



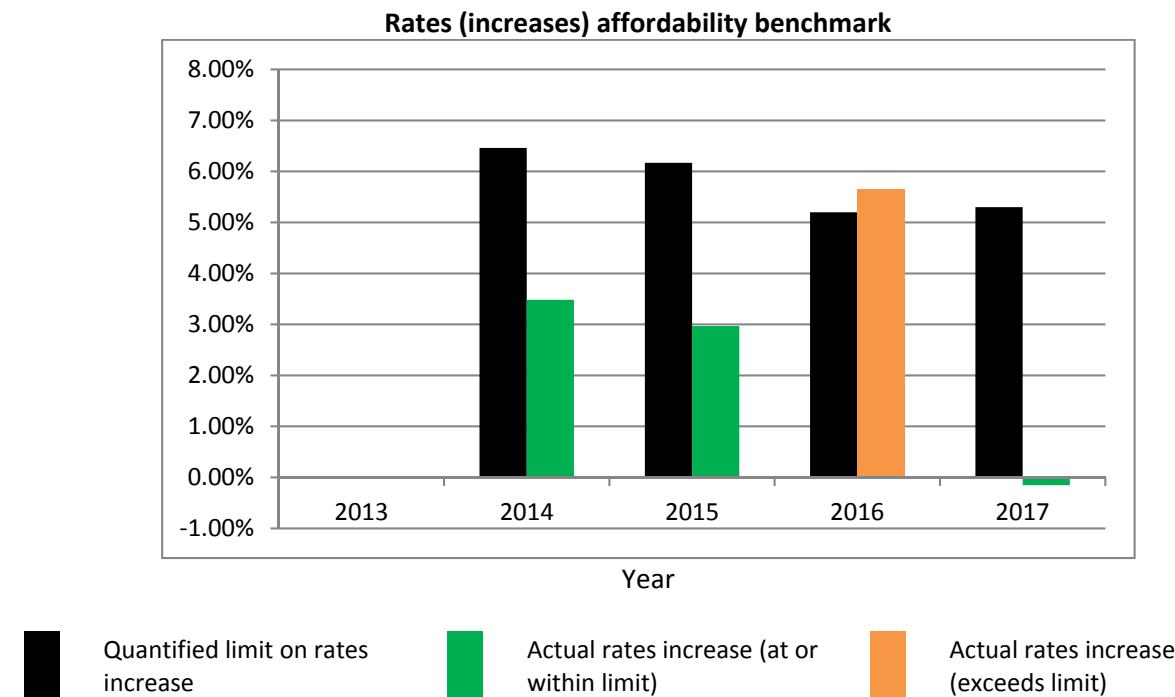
Actual rates income (at or within limit)



Actual rates income (exceeds limit)

Rates (increases) affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's Long Term Plan. The quantified limit is the Local Government Cost Index (LGCI) plus 3% - which for 2017 limits the rates increase to 5.30%, and in 2017 rates actually decreased by 0.15% thanks to the remission of the Hospital annual charge.



Comment

Last year, the council exceeded its rates limits in order to meet its commitment to fund the Canterbury District Health Board's shortfall for the new Kaikoura health facility and hospital. The council raised a loan in 2015 to fund that shortfall. This year, the CDHB returned \$2 million to the council to repay the hospital loan, and the council was able to fully remit the hospital annual charge.

In addition, the council adopted a rates remission policy for properties that were uninhabitable or deemed unsafe to occupy following the November earthquake. Rates remissions granted under that policy totalled \$84,343 for the 2016/2017 financial year, with the remission policy extended to 30 June 2018.

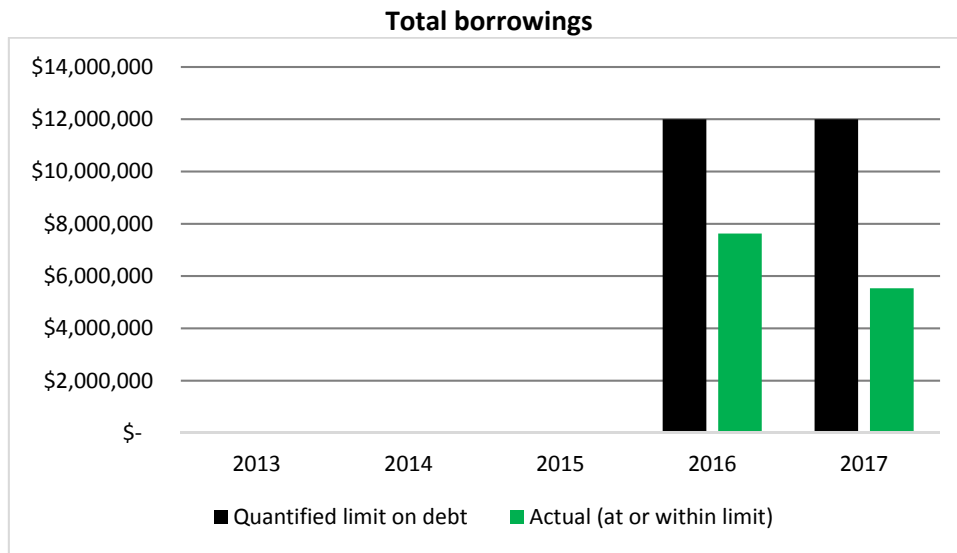
The impact of these rates adjustments was a total rates **decrease** compared to the previous year.

Debt affordability benchmark

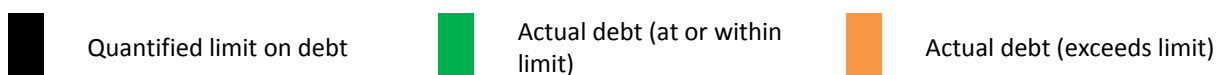
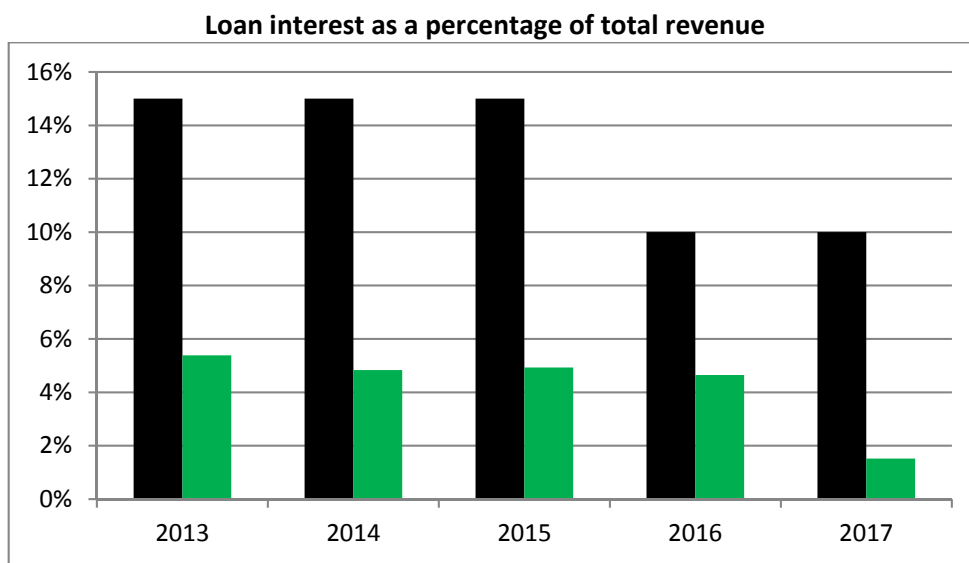
The council meets the debt affordability benchmark if –

- total borrowings do not exceed \$12 million; and
- loan interest expense is less than 15% of total revenue.

The following graph compares the council’s actual borrowing with the quantified limit on borrowing stated in the financial strategy included in the long term plan. The quantified limit is \$12 million.



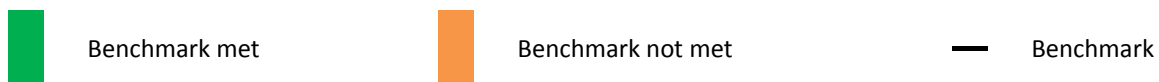
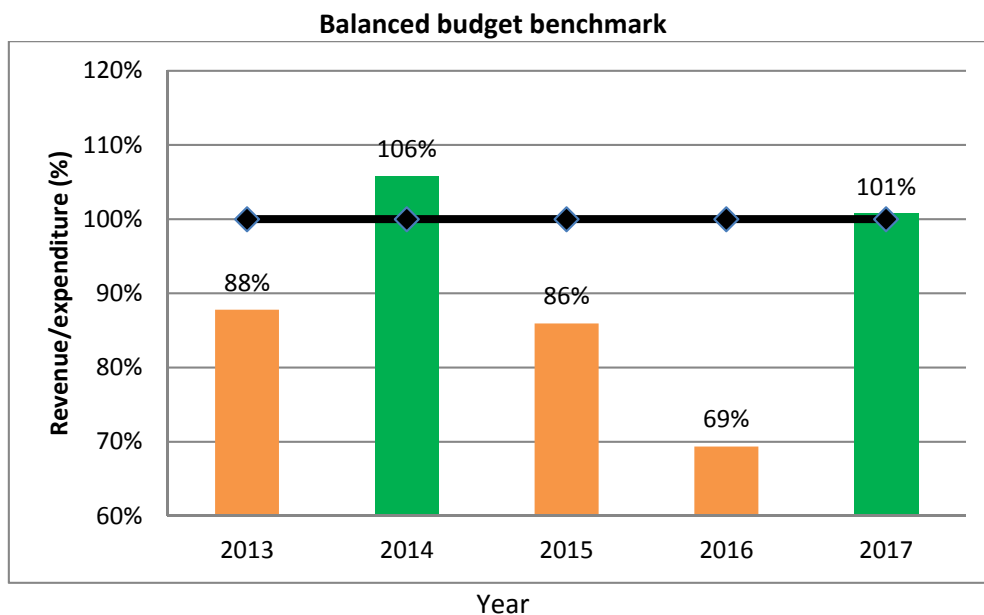
The following graph compares the council’s actual borrowing with a quantified limit on loan interest as a percentage of total revenue. That quantified limit had been, up until the end of the 2015 financial year, that interest expense should be less than 15% of total revenue. The council revised that limit for the 2015-2025 Long Term Plan, down to not more than 10% of total revenue, given that the Kaikoura district is deemed a district of low growth by the Department of Statistics.



Balanced budget benchmark

The following graph displays the 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 expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Comment

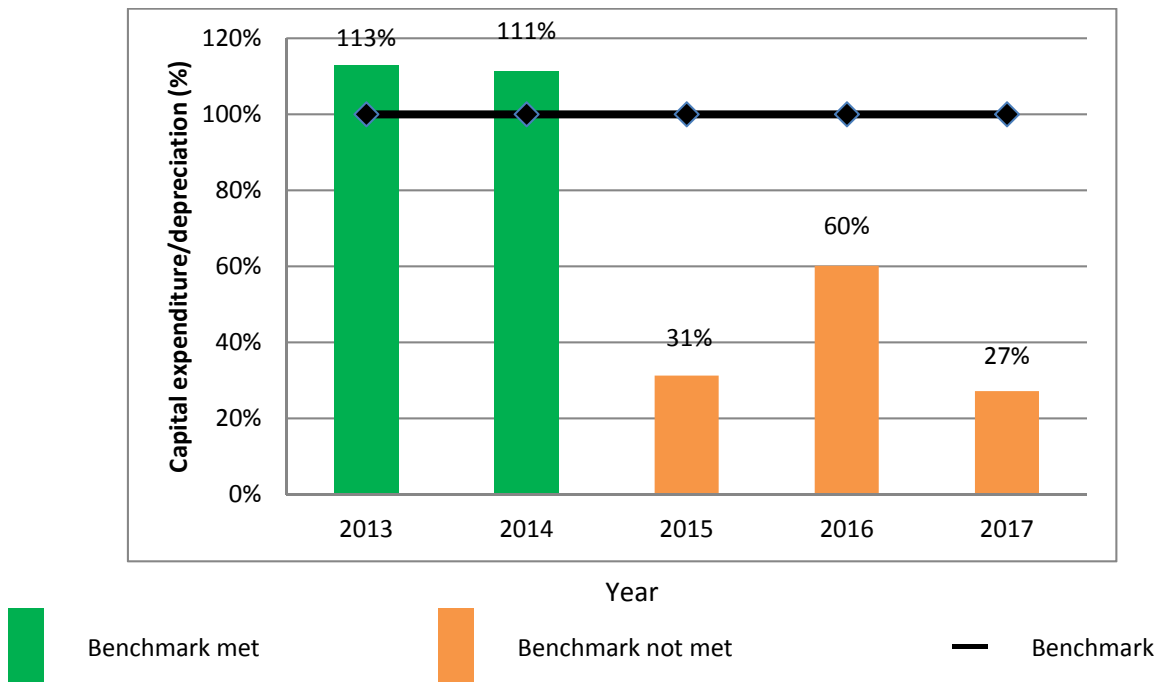
Revenue was substantially higher than forecast, with several millions in grants, subsidies, and donations received to enable the council to undertake emergency earthquake repairs.

Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Essential services benchmark



Comment

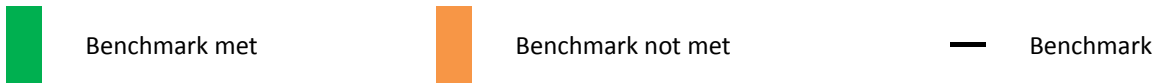
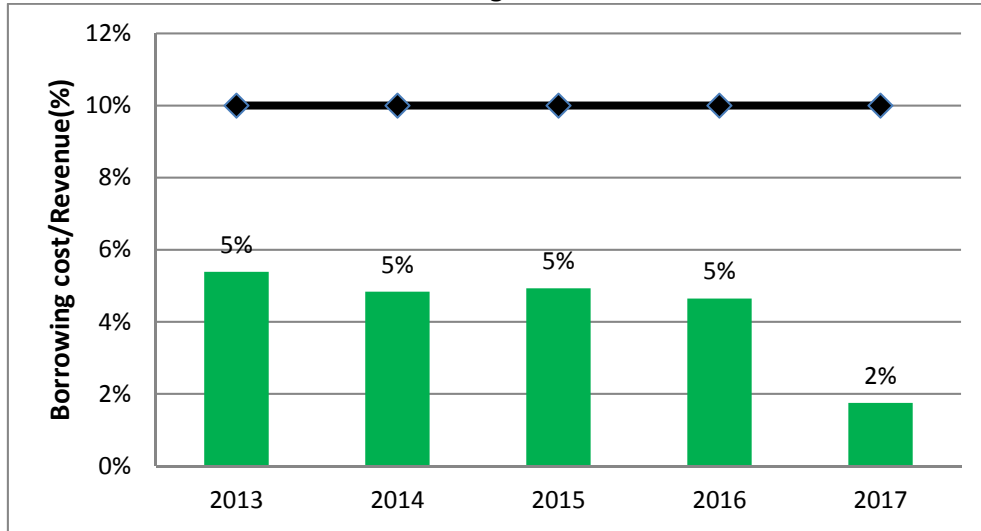
The earthquake meant all previously planned capital projects were put on hold or cancelled, and work instead focussed on immediate restoration of services – which are an operating expense and therefore do not form part of the above equation.

Debt servicing benchmark

The following graph displays the 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 the council’s population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its borrowings costs equal or are less than 10% of its revenue.

Debt servicing benchmark

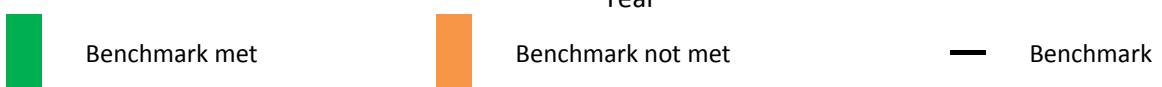
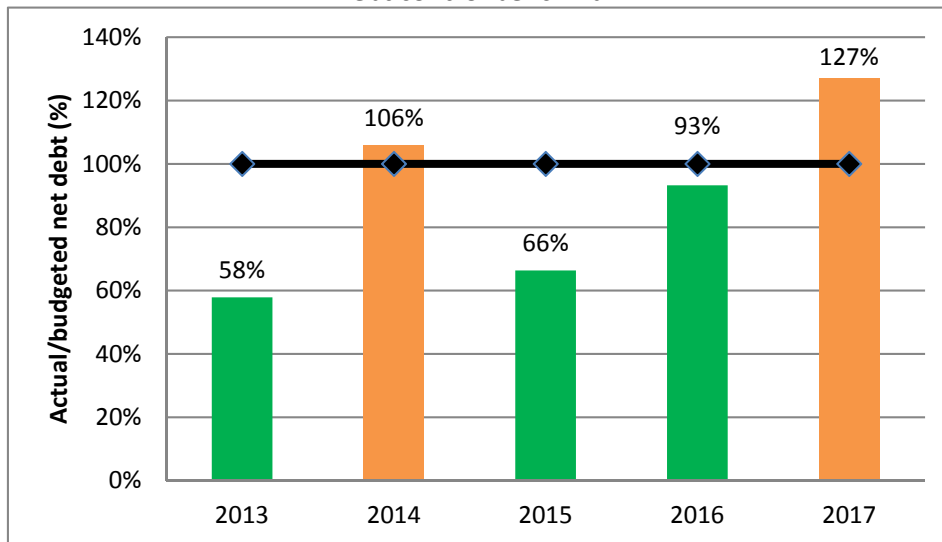


Debt control benchmark

The following graph displays the council’s actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities – which includes trade and other payables; less financial assets, but excluding trade and other receivables.

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The council did not include a debt control benchmark in the 2015-25 Long Term plan. The target is that set by the council outside the Long term plan.

Debt control benchmark



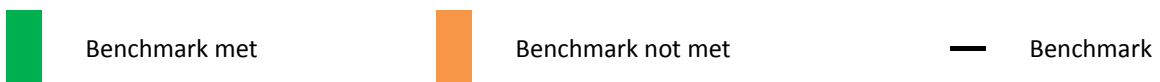
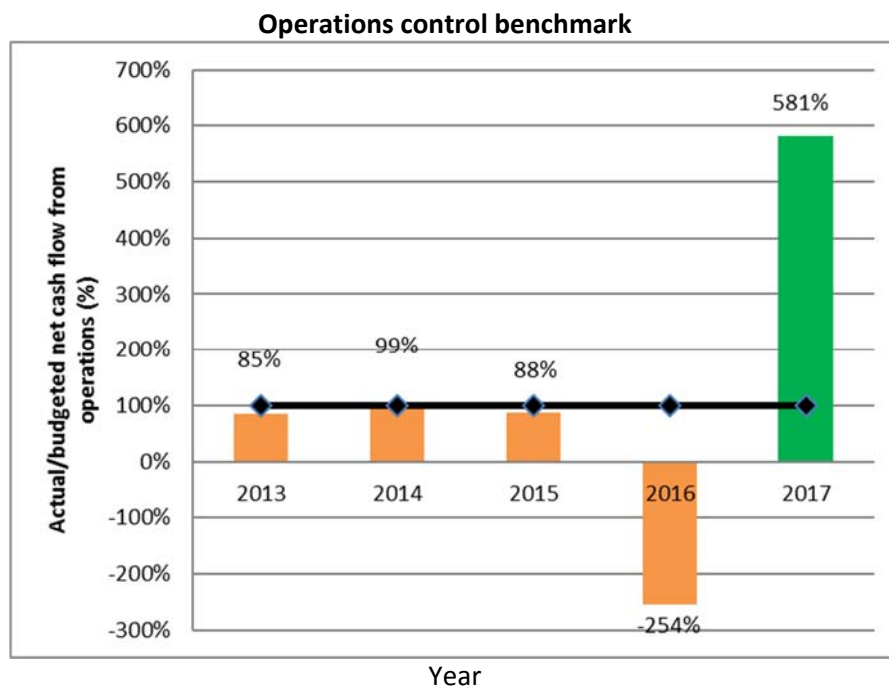
Comment

Substantial emergency work has been undertaken since the November 2016 earthquake, increasing trade payables far beyond planned levels.

Operations control benchmark

This graph displays the council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Comment

Cash flow from operations was substantially better than forecast, with several millions in grants, subsidies, and donations received to enable the council to undertake emergency earthquake repairs.

Funding Impact Statement

For the year ended 30 June 2017 (whole of council)

	2015/2016 Annual Plan \$000	2015/2016 Actual \$000	2016/2017 Annual Plan \$000	2016/2017 Actual \$000
Sources of operating funding				
General rates, UAGCs, rates penalties	2,206	2,189	2,107	2,131
Targeted rates (including water meter charges)	3,469	3,564	3,806	3,511
Subsidies & grants for operating purposes	394	433	292	6,809
Fees & charges	1,328	1,181	1,286	1,224
Interest & dividends from investments	56	38	39	9
Fuel tax, fines, infringement fees & other receipts	1,043	830	1,026	4,115
Total operating funding (A)	8,496	8,235	8,556	17,799
Applications of operating funding				
Payments to staff and suppliers	8,804	9,192	6,517	14,870
Finance costs	541	398	525	418
Other operating funding applications	56	38	-	-
Total applications of operating funding (B)	9,402	9,628	7,042	15,288
Surplus/(deficit) of operating funding (A-B)	(906)	(1,393)	1,514	2,511
Sources of capital funding				
Subsidies & grants for capital expenditure	224	328	230	5,598
Development and financial contributions	76	-	30	650
Increase/(decrease) in debt	3,214	1,435	496	(2,098)
Gross proceeds from sale of assets	-	678	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	3,513	2,441	756	4,150
Application of capital funding				
Capital expenditure				
- To meet additional demand	906	1,615	1,512	1,533
- To improve the level of service	102	329	405	43
- To replace existing assets	1,143	1,145	676	4,866
Increase/(decrease) in reserves	456	(2,041)	(323)	219
Increase/(decrease) in investments	-	-	-	-
Total applications of capital funding (D)	2,607	1,048	2,270	6,661
Surplus/(deficit) of capital funding (C-D)	906	1,393	(1,514)	(2,511)
Funding balance ((A-B) + (C-D))	-	-	-	-

Council Activities

Introduction

In the immediate aftermath of the earthquake, the Council's priority was emergency response on the ground and subsequently on the recovery. This focus on emergency response caused significant disruption to the Council's management processes, including its monitoring systems and processes for a large number of its non-financial performance measures. As a result, for the majority of its performance measures, the Council is not able to report any performance or has reported an estimate of performance.

Of the Council's 115 performance measures:

Reported performance	No of measures
Actual performance reported	34
Estimated performance reported	33
Result not available	47
Not applicable – the measure is not relevant to the Council's operations	1

A new activity – Earthquake Event

The earthquakes have had a significant impact on the Council's operations and significant increase in costs incurred by the Council, therefore a new and separate earthquake activity has been set up, through which to record the direct costs associated with the earthquakes. The capital projects detailed for each of the other activities are non-earthquake related. All earthquake asset-related expenditure is included in the separate earthquake activity.

Roading

Sub Activities:

Roads & Bridges
Footpaths
Streetlights

Goal

We will restore and maintain a safe, cost effective land transport system within the district and minimise effects on the environment.

What we do

The council manages local roads – which excludes the state highway – bridges, footpaths, roadside drainage, traffic facilities and streetlights. This includes the operation, maintenance, renewal, and improvement of the roading network. In addition to the management of physical assets, the council is also committed to improving road safety for all road users.

What we planned to do, had the earthquake not happened

Prior to the earthquake Council had planned the following works

- Aesthetic improvements to the West End
- Road surface renewals to parts of the sealed and unsealed road network
- Drainage renewals to prevent localised flooding incidents
- Minor improvements to the network
- Some additional street lighting

The majority of the works planned were deferred following the earthquake event although the additional street lighting was completed and a small section of the sealed road network was renewed.

What impact the earthquake had, and what we have achieved since then

The earthquake caused significant damage to the Council's roading infrastructure.

Repairs have occurred as part of the initial response and are still ongoing and are being undertaken largely by local subcontractors through the council's Road Maintenance Contract.

Some roads have suffered significant damage to the point where reconstruction of the entire road formation is the most appropriate option. Mt Fyffe Road was severely affected by the earthquake and was also subject to extensive trench-digging for the installation of the replaced water main.

Major land slips impacted parts of the road network that have taken considerable efforts to clear and make safe.

A number of bridges suffered significant damage and work is in hand to repair these through a dedicated part of the earthquake rebuild programme.

Access to some properties at the top of the Clarence Valley has created a difficult situation for residents, the formation of an existing paper road provided some initial relief but the replacement of the Glen Alton bridge is necessary to provide a reliable access route. Initial work is underway to provide a temporary solution to enable the options for a permanent solution to be explored.

Community outcomes

The Roading group of activities contributes to;

- Sustainable development
- A safe and efficient transport system

Major capital projects

Project	Planned \$	Spent \$
Capital work to provide for growth:		
Minor safety improvements	50,000	-
Bridge upgrades	90,000	-
Improve level of service:		
West End aesthetics	100,000	-
Renewal/replacement of existing assets:		
Road surface and drainage renewals	322,767	137,137
Footpath renewals	-	230,337
Streetlight renewals	26,156	6,140
	588,923	373,614

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network ² expressed as a number	0 (no change)	0 (no change)	Not available
The average quality of ride on the sealed local road network, measured by smooth travel exposure ³ for <i>urban</i> roads	146	NAASRA count less than 100	Not available
	87%	Smooth Travel Exposure (no target)	Not available

² In the past we have shown fatalities and/or serious injury statistics over all roads in the district; this new measure is limited to incidents on local roads (not including the state highway where those crashes had occurred).

³ Smooth travel exposure means a measure of the percentage of vehicle kilometres travelled on roads that occurs above the targeted conditions for those roads. The council sets its targeted conditions based on NAASRA counts. The rougher the road, the higher the NAASRA counts per km. A NAASRA count of greater than 150 typically indicates a road that is becoming a concern in terms of its roughness. Note the NAASRA roughness count is done every three years. The results are based on 2013/14 results recorded in the 2013/14 Annual Report because no measurements have been taken since this date.

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The average quality of ride on the sealed local road network, measured by smooth travel exposure ² for <i>rural</i> roads	120	NAASRA count less than 280	Not available
	95%	Smooth Travel Exposure (no target)	Not available
The percentage of the sealed local road network that is resurfaced	0%	1%	0.3%
The percentage of footpaths that meet the council's required level of service (i.e. that are formed)	54%	36%	54%
The percentage of customer service requests responded to within one week	100%	100%	80%
The percentage of survey respondents who are satisfied, or very satisfied, with urban streets	75%	80%	79% pre-quake 58% post-quake
The percentage of survey respondents who are satisfied, or very satisfied, with rural roads	46%	79%	63% pre-quake 36% post-quake

Funding Impact Statement: Roading

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	833	980	839
Subsidies & grants for operating purposes	246	256	191
Fees and charges	-	-	11
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	32	33	37
Total operating funding (A)	1,112	1,269	1,078
Applications of operating funding			
Payments to staff and suppliers	516	528	333
Finance costs	59	83	27
Internal charges and overheads applied	190	179	132
Other operating funding applications	-	-	-
Total applications of operating funding (B)	765	789	492
Surplus/(deficit) of operating funding (A-B)	347	480	586
Sources of capital funding			
Subsidies & grants for capital expenditure	224	540	124
Development and financial contributions	14	14	-
Increase/(decrease) in debt	403	207	(73)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	640	761	51
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	536	-
- To improve the level of service	78	77	-
- To replace existing assets	909	627	374
Increase/(decrease) in reserves	-	-	264
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	987	1,241	637
Surplus/(deficit) of capital funding (C-D)	(347)	(480)	(587)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	740	759	492
Plus depreciation			793
Expenditure as per Note 1			1,285

Water Services

Sub Activities:

**Kaikoura Urban Water Supply,
Ocean Ridge Water Supply,
East Coast Rural Water Supply,
Kincaid Rural Water Supply,
Fernleigh Rural Water Supply,
Oaro Rural Water Supply,
Peketa Rural Water Supply
Suburban Water Supply**

Goal

We will restore and provide water infrastructure that meets the needs of the community, ensures a healthy standard of living, and minimises effects on the environment.

What we do

The council provides public water supplies to eight areas spanning the length of the district and supplying water to homes, farms and businesses. Two of these water supplies, East Coast and Fernleigh, are primarily supplies for stock and irrigation, the balance for domestic and commercial use. The council provides water treatment, storage, and underground reticulation for each water supply, with the exception of Peketa, which has no storage.

What we planned to do, had the earthquake not happened

Originally the planned work for the year was to continue the replacement of underground pipes in South Bay to complete the works commenced in 2015/16. This project included undergrounding power cables and replacing footpaths.

Of the rural water supplies, some provision was made for improvements and renewal work as required for the Peketa, Oaro and Kincaid schemes.

What impact the earthquake had, and what we have achieved since then

The earthquake of 14 November 2016 caused significant damage to Kaikoura District Council's water supply schemes.

The key areas of infrastructure damage identified included

- Physical damage to one of the Mackles Boreholes
- Significant physical damage to storage reservoirs at a number of sites, across the water supply schemes
- Damage to parts of the water reticulation system particularly the main delivery main serving the Kaikoura Urban system

Most visible infrastructure has been inspected and investigated. The most damaged sections of pipework have been identified and the delivery main from the Mackles source to the Ford's reservoir site has been replaced. Additional leak detection work is planned to identify further damage to the reticulation system.

A key issue resulting from the earthquake events was the introduction of precautionary boil water notices for all of the supply schemes to safe guard the health of the community. The boil water notices were lifted for the Ocean Ridge and Urban supply schemes, however the notices remained in place for the other water supply schemes.

Community outcomes

The Water Services group of activities contributes to:

- Sustainable development
- Quality water & wastewater services
- A quality standard of housing

Major capital projects

Project	Planned \$	Spent \$
Improve level of service:		
Oaro water treatment improvement	4,000	-
Peketa treatment improvement	16,000	-
Renewal/replacement of existing assets:		
Kaikoura urban pipe renewals	80,000	50,524
South Bay pipe renewals	220,000	5,671
East Coast pipe renewals	-	11,360
Kincaid pipe renewals	20,000	-
	\$340,000	\$67,555

Performance measures

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The extent to which the supply complies with part four of the NZ Drinking Water Standards (bacteria compliance criteria)	Partial ⁴ see table	100%	Partial ³ see table
The extent to which the supply complies with part five of the NZ Drinking Water Standards (protozoal compliance criteria)	Partial ³ see table	100%	Partial ³ see table
The percentage of real water loss from the networked reticulation system	38.6%	1% or less	Not available
Fault response times (median time taken)⁵			
- attendance for urgent call outs	N/A	Within 1 hour	< 1 hour
- resolution of urgent call outs	N/A	Within 4 hours	< 3.8 hours
- attendance for non-urgent call outs	< 8 hours	Within 1 day	< 1 day
- resolution of non-urgent call outs	< 3 days	Within 1 week	< 1 week
There were no urgent call outs, and 184 non-urgent call outs, during the 2015/2016 year.			
The number of complaints per 1,000 connections⁶ about			
- drinking water clarity	None	1 or less	< 15
- drinking water taste	None	5 or less	< 5
- drinking water odour	None	5 or less	< 5
- drinking water pressure or flow	None	10 or less	< 100
- continuity of supply	3.74	5 or less	< 100
- the council's response to any of these issues	None	5 or less	Not available
The average consumption of drinking water for the district per day	189.6 litres	< 1,000 litres	Not available

Council contractors responded immediately when the earthquake hit, focussing on restoring water and sewerage services to quake-damaged properties. For at least six months following 14 November, there was no recording of performance response times, etc, due to the extremely heavy workloads that the contractors were working under.

⁴ In 2016 these results were provisional pending the assessment of compliance by the independent drinking water assessor. In 2017 the results have been determined by the South Island Drinking Water Assessment Unit of IANZ.

⁵ Call outs following the earthquake were not logged for a period of up to six months, however an estimation of calls for the year has been provided. There was a significant increase in activity as a result of the earthquake, because water, sewer and stormwater services were adversely affected.

⁶ There are 2,137 properties connected to council-owned and operated water supplies in the district.

Compliance with New Zealand Drinking Water Standards is measured in terms of microbiological compliance (which measures the presence of E.coli and other matter), and protozoal compliance (which measures the presence of live bacteria such as campylobacter).

Results for the council's water schemes are as per the table below.

Water Scheme	Compliant with the Drinking Water Standards? (Yes/No)			
	Microbiological Compliant		Protozoal Compliant	
	2016	2017	2016	2017
Fernleigh Rural Water Supply	No	Yes	No	No
Kaikoura Urban	Yes	Yes	Yes	No
East Coast Rural Water Supply	No	No	No	No
Kincaid Rural Water Supply	No	No	Yes	No
Oaro	No	Yes	Yes	Yes
Ocean Ridge	No	Yes	No	No

Of the above supplies, only Kaikoura Urban is chlorinated to meet microbiological compliance standards (part 4 of the drinking water standards). In terms of protozoal compliance, those supplies which do comply with part 5 have been deemed secure by the Ministry of Health and so are not required to be tested for protozoa.

Funding Impact Statement: Water Services

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	883	884	844
Subsidies & grants for operating purposes	-	-	-
Fees & charges	-	-	20
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	883	884	864
Applications of operating funding			
Payments to staff and suppliers	475	487	429
Finance costs	44	43	28
Internal charges and overheads applied	132	127	138
Other operating funding applications	-	-	-
Total applications of operating funding (B)	651	657	595
Surplus/(deficit) of operating funding (A-B)	232	228	269
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	22	22	3
Increase/(decrease) in debt	(69)	(67)	300
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(47)	(45)	303
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	4	4	-
- To replace existing assets	95	97	68
Increase/(decrease) in reserves	86	81	505
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	185	183	573
Surplus/(deficit) of capital funding (C-D)	(232)	(228)	(269)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	651	657	595
Plus depreciation			421
Expenditure as per Note 1			1,016

Sewerage Services

Goal

We will help protect the health of the district's residents and environment by restoring and providing an efficient and effective means of collecting, treating and disposing of sewage and stock effluent.

What we do

The council operates and maintains one sewerage system in the Kaikoura township, including Ocean Ridge. The system involves the collection of wastewater from individual properties, treating it to suitable standards, and discharging the treated wastewater back into the environment. The sewage system can cope with the demands of up to 10,000 people.

A stock effluent facility, on the corner of State Highway One and the Inland Road, is a convenient stop for cattle and stock trucks to empty their effluent tanks, and is fully subsidised between Environment Canterbury and the NZ Transport Agency.

What we planned to do, had the earthquake not happened

Prior to the earthquake the council planned to invest in new fencing around the aeration pond at the waste water treatment plant and also undertake work to secure a renewal of the resource consent. In addition to this a small programme of sewer pipe renewals was also planned.

What impact the earthquake had, and what we have achieved since then

The earthquake of 14 November 2016 caused significant damage to Kaikoura District Council's sewer infrastructure.

Key underground infrastructure has been inspected, with CCTV surveys undertaken of the most likely damaged parts of the network which then allowed emergency repairs to be undertaken and the a preliminary rebuild programme to be developed. Further inspections will be required to ensure that all areas of damage are captured and included in the rebuild programme.

The most significant damage to the sewer network was along the Lyell Creek where lateral spreading of the ground has compromised the sewer pipes and localised pumping stations and a significant rebuild programme is envisaged to restore the integrity of the network

Above ground structures were also damaged by the earthquake particularly waste water pumping stations in areas where land damage occurred and the aeration pond at the waste water treatment plant. Temporary measure and fixes were undertaken to ensure the system continued to operate, until such time as permanent solutions are designed and constructed

Community outcomes

Sewerage services contribute to

- Sustainable development
- Quality water & wastewater services
- A quality standard of housing
- Environmental protection & enhancement

Major capital projects

Project	Planned \$	Spent \$
Improve levels of service:		
Oxidation pond fencing and resource consent renewal	50,000	-
Underground pipe renewals	40,000	1,022
	\$90,000	\$1,022

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The number of dry weather sewage overflows from the sewerage system, per 1,000 sewer connections	2	1 or less	< 50
Compliance with the council's resource consents for discharge from the sewerage system, measured by the number of actions taken against council in relation to those consents, namely;			
- The number of abatement notices received	None	None	None
- The number of infringement notices received	None	None	None
- The number of enforcement orders received	None	None	None
- The number of convictions received	None	None	None
Fault response times (median time taken) ⁷			
- Attendance for sewage overflows	< 1 hour	< 1 hour	< 1 hour
- Resolution of the blockage or other fault	< 2 days	< 7 days	< 1 hour
The number of complaints received (per 1,000 sewerage connections) about;			
- Sewage odour	3	2 or less	< 10
- Sewerage system faults	2	3 or less	< 10
- Sewerage system blockages	9	3 or less	< 10
- The council's response to any of these issues	None	3 or less	Not available

⁷ Call outs following the earthquake were not logged for a period of up to six months, however an estimation of calls for the year has been provided. There was a significant increase in activity as a result of the earthquake, because water, sewer and stormwater services were adversely affected.

Funding Impact Statement: Sewerage

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	543	550	585
Subsidies & grants for operating purposes	-	-	11
Fees and charges	22	22	22
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	564	572	618
Applications of operating funding			
Payments to staff and suppliers	178	182	214
Finance costs	75	72	48
Internal charges and overheads applied	202	198	98
Other operating funding applications	-	-	-
Total applications of operating funding (B)	455	452	360
Surplus/(deficit) of operating funding (A-B)	110	120	258
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	24	24	-
Increase/(decrease) in debt	(70)	(77)	(35)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(46)	(53)	(35)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	40	43	1
Increase/(decrease) in reserves	24	24	222
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	64	67	223
Surplus/(deficit) of capital funding (C-D)	(110)	(120)	(258)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	455	452	360
Plus depreciation	306		475
Expenditure as per Note 1	761		835

Stormwater

Goal

We will help protect the health of the district's residents and environment by restoring and providing an efficient and effective means of collecting and disposing of stormwater.

What we do

The stormwater system receives excess surface water run-off from streets, parks and buildings, and disposing of that excess water ultimately to the sea and land. The stormwater system protects the Kaikoura Township and Ocean Ridge from flooding in heavy rains, discharging to land, sea and other water courses.

What we planned to do, had the earthquake not happened

Prior to the earthquake the Council was planning to undertake some limited pipework renewals of the reticulation system and undertake work to secure a renewal of the existing resource consent.

What impact the earthquake had, and what we have achieved since then

The earthquake caused significant damage to Kaikoura District Council's stormwater infrastructure. The immediate investigations identified a number of manholes requiring repair, together with some structures requiring repair or replacement. Further investigations are planned to ensure that the condition of all manholes is recorded and if issues arise the repairs can be included in the rebuild programme. In addition, further investigations and condition assessments will be undertaken on the underground pipe storm water network and any damaged identified will be included in the rebuild programme.

Community outcomes

Stormwater contributes to

- Sustainable development
- Quality water & wastewater services

Major capital projects

Project	Planned \$	Spent \$
Improve levels of service		
Upgrade	-	948
Renewal/replacement of existing assets		
Pipe renewal	25,000	30,308
Resource consent renewal	25,000	-
	\$50,000	\$30,308

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The number of flooding events that occurred ⁸	None	5 or less	< 3
For each flooding event, the number of habitable floors ⁹ affected (per 1,000 properties connected to the stormwater system)	None	2 or less	2 or less
Compliance with the council's resource consents for discharge from the stormwater system, measured by the number of actions taken against council in relation to those consents, namely;			
- The number of abatement notices received	None	None	None
- The number of infringement notices received	None	None	None
- The number of enforcement orders received	None	None	None
- The number of convictions received	None	None	None
Fault response times (median time taken)			
- Attendance to a flooding event	None	Within 1 hour	< 2
The number of complaints received about the performance of the stormwater system (per 1,000 properties connected to the stormwater system)	None	Less than 9	< 2
The percentage of major flood protection and control work that is maintained, repaired and renewed to the key standards defined in the council's relevant planning documents (such as our activity management plan, asset management plan, annual work programme or long term plan)	Not applicable	100%	Not applicable - see the definition of major flood protection below

Major flood protection and control works, for the purposes of the performance measure mandated by the Non-Financial Performance Measures Rules (2013), means works that meet two or more of the following criteria:

- Operating expenditure of more than \$250,000 in any one year
- Capital expenditure of more than \$1 million in any one year
- Scheme and asset replacement value of more than \$10 million, or
- Directly benefitting a population of at least 5,000 people

The council's budgets, asset values, and population are such that we are highly unlikely to ever meet the threshold for major flood protection and control works to be reported against.

⁸ A flooding event is one that closes a road (except at a known ford), or floods a habitable floor

⁹ A habitable floor means a floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages

Funding Impact Statement: Stormwater

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	121	122	124
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	-	7
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	121	122	131
Applications of operating funding			
Payments to staff and suppliers	49	50	27
Finance costs	12	10	-
Internal charges and overheads applied	24	24	26
Other operating funding applications	-	-	-
Total applications of operating funding (B)	85	84	53
Surplus/(deficit) of operating funding (A-B)	36	38	78
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	9	9	-
Increase/(decrease) in debt	(11)	(11)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(2)	(2)	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	1
- To replace existing assets	25	27	30
Increase/(decrease) in reserves	9	9	47
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	26	28	78
Surplus/(deficit) of capital funding (C-D)	(34)	(36)	(78)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	85	84	53
Plus depreciation			51
Expenditure as per Note 1			104

Refuse & Recycling

Goal

We aim to progressively decrease the volumes of solid waste that goes to landfill in the district, with a view to ultimately achieving zero waste to landfill and ensure that the increased waste materials generated as a result of the earthquake is handled efficiently and with minimum impact on the environment.

What we do

Kaikoura has one landfill and resource recovery centre, located on Scarborough Street. The landfill has resource consent to operate until 2034. Innovative Waste Kaikoura Ltd (IWK), a council-controlled organisation, under contract, undertakes the day-to-day management of the site. Kaikoura stayed consistent on around 75% of recyclable material was diverted from the landfill in this financial year. This diversion rate is amongst the highest in NZ, and is testament to the importance placed on waste reduction in our district. IWK also provides weekly kerbside recycling collection services within the urban area and the Oaro village, additional commercial and rural recycling pickups, and empties the public rubbish bins and recycling stations throughout the district.

What we planned to do, had the earthquake not happened

We aimed to keep up our very high diversion rate from the land fill by providing a number of services to the community including improving opportunities for recycling by installing new recycling stations. The earthquake resulted in a refocusing of resources and the installation of the new recycling stations did not occur.

What impact the earthquake had, and what we have achieved since then

The Kaikoura district continues to achieve excellent diversion rates (diversion refers to the percentage of waste that is recycled or reused rather than put to landfill).

From 1 June 2016, for four months preceding the earthquake, Kaikoura continued to achieve an average diversion rate of 76.6% from a total waste stream of 1144 tonnes. The November earthquake resulted in a massive potential for the diversion rate to change rapidly. What we found was a massive increase in clean fill, as the clean-fill is separated from the landfill this resulted in the percentage of diversion increasing rapidly. Total clean-fill for 2016/17 was 4712 tonnes compared to total waste for 2015/16 of 3764 tonnes. The end result was that the final diversion rate for 2016/17 being increased to 86.46% from a total waste stream of 7635 tonnes.

Community outcomes

Refuse & Recycling contributes to:

- Sustainable development
- Environmental protection & enhancement

Major capital projects

Project	Planned \$	Spent \$
Improve level of service		
Landfill capping	7,500	-
New recycling stations	15,000	-
	\$22,500	\$-

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
Solid waste produced per person	180 kg	150 kg or less	275.28 kg

Funding Impact Statement: Refuse & Recycling

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	265	258	270
Targeted rates (including water meter charges)	124	127	122
Subsidies & grants for operating purposes	-	-	-
Fees and charges	5	5	2
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	13	14	14
Total operating funding (A)	407	404	408
Applications of operating funding			
Payments to staff and suppliers	335	343	362
Finance costs	3	3	59
Internal charges and overheads applied	55	44	50
Other operating funding applications	-	-	-
Total applications of operating funding (B)	393	390	471
Surplus/(deficit) of operating funding (A-B)	14	14	(63)
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(6)	(6)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(6)	(6)	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	8	8	(63)
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	8	8	(63)
Surplus/(deficit) of capital funding (C-D)	(14)	(14)	63
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	393	402	471
Plus depreciation	-	-	16
Expenditure as per Note 1	393	402	487

Community Facilities

Sub Activities:

Parks & Reserves (playgrounds, cemetery, public toilets, sports fields, etc)
Property (public halls, housing for the elderly, civic offices, swimming pool, etc)
Library
Airport
Harbour Facilities

Goal

We provide, maintain, repair and improve all recreational areas, reserves and facilities to a level that satisfies the needs of the community, as well as those of commercial and recreational users.

What we do

The council owns and maintains parks, sports fields, walkways, public toilets, playgrounds, the cemetery, town centre and numerous reserves. The civic offices, swimming pool, memorial hall, drill hall and pensioner flats are all council owned properties.

The library operates a diverse service as an educational, informational, recreational and cultural resource, and aims to satisfy the developing needs of the Kaikoura community. The library provides a range of services in addition to its collections, such as colour and black & white photocopying, computer and internet access, laminating, fax, large print books, talking books, magazines, newspapers, DVDs, puzzles and children's toy library. A number of programmes are run throughout the year, such as toddler time, school visits and holiday programmes.

What we planned to do, had the earthquake not happened

The Kaikoura District Council, Environment Canterbury, District Library and the Museum were to relocate to the new Civic Centre building on its completion.

Plans were in place to resurface the airport runway and undertake some rock removal works at the South Bay Harbour to improve safety for users and cruise ship tenders.

What impact the earthquake had, and what we have achieved since then

Following the earthquake event the new civic building was utilised as the emergency operations centre for the response. The Library and Museum finally opened to the public 5 December 2016 and Environment Canterbury was able to move in to their new premises in January 2017.

The Lions pool was damaged in the November 2016 earthquake. Fortunately, a temporary pool was found and funded through EQ relief funding from NZ Community Trust.

The airport runway work was postponed because of the earthquake and the need to keep the facility open to support the response and recovery phases. The harbour rock removal works were also

postponed, together with the West End CCTV upgrade. Work was cancelled on the new public toilet facility the swimming pool facilities and the cycle trail.

Community outcomes

The Community Facilities group of activities contribute to:

- Sustainable development
- A safe, efficient transport system
- Affordable access to quality community facilities

Major capital projects

Project	Planned \$	Spent \$
Provide for growth/increased demand:		
Civic Centre completion	1,000,000	1,491,038
New public toilet	30,000	-
Cycle trail	10,000	-
Swimming pool facilities	50,000	21,150
Rock hazard removal at the Harbour	250,000	2,971
	\$1,340,000	\$1,515,159
Improve Level of Service:		
West End CCTV upgrade	26,000	24,875
	\$26,000	\$24,875
Replacement of existing assets		
Library books & resources	26,000	13,464
Runway resealing	50,000	-
Drill Hall renewals	-	20,000
	\$76,000	\$33,464

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The number of Memorial Hall bookings (excluding council's own use)	53	At least 54	52
The percentage of tenants in council's pensioner flats that satisfy criteria one in the council's housing for the elderly policy ¹⁰	100%	100%	100%

¹⁰ Criteria One applicants for pensioner flats should be at least 65 years of age, meet specific income criterion, and do not have an interest in or own their own property.

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The percentage of survey respondents who are satisfied, or very satisfied, with the cemetery	98%	96%	93% pre-quake 91% post-quake
The number of swims at the Lions Swimming Pool	8,276	6,700	1,175 ¹¹
The number of people in learn to swim programmes	1,170	160	352 ¹²
The number of landings at the Kaikoura Airport	2,882	1,600	4,000
The percentage of survey respondents who are satisfied, or very satisfied, with the harbour	82%	85%	77% pre-quake 54% post-quake
The number of recreational slipway users	4,339	3,500	1,033
Lending items (e.g. library books, CDs, DVDs, and toys) available at the Kaikoura District Library per capita	7.0	6.1	7.2
The area of recreational space available per capita	276m ²	60m ²	276m ²
The area of additional esplanade reserve planted	1,000m ²	100m ²	1,251m ²
The percentage of public toilets inspected that met or exceeded the cleaning and hygiene levels stated in the council's contracts for public toilets	98%	100%	Not available
The percentage of pesticides used by KDC parks & reserves contractors that is biodegradable	100%	100%	Not available
The percentage of cleaning chemicals used by KDC that is biodegradable	92.8%	> 67%	Not available

¹¹ The temporary pool opened from January 2017 to April 2017 for 2-4 hours per day. However, it was only 10m x 4m as opposed to the Lions Pool 33m x 13m. Subsequently teen/adult swimmers, lane swimmers and swimming sports were lost. The pool got too crowded with more than 20 swimmers, so numbers were limited.

¹² Given the temporary pool was much smaller and warmer temperature than the Lions pool, the temporary pool served a different demographic than usual – many more young families and elderly. The baseline of 1170 learn to swim participants was established from actuals in 2016. The 2016/2017 target was established from the Long Term Plan. Clearly the number of participants in learn to swim programmes has been underestimated.

Funding Impact Statement: Community Facilities

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	783	711	695
Targeted rates (including water meter charges)	322	350	426
Subsidies & grants for operating purposes	3	3	33
Fees and charges	725	897	496
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	1,400
Total operating funding (A)	1,833	1,961	3,050
Applications of operating funding			
Payments to staff and suppliers	931	942	841
Finance costs	272	273	206
Internal charges and overheads applied	293	267	275
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,496	1,482	1,322
Surplus/(deficit) of operating funding (A-B)	337	479	1,728
Sources of capital funding			
Subsidies & grants for capital expenditure	-	250	-
Development and financial contributions	8	8	647
Increase/(decrease) in debt	109	(159)	(331)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	116	98	316
Application of capital funding			
Capital expenditure			
- To meet additional demand	902	513	1,515
- To improve the level of service	-	-	25
- To replace existing assets	36	37	33
Increase/(decrease) in reserves	(484)	27	471
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	453	577	2,044
Surplus/(deficit) of capital funding (C-D)	(337)	(479)	(1,728)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	1,486	1,503	1,322
Plus depreciation			223
Expenditure as per Note 1			1,545

Commercial Activities

Sub Activities:

Leased Properties Forestry

Goal

To provide an alternative revenue stream to reduce the rates burden on the community.

What we do

The council owns a commercial property on Beach Road, as well as land at Wakatu Quay. The council also owns an 11.5% share in Marlborough Regional Forestry; a joint venture with the Marlborough District Council.

What we planned to do, had the earthquake not happened

The 25 Beach Road property was considered surplus to requirements, and potentially to be sold at an appropriate point in the real estate cycle. The forestry joint venture continues to operate without issue, and provides a steady revenue stream to the council.

What impact the earthquake had, and what we have achieved since then

While 25 Beach Rd did suffer some minor damage, commercial premises became highly sought after as other buildings were no longer safe to occupy. The council rationalised the existing tenants, who were on non-commercial leases, and provided for the Opshop to expand its floor space while making room for a local joiner shop to continue operating.

Community outcomes

The surplus funds generated from these activities (if any) can be used to support other council activities which contribute to outcomes – such as upgrading sports, leisure or cultural facilities, or offsetting rates.

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The proportion of revenue from commercial activities as a percentage of total council revenue	10.2%	10%	3.6% or 10.0% ¹³

¹³ Commercial activities generated \$862,418 in revenues in 2016/2017, or 3.6% of total revenue. This year there were particularly unusual circumstances of the earthquake and the subsidies, grants, and other revenues that were unforeseen. When those special revenues are removed from the calculation, commercial activities do meet the target 10% of total ordinary revenue.

Funding Impact Statement: Commercial Activities

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	(8)	(19)	-
Targeted rates (including water meter charges)	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	167	167	199
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	998	1,012	663
Total operating funding (A)	1,157	1,160	862
Applications of operating funding			
Payments to staff and suppliers	845	855	573
Finance costs	-	-	-
Internal charges and overheads applied	29	29	41
Other operating funding applications	-	-	-
Total applications of operating funding (B)	874	884	614
Surplus/(deficit) of operating funding (A-B)	283	276	250
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	4	5	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	279	272	250
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	283	276	250
Surplus/(deficit) of capital funding (C-D)	(283)	(276)	(250)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	874	884	614
Plus depreciation	-	-	36
Expenditure as per Note 1	874	884	650

Leadership & Governance

Sub Activities:

Mayor & Councillors
Corporate services
Information & mapping technology
Asset management
Vehicles & plant

Goals

We provide leadership to the community, and have in place a system of representation which is open and transparent, and which gives opportunities for participation in the democratic process.

What we do

We support our community-elected members, and encourage public input into decision making.

What we did

Local government elections were held in October 2016, with two new elected members – Councillors Lisa Bond and Celeste Harnett, and the return of a former member, Councillor Neil Pablecheque. Mayor Winston Gray, Deputy Mayor Julie Howden, and Councillors Craig Mackle, Tony Blunt, and Derrick Millton were re-elected to continue a further term.

What impact the earthquake had, and what we have achieved since then

The earthquake hit Kaikoura while the new council was in training with key management, in St Arnaud, requiring a rapid return to the district to help respond to the emergency. Within just a few weeks, the council formed the Recovery Steering Group and began the process of planning for the rebuild of our communities.

Community outcomes

The Leadership and Governance group of activities has a role to play in each and every outcome, but for the purposes of this report, it does have a specific role in the achievement of;

- Community involvement in planning the future and managing the present

Major capital projects

Project	Planned \$	Spent \$
Provide for growth:		
Computer equipment	20,000	17,843
Improve level of service:		
Computer software	20,000	17,270
Renewal/replacement of existing assets:		
Vehicle replacement	20,000	-
Office furniture and equipment	10,000	-
	\$70,000	\$35,113

Levels of service

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
Paper use by council per employee (number of reams)	15.57 reams	< 15 reams	Not available
The number of council committees which have Runanga representation	5 ¹⁴	7	4
The annual budget allocation for significant cultural sites	None as cultural sites are yet to be defined ¹⁵	No target available as cultural sites are yet to be defined	None as cultural sites are yet to be defined
The percentage of eligible voters who vote in the local government elections	N/A	N/A	57%
The percentage of satisfaction with the Mayor and Councillors (by annual survey)	56.4%	> 75%	83%

¹⁴ Runanga representatives have been appointed to the Hearings & Applications, Planning, Road Naming, and Water Zone Committees. The Runanga has also requested to be kept informed of decisions from other committees, such as the Airport Committee, but has not appointed representatives to those committees.

¹⁵ There is currently work done on cultural sites, but this is within existing budgets; such as work to preserve archaeological areas during construction, exempting historic buildings from consent fees, District Plan identification of cultural areas, etc. Processes are not in place to break down the actual time spent by council staff, or the cost commitment.

Funding Impact Statement: Leadership & Governance

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	584	627	596
Targeted rates (including water meter charges)	-	-	-
Subsidies & grants for operating purposes	-	-	5
Fees and charges	39	51	60
Internal charges and overheads recovered	1,371	1,326	1,361
Fuel tax, fines, infringement fees & other	56	66	7
Total operating funding (A)	2,050	2,072	2,029
Applications of operating funding			
Payments to staff and suppliers	1,731	1,730	1,859
Finance costs	-	-	-
Internal charges and overheads applied	213	214	216
Other operating funding applications	56	67	-
Total applications of operating funding (B)	2,000	2,011	2,075
Surplus/(deficit) of operating funding (A-B)	50	61	(46)
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	18
- To improve the level of service	20	21	17
- To replace existing assets	30	41	-
Increase/(decrease) in reserves	-	-	(81)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	50	61	(46)
Surplus/(deficit) of capital funding (C-D)	(50)	(61)	46
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	2,000	2,010	2,075
Less internal payments			(1,361)
Less bad debts (non-activity expense)			(4)
Plus depreciation			27
Expenditure as per Note 1			737

Regulation & Control

Sub Activities:

Statutory Planning
Building Control
Traffic Control
Dog & Stock Control
Liquor Licensing & Other

Goals

We ensure the natural and physical environment of the district is sustainably managed, by providing a friendly helpful service and ensuring that standards and guidelines set down in legislation and regulations are met.

What we do

This activity is the council's statutory monitoring and compliance arm. The council provides resource consent and building consent services to ensure that developments in the Kaikoura district meet the requirements of the Kaikoura District Plan, and the standards required in the Building Act 2004 and its regulations. The council continues to hold Building Consent Authority accreditation status.

What we did

In this period Council decided 54 resource consent applications. Council also issued one existing use certificate and two extensions of consent lapse date, 55 applications were processed within statutory timeframes, and two applications exceeded statutory timeframes. One decision was appealed to the Environment Court. This appeal was later withdrawn by the appellant and lodged as a new resource consent application with Council. Two objections were received in relation to conditions imposed on granted consents; both objections were upheld.

What impact the earthquake had, and what we have achieved since then

Following the November 14 earthquake there was a noticeable decrease in resource consent applications, with only three applications lodged in the period 14 November to 1 March 2017. The determination of one application lodged prior to the earthquake was delayed. This application exceeded the 20-day statutory processing limit by 16 days; however special circumstances (Section 37A of the RMA) were applied meaning the statutory deadlines were met.

The Hurunui/Kaikoura Earthquakes Recovery (Coastal route and other Matters) Order 2016 introduced a significantly modified resource consent process for 'restoration works'. Seven consents for restoration works on the Coastal Route were granted under this order. Four resource consents directly related to the EQ were also granted under the traditional RMA process.

The number of building consents increased by over 30%, to 179, plus 122 code compliance certificates issued. The increase is a combination of new build and building repair work, as our customer's insurance claims are settled.

We had to engage a secondment from Christchurch City Council to help with the reassessments of the placards undertaken during the civil defence emergency period to establish if these buildings now would be insanitary, dangerous or in some cases both, with respect to the Building Act 2004.

Food premises were not formally inspected for the purposes of licencing, however those premises which were operating post-quake were visited on numerous occasions with the focus on earthquake recovery and any actions in regard to boiling water.

Sadly, and perhaps due to the stress caused by the earthquakes, some customers were more reluctant to deal with us in a friendly manner, with an incident occurring earlier on the year regarding our dog control employee.

Community outcomes

The Regulation & Control group of activities contribute to;

- Sustainable development
- A safe, efficient transport system

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
Estimated parking occupancy in the pay & display (West End) car park during November to February	20,941	> 20,000	11,570
The number of complaints received about dogs (barking, rushing/aggressive, wandering, lost, welfare issues, etc.)	173	< 170	Not available
The percentage of licensed liquor premises assessed as low-to-medium risk	91.3%	> 82%	Not available

Funding Impact Statement: Regulation & Control

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	292	310	314
Targeted rates (including water meter charges)	39	40	44
Subsidies & grants for operating purposes	-	-	70
Fees and charges	350	357	394
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	1
Total operating funding (A)	681	706	823
Applications of operating funding			
Payments to staff and suppliers	478	488	516
Finance costs	-	-	-
Internal charges and overheads applied	203	219	193
Other operating funding applications	-	-	-
Total applications of operating funding (B)	681	706	709
Surplus/(deficit) of operating funding (A-B)	-	-	114
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	114
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	114
Surplus/(deficit) of capital funding (C-D)	-	-	(114)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	681	683	709
Plus depreciation	-	-	-
Expenditure as per Note 1	681	683	709

Safety & Wellbeing

Sub Activities:

Civil Defence
Rural Fire Control
Environmental Health
Land Transport Safety
Community Development

Goals

We will prepare the community to cope with a hazard or emergency, promote public health and road safety, and action our Community Wellbeing Action Plan.

What we do

The council is involved in several functions protecting community safety and wellbeing, including;

- Reduction of, readiness for, responding to, and recovering from a civil defence emergency
- Management and suppression of rural fires
- Promotion of a high standard of environmental health
- Promotion of road safety
- Coordination of social services, including family violence and strengthening families programmes.

What we planned to do, had the earthquake not happened

In normal circumstances, the civil defence activity involves volunteer training and promoting awareness to the community of how to prepare for emergency events, to have a plan, and to get through on our own for several days without help. Rural fire control was gearing up for a transition of all assets to a new organisation; Fire & Emergency New Zealand (FENZ) to take place on 1 July 2017, and community development roles were limited to a community facilitator and a youth development coordinator.

What impact the earthquake had, and what we have achieved since then

Virtually all costs associated with civil defence were redirected to the earthquake event itself, and the event is of such a size for it to be classified as its own significant group of activities for the purposes of this report, see pages 130-133 for information about the earthquake event activities.

The transition of rural fire assets to FENZ took a lower priority with staff resources stretched and focussing on the earthquake event. After balance date the agreement between the Council and FENZ has been signed, and the rural fire vehicles, plant and equipment is in the process of being transferred. The transition is occurring under legislative parameters and the Council is not being reimbursed for the value of these assets.

Community development – more specifically, social recovery – now has been boosted to a very high priority to the Council, with the social effects on the community likely to be deep and long-lasting. Grants have been received from NZ Lotteries as well as from the Ministry of Social Development for the Community Outreach programme, which has enabled coordinators to visit people in their homes and offer help and support. This programme has been supplemented by the Winter Warmers programme,

where damaged homes were visited with many receiving extra assistance for weather-proofing, securing properties, and help with heating.

Community outcomes

The Safety & Wellbeing group of activities contribute to;

- Sustainable development
- Quality water & wastewater services
- A safe, efficient transport system
- Environmental protection & enhancement

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
The percentage of survey respondents who have a Civil Defence emergency kit in their household	91%	90%	75% pre-quake 91% post-quake
The percentage of school leavers with NZQA level two or higher	65%	66% or more	Not available
The number of family violence investigations where an offence was detected	Not available	Less than 35	Not available
The number of people participating in netball and rugby clubs	Not available	More than 360	Not available
The number of employees and workplaces	1,530 employees in 735 workplaces	More than 1,600	Not available
The percentage of homicides in the district per capita	0.01%	0.9% or less	Not available
The percentage of thefts in the district per capita	0.48%	1.6% or less	Not available
The percentage of assaults in the district per capita	0.30%	1.6% or less	Not available
The percentage of food premises with food control plans	75.8%	More than 50%	Not available

Funding Impact Statement: Safety & Wellbeing

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	161	163	115
Targeted rates (including water meter charges)	97	99	93
Subsidies & grants for operating purposes	128	132	242
Fees and charges	15	16	10
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	403	410	460
Applications of operating funding			
Payments to staff and suppliers	297	302	180
Finance costs	-	-	-
Internal charges and overheads applied	108	110	61
Other operating funding applications	-	-	-
Total applications of operating funding (B)	406	413	241
Surplus/(deficit) of operating funding (A-B)	(3)	(3)	219
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	(3)	(3)	219
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	(3)	(3)	219
Surplus/(deficit) of capital funding (C-D)	3	3	(219)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)			241
Plus depreciation			24
Expenditure per Note 1			265

District Development

Sub Activities:

District Planning
Sustainable Development
Tourism & Development
Community Grants

Goals

We will ensure that a planning framework is in place to enable the district to develop, while ensuring that the natural and physical environment of the Kaikoura district is sustainably managed.

What we do

The council has developed the Kaikoura District Plan, the document that sets out the overarching requirements for land use, building and subdivision activity within the district. Our EarthCheck benchmarking and assessments form part of this District Development activity, as is the protection of areas of significant indigenous biodiversity. The council also promotes Kaikoura as a unique visitor destination and aims to broaden the district's economic and employment base. Grant funding assistance is administered to distribute funds to various community organisations.

What we planned to do, had the earthquake not happened

The Kaikoura District Plan became fully operative in 2008, and has been subject to two plan changes, with reviews ongoing. District Plans are required under legislation to be reviewed not less than every ten years; this means that our District Plan is due for review by 2018. Prior to the earthquake we were focusing on how to best start this review process. Staff time was refocused to assist with the management of earthquake.

What impact the earthquake had, and what we have achieved since then

The earthquake resulted in an immediate need to assist our community including isolated tourists. Staff worked tirelessly supported by resources from Central Government, New Zealand Defence Force, Environment Canterbury and other Councils. This collaboration ensured an appropriate and well planned civil defence response. Special thanks must go to the support provided by Christchurch City Council and Environment Canterbury.

Special legislation was developed by way of Order In Council (OIC) and staff time was used to promote the interests of the Kaikoura District in the OIC process. As we began to move into the recovery phase Christchurch City Council assisted with the development of our recovery plan. In addition, staff worked and continue to work to resolve the variety of natural hazards issues which have arisen. Issues include isolated communities, large earth dams threatening local settlements, new fault lines destroying buildings and properties with an unacceptable level of life safety risk.

In addition to working for our local community we have assisted North Canterbury Transport Infrastructure Recovery (NCTIR) to progress the rebuild infrastructure which is vital to New Zealand by working with NCTIR and providing timely feedback and approvals.

To assist with the objectives of the recovery plan district development has been:

- Working closely with central government and Environment Canterbury
- Ensuring our communities sustainability focus is maintained
- Seeking to enhance and create new tourism opportunities
- Supporting Te Korowai o Te Tai o Marokura
- Supporting Canterbury Water
- Supporting the needs of rural communities

Community outcomes

The District Development group of activities contribute to;

- Sustainable development
- Quality water & wastewater services
- A safe, efficient transport system
- Environmental protection & enhancement

Performance indicators

	2015/2016 Actual	2016/2017 Target	2016/2017 Actual
Energy consumption per person in gigajoules (GJ)	443,493 GJ	Less than 448,800 GJ	Not available
Greenhouse gas (carbon dioxide CO ²) produced per person in tonnes	4.86 tonnes	Less than 6.0 tonnes	Not available
Nitrogen oxide (NO ²), in kilograms per hectare	0.86 kg/ha	Less than 0.86 kg/ha	Not available
Sulphur dioxide (SO ₂), in kilograms per hectare	0.07 kg/ha	Less than 0.06 kg/ha	Not available
Particulates ¹⁶ (PM10), in kilograms per hectare	3.18 kg/ha	Less than 3.17 kg/ha	Not available
The percentage of the district that is under protection for its biodiversity	48.9%	48.9% or more	Not available
The percentage of waterway samples that pass district waterway quality standards	83%	70% or more	Not available
The number of tourism operators in the district who are environmentally accredited	23	18 or more	Not available
Unemployment rate (the percentage of people able to work that are unemployed)	3.2%	4.0% or less	Not available
The number of visitors to the district	197,767	200,000 or more	113,647
The number of visitors who stayed overnight	338,251	280,000 or more	220,217
The average number of days visitors stayed	1.71	1.5 days or more	1.9

¹⁶ PM10 is particulate matter 10 micrometres or less in diameter, including dust, pollen and mould spores.

Funding Impact Statement: District Development

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	128	124	141
Targeted rates (including water meter charges)	368	374	435
Subsidies & grants for operating purposes	17	17	348
Fees and charges	5	5	1
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	519	520	925
Applications of operating funding			
Payments to staff and suppliers	469	473	650
Finance costs	2	2	2
Internal charges and overheads applied	41	38	76
Other operating funding applications	-	-	-
Total applications of operating funding (B)	512	513	728
Surplus/(deficit) of operating funding (A-B)	7	7	197
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(8)	(8)	(33)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	(8)	(8)	(33)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	(1)	(1)	164
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	(1)	(1)	164
Surplus/(deficit) of capital funding (C-D)	(7)	(7)	(197)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)			728
Expenditure per Note 1			728

Hospital

Sub Activities:

Kaikoura Hospital

Goals

We will have a hospital facility that meets community and visitor needs.

What we do

In 2015, the council entered into a memorandum of understanding with the Canterbury District Health Board to cover the shortfall for the new hospital building of up to \$3.4 million. Thanks to fundraising by the community and generous donations, the shortfall was \$2,030,445. The council paid this amount to the Canterbury District Health Board by way of a donation, and raised a loan of \$2.03 million to cover that cost. The loan servicing costs were to be borne by ratepayers by way of the Kaikoura Hospital Charge.

What we planned to do, had the earthquake not happened

The hospital loan servicing costs would have been ongoing, with the hospital charge an annual burden on Kaikoura district ratepayers.

What impact the earthquake had, and what we have achieved since then

The Canterbury District Health Board repaid \$2 million back to the Council, which was immediately used to repay the hospital loan. At the same time, the Kaikoura Hospital Charge was fully remitted for the 2016/2017 financial year.

During the year, the Kaikoura Health Facilities Charitable Trust had also fundraised and paid \$60,000 to the council in donations.

Community outcomes

The Hospital group of activities contribute to;

- Affordable access to quality community facilities

Funding Impact Statement: Hospital

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	138	268	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	138	268	-
Applications of operating funding			
Payments to staff and suppliers	2,500	-	-
Finance costs	75	143	48
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,575	143	48
Surplus/(deficit) of operating funding (A-B)	(2,438)	125	(48)
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	2,060
Development and financial contributions	-	-	-
Increase/(decrease) in debt	2,438	(125)	(1,926)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	2,438	(125)	134
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	86
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	86
Surplus/(deficit) of capital funding (C-D)	2,438	(125)	48
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	2,575	143	48
Expenditure per Note 1	2,575	143	48

Earthquake Event

Sub Activities:

Caring for the displaced
Other welfare
Emergency operations centre
Emergency response & repairs
Recovery team
Rebuild

Goals

- To strengthen community resilience, safety and wellbeing, and ensure everyone in the community has their essential needs met;
- Establish strategic partners to attract investment, and explore avenues of economic diversification to enhance economic and social resilience;
- Build cost-effective and easily accessible infrastructure, transport networks, housing and buildings, which are able to withstand future events;
- Restore, protect and enhance Kaikoura's unique natural environment and biodiversity, and sustainably manage disposal of waste;
- Develop a comprehensive resilience monitoring and review system, and investigate future opportunities presented by the earthquake for improving infrastructure and tourism.

From the Reimagine Kaikoura Recovery Plan

What happened

At 12.02am on Monday 14 November 2016, when the magnitude 7.8 earthquake struck, Kaikoura's landscape changed forever. After two minutes of severe shaking, the land and seabed had risen up to nine metres in places, and the South Island moved two metres closer to the North Island. While the epicentre was near Culverden, in the Hurunui District, the earthquake ruptured at least 21 separate fault lines in a complex quake sequence through the Kaikoura District, from the Hundalees to Kekerengu, even causing substantial damage to buildings in Wellington, with the second-most powerful ground shaking ever recorded in NZ history.

Much of the district was inaccessible for several weeks as large parts of the road and rail network were covered by landslides. Tragically, there were two fatalities as a result of the quake. Within the Kaikoura district, a total of 102 buildings were deemed unsafe to occupy, and a further 195 buildings suffered moderate to serious damage. The total cost of the damage is estimated to fall between \$3-\$8 billion.

The initial response

The Council quickly activated its Emergency Operations Centre and declared a Civil Defence emergency. With the district cut off by road and rail, and over 2,000 visitors caught up in the event and without any

form of communication, essential needs such as food, water and shelter became the immediate focus. The Runanga at Takahanga Marae opened its doors as the township's welfare centre, feeding locals, emergency services, and visitors alike. The northern and southern communities of Kekerengu, Clarence, Waipapa, Rakautara, Goose Bay and Oaro, and several inland properties, were unable to be reached by land from Kaikoura and so our neighbour districts, Marlborough and Hurunui District Council's responded on our behalf wherever they were able.

The NZ Defence Force arrived in numbers by helicopter, bringing emergency supplies and assisting with the first response phase, and the HMNZS Canterbury arrived within 48 hours of the quake to enable stricken visitors to leave the district. It was five days before the first convoy of military trucks was able to reach the Kaikoura township, due to landslides and rock fall. By a stroke of good fortune, a fleet of international warships were visiting NZ to celebrate the Royal NZ Navy's 75th anniversary, and several ships bypassed the celebration to lend their aid for Kaikoura, including ships from Canada, the US, Australia, Japan and Singapore.

Council staff, volunteers, Red Cross, building inspectors and other specialists went door to door checking the condition of buildings, assessing people's needs, and distributing portaloos and drinking water. Seven days after the quake, power had been restored to all but a few hundred homes, and broadband services operational. Dairy farmers were forced to dump milk, having no way to transport milk to the processing plant outside the district.

What we have achieved since then

By Christmas, all of Council water supplies had been restored, water restrictions were lifted, and people were allowed to use their showers and washing machines. Several supplies remained on a boil water notice, with the worst affected areas still required to boil water in June 2017. Damage to the Council's sewerage system is severe especially the main pipeline adjacent to Lyell Creek, and the oxidation ponds.

An Earthquake Recovery Team was formed, with a Recovery Manager and work streams for each of social, economic, environmental and rural recovery. An unprecedented community consultation round was held, enabling people to express their priorities for the rebuild. The Kaikoura Recovery Plan is the strategic document that came out of that process.

The Mayoral Earthquake Relief Fund was established, with generous donations from around the country, and the first hardship grants distributed before Christmas. Those grants are still being distributed to applicants suffering the effects of the earthquakes.

Geotechnical work has been ongoing; assessing lateral spreading at Lyell Creek, rock fall areas at Goose Bay and Oaro, and that work is likely to be ongoing for some time.

With funding from NZ Lotteries and others, the Council established an Outreach Coordination team to maintain contact with families outside of the township, and commenced a Find & Fix winter warmer project to visit damaged properties and help people carry out urgent repairs to help keep their homes warm and weather-tight.

In June 2017, a Rebuild Director was appointed, and replacement of the Council's damaged infrastructure has commenced.

Funding Impact Statement: Earthquake event

For the year ended 30 June 2017

	2015/2016 Long Term Plan \$000	2016/2017 Long Term Plan \$000	2016/2017 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	-	-	-
Subsidies & grants for operating purposes	-	-	5,909
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	2,002
Total operating funding (A)	-	-	7,911
Applications of operating funding			
Payments to staff and suppliers	-	-	8,887
Finance costs	-	-	-
Internal charges and overheads applied	-	-	55
Other operating funding applications	-	-	-
Total applications of operating funding (B)	-	-	8,942
Surplus/(deficit) of operating funding (A-B)	-	-	(1,032)
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	3,414
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	-	-	3,414
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	4,360
Increase/(decrease) in reserves	-	-	(1,977)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	2,382
Surplus/(deficit) of capital funding (C-D)	-	-	1,032
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	-	-	8,942
Expenditure per Note 1	-	-	8,942

Other Information

Kaikoura Enhancement Trust

Kaikoura Enhancement Trust is a charitable trust established in 2000, for the purposes of progressing environmental projects. It does not intend to generate a profit.

The trust, when established, was considered to be a Council Controlled Organisation (CCO) under the provisions of the Local Government Act 2002, because the council appoints its trustees. The council has resolved to exempt the Kaikoura Enhancement Trust from being a CCO.

The trust's objectives are generally:

- The collection and disposal of waste in an ecologically sound manner including but not limited to management of refuse facilities and including sewerage treatment programmes;
- To protect, enhance and sustain the natural and physical resources of the Kaikoura District particularly through sustainable waste management practices and more widely to encourage development of similar practice in other areas;
- The establishment, improvement and promotion of recycling programmes and programmes generally to reduce waste;
- Raise public awareness of the effects of alternative waste disposal methods through education and generally to create public awareness of sustainable management of resources;
- To make grants or provide other assistance for the research, development, distribution and implementation of alternative waste disposal methods, including waste reduction methods;
- To promote ecologically sound waste management processes and practices generally;
- To do all such things as may be necessary and consistent with creating a better living environment whilst sustaining the natural environment for future generations.

The most significant objectives of the trust are performed through its subsidiary, Innovative Waste Kaikoura Ltd, the company responsible for the day-to-day management of the district's landfill and recycling facility.

The trust will continue to be involved in environmental issues that meet the above objectives. It is the nature of the trust that these projects may be spontaneously approved during the course of any given year, generally subject to sufficient funds being sourced or otherwise with the specific approval from the trustees.

The financial activity of the trust is included in the council's group financial statements.

Innovative Waste Kaikoura Ltd

Innovative Waste Kaikoura Ltd (IWK) has a vision of a future with zero waste, of community's reducing, reusing and recycling to eliminate the need for landfills and a future that uses resources to create a sustainable company and enhances and protects the environment.

IWK is 100% owned by the Kaikoura Enhancement Trust (a trust wholly controlled by the council). IWK is a multi-skilled business with a contract with the council to manage the landfill and resource recovery operations within the district, and deliver recycling services.

IWK's key objectives are:

- Operate a profitable, sustainable, growing and innovative business so as to maintain a strong market presence in the areas of waste minimisation, maintenance and management of public utilities and infrastructure facilities
- To operate the business in a way that generates appropriate financial returns and dividend streams for the Shareholder and environmental benefits to our community
- To deliver operational excellence that meets clients' expectations and maintains contract longevity
- To be a responsible social, environmental and value-adding business
- To be a good employer in providing a work environment that recruits, fosters and retains competent, motivated, committed and productive employees
- To be recognised nationally as a leader in environmental sustainability
- To achieve excellence in health and safety management
- To ensure business activities comply with all legal requirements

Nature and Scope of Activities

IWK is in the business of minimising waste and maintaining and managing public infrastructure. The company's main service offerings currently are as follows:

- Waste minimisation and management through the provision of recycling services and landfill management
- Environmental rehabilitation preservation and development through the Trees for Travellers programme
- Maintaining water and wastewater infrastructure predominately for local authorities
- Maintaining public toilet facilities in Kaikoura.

At the start of the 2015/2016 financial year, IWK was awarded a five-year contract to maintain the council's water, sewerage and stormwater services. This is in addition to having already secured the contract to clean the council's public toilet facilities, in 2015. Under this contract, IWK undertook emergency repairs to the councils water, sewerage and stormwater services, and replaced the significantly damaged Mt Fyffe water main

The financial activity of Innovative Waste is included in the council's group financial statements. IWK has determined a number of performance measures in its Statement of Intent for the year to 30 June 2017, and actual performance is reported on the following page.

Innovative Waste: Statement of Service Performance

For the year ended 30 June 2017

Target	Performance target to achieve the output	Achievements as at 30 June 2017
Client satisfaction	Maintain current level of client satisfaction through annual survey	Achieved Kaikoura District Council conducts an annual survey which covers the Resource Recovery Centre and the 3 Waters contract. The resource recovery centre achieved a percentage of 84%.
Health & Safety	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates	Not Achieved This is due to better and more accurate reporting which has been instilled in the staff through our weekly health and safety meetings and our safety officers.
Staff Engagement	Maintain current level of staff satisfaction through annual survey	Not Achieved To be conducted.
Business Growth	Obtain a new significant contract	Achieved NCTIR - skips for the earthquake recovery.

Canterbury Economic Development Co. Ltd

The Canterbury Economic Development Company Ltd (originally referred to as the Canterbury Regional Governance Group) was established in 2009 to act as a regional governance group for economic development on behalf of all the Councils in the Canterbury region. The purpose of the group was to act as an interface with central government and to coordinate the disbursement of government funding; particularly the Regional Strategy Fund and Enterprising Partnerships Fund.

The Kaikoura District Council was an equal stakeholder along with the Christchurch City Council, Environment Canterbury, and the Hurunui, Waimakariri, Selwyn, Ashburton, Timaru, Mackenzie and Waimate district councils.

The CEDC was disestablished during 2016/2017 as it had fulfilled its purpose and was inactive.

Maori Participation in Decision Making

The council is fortunate to have a positive relationship with Te Runanga o Kaikoura, and communication between both parties is open, frequent, and participative. A Memorandum of Understanding has not been formalised, however the Council is of the view that our shared governance and decision making structure deems a formal Memorandum of Understanding unnecessary.

These committees are supported by Iwi representation.

Hearings and Applications Committee

Planning Committee

Road Naming Subcommittee

Kaikoura Water Zone Committee

At balance date no representative has been appointed to the Airport Committee.

