

Kaikōura – EarthCheck Platinum Certified

The Kaikōura 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.



Index

GENERAL INFORMATION.....	5
KAIKŌURA OUR TOWN, OUR DISTRICT	7
KAIKŌURA – A SUSTAINABLE COMMUNITY	8
STATEMENT OF COMPLIANCE	9
RECOVERY FROM THE NOVEMBER 2016 EARTHQUAKE.....	10
KEY ISSUES AND ACHIEVEMENTS FOR 2017/2018	12
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	14
DIRECTORY OF COUNCIL	15
RESIDENT & RATEPAYER SURVEYS	16
FINANCIAL INFORMATION.....	17
FIVE YEAR FINANCIAL PERFORMANCE	19
AUDIT NEW ZEALAND AUDIT REPORT.....	20
IMPACT OF THE EARTHQUAKE ON THE FINANCIAL STATEMENTS	25
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE.....	27
STATEMENT OF CHANGES IN EQUITY.....	28
STATEMENT OF FINANCIAL POSITION	29
STATEMENT OF CASH FLOWS	30
STATEMENT OF ACCOUNTING POLICIES	31
NOTES TO THE FINANCIAL STATEMENTS.....	46
ANNUAL REPORT DISCLOSURE STATEMENT	82
FUNDING IMPACT STATEMENT	89
COUNCIL ACTIVITIES	91
ROADING.....	95
WATER SERVICES.....	99
SEWERAGE SERVICES	104
STORMWATER	107
REFUSE & RECYCLING	110
COMMUNITY FACILITIES	113
COMMERCIAL ACTIVITIES.....	120
LEADERSHIP & GOVERNANCE.....	123
REGULATION & CONTROL	128
SAFETY & WELLBEING.....	134
DISTRICT DEVELOPMENT	139
EARTHQUAKE EVENT	145
KAIKŌURA HOSPITAL	153
OTHER INFORMATION	155
KAIKŌURA ENHANCEMENT TRUST.....	157
INNOVATIVE WASTE KAIKŌURA LTD.....	158
MAORI PARTICIPATION IN DECISION MAKING.....	161

General Information

Kaikōura Our Town, Our District

The Kaikōura 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 Kaikōura Range, climbing 2,885 metres and snow covered for much of the year. The spectacular coastline provides excellent fishing, sporting and recreation for Kaikōura's population of 3,780. The Kaikōura 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 Kaikōura, 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 Kaikōura is a world-class tourism destination, boasting award-winning restaurants, cafés and accommodation facilities, a winery, cheese factory, and retail shops.

Statistics as at 30 June 2017 (the end of the preceding financial year)

Population	3,555 (Census 2013)
Rateable properties	2,957
Total rating units	3,215 (includes non-rateable properties)
Total capital value	\$1,579,669,000
Total land value	\$946,884,100

Kaikōura District Council as at 30 June 2018

Represented by	1 Mayor and 7 Elected Representatives
Total Equity	\$161,286,733
Total Assets	\$168,209,489
Number of Staff	37.5 FTE
Utilities & Services	1 Landfill 8 Public Water Supplies 1 Sewerage System

Kaikōura – A Sustainable Community

Kaikōura is platinum certified under the international EarthCheck sustainable communities programme.

Kaikōura’s environment is unique. The coastal environment attracts large numbers of visitors and needs to be cared for to ensure residents, visitors, and future generations can continue to experience it.

Since 2004, Kaikōura has participated in the EarthCheck Environmental Standards programme. This international framework allows tourism operators and destinations to measure and manage the impacts from tourism on the environment.

Kaikōura District Council was the first local authority in the world to achieve certification and in 2014 was awarded platinum certified status.

Each year performance against eleven environmental indicators is measured and goals are set with the aim of reducing 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, resource conservation, the social health and well-being of the community, and we ensure our environmental and social sustainability policy is updated annually.

The 2016 earthquake impacted our ability to measure our performance against these indicators and our certification status is still pending for 2017 and 2018.

Our Vision

“Helping Kaikōura District move forward as a great place to live with a strong, well-connected community, that is ecologically exemplary and economically prosperous”

Statement of Compliance

Compliance

The council and management of the Kaikōura 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, except for the adoption of the Annual Report.

Section 98 of the Local Government Act 2002 requires that Council adopts its annual report within four months after the end of the financial year. Due to the continued impact of the earthquake, the Council was not able to comply with this requirement for the year ended 30 June 2018. The annual report was adopted on 11 July 2019.



Angela Oosthuizen
Chief Executive



Winston Gray
Mayor

Date: 11 July 2019

Recovery from the November 2016 earthquake

Two minutes after midnight on 14 November 2016, a 7.8 magnitude earthquake and series of aftershocks saw Kaikōura completely isolated. Roads and railway were blocked by damage and slips. Farms, homes and businesses suffered building and land damage. Infrastructure such as drinking water systems and sewage systems was badly damaged and the harbour was uplifted by up to two metres, making it usable only at high tide.

Over 2017/2018 our small community encountered significant challenges along the transition from the earthquake response to recovery.

Moving to recovery

This financial year has continued to be one of challenge, change and continuing determination to seek the best results we can for all our residents. Our work continues to require balance between 'keeping the lights on' by carrying out the basic services that keep daily life in the District running and 'reimagining Kaikōura' as we work through our recovery.

Our Council and our community received support from more agencies and organizations than it is possible to thank properly. This includes our local Rūnanga, Ngai Tahu, Waimakariri and Marlborough Councils, Environment Canterbury, Central Government, the New Zealand Defence Force, community-minded organisations such as the Red Cross, St Johns, Community Energy Action and so many more. To all who have helped us – thank you and we hope to continue to work with you throughout the remainder of our recovery.

To the Mayor, elected members and Council team, thank you for your hard work, commitment and the many long hours worked throughout the past year.

To our residents, thank you for your efforts this year.

Infrastructure rebuild

The year was focussed on planning and design for a programme to replace and repair the damage that occurred to a wide variety infrastructure and community facilities assets during the 2016 earthquake.

A Rebuild Steering Group (RSG) was established in May 2017 to provide governance and oversight of the rebuild programme. This group includes all major rebuild funding partners, New Zealand Transport Agency (NZTA), Ministry of Civil Defence and Emergency Management (MCDEM) and Kaikōura District Council (KDC). The group works with a dedicated rebuild team established within Council.

The fullest possible understanding the scope of the damage was built using CCTV of the wastewater networks, leak detection on the water supply network, and full inspections of roads and infrastructures and key bridges. Significant work was undertaken with the funding partners understand eligibility under emergency funding rules. An overall rebuild programme estimate was signed off by the steering group in November 2017.

Insurance negotiations and settlements were also finalised during the year.

A procurement strategy for rebuild programme delivery was developed and a professional services panel of two firms (Stantec and Jacobs) was established. Work to establish a physical works panel for three waters related work was also started to ensure the panel is in place in time for delivery of the major projects once design has been completed.

Major projects within the programme were advanced into options development and then the various stages of design. These included the Lyell Creek sewer replacement, the aeration lagoon at the wastewater Treatment Plant (WWTP), the five bridge replacement package (Hawthorne, Gillings, Rorrison, Evans and Scotts). Investigation progressed with NZ Transport Agency and the Clarence Valley community to establish a permanent solution to restore access to the upper Clarence Valley cut off by the loss of the Glen Alton Bridge in the earthquake.

Some critical works were also undertaken across the networks using our existing maintenance contractors. This included the reseal of Mt Fyffe Road, significant culvert replacements and extensive road work in the Puhī Puhī and Blue Duck valley. Critical repairs were also undertaken on the Ocean Ridge reservoir, various pump stations on the wastewater networks and critical reticulation repairs identified through the CCTV and leak detection work.

Harbour restoration

Safe and appropriate marine facilities are critical for Kaikōura's social and economic wellbeing. Council worked together with local partners, regional and central government and iwi to ensure a timely restoration of fit for purpose harbour facilities.

A governance group of Chief Executives from ECan and Kaikōura District Council and the National Recovery Manager oversaw work including:

- dredging the Harbour and the Coastguard slipway to return the seabed to pre-earthquake usability and allow emergency services and commercial vessels to enter/exit the Harbour during all tidal conditions
- repairing wharves and jetties to allow commercial operators to load/offload passengers
- the construction of a tender jetty (funded by commercial operators)

The Kaikōura Harbour Remediation project won an award in the SOLGM Local Governance Excellence Awards for the Collaborative Government Action award.

Economic recovery

The focus remained on supporting local businesses by connecting them with tools, training and people who can help them plan for and work in the new post-quake economy.

Work continued with the Canterbury Employers' Chamber of Commerce, Canterbury Community Law, Christchurch NZ, Business Mentors NZ, the Ministry of Business Innovation and Employment, and others to provide advice and support to local businesses on issues including insurance, finance and business resilience.

Waste minimisation

A Waste Minimization Case Officer was based at Council to help with post-earthquake management of waste and recycling generated as part of earthquake repair/rebuild. This included free hazardous waste pick-up for waste oil/fuel, old paint tins, unwanted chemicals etc. Free asbestos testing was also offered.

Social recovery

As our citizens continued to mend, Council continued to facilitate the community-led recovery programme that actively engaged communities to understand the context and social needs of the Kaikōura District. This supported agency capacity and helped continue the joined sector responses and ongoing social recovery collaboration initiatives.

Key issues and achievements for 2017/2018

Planning for the future

The earthquake led to an increase in the complexity of planning related issues. This included processing consents under special legislation for KiwiRail and NZTA and consents associated with the regeneration of Kaikōura including a 118 room hotel.

The earthquake also generated significant changes to many of the districts natural hazards. Where this had individual impacts (i.e on whether a building was safe to occupy) work is continuing to develop a way forward.

Post-earthquake access to a high quantity and quality of science now allows a better understanding of the hazards associated with our district, and what we should expect in the future. This science will inform future changes to the District Plan, in particular the natural hazards chapter.

EarthCheck measures cover the entire community, not just the council. Post-earthquake the district has seen a radical change in several behaviours measured by earthquake. In addition, obtaining data from the large number of contractors involved in the rebuild works has been difficult.

Improving our infrastructure and asset management

The road maintenance contract was combined with the NZ Transport Agency contract for State Highway 1 to bring greater efficiency and value to KDC's road maintenance and management activities.

Three significant rain events during the year resulted in curtailment of the renewal programme for road surfacing, drainage and road signage being deferred to future years.

Council completed and achieved approval of Water Safety Plans for five of Council's seven water supply schemes as required by public health legislation.

Peketa water supply scheme was upgraded to address contamination risks and enable removal of a Boil Water Notice that had to be put in place during the year.

Making information more accessible

Over 2017/18 the Communications team worked to grow or establish communications channels to ensure more of our residents, ratepayers and stakeholders could easily access the information they are interested in, in the ways they prefer.

The team helped connect and inform our community by promoting and supporting the work of our Youth Council, schools and community groups, increasing Council presence at community events, and working more closely with community groups, schools and social agencies.

Partially due to the success of this work, the consultation around the 3 Year Plan generated a record number of submissions and the 2017/18 residents and ratepayer survey received a record number of responses

Improvements include:

- email newsletter began in July 2017, by June 2018 read monthly by around 1100 people
- hardcopy newsletter delivered monthly to around 1,600 properties
- website traffic increased by 30,000 visitors over 2017/18 compared to 2016/17
- Facebook community grown by 7% from 4,643 likes to 5,028 likes

In recognition of these and other successes, together with the New Zealand Transport Agency, the Council Communications team jointly won the 2018 Emergency Media and Public Affairs award for recovery communications.

Message from the Chief Executive Officer

The 14 November 2016 7.8 magnitude earthquake had wide reaching effects on our District. The damage to Council infrastructure, property and community facilities was extensive. As a result, Council plans, projects, funding and strategies were significantly reviewed and updated for this year.

The isolation and reduction in tourist numbers led to a marked decline for our accommodation and retail sectors. The isolation by road affected 50.4% of our workforce and was felt widely by our businesses. While the reopening of the road in December has helped alleviate some of these impacts, work is continuing to support our businesses to recover.

The 1.5 metre uplift in the harbour dramatically affected commercial operators who could only run 30-40% of scheduled tours. The reopening of the harbour in November allowed a return to 'new normal' and I would like to thank everyone involved for their work.

The 'Re-imagine Kaikōura' Recovery Plan they recognised the long term nature of recovery and the long road ahead. Re-imagining our District will take time, commitment and endurance. The Council will do everything possible to support the District as it recovers. Along the way we'll face difficult choices between what must be done now, and what will need to wait and how we manage our finances to get the best solution for the District.

The goals of the recovery plan are;

1. **Developing a sustainable economy**
2. **Rebuilding quality facilities and infrastructure**
3. **Enabling a strong and healthy community**
4. **Protecting and enhancing the natural environment**
5. **Striving for a resilient and positive future**

Over the coming months Council will continue to work towards these goals and to develop long term plans that ensure Council is financially sustainably, effective and efficient. Councils relationships will be critical to this process and I look forward to working with Te Rūnanga o Kaikōura, our community and our businesses towards a future that enables Kaikoura and its residents to prosper.

ANGELA OOSTHUIZEN
Chief Executive Officer

Directory of Council

Kaikōura District Council

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MAYOR Winston Gray

COUNCILLORS Julie Howden (Deputy Mayor)
Tony Blunt Lisa Bond
Celeste Harnett Craig Mackle
Derrick Millton Neil Pablecheque

CHIEF EXECUTIVE Angela Oosthuizen

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Auditor

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on behalf of the Auditor General
PO Box 2
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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 Kaikōura. 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 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 2018

For the 2017/18 residents survey, a third party provider was used for the first time. Survey forms were sent with the April rates instalment, and further forms were available online through our website and Facebook. There were 316 responses to the survey, up almost 30% from 244 in 2017.

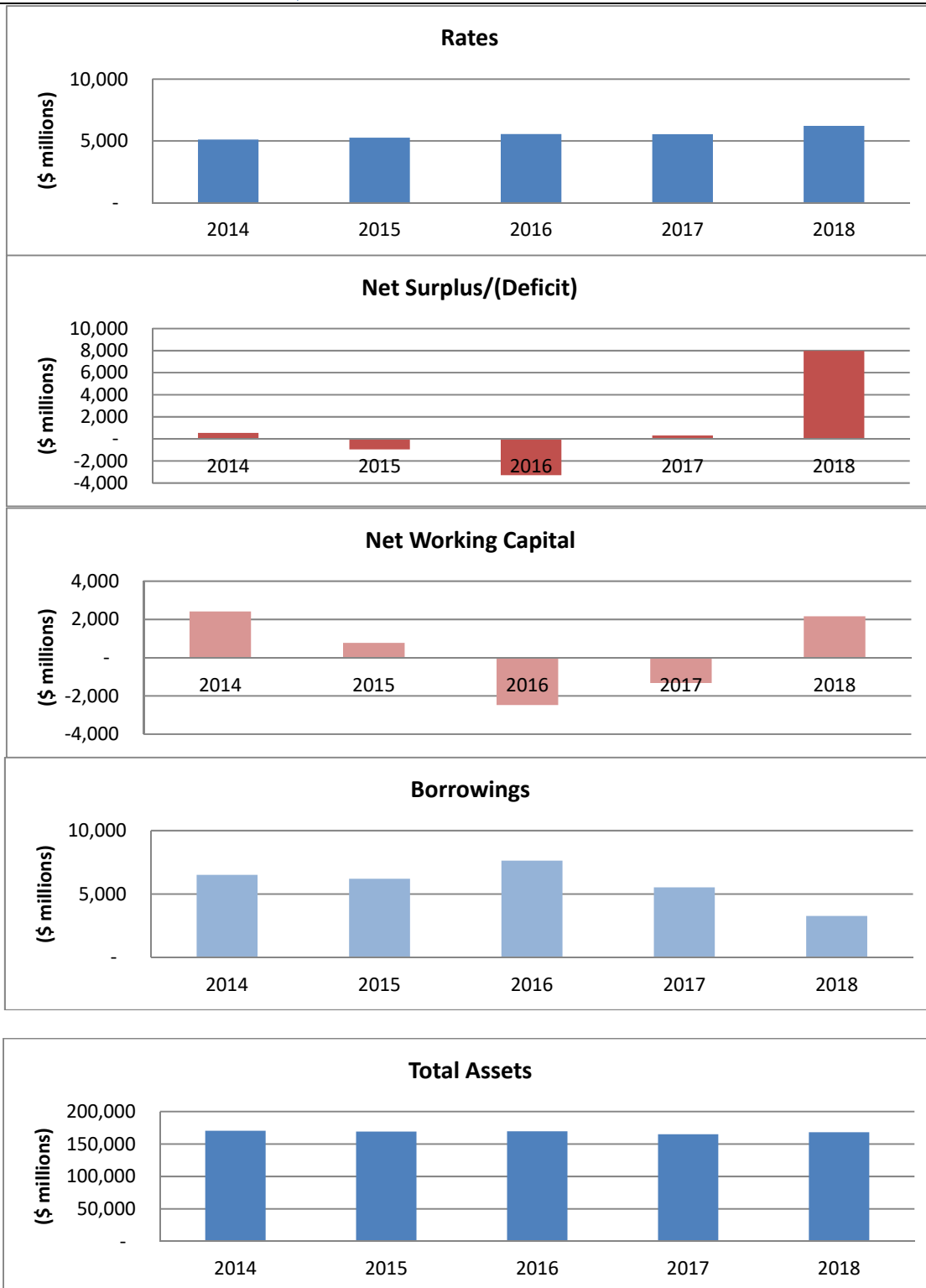
The provider changed the survey methodology to ensure more accurate results; this involved applying a weighting to reflect area, gender and age group proportions as per Statistics NZ's 2013 Census. This resulted in a general trend of a downward shift of between 10-15% across most performance measures.

In addition to conducting the survey, the provider collated and quality checked all data from 2016/2017. As a result, in several areas the 2017/2018 survey report shows different figures for the previous year than have been previously reported.

Overall, council was pleased with the results. Ratepayer satisfaction was 42%, the New Zealand average is 46%. Since 2017 ratepayer satisfaction with areas including roads, sewerage, water quality, footpaths and libraries has improved. Room for improvement remains in key areas including rural roads, resource recovery, cycleways, stormwater, sportsfields, streetlights and toilets".

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 Kaikōura District Council's annual report for the year ended 30 June 2018

The Auditor-General is the auditor of Kaikōura District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

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. The District Council has continued to have difficulties determining the full extent of damage caused to its assets, and reporting complete performance information.

As a result, our audit, which was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, has been modified as outlined below.

Qualified opinion on the financial information because of the effect of the earthquakes on property, plant, and equipment

While the Council has made progress during the 30 June 2018 financial year to quantify the damage to its assets, significant uncertainties still exist in relation to the damage that has been done to the Council's building and harbour assets.

In addition, the Council has been unable to appropriately distinguish whether the costs incurred during the 30 June 2017 financial year relate to asset repairs or capital improvements, which has a consequential impact on the amount of work in progress that has been recognised in the financial statements. In addition, because all repairs costs incurred during the 30 June 2017 year were expensed, uncertainty remains about the extent of costs that should have been capitalised to the damaged assets and recognised in the statement of financial position as at 30 June 2018.

As a result of these matters, we are unable to obtain sufficient audit evidence to support:

- the carrying value of the property, plant and equipment in the statement of financial position;
- the impairment losses that have been recognised in other comprehensive revenue, note 7, and the statement of changes in equity; and

- asset write-offs which have been recognised as an expense in the statement of comprehensive revenue and expense, note 7, and reflected in the statement of changes in equity.

We also draw attention to the fact that we issued a modified opinion on the District Council's 30 June 2017 financial statements, which are presented as comparative information in the 30 June 2018 financial statements, because of the uncertainties arising from earthquake damage to the Council's roading, stormwater, water supply, sewerage, harbour, and building assets. In addition, the Council was unable to reliably analyse earthquake repairs costs as either operating or capital in nature and recognised all repairs costs as an operating expense and operating cash flow for the year ended 30 June 2017.

In our opinion, except for these matters:

- The financial statements on pages 27 to 81:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2018;
 - 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 89, 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 98 to 154, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan.
- The funding impact statement for each group of activities on pages 98 to 154, 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.

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

As explained in the introduction section of the Council Activities on page 93 the disruption that has been caused by the earthquake has affected the Council's management processes, including its monitoring systems and processes used to report its performance achieved against its performance measures. For just under half of the performance measures, the Council is either:

- *not able* to report any performance for the year;
- has reported only an *estimate* of performance; or
- has reported *incomplete* performance.

We also draw attention to the fact that we issued a modified opinion on the District Council's 30 June 2017 Council Activities, which are presented as comparative information in the 30 June 2018 Council Activities, because of the disruption that has been caused by the earthquake.

As a result, we have been unable to obtain sufficient appropriate evidence over the reported performance against these performance measures. In our opinion, except for these matters, the Council Activities on pages 91 to 154:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

Delay in the adoption of the annual report

We draw your attention to note 38 on page 81 that explains the Council did not adopt its annual report within the time frame of the Local Government Act 2002.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our, modified opinions on the District Council's annual report.

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 determine the appropriateness of the reported intended levels of service in the Council Activities, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council 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

Based on our audit work we report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 82 to 88, 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.

However, we draw attention to the fact that the benchmark results and Schedule 10 disclosures for 2018 were compiled using figures from the audited financial statements and statement of service provision, which we issued modified audit opinions on, as outlined above.

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 19 and 155-161 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.



Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

We completed our audit work on 11 July 2019, and this is the date on which we give this report.

Impact of the Earthquake on the Financial Statements

This note summarises the ongoing effect of the 2016 earthquakes on the financial statements.

Property plant and equipment

Projects completed

As at 30 June 2018, the Council has incurred \$4.26 million capital expenditure (2017: \$4.4 million) replacing and restoring the following assets;

- The dredging and reinstatement of the harbour cost a total of \$7.74 million to restore it to its former functionality, over the two years since November 2016, with the capital portion of that spend \$7.1m;
- \$0.926 million to replace the Mt Fyffe water main from the groundwater bore to Ludstone Road.

While these projects represent a significant spend for the Kaikōura district, they fall well short of the \$15.6 million forecast spend for the 2018 financial year. The rebuild programme has been much slower to commence than had been predicted, while the rebuild team focussed on establishing procurement and tendering panels to streamline, and better manage, the rebuild projects going forward.

Work in Progress

Several projects are ongoing, most notably bridges \$0.29 million, and waste water systems \$0.32 million spent to 30 June 2018. NZTA is currently managing and controlling all aspects of the Inland Road (route 70), and so the Council has excluded the cost of operating and renewing that road from its financial statements until such time as the road is restored to an acceptable condition and returned to Council control.

Detailed designs have been prepared for the Lyell Creek sewer replacement; this the most significant rebuild project with close to \$6 million estimated total cost. To date, \$0.25 million has been spent on concept and detailed design. The project work is due to commence early in 2019.

Similarly, the wastewater treatment plant (aeration lagoon) is in detailed design phase, with \$0.1 million spent to date on design, and design underway for a better solution for Totara Lane sewerage. New switchboards have been installed at two pump stations, Esplanade and Gillings Lane.

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 was impaired in the 2017 financial year by a total of \$17.3 million. For the 2018 financial year, except for building and harbour assets other than South Bay, those impairments have been completely reassessed, and are now verified by independent engineering reports estimating the rebuild cost of renewal. The outcome of that reassessment is that impairments have reduced overall by \$4.2 million, further information is in Note 7.

Operating Expenses

As a result of the earthquakes, during the year the Council has incurred expenditure of \$3.7 million (2017: \$8.9 million) on:

- Reinstating services disrupted by the earthquake, which includes replacement and repairs to assets to get the services operational again - \$1.8 million (2017: \$6.7 million)
- Damage assessments, leak detection, and CCTV investigations \$0.40 million
- Geotechnical expertise and natural hazard assessments \$0.18 million
- Rebuild and earthquake recovery personnel \$0.47 million

Last year, in the months immediately following the quake (to 30 June 2017), Council had incurred costs relating to the initial response, including establishing the Earthquake Operation Centre - \$0.74 million,

welfare costs, including support provided to the community and local businesses \$0.53 million, recovery activities \$0.2 million, recovery team and new staff with skills in specialist areas such as natural hazards, infrastructure rebuild and building regulation; \$0.74 million.

Insurance recoveries

The Council has received \$2.2 million over the last two years (2018: \$1.2M and 2017: \$1.0M) from the Local Authority Protection Programme (LAPP) for water and sewer rebuild, and \$4.85 million (2018: \$3.85M and 2017: \$1.0M) from material damage insurers for building repairs. Both are full and final amounts, and have been cash settled.

Grants and donations received

The Council has received \$11 million (2017: \$12 million) 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 \$0.104 million during the financial year (2017: \$0.269 million). This includes \$59,325 remitted under the Council's rates remission policy for properties that were deemed to be unsafe to occupy following the November 2016 earthquake.

The prior year includes fully remitting the Kaikōura Hospital Charge rate.

Borrowings

Borrowings have decreased by \$4.36 million since the earthquake, due to the Council using the \$2m donation received from CDHB to repay the Kaikōura Hospital loan, and using material damage funds to repay debt while decisions and designs are pending for the rebuild to commence.

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

Cash at bank

Council has \$3.744 million (2017: \$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;
- Material damage and LAPP having been cash settled.

The rebuild programme is about to commence, however, and current forecasts estimate a looming rebuild of over \$27 million over the next two years.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2018

	NOTE	COUNCIL			GROUP	
		2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
Revenue						
Rates	2	6,006	6,358	5,642	6,358	5,642
Fees & charges	3	2,272	1,455	1,224	2,059	1,859
Development & financial contributions		47	42	650	42	650
Grants & subsidies	4	13,947	11,043	11,896	11,186	11,931
Interest revenue	5	20	52	9	52	9
Other revenue	6	2,238	6,395	4,512	6,405	4,116
Gains	7	-	661	274	661	274
Total revenue		24,530	26,006	24,207	26,763	24,481
Expenses						
Personnel costs	8	3,356	3,324	2,369	4,934	3,209
Depreciation & amortisation	9	1,775	2,021	2,071	2,107	2,146
Finance costs	5	467	254	418	269	428
Other expenses	10	7,565	10,585	12,613	9,239	11,593
Losses	7	-	1,741	6,378	1,740	6,378
Total expenses		13,163	17,925	23,849	18,289	23,754
Operating surplus/(deficit)		11,367	8,081	358	8,474	727
Environment Canterbury share of Marlborough Regional Forestry (Surplus)/Deficit	11	-	(99)	(48)	(99)	(48)
Surplus/(Deficit) before tax	1	11,367	7,982	310	8,375	679
Income tax expense	29	-	-	-	(97)	(103)
Net Surplus/(Deficit) after tax		11,367	7,982	310	8,278	576
Other comprehensive revenue & expense						
Gains/(losses) on asset revaluation	12	-	(22)	33	(22)	33
Impairment reversal/(impairment charge)	7	-	6,056	(10,919)	6,056	(10,919)
Total other comprehensive revenue & expense		-	6,034	(10,886)	6,034	(10,886)
Total comprehensive revenue & expense		11,367	14,016	(10,576)	14,312	(10,310)

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 2018

	COUNCIL			GROUP	
	2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
Equity at start of year	149,911	147,271	157,847	147,780	158,090
Comprehensive revenue & expense					
Net Surplus/(Deficit)	11,367	7,982	310	8,278	576
Gains/(losses) on asset revaluation	-	(22)	33	(22)	33
Impairment gains/(losses)	-	6,056	(10,919)	6,056	(10,919)
Total comprehensive revenue & expense	11,367	14,016	(10,576)	14,312	(10,310)
Equity at end of year	161,278	161,287	147,271	162,092	147,780

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 2018

	NOTE	COUNCIL			GROUP	
		2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
Assets						
Current assets						
Cash and cash equivalents	13	1,556	3,744	6,553	4,007	6,924
Receivables	14	3,022	2,278	5,154	2,330	5,260
Prepayments & inventory	15	98	152	144	153	145
Other financial assets	16	-	-	-	-	-
Non-current assets held for sale	18	-	-	-	-	-
Total current assets		4,676	6,174	11,851	6,490	12,329
Non-current assets						
Other financial assets	16	-	9	9	9	9
Forestry assets	17	2,583	2,279	2,056	2,279	2,056
Investment property	18	2,113	1,465	1,860	1,465	1,860
Property, plant & equipment	19	163,129	158,103	149,009	158,950	149,591
Intangible assets	20	-	180	215	180	215
Total non-current assets		167,825	162,036	153,149	162,883	153,731
Total assets		<u>172,501</u>	<u>168,210</u>	<u>165,000</u>	<u>169,373</u>	<u>166,060</u>
Liabilities						
Current liabilities						
Payables and deferred revenue	21	1,368	2,446	10,985	2,450	11,098
Employee entitlements	22	100	382	405	516	532
Borrowings	23	1,570	1,178	1,792	1,235	1,859
Current portion of other term liabilities	25	-	-	-	-	-
Current tax liability	29	-	-	-	6	108
Total current liabilities		3,038	4,006	13,182	4,207	13,597
Non-current liabilities						
Borrowings	23	7,621	2,091	3,741	2,118	3,818
Deferred tax liability	29	-	-	-	130	59
Provisions	24	-	472	472	472	472
Other term liabilities	25	564	354	334	354	334
Total non-current liabilities		8,185	2,917	4,547	3,074	4,683
Equity	26	161,278	161,287	147,271	162,092	147,780
Total equity		161,278	161,287	147,271	162,092	147,780
Total liabilities & equity		<u>172,501</u>	<u>168,210</u>	<u>165,000</u>	<u>169,373</u>	<u>166,060</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 2018

	COUNCIL			GROUP	
	2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
<u>Operating Activities</u>					
Receipts from rates (excluding water meter charges)	5,839	6,014	5,527	6,014	5,527
Interest received	20	52	9	52	9
Receipts from other revenue	6,516	12,120	7,897	13,133	11,690
Payments to supplier and employees	(10,638)	(21,429)	(8,988)	(22,001)	(8,984)
Interest paid	(467)	(254)	(418)	(260)	(427)
GST (net) and company tax	-	(1,045)	524	(1,188)	547
Net cash from operating activities	1,270	(4,542)	4,551	(4,250)	8,362
<u>Investing Activities</u>					
Grants received for purchase of assets	11,850	5,804	3,560	5,804	3,560
Insurance proceeds	-	5,129	3,399	5,129	3,399
Maturing of term deposits	-	-	-	-	-
Purchase of property, plant & equipment	(14,903)	(6,894)	(4,902)	(7,240)	(5,028)
Sale/(purchase) of forestry assets	-	-	-	6	-
Sale /(purchase) of investment properties	-	-	-	-	-
Purchase of intangible assets	-	(42)	(9)	(42)	(9)
Acquisition of term deposits	-	-	-	-	-
Net cash from investing activities	(3,053)	3,997	2,048	3,657	(1,477)
<u>Financing Activities</u>					
Proceeds from borrowings	4,278	268	1,400	268	1,477
Repayment of borrowings	(1,226)	(2,532)	(3,498)	(2,593)	(3,629)
Net cash from financing activities	3,052	(2,264)	(2,098)	(2,325)	(2,152)
Net increase/(decrease) in cash & cash equivalents	1,273	(2,809)	4,501	(2,918)	4,733
Cash & cash equivalents at the beginning of the year	283	6,553	2,052	6,924	2,191
Cash & cash equivalents at the end of the year (note 13)	1,556	3,744	6,553	4,006	6,924

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 2018

Reporting Entity

The Kaikōura District Council group consists of the ultimate parent, Kaikōura District Council, and its subsidiary, the Kaikōura Enhancement Trust, a charitable trust owned by the council. That trust in turn owns of Innovative Waste Kaikōura Ltd. The Kaikōura 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 2018. The financial statements were authorised for issue by the council on 11 July 2019.

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 reduced disclosure regime, 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 reduced disclosure regime.

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 not been early adopted

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and is effective for financial years beginning on or after 1 January 2021, with earlier adoption permitted. The main changes under the standard relevant to the Council are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

The Council has not yet assessed in detail the impact of the new standard.

PBE IPSAS 34 – 38 replace the existing standards for interests in other entities (PBE IPSAS 6 – 8). The new standards are effective for annual periods beginning on or after 1 January 2019. The Council will apply these new standards in preparing the 30 June 2010 financial statements. The Council does not expect any significant impact on applying the new standards.

Changes in accounting policies

During the year, the Council has changed its accounting policy for accounting for the costs incurred by NZTA repairing Routh 70 – the Inland Road. In the 2017 audited financial statements the costs incurred by NZTA were recognised in Council's financial statements as an operating cost and NZTA subsidy.

NZTA has the primary decision-making responsibility for the design of the road and any asset management decisions (the costs incurred in repairing, upgrading and maintaining the road). NZTA does not need any approval from Council for the work undertaken. Therefore, Council has concluded that not recognising cost incurred by NZTA and matching NZTA subsidy, better reflects the substance of the arrangement between the Council and the NZTA. Further detail on the arrangement is provided in note 19.

The table below shows the adjustment to the audited 2016/17 financial statements to the figures presented in these financial statements.

	Council			Group		
	Audited 2017 \$'000	Adjustment \$'000	Reclassified 2017 \$'000	Audited 2017 \$'000	Adjustment \$'000	Reclassified 2017 \$'000
Statement of comprehensive income						
Grants and subsidies	12,406	(510)	11,896	12,441	(510)	11,931
Total revenue	24,717	(510)	24,207	24,991	(510)	24,481
Other expenses	13,123	(510)	12,613	12,103	(510)	11,593
Total expenses	24,359	(510)	23,849	24,264	(510)	23,754
Note 4 Grants and subsidies						
NZ Transport Agency roading subsidy	4,276	(510)	3,766	4,276	(510)	3,766
Total grants and subsidies	12,406	(510)	11,896	12,441	(510)	11,931
Note 10 Other expenses						
Earthquake – emergency repairs	6,672	(510)	6,162	4,885	(510)	4,375
Total other expenses	13,123	(510)	12,613	12,103	(510)	11,593

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 entities 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, (NZTA) which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. Council has not recognised the expenditure incurred by NZTA in the operation of the Inland Road – Route 70 since November 2016 earthquake as NZTA has total control over the Inland Road. Had NZTA not had control over the Inland Road, Council would have recognised the amount incurred as subsidy income and expenditure, either as operational or capital expenditure.

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. The asset classes recorded at cost are office equipment, vehicles and plant, park furniture and other assets, library books, artwork and harbour assets.

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>		
Land and road formation		Not depreciated
Base course		Not depreciated
Bridges	50 – 100	From 1% to 2%
Sealed top layer	7	15%
Kerb and channels	37	3%
Drainage	57	2%
Traffic facilities	4	20%
Seawalls	50	2%
Footpath structure		Not depreciated
Footpath surface	25	6%
Street lighting	17	6%
<i>Sewerage/wastewater</i>		
Equipment and oxidation ponds	50	From 2% to 6%
Pump stations	17 - 100	From 2% to 7%
Rising mains & gravity reticulation	25 – 77	From 1% to 4%
<i>Water</i>		
Pump stations	12 – 25	From 4% to 8%
Pipes & reticulation	7 – 99	From 1% to 14%
<i>Stormwater</i>		
Catchment mains & reticulation	70 – 99	From 1% to 2%
Structures	19 – 75	From 1% to 6%
Operational assets		
Buildings – structure	50	2%
Buildings – services	15 – 33	From 3% to 7%
Buildings – internal fit out	4 – 33	From 6% to 25%
Harbour seawall & wharf	30 – 50	From 2% to 4%
Computer equipment	5	20%
Plant, vehicles and machinery	5 - 50	From 2% to 20%
Land		Not depreciated
Library books	12	8%
Library non-books	5	20%

Restricted assets

Parks & reserves buildings	50	2%
Parks & reserves land		Not depreciated
Parks furniture & other assets	8 – 50	From 2% to 12%
Artwork		Not depreciated

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 Kaikōura 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 Buck Forestry Services Ltd for the joint venture, and by Merrill & Ring Ltd for the South Bay plantation. 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.

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. Computer software has a 5-year useful life, and a 20% straight line amortisation rate.

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 asset's 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 2017/2018 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 optimised 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 community facilities and some harbour assets. This meant that, in the absence of detailed damage information, the determination of the impairment of these assets required the Council to broadly estimate the proportion of the assets 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 2018:

- Classification of property
The council owns a number of properties, which are maintained primarily to provide housing to pensioners or other service delivery objectives. The receipt of rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives which includes 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		
	2018 REVENUE \$000	2018 EXPENSE \$000	2018 NET RESULT \$000
Activity revenue & expense			
Roading	1,836	(2,569)	(733)
Water services	976	(1,405)	(429)
Sewerage services	757	(1,625)	(868)
Stormwater	116	(133)	(16)
Refuse & recycling	466	(721)	(256)
Community facilities	1,204	(2,358)	(1,154)
Commercial activities	1,382	(1,144)	239
Leadership & governance	135	(1,023)	(888)
Regulation & control	856	(1,212)	(357)
Safety & wellbeing	223	(672)	(427)
Development	651	(829)	(178)
Earthquake event	14,217	(3,714)	10,503
Total activity revenue & expense	22,819	(17,405)	5,436
Non-activity revenue & expense			
Plus general rates, uniform annual general charges, and penalties (less remissions)			2,475
Plus interest received			51
Plus net gain on forestry assets			661
Plus/(less) gains/(losses) on sale or disposal of assets			(22)
Plus/(less) Environment Canterbury share of MRF surplus/deficit			(99)
Plus/(less) losses on investment properties			(395)
Plus/(less) bad debt movement in provision			691
Less bad debt expenses			(815)
Total non-activity revenue & expense			2,546
Net surplus/(deficit) per Statement of Comprehensive Revenue & Expense			7,982

Notes to the Financial Statements

2 Rates

	COUNCIL & GROUP		
	2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
General rates	1,151	1,157	927
Uniform annual general charges	1,283	1,283	1,180
Earthquake rate	224	226	-
Earthquake levy	117	118	-
Town water uniform annual charge	434	435	418
Town water loan annual charge	98	98	95
Suburban water unit charge	17	18	17
East Coast water unit charge	86	86	86
Kincaid water unit charge	86	85	88
Fernleigh water unit charge	6	6	5
Oaro water unit charge	16	16	16
Peketa water charge	4	5	4
Ocean ridge water charge	41	42	28
Stormwater rate	105	106	125
Sewerage loan rate	148	153	155
Sewerage pan charges	521	564	450
Harbour rate	63	67	61
District planning rate	220	221	186
Commercial rate	320	329	311
Accommodation sector charge	51	50	52
Stock control rate	11	11	12
Rural fire control rate	20	20	83
Roading rate	447	448	653
Footpath & streetlights rate	196	206	196
Town centre rate	115	121	118
Registered premises charge	33	33	29
Urban recycling charge	89	88	69
Rural recycling charge	25	25	25
Public rubbish bin charge	35	35	31

Continued ...

Notes to the Financial Statements

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	COUNCIL & GROUP		
	2018 BUDGET \$000	2018 ACTUAL \$000	2017 ACTUAL \$000
Civic centre rate	157	157	157
Kaikōura Hospital charge	-	-	231
Rate penalties	-	107	47
Rates remissions	(244)	(104)	(269)
Water meter charges	130	146	95
Total revenue from rates	6,005	6,358	5,642

Rates were higher than forecast in 2018, because penalties were substantially more, and remissions were substantially less, than forecast.

Last year (2017), the Council received \$2 million from the Canterbury District Health Board to repay the donation the Council had made to the CDHB in 2015 for a shortfall in funding for the Kaikōura Hospital. As a result, the Council was able to repay the Kaikōura Hospital loan and fully remit the Kaikōura Hospital charge in the 2017 financial year.

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 \$59,325 in rates revenue (2017: \$84,343). The rates revenue disclosed in Note 2 above is the total rates received net of all remissions.

3 Fees and charges

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Building & resource consent fees	387	292	387	292
Lease & rental revenue	449	498	449	498
License fees	142	133	142	133
Parking and slipway fees	110	74	110	74
Other fees and charges	367	227	971	862
Total fees and charges	1,455	1,224	2,059	1,859

Building consent revenues dropped substantially in 2017 following the earthquake, but consents have now restored close to pre-quake levels. 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. Several of these organisations continue to fund our earthquake rebuild and recovery into 2019 and beyond.

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
NZ Transport Agency roading subsidy	4,303	3,766	4,303	3,766
NZ Crown (Department of Prime Minister & Cabinet, Ministry of Civil Defence & Emergency Management)	4,740	4,918	4,877	4,918
Department of Internal Affairs	631	190	631	190
North Canterbury Transport Infrastructure Recovery (NCTIR)	601	-	601	-
NZ Lottery grants	149	314	149	314
Ministry for the Environment (via Environment Canterbury)	295	-	295	-
Ministry of Business, Innovation & Employment	50	188	50	188
Ministry of Social Development (MSD)	126	-	126	-
Kaikōura Education Trust	75	-	75	-
Other grants, subsidies & donations	56	75	62	110
Donations to the Mayoral Earthquake Relief Fund	9	200	9	200
Donations to Earthquake Recovery Fund	8	63	8	63
Canterbury District Health Board	-	2,000	-	2,000
ASB Tennis Classic donation	-	72	-	72
Kaikōura Community Facilities Charitable Trust donation	-	60	-	60
Canterbury Community Trust donation	-	50	-	50
Total grants & subsidies	11,043	11,896	11,186	11,931

Notes to the Financial Statements

5 Interest revenue & finance costs

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Interest revenue				
Interest on term deposits	52	9	52	9
Total financing revenue	52	9	52	9
Financing expense				
Interest on borrowings	254	361	269	371
Unwinding of landfill provision	-	57	-	57
Total financing expense	254	418	269	428
Net finance cost	(202)	(409)	(217)	(419)

6 Other revenue

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Insurance claim revenue	5,129	3,399	5,139	3,399
Share of Marlborough Regional Forestry joint venture other revenue	1,202	1,059	1,202	1,059
Petrol tax	38	38	38	38
Waste minimisation levies	16	14	16	14
Infringement fees, fines and other	10	2	10	2
Total other revenue	6,395	4,512	6,405	4,512

Last year (2017), KDC 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 those advances were unspent by the end of June 2017, so were stated as revenue in advance. During 2018, KDC successfully negotiated both LAPP and material damage settlements as lump sums, which can be used at our discretion to complete priority rebuilds and repairs.

Last year, KDC also successfully negotiated a 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	
	2018 \$000	2017 \$000
Gains		
Forestry asset revaluation gains	661	274
Investment property revaluation gains	-	-
Total Gains	661	274
Losses		
Loss on sale/disposal of asset	(22)	-
Investment property revaluation losses	(395)	-
<i>Impairment losses from earthquake damage:</i>		
Assets fully impaired	-	(5,250)
Investment properties	-	(10)
Impairment losses in excess of revaluation reserves	(1,324)	(1,118)
Total Losses	(1,741)	(6,378)
Gains/(Losses) through other comprehensive income expense		
Impairment reversal/(charge) to revaluation reserve	6,056	(10,919)
Gain/(Losses) on asset revaluations	(22)	33
Total (Gains)/Losses through other comprehensive expense	6,034	(10,886)
Net Gains/(Losses)	4,954	(16,990)

The November 2016 earthquakes caused substantial damage district-wide, including damage to assets owned by the Council. In 2017, some impairment values had been estimates on the information available at the time. In 2018, impairment values have been prepared based on actual values where an asset has been rebuilt, or on the rebuild programme forecast. The rebuild forecasts are based on substantial evidence-based reports from structural engineers, etc. The difference between the original impairment of 2017, and the revised impairment in 2018, is an adjustment in 2018 as below:

Category of asset	Impairment range by class of asset	Total impairment as at 30 June 2017	Impairment recognised/ (reversed) in 2018	Reversed in 2018 due to repairs undertaken	Total impairment as at 30 June 2018
Roads & footpaths	Nil to 100%	10,270	(4,867)	(849)	4,554
Water pipes & structures	Nil to 100%	772	(185)	(84)	503
Sewerage pipes & structures	Nil to 100%	2,670	980	-	3,650
Stormwater pipes & structures	Nil to 100%	610	(71)	-	539
Land & Buildings	Nil to 100%	2,026	(30)	-	1,996
Harbour	Nil to 100%	947	1,275	(990)	1,232
		17,295	(2,898)	(1,923)	12,474

Notes to the Financial Statements

8 Personnel expense

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Salaries, wages and honorarium	3,201	2,277	4,811	3,117
Employer contributions to defined contribution plans	77	60	77	60
Increase/(decrease) in employee entitlements	46	32	46	32
Total personnel expense	3,324	2,369	4,934	3,209

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Roading	756	795	755	795
Water Services	586	421	586	421
Sewerage Services	120	476	120	476
Stormwater	60	52	61	52
Refuse & Recycling	16	16	102	91
Community Facilities	328	224	328	224
Commercial Activities	34	36	34	36
Leadership & Governance	104	27	104	27
Regulation & Control	-	-	-	-
Safety & Wellbeing	15	24	15	24
District Development	-	-	-	-
Earthquake event	2	-	2	-
Total depreciation and amortisation	2,021	2,071	2,107	2,146

Notes to the Financial Statements

10 Other expenses

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Audit fees to principal auditor	82	78	105	101
Contractors	3,143	1,285	3,143	1,285
Donations and Grants paid out	694	548	445	548
Insurance premiums	325	250	350	266
Legal fees	30	65	30	65
Receivables written off	816	4	818	4
Movement in provision for impairment of receivables	(691)	225	(691)	225
Operating lease expense	43	28	48	31
Addition to landfill aftercare provision	-	-	-	-
Share of MRF joint venture expenses	1,059	937	1,059	541
Personnel related expenses	207	180	207	180
Other operating expense	1,897	1,377	1,201	2,498
Earthquake – welfare expenses	-	529	-	529
Earthquake – initial response expenses	3	741	3	741
Earthquake – recovery phase	218	204	218	204
Earthquake – external resources and damage assessments	825	-	825	-
Earthquake – demolition expenses	133	-	133	-
Earthquake – emergency repairs	1,801	6,162	1,345	4,375
Total other expenses	10,585	12,613	9,239	11,593

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	
	2018 \$000	2017 \$000
Marlborough Regional Forestry joint venture surplus/(deficit)	744	360
Environment Canterbury share @ 13.37%	(99)	(48)

12 Gains/(losses) on asset revaluation

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Marlborough Regional Forestry joint venture revaluation	(25)	38
Environment Canterbury share of MRF revaluation (13.37%)	3	(5)
Total gains/(losses) on asset revaluation	(22)	33

13 Cash & cash equivalents

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Cash at bank and in hand	571	6,506	834	6,877
Term deposits with a maturity of three months or less at acquisition	3,100	-	3,100	-
MRF bank accounts	73	47	73	47
Total cash & cash equivalents	3,744	6,553	4,007	6,924

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 \$3,483,183 (2017: \$2,731,088), 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 70-71.

Notes to the Financial Statements

14 Trade & other receivables

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Rates receivables	727	404	727	404
Debtor receivables	1,589	4,741	1,642	4,847
Debtor accruals	273	1,051	272	1,051
GST refundable	40	-	40	-
Receivables prior to impairment	2,629	6,196	2,681	6,302
Less provision for impairment	(351)	(1,042)	(351)	(1,042)
Total trade & other receivables	2,278	5,154	2,330	5,260
Total receivables comprise:				
Receivables from non-exchange transactions – this includes rates, grants & subsidies, and development contributions	1,099	412	1,099	412
Receivables from exchange transactions – including fees and charges, lease revenue and consent fees	1,179	4,742	1,231	4,848
	2,278	5,154	2,330	5,260

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
At 1 July	1,042	817	1,042	817
<i>Additional provisions</i>				
Increase/(decrease) in provision	(28)	225	(28)	225
Receivables written off	(663)	-	(663)	
Total provision	351	1,042	351	1,042

Notes to the Financial Statements

15 Prepayments & inventory

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Prepayments	152	144	152	144
Inventory	-	-	1	1
Total prepayments & inventory	152	144	153	145

The Kaikōura Enhancement Trust holds \$836 worth of material bags as part of its “Fantastic, No Plastic” initiative (2017: \$836).

16 Other financial assets

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$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.

17 Forestry assets

The council has an 11.50% interest in a joint venture agreement on the Marlborough Regional Forestry (MRF). Of the council’s share of MRF, 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 after direct costs was \$741,997 (2017: \$663,088).

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 2018, and so net logging sales returned \$nil during the year (2017: \$nil).

Notes to the Financial Statements

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Opening balance 1 July	2,056	2,136
Increases due to purchases	46	65
Gains/(Losses) arising from changes in fair value attributable to physical changes	243	202
Gains/(Losses) arising from changes in fair value attributable to price changes	418	72
Decreases due to sales (harvest)	(483)	(419)
Closing balance 30 June	2,279	2,056

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 2018 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% (2017: 8%) has been used in discounting the present value of expected future cash flows;
- The forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis;
- The cash flows have been adjusted for inflation; and
- Costs are current average costs. No allowance has been made for cost improvements in future operations

The South Bay forest has minimal value in its standing trees, being used mainly as a recreation area with no active logging planned. The forest was not revalued in 2017, but has been revalued as at 30 June 2018 by Peter Gilbert, Merrill & Ring Ltd.

Sensitivity analysis

The sensitivity of crop value to discount rate is shown below:

	As at 30 June 2018		
	7%	8% (as used)	9%
Discount rate:			
Council's 11.5% share of MRF tree crop value (\$000's)	2,488	2,127	1,834

Age distribution

The MRF stocked area consists predominantly of radiata pine with small areas planted in other species. The estate consists of six forest blocks – Para, Pukaka, Strachan Peak, Koromiko, Waikakaho and Speeds. The age distribution forecast as at 30 June 2018 of the MRF estate ranges from 1-14 years 79%; 15-28 years 12%; and 29-45 years 9% (2017: 78%, 13% and 9% respectively).

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.

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Opening balance 1 July	1,860	1,870
Additions from subsequent expenditure	-	-
Disposals	-	-
Fair value gains/(losses) on valuation	(395)	-
Loss on impairment	-	(10)
Closing balance 30 June	1,465	1,860

The council will conduct a strategic review of its property holdings during the 2018/2019 year, which may result in some properties being put on the market. At balance date, however, the council has not identified any particular investment properties that it intends to sell.

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Current portion		
Investment property held for sale	-	-
Non-current portion		
Investment property	1,465	1,860
	1,465	1,860

Investment properties were valued at fair market value by Geoff Maxwell (SPINZ, ANZIV, NZIPIM) of Maxwell Valuations Limited as at 30 June 2018. Geoff Maxwell is an experienced valuer 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.

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, as estimated from visual inspection by structural engineers.

The council has no contractual obligations for capital expenditure, nor for operating expenditure, on its investment properties.

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. Roading 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 2018 this land has a carrying value of \$4,177,050 (2017: \$4,177,050). Building values include restricted buildings, playgrounds, and other structures, that at 30 June 2018 have a carrying value of \$552,452 (2017: \$552,701).

Land under roads of \$18,237,242 (2017: \$18,237,242) is included under Roading 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.

Following the 14 November 2016 earthquakes "Route 70 – Inland Road" which was operated and maintained by the Council, an agreement was made between New Zealand Transport Agency (the Agency) and the Council to transfer the powers of the Council to the Agency to operate the Inland Road with the purposes of providing vehicle access to Kaikōura and providing an alternative to State highway 1. Both these are functions of the Agency and not of the Council.

This is a unique arrangement which does not fall neatly within one accounting standard, therefore the Council has applied judgement in determining the appropriate accounting treatment for the following areas:

- (a) Operational expenditure
- (b) Capital expenditure
- (c) Carrying value and depreciation
- (d) Impairment

The Inland Road will be maintained by the Agency until a permanent resilient solution has been implemented. As of 11 July 2019, no date has been set for the implementation of resilient solution as agreed between the Council and the Agency.

(a) Operational expenditure

No operational expenditure has been recognised in the Annual Report as this expenditure relates to an Agency function as they are managing and controlling the road.

(b) Carrying value and depreciation

While the Council does not currently control the Inland Road, the Council does still own the asset and is providing service potential to the community, and as depreciable assets are depreciated annually. The

carrying value remains on the basis of prior to the earthquakes less an allowance for depreciation and impairment.

(c) Impairment

Some of the road asset were impaired as a result of the earthquake. Council recognised an impairment provision as at 30 June 2017 and this has been reassessed based on the work the Agency has undertaken in operating the road.

(d) Capital expenditure

Capital expenditure has been incurred as a result of the works undertaken by the Agency. The project is considered a single resilient solution project, therefore Council will account for the capital improvement costs when the project is complete and in effect the improvements vested in the Council.

2018	Cost/ revaluation 1 Jul 2017 \$000	Accumulated depreciation 1 Jul 2017 \$000	Carrying amount 1 Jul 2017 \$000	Current year additions \$000	Current year transfers \$000	Current year depreciation \$000	Current year disposals/ impairments \$000	Cost/ revaluation 30 Jun 2018 \$000	Accumulated depreciation 30 Jun 2018 \$000	Carrying amount 30 Jun 2018 \$000
Land	10,021	-	10,021	-	-	-	-	10,021	-	10,021
Buildings	9,536	(81)	9,455	197	-	(205)	30	9,763	(288)	9,477
Office equipment	315	(236)	79	83	-	(21)	-	398	(257)	141
Vehicles & plant	673	(513)	160	58	-	(66)	(24)	497	(369)	128
Park furniture & other	384	(75)	309	11	-	(15)	-	395	(90)	305
Library books	565	(421)	144	17	-	(46)	-	582	(467)	115
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	1,303	(389)	914	-	6,877	(35)	(285)	7,895	(424)	7,471
Roading	100,708	(754)	99,954	1,265	-	(756)	5,718	107,691	(1,510)	106,181
Stormwater	3,701	(47)	3,654	7	-	(61)	71	3,779	(108)	3,671
Water supplies	10,432	(408)	10,024	223	926	(586)	269	11,850	(994)	10,856
Sewerage	9,052	(316)	8,736	96	-	(120)	(978)	8,170	(436)	7,734
MRF PPE	1,436	(318)	1,118	64 ¹	-	(33)	-	1,500	(351)	1,149
Work in progress	4,352	-	4,352	4,216	(7,803)	-	-	765	-	765
Council total	152,564	(3,558)	149,009	6,237	-	(1,944)	4,801	163,395	(5,292)	158,103
Subsidiary buildings	419	(136)	283	-	-	(8)	-	419	(144)	275
Subsidiary plant & equip	992	(693)	299	355	-	(50)	(32)	1,315	(743)	572
Group total	153,978	(4,387)	149,591	6,592	-	(2,002)	4,769	165,129	(6,179)	158,950

¹ This is made up of MRF PPE additions \$39k and \$25k revaluation increase

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 ²	-	(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

² This is made up of MRF PPE additions \$45,000 and \$38,000 revaluation increase

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
2018				
Water supply:				
- treatment plants & facilities	2,742	65	-	5,714
- other assets	8,114	1,084	-	17,578
Sewerage:				
- treatment plants & facilities	2,687	96	-	6,884
- other assets	5,047	-	-	10,567
Stormwater drainage	3,671	7	-	5,547
Roads and footpaths	106,181	1,265	-	113,245
2017				
Water supply:				
- treatment plants and facilities	2,699	31	-	5,714
- other assets	7,325	37	-	17,578
Sewerage:				
- treatment plants and 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

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 had no carbon credits, and outstanding surrender obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations, of 293 units. The council purchased 1,345 units in May 2018, and met its surrender obligations of 293 units for 2016 and 1,052 for 2017. At balance date, the council holds no carbon credits.

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

In November 2015 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 AND GROUP		
	Carbon credits \$000	Computer software \$000	Council Total \$000
Opening balance 1 July 2016	2	206	208
Additions	-	17	17
Disposals	-	-	-
Amortisation	-	(8)	(8)
Closing balance 30 June 2017	2	215	217
Opening balance 1 July 2017	2	215	217
Additions	28	44	72
Disposals	(30)	-	(30)
Amortisation	-	(79)	(79)
Closing balance 30 June 2018	-	180	180

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Current portion				
Payables and deferred revenue under exchange transactions:				
Trade payables and accrued expenses	1,463	9,537	1,467	9,603
Marlborough Regional Forestry creditors	59	160	59	160
Salaries and wages	-	-	-	-
Total	1,522	9,697	1,526	9,763
Payables and deferred revenue under non-exchange transactions:				
Rates paid in advance	104	-	104	-
Goods & services tax	-	241	-	290
Deposits and bonds held	274	261	274	261
Environmental Canterbury liability	176	105	176	105
Grant liabilities	370	681	370	681
Total	924	1,288	924	1,337
Total current portion	2,446	10,985	2,450	11,100

22 Employee benefit liabilities

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Accrued salaries & wages, PAYE and FBT	122	184	189	230
Annual leave	142	129	209	210
Sick leave	88	62	88	62
Long service leave	30	30	30	30
Total employee benefit liabilities	382	405	516	532

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>Current</i>				
Secured loans	1,178	1,792	1,235	1,859
Short term loan (cash advance)	-	-	-	-
Total current borrowings	1,178	1,792	1,235	1,859
<i>Non-current</i>				
Secured loans	2,091	3,741	2,118	3,818
Total non-current borrowings	2,091	3,741	2,118	3,818
Total borrowings	3,269	5,533	3,353	5,677

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Less than one year	1,178	1,792	1,235	1,859
<i>Weighted average effective interest rate</i>	5.24%	4.41%	5.46%	4.45%
Later than one year but not more than five years	2,091	3,741	2,118	3,818
<i>Weighted average effective interest rate</i>	4.79%	4.97%	5.23%	4.98%
Later than five years	-	-	-	-
<i>Weighted average effective interest rate</i>	-	-	-	-

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 4.93% (2017: 4.78%), and an inflation factor of 1.50% (2017: 1.70%).

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
<i>Current</i>		
Landfill aftercare costs	-	-
<i>Non-current</i>		
Landfill aftercare costs	472	472
Total provisions	472	472

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Opening balance 1 July	472	414
Amount used	-	-
Unused amounts reversed	-	-
Unwinding of landfill provision	-	58
Additional provisions made	-	-
Closing balance 30 June	472	472

Notes to the Financial Statements

25 Other term liabilities

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
<i>Current</i>		
Current portion of other term liabilities	-	-
<i>Non-current</i>		
Share of interest in MRF held on behalf of Environment Canterbury	354	334
Total other term liabilities	354	334

26 Equity

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Public equity	92,683	82,650	93,562	83,026
Special reserves & special funds	3,483	5,533	3,483	5,533
Asset revaluation reserves	65,121	59,088	65,121	59,221
Total equity	161,287	147,271	162,166	147,780

Public Equity

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Opening balance 1 July	82,650	86,025	83,232	86,269
Transfers (to)/from special reserves	4,192	(4,097)	4,192	(4,097)
Transfers (to)/from special funds	(2,141)	(221)	(2,141)	(221)
Transfer (to)/from revaluation reserve	-	633	-	633
Net surplus/(deficit)	7,982	310	8,279	648
Closing balance 30 June	92,683	82,650	93,562	83,232

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.

Notes to the Financial Statements

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
Special reserves					
Kaikōura water	All costs for the Kaikōura, Oaro, and Peketa water supplies	-	741	(653)	88
Ocean Ridge Water	All costs	-	45	(82)	(37)
East Coast water	All costs	(3)	149	(156)	(8)
Kincaid water	All costs	95	113	(79)	129
Fernleigh water	All costs	-	7	(31)	(24)
Roading	All costs	2,902	4,451	(7,372)	(19)
Footpaths & streetlights	All costs	(60)	243	(165)	18
Recycling	Recycling collection and sorting, and recycling stations	(13)	111	(122)	(24)
District Plan	All costs	(164)	320	(144)	12
Stormwater	All costs	20	116	(103)	33
Sewerage	All costs	-	725	(549)	176
Commercial Rate	Traffic control, public toilets, public rubbish bins, and a portion of harbour facilities costs	55	324	(334)	45
Harbour	All costs	1,598	4,390	(6,015)	(27)
Registered Premises	All costs	28	105	(87)	46
West End town centre	All costs	69	180	(128)	121
Civic centre	All costs	-	180	(379)	(199)
Stock control	All costs	21	11	(7)	25
		4,548	12,213	(16,406)	355

Notes to the Financial Statements

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
Special funds					
Social services	Social projects	5	1	-	6
Tourism strategy	All costs	-	35	-	35
Creative communities	Arts funding	11	8	(11)	8
George Low bequest	Sports & recreation funding	52	6	(2)	56
Economic development	Marketing & coordination	149	80	(199)	30
Forestry	Strategic investment	597	603	(44)	1,156
Significant natural areas	Biodiversity project	29	-	-	29
Parks & reserves	New/upgrades	69	-	-	69
Pensioner flats	All costs	5	182	(274)	(87)
Property	All costs	(1,017)	1,065	(48)	-
Community facilities	New/upgrades	1,400	3,850	(5,041)	209
Vehicles and plant	New/replacement	36	7	(44)	(1)
Waste minimisation levy	Waste minimisation projects	11	16	-	27
Landfill development	New/upgrades	81	-	-	81
Landfill aftercare	Closure expenses	94	-	-	94
Library grants	Library resources	27	5	(30)	2
Family violence	Service coordination	-	15	(16)	(1)
NZ Lottery grant	Outreach coordination	299	271	(494)	75
DIA Capability funding	Natural hazards and consents processing	-	531	(588)	(57)
Youth development	Youth coordination	2	-	(2)	-
Mayoral fund	Discretionary	8	-	-	8
Airport	Debt repayment & capital projects	2	111	(369)	(256)
Earthquake fund	Earthquake recovery	123	11	(59)	75
Three waters EQ fund	Water, sewer and stormwater rebuild	(1,120)	5,497	(2,907)	1,470
Mayoral EQ relief	Hardship grants	121	9	(59)	71
EQ Solid Waste (MfE)	EQ waste – facilities and waste coordination	-	300	(305)	(5)
EQ Communications	Comm’s coordinator	-	64	(30)	34
		986	12,667	(10,520)	3,128

Notes to the Financial Statements

Asset Revaluation Reserves

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Opening balance 1 July	59,088	70,608
Impairment (loss)/reversal	6,055	(10,920)
Revaluation gains/(losses)	(25)	38
Transferred to general equity	-	(633)
Environment Canterbury's share of MRF Revaluation (gains)/losses	3	(5)
Closing balance 30 June	65,121	59,088

The Asset Revaluation Reserves consist of:

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Land	3,279	3,279
Buildings	-	-
MRF Land & Improvements	46	68
Library Books	65	65
Roading	57,952	52,237
Stormwater	1,017	946
Water Supply	2,762	2,493
Sewerage	-	-
	65,121	59,088

27 Remuneration

Chief Executive

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$200,813 (2017: \$184,932).

Notes to the Financial Statements

Elected Representatives

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

	COUNCIL	
	2018 \$000	2017 \$000
Mayor Winston Gray	57	56
Councillor Julie Howden	18	18
Councillor Tony Blunt	18	18
Councillor Craig Mackle	18	18
Councillor Derrick Millton	18	18
Councillor Lisa Bond	18	12
Councillor Celeste Harnett	18	12
Councillor Neil Pablecheque	18	12
Councillor John Diver	-	5
Councillor Geoff Harmon	-	5
Councillor Darlene Morgan	-	5
Total elected representatives remuneration	183	180

Council employees

At balance date, the council employed 30 full-time employees (2017: 26), with the balance of staff representing 7.5 full-time equivalent employees (2017: 5.7). A full time employee is determined on the basis of a 35-hour working week.

COUNCIL			
Total annual remuneration by band for employees as at 30 June:			
	2018		2017
< \$60,000	27	< \$60,000	25
\$60,000 - \$119,999	9	\$60,000 - \$79,999	6
\$120,000 - \$259,999	5	\$80,000 - \$199,999	6
		\$200,000 - \$259,999	1
Total employees	41	Total employees	38

During the year, the Council did not pay any severance payments (2017: \$20,000).

Notes to the Financial Statements

28 Financial instrument categories

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

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Loans and receivables				
Cash & cash equivalents	3,744	6,553	4,007	6,924
Trade & other receivables	2,277	5,154	2,330	5,260
Other financial assets	9	-	9	-
	6,030	11,707	6,346	12,184
Financial liabilities at amortised costs				
Trade & other payables	1,698	10,043	1,700	10,156
Secured loans	3,269	5,533	3,353	5,677
Share of MRF held on behalf of Environment Canterbury	354	334	354	334
	5,321	15,910	5,407	16,167

29 Taxation

The council's harbour activities attract taxation. A deferred tax asset has not been recognised in relation to unused tax losses of \$219,692 (2017: \$148,055), which are available to carry forward and offset against future taxable profits. The tax effect of the losses is \$61,514 (2017: \$41,456), based on a tax rate of 28%.

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Components of tax expense recognised in statement of comprehensive revenue and expense:				
Current Taxation	-	-	28	112
Deferred Taxation	-	-	71	(9)
Income tax expense	-	-	99	103
Components of deferred tax recognised directly in equity:				
	-	-	-	-
Income tax expense	-	-	99	103

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	7,982	812	8,851	1,179
Tax at 28%	2,235	227	2,478	330
Add/(less) tax effect of:				
(Non-taxable Income)	(2,235)	(227)	(2,374)	(227)
Non-deductible expenditure	-	-	-	-
Tax loss not recognised	-	-	-	-
Prior period adjustments	-	-	(5)	-
	-	-	99	103
Movement in tax (refund)/payable:				
Balance at start of year	-	-	108	51
Taxation (paid)/refunded	-	-	(123)	(55)
Provided for this year	-	-	26	112
Under/(over) provision prior year	-	-	(5)	-
Balance at the end of the year	-	-	6	108

Movement in temporary differences	2018 Group only			
	Balance 30/6/2017	Recognised in income	Recognised in equity	Balance 30/6/2018
Property, plant and equipment	(82)	(65)	-	(147)
Employee benefits	20	(3)	-	17
Accrued expenses	3	(3)	-	-
	(59)	(71)	-	(130)
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)

Innovative Waste Kaikōura Limited 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	
	2018 \$000	2017 \$000
Current assets	123	308
Non-current assets	3,276	3,049
Total assets	3,399	3,357
Current liabilities	58	160
Non-current liabilities	695	695
Total liabilities	754	855
Share of net assets employed	2,646	2,502
Share of net surplus/(deficit)	744	360

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

Innovative Waste Kaikōura Ltd

During the year, through the ordinary course of business, the council has paid \$1,566,171 (excluding GST) in fees to Innovative Waste Kaikōura Ltd (2017: \$3,168,808) and received \$36,664 (excluding GST) from Innovative Waste Kaikōura Ltd (2017: \$6,855). The transactions include 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 \$125,081 (including GST) (2017: \$366,007) payable by the Council to Innovative Waste Kaikōura Ltd and 2018 \$460 (including GST) (2017: \$2,846) receivable by the Council from Innovative Waste Kaikōura Ltd.

Kaikoura Enhancement Trust

The Enhancement Trust is 100% owned by Kaikōura DC. Kaikōura DC pay the annual audit fee for the Enhancement Trust of \$2,000.

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.

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Chief Executive (<i>one full-time equivalent member</i>)	201	185
Elected representatives (<i>eight full-time equivalent members</i>)	183	180
Total key management personnel remuneration	384	365
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 (2017: *\$nil*).

Notes to the Financial Statements

32 Commitments as lessee, and contingent liabilities

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

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>Non-cancellable operating leases as lessee</i>				
Not later than one year	26	32	39	51
Later than one year and not later than five years	61	81	75	120
Later than five years	-	-	-	-
	87	113	114	171

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) undertook certain works for and on behalf of KDC, such as the harbour dredging and remediation work. That work was completed during the 2018 year.

	COUNCIL & GROUP	
	2018 \$000	2017 \$000
Harbour dredging and remediation works	-	4,120
	-	4,120

Housing NZ Corporation funding

Housing New Zealand Corporation has provided \$497,776 (2017: \$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 the 2009 financial year.

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 2018, the scheme had a past service surplus of \$6.6 million (exclusive of Employer Superannuation Contribution Tax (2017: \$7.95 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 Commitments as lessor, and contingent assets

Insurance settlements for earthquake damage

Last year, as at 30 June 2017, the Council reported an unquantified contingent asset for insurance recoveries. During the 2018 financial year both the material damage, business interruption and Local Authority Protection Programme (LAPP) claims were cash settled.

The material damage and business Interruption was settled with Vero as the lead insurer and covered earthquake damage to Council owned above ground infrastructure, Wastewater Treatment Plant, Water Reservoirs, and Wastewater Pump stations.

The underground infrastructure insurance was settled with LAPP and covered the earthquake damage to water, storm water and sewerage systems. No further insurance claims remain for earthquake damage.

Airport hangar construction

Structural deficiencies have been discovered in the airport hangar at Peketa airport. The Council is seeking damages against the construction company, however at balance date there has not been any settlement.

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 2018, either on its own account or as a joint venture partner in MRF.

Non-cancellable operating leases as lessor

The council has a small number of leases as lessor, including sports fields, office spaces, campground land, and airport facilities. They are shown in the table below according to renewal date or final expiry date, whichever is the sooner.

	COUNCIL		GROUP	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Not later than one year	110	177	106	177
Later than one year, but not later than five years	392	634	374	634
Later than five years	218	839	217	839
	720	1,650	697	1,650

Notes to the Financial Statements

34 Insurance on assets

The Kaikōura 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 2018 of \$18,122,001 (2017: \$15,054,865), and have a total sum insured of \$32,939,415 (2017: \$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 2018 of \$127,324 (2017: \$159,741), with insurance cover for replacement value of \$221,222 (2017: \$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 \$57,882,083 (2017: \$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. These assets have a total depreciated value as at 30 June 2018 of \$16,387,625.

Roads, bridges and footpaths

These assets have a total carrying value at 30 June 2018 of \$87,757,824 (excluding land under roads, and after impairment), (2017: \$81,716,935). 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 2018, 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 (2017: \$1,797,244). These include sea walls and footpaths.

Notes to the Financial Statements

35 Explanation of major variations against budget

The effect of the November 2016 earthquake continues to dominate the Council's operations and services, and has a massive impact on the Council's financial position and performance. The significant variances to budget are detailed below.

Statement of Comprehensive Revenue & Expense

The council's financial operating result for the year to 30 June 2018 was a \$7.982 million surplus, against a budgeted surplus of \$11.367 million.

Revenue is \$1.476 million up on budget due to the successful cash settlements for material damage insurance and LAPP, which had conservatively forecast to be settled on an "as spent" basis rather than the upfront settlements that were negotiated. Actual receipts were therefore \$3.876 million higher than expected. That gain was offset by grants and subsidies which were \$2.9 million less than anticipated, because the rebuild work had been much slower than forecast – and therefore subsidy claims were much less.

Expenditure is \$4.761 million up on budget. The significant differences being;

- unbudgeted major work on the local roads used by NCTIR, of almost \$0.6 million – this work is 100% subsidised by NZTA in acknowledgement of the damage the large trucks have on our roads during the rebuild;
- three storm events caused flooding and rock fall damages that cost over \$0.426 million to repair;
- \$1.637 for further impairment of harbour and sewerage assets was unbudgeted; and
- \$0.664 harbour repair costs expensed that were budgeted for as capital costs.

Statement of Financial Position

- Cash balances are higher \$2.188 than budgeted due to the additional insurance proceeds received
- Property, plant and equipment is \$5.028 million lower than budgeted due to the rebuild work being much slower than forecast.
- The value of investment properties is \$0.648 million lower than forecast due to the impact of earthquake on the property market.
- There is \$0.748 million unbudgeted revenue received in advance
- Total borrowings are \$5.92 million lower than budgeted due to the rebuild work being much slower than forecast and the Council using some of the insurance proceeds to repay debt.

Statement of Cash Flows

- Net cash from operating activities are \$5.812 million lower than budgeted due to the large amount of costs incurred at the end of the 2017 financial year that were paid for at the beginning of the 2018 financial year.
- Net cash from investing activities is \$7.050 million higher than budgeted due to purchase of property, plant and equipment being lower than budgeted due to the rebuild work being much slower than forecast
- Net cash from financing is \$5.316 million lower than budgeted due to the Council taking on much less debt due to the rebuild work being much slower than forecast and using part of the insurance settlement proceeds to repay debt.

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.

37 Reclassification

In previous financial statements, Marlborough Regional Forestry direct costs have been netted off the Council's share of Marlborough Regional Forestry joint venture other revenue (note 6). For 2018, the direct costs have been included in Council's share of MRF joint venture expenses (note 10).

The 2017 financial statements have been updated for consistency. The table below shows the reclassification from the audited 2016/17 financial statements to the figures presented in these financial statements.

	Council and Group		
	Audited 2017 \$'000	Reclassification \$'000	Reclassified 2017 \$'000
Share of Marlborough Regional Forestry joint venture other revenue	663	396	1,059
Increase revenue	663	396	1,059
Share of MRF joint venture expenses	541	396	937
Increase expenses	541	396	937
Total impact on surplus	-	-	-

38 Breach of statutory deadline

Section 98 of the Local Government Act 2002 requires that Council adopts its annual report within four months after the end of the financial year. Due to the continued impact of the earthquake, the Council was not able to comply with this requirement for the year ended 30 June 2018. The annual report was adopted on 11 July 2019.

Annual Report Disclosure Statement

For the year ending 30 June 2018

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 –

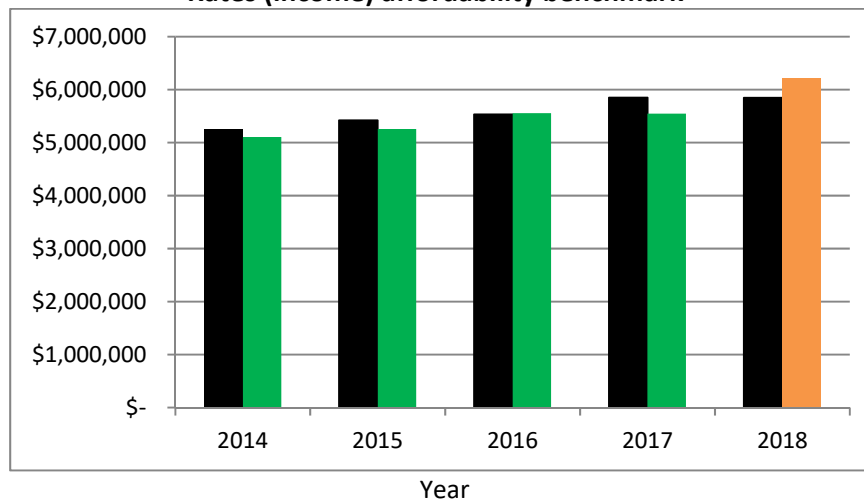
- actual rates income equals or is less than each quantified limit on rates; and
- actual rates increases equal or are less than each quantified limit on rates increases.

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 Kaikōura 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 2018 equates to 5.40%, and in dollar terms sets a cap of \$5,946,290. The council’s actual rates for the 2018 financial year were \$6,358,322, which is more than budgeted largely because rates remissions for earthquake damage were much less than forecast.

Rates (income) affordability benchmark



Quantified limit on rates income



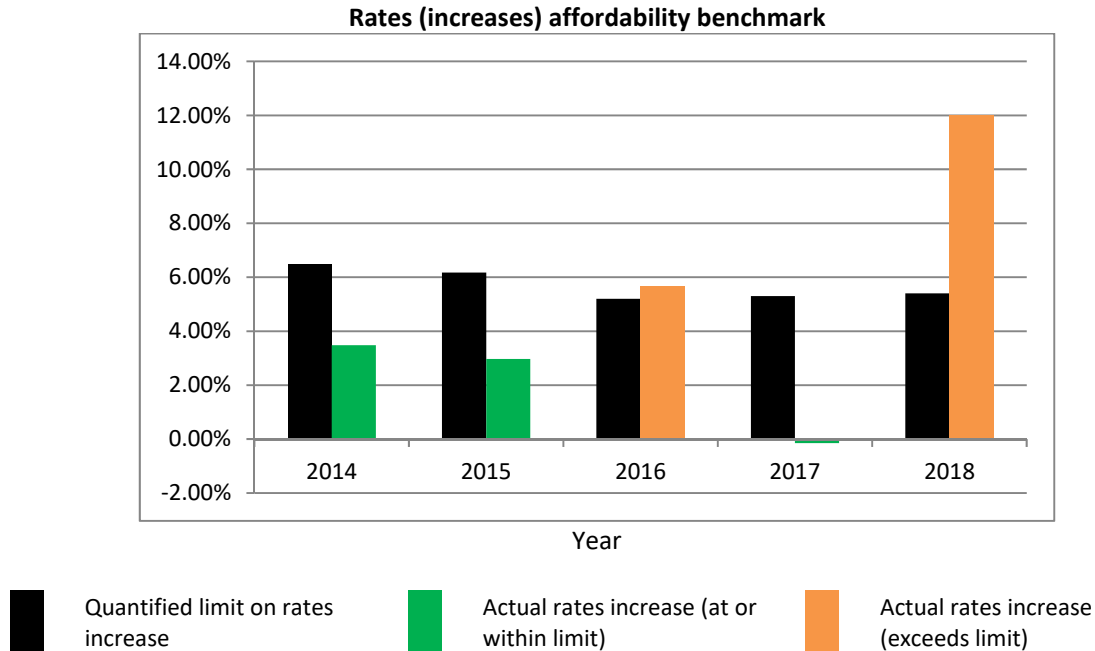
Actual rates income (at or within limit)



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

In 2016, the council exceeded its rates limits in order to meet its commitment to fund the Canterbury District Health Board's shortfall for the new Kaikōura health facility and hospital. In 2017, 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. The impact of that rates adjustment was a total rates **decrease** for 2017 compared to 2016.

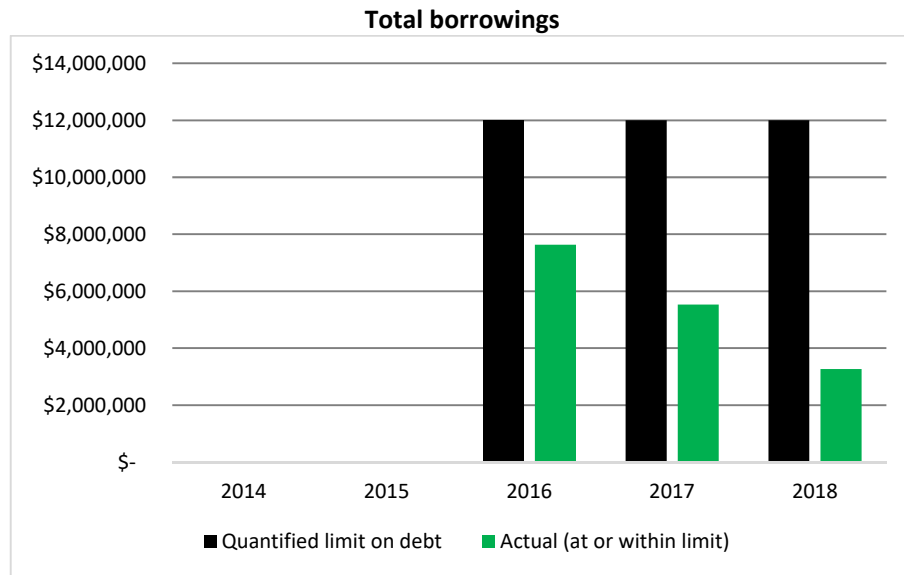
For the 2018 financial year, the rates increase was almost 12% over that of 2017. The council introduced two new rates – the earthquake rate based on capital value, and the earthquake levy which is a fixed dollar amount. Rates penalties applied to overdue rates were much higher than had been predicted, and rates remissions for earthquake damage were substantially less than had been forecast. These factors combined were the main contributors to the rates increase exceeding the rates limit for 2018.

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 10% of total revenue.

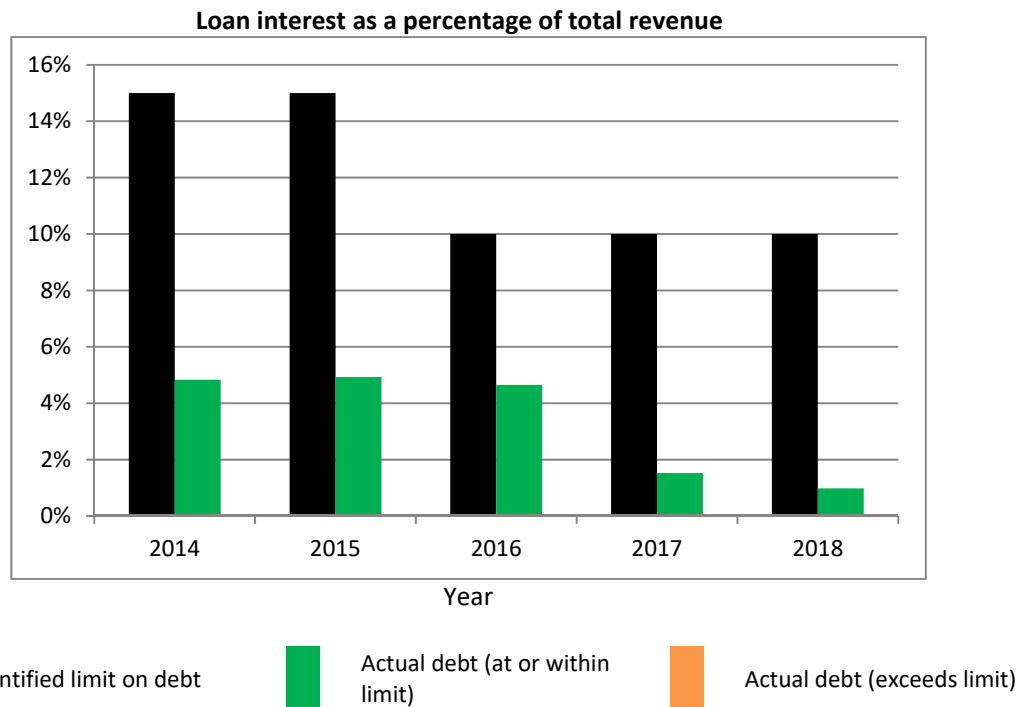
The following graph compares the council's actual borrowing with the quantified limit on borrowing stated in the financial strategy included in the long term plan. The quantified limit is \$12 million.



Comment

The material damage cash settlement has been used to repay debt until such time as the rebuild gets underway.

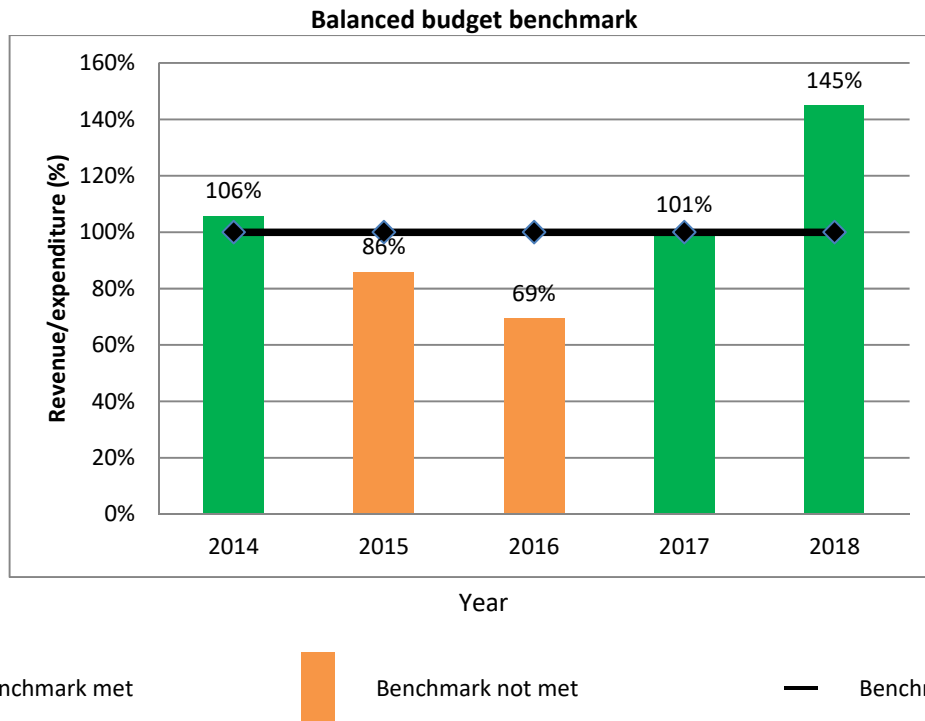
The following graph compares the council’s actual borrowing with a quantified limit on loan interest as a percentage of total revenue. That quantified limit had been, up until the end of the 2015 financial year, that interest expense should be less than 15% of total revenue. The council revised that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

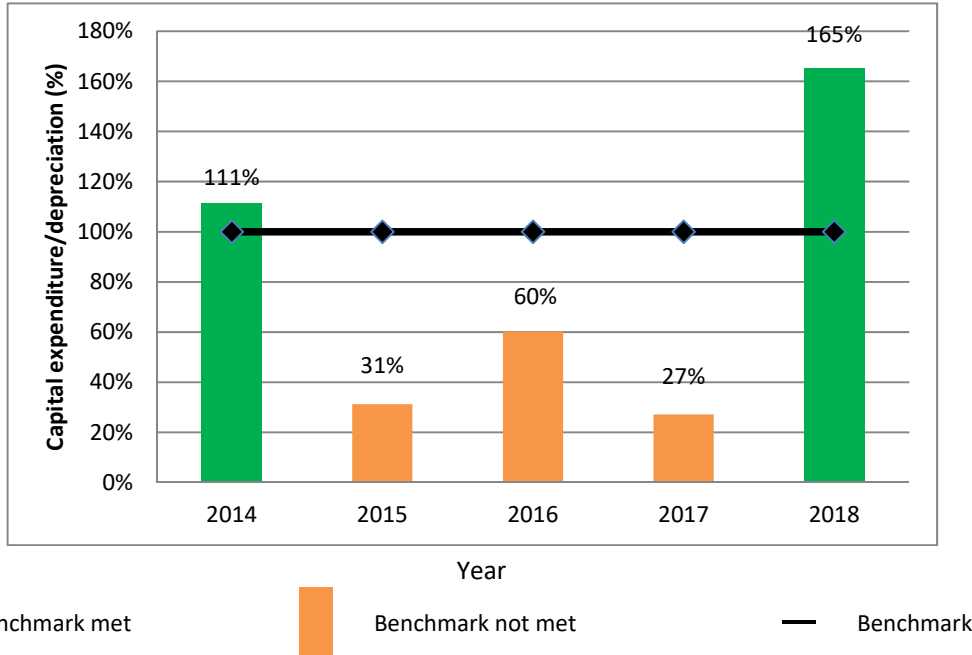
Revenue was substantially higher than forecast, with several millions in grants, subsidies, donations, and the material damage and Local Authority Protection Programme insurance settlements received to enable the council to undertake emergency earthquake repairs.

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

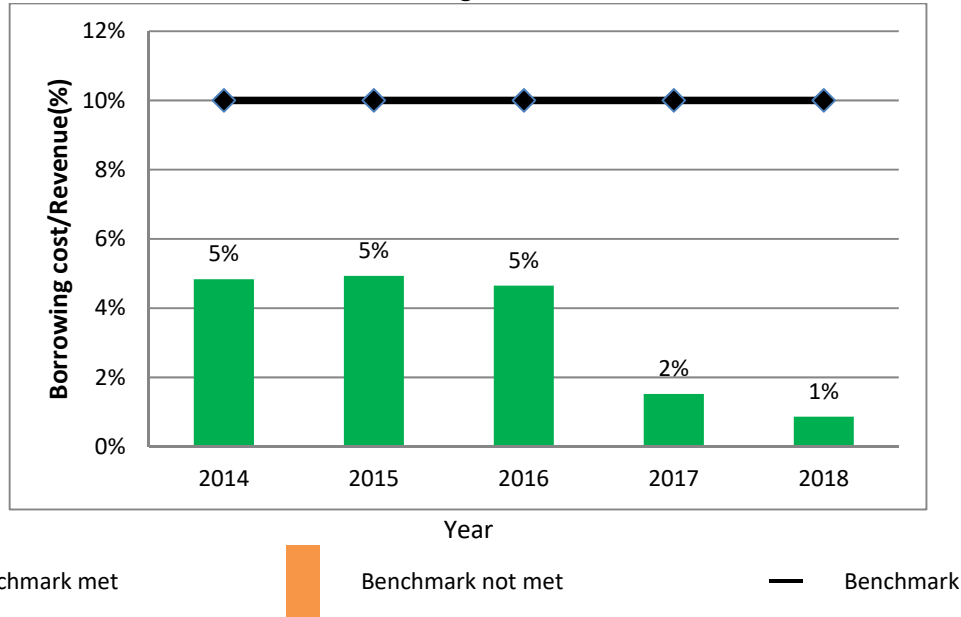
With the significant rebuild work currently underway, it is anticipated that the council’s essential services benchmark will be well in excess of 100% for at least the next two-three years. In the 2017 financial year, the emergency response to the earthquake meant all previously planned capital projects 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

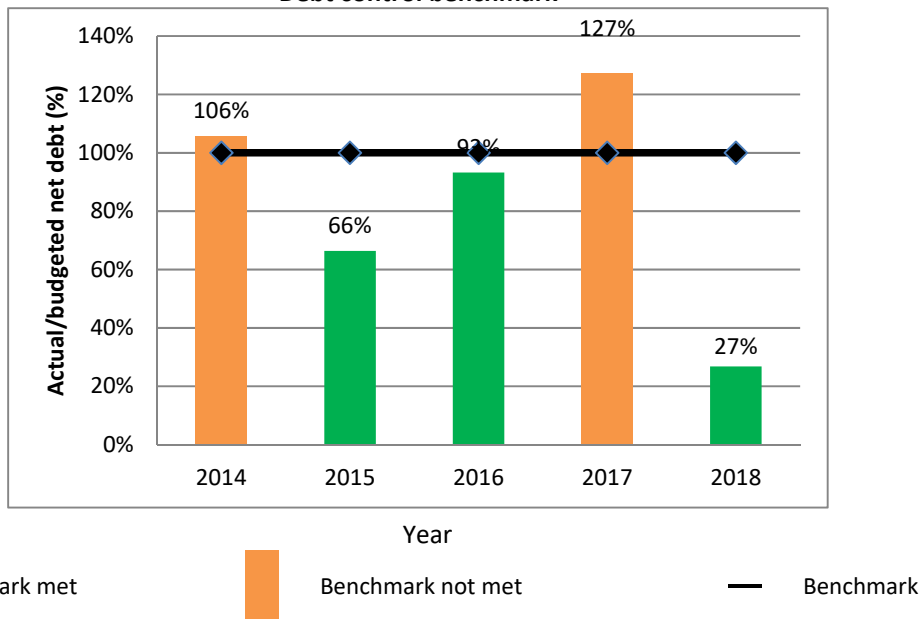


Debt control benchmark

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



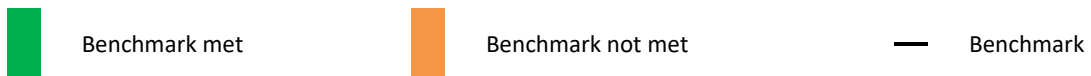
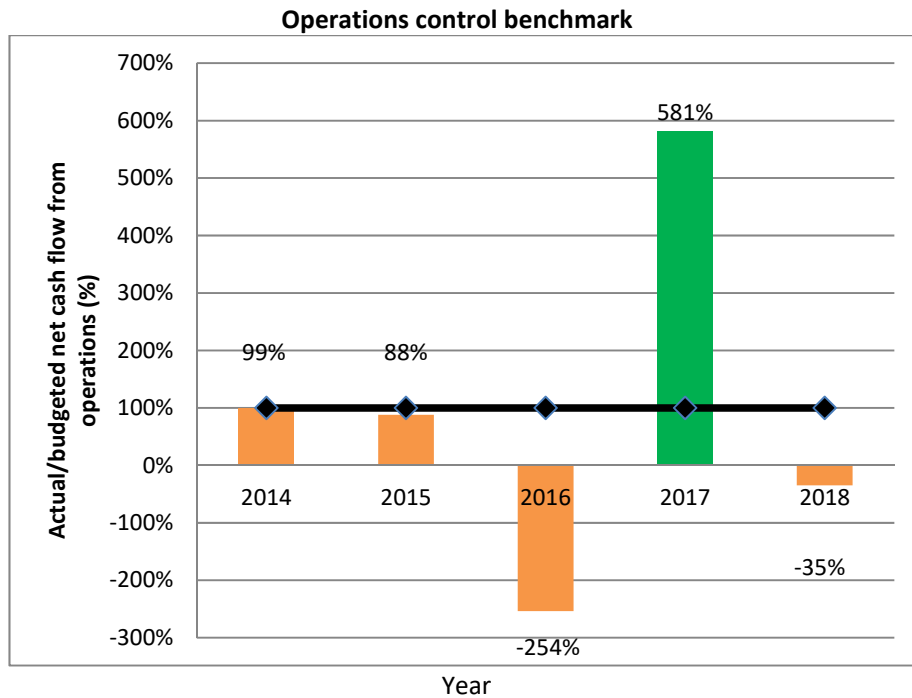
Comment

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

In 2017, cash flow from operations had been substantially better than forecast, with several millions in grants, subsidies, and donations received to enable the council to undertake emergency earthquake repairs. In 2018, grants were focussed on capital rebuild projects while operating expenses for the event continued at high levels; this had the effect of decreasing the net cash inflow from operating activities.

Funding Impact Statement

For the year ended 30 June 2018 (whole of council)

	2016/2017 Annual Plan \$000	2016/2017 Actual \$000	2017/2018 Annual Plan \$000	2017/2018 Actual \$000
Sources of operating funding				
General rates, UAGCs, rates penalties	2,107	2,131	2,433	2,475
Targeted rates (including water meter charges)	3,806	3,511	3,816	3,883
Subsidies & grants for operating purposes	292	6,299	2,678	4,992
Fees & charges	1,286	1,224	1,464	1,455
Interest & dividends from investments	39	9	20	52
Fuel tax, fines, infringement fees & other receipts	1,026	4,484	2,257	1,267
Total operating funding (A)	8,556	17,658	12,668	14,124
Applications of operating funding				
Payments to staff and suppliers	6,517	14,729	10,930	13,784
Finance costs	525	418	467	254
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	7,042	15,147	11,397	14,038
Surplus/(deficit) of operating funding (A-B)	1,514	2,511	1,271	85
Sources of capital funding				
Subsidies & grants for capital expenditure	230	5,598	11,131	6,052
Development and financial contributions	30	650	47	42
Increase/(decrease) in debt	496	(2,098)	3,052	(2,264)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	813	-
Other dedicated capital funding	-	-	-	5,129
Total sources of capital funding (C)	756	4,150	15,043	8,958
Application of capital funding				
Capital expenditure				
- To meet additional demand	1,512	1,533	-	195
- To improve the level of service	405	43	677	99
- To replace existing assets	676	4,866	15,394	5,943
Increase/(decrease) in reserves	(323)	219	243	2,807
Increase/(decrease) in investments	-	-	-	-
Total applications of capital funding (D)	2,270	6,661	16,314	9,044
Surplus/(deficit) of capital funding (C-D)	(1,514)	(2,511)	(1,271)	(85)
Funding balance ((A-B) + (C-D))	-	-	-	-

Council Activities

Introduction

Since the earthquake, the Council's priority has been emergency response on the ground, recovery, and planning for rebuild. This focus on earthquake activity 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 82 performance measures:

Reported performance	No. of measures 2018	No. of measures 2017
Actual performance reported	41	34
Estimated performance reported	3	33
Incomplete performance reported	24	-
Result not available	11	47
Not applicable – the measure is not relevant to the Council's operations, or the Lions pool closed due to earthquake damage	3	1

Where measures are estimates in the Council Activities report, they are marked as estimates and relevant footnotes are added to explain how estimates were calculated.

The Council has not measured the performance of any community outcomes.

Earthquake Event activity

The earthquakes had a significant impact on the Council's operations and significant increase in costs incurred by the Council, therefore a separate earthquake activity was set up, through which to record the direct costs associated with the earthquakes.

The funding and spending for the earthquake activity includes earthquake rebuild to the following groups of activities;

- Rooding
- Water services
- Sewerage
- Stormwater
- Harbour remediation
- Other community facilities – parks and reserves, airport buildings

The capital projects detailed within each of the other activities are non-earthquake related. All earthquake asset-related expenditure is included in the separate earthquake activity. Earthquake-related funding and spending not included in the Earthquake Event activity includes Regulatory (building control and statutory planning), and Community development (Outreach and social recovery).

Roading

Sub Activities:

Roads & Bridges
Footpaths
Streetlights

Goal

Ensure that infrastructure is well-planned and growth and development are managed and controlled. Ensure roading management contributes to the District's economic wellbeing.

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.

Community outcomes

The Roading group of activities contributes to;

- Sustainable development
- A safe and efficient transport system

Key issues in 2017/2018

The rebuild and repair of infrastructure has continued to dominate the roading programme particularly in remote the rural locations, particularly the Blue Duck, Puhi Puhi and Clarence Valley's. Establishing a viable long-term solution to the loss of the Glen Alton bridge during the earthquake has been one of Council's focus areas throughout the year.

A number of local roads have been used throughout the year to haul aggregates and other materials needed for the reconstruction of State Highway 1 north and south of Kaikōura. Around 30% of the local road network has been used as haul routes over the past year. The number of heavy vehicles using these roads daily has increased by a very significant magnitude leading to accelerated pavement deterioration and damage. Although the costs of these consequences is being fully borne by the Crown's rebuild programme it has led to a reduced level of service on those roads and a need for increased management input.

The stability of many slopes has been compromised by the 2016 earthquake, in addition, large volumes of earthquake slip debris is still in the upper catchments of many streams and rivers. The consequence is that even in moderate rainfall events slips, culvert blockage and flooding is commonplace.

What we did

Significant works were undertaken to stabilise slips and install new culverts in both the Puhi Puhi Valley Road and Blue Duck Valley Road to restore permanent access following the 2016 earthquake damage. These works expended over \$0.5M of the rebuild budgets.

NZTA and Council worked collaboratively with the Clarence community to provide interim access determine the long term solution to the loss of access beyond the Glen Alton Bridge. A temporary southern access route was formed across the Wharekiri Stream and along Waiautoa Road to provide good weather access to isolated properties cut off by the loss of the Glen Alton Bridge over the Clarence River whilst NZTA and Council worked through NZTA's business case process to evaluate future investment and potential solutions. This work continues into 2018/19.

Assessment and design of five new bridges to replace those damaged beyond repair in the earthquake was completed in preparation for tendering of the physical works in 2018/19. These bridges are Scotts, Evans(Mt Fyffe), Gillings, Hawthorn and Rorrison's.

A new road maintenance contract was prepared and procured to replace the three-year contract that expired on 30 June 2018.

Three significant rain events resulted in nearly 40% of the planned road maintenance budget being expended on repairing storm damage. The largest of these was ex-Cyclone Gita that caused \$153,000 worth of damage particularly in the Clarence and Kekerengu Valleys. The majority of this expenditure has been covered by a reduction in asset renewals that have now been deferred to future years.

Routine maintenance of both rural and urban roads has continued throughout the year at reduced levels due to the financial impact of the repeated rainfall events.

What we planned to do but didn't

The planned renewals programme was deferred to provide funding in response to three significant rainfall events. This released around \$250k of funding to higher priority works.

Major projects 2017/2018

Project	Planned \$	Spent \$	Comment
Renewal/replacement of existing assets:			
Road reseals	102,640	-	The planned programme for "business as usual" renewals was largely superceded by earthquake rebuild work, as well as major repairs as a result of the three significant storm events.
Unsealed road renewals	61,584	-	
Kerb and channel renewals	51,320	31,642	
Traffic services	11,339	444	
Footpaths	50,000	-	
Streetlights	26,638	-	
	303,521	32,086	
Other projects (not capital work):			
Minor events	-	426,450	Three storm events in ex-tropical cyclones Cook, Debbie and Gita
Total major projects (operating plus capital):	303,521	458,536	

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network expressed as a number	0 (no change)	Not available	0 (no change)	-1
The average quality of ride on the sealed local road network, measured by smooth travel exposure ³ for urban roads	146	Not available	NAASRA count < 160	117
Smooth travel exposure for urban roads	87%	Not available	75%	74%
The average quality of ride on the sealed local road network, measured by smooth travel exposure ³ for rural roads	120	Not available	NAASRA count < 280	103
Smooth travel exposure for rural roads	95%	Not available	80%	91%
The percentage of the sealed local road network that is resurfaced	0%	0.3%	10%	0%
The percentage of footpaths that meet the council's required level of service (i.e. that are formed)	54%	54%	54%	54%
The percentage of customer service requests responded to within one week	100%	80%	100%	60% ⁴
The percentage of survey respondents who are satisfied, or very satisfied, with urban streets	75%	79% pre-quake 58% post-quake	75%	37%
The percentage of survey respondents who are satisfied, or very satisfied, with rural roads	46%	63% pre-quake 36% post-quake	50%	23%

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 the results measured in May 2018, but the traffic count was done in 2016, prior to the earthquake.

⁴ Service requests were not logged for a period of up to six months. The results report only those logged, therefore are not complete.

Funding Impact Statement: Roading

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	980	1,015	651
Subsidies & grants for operating purposes	256	267	1,116
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	33	34	38
Total operating funding (A)	1,269	1,316	1,806
Applications of operating funding			
Payments to staff and suppliers	528	539	1,556
Finance costs	83	92	22
Internal charges and overheads applied	179	186	235
Other operating funding applications	-	-	-
Total applications of operating funding (B)	789	818	1,813
Surplus/(deficit) of operating funding (A-B)	480	498	(7)
Sources of capital funding			
Subsidies & grants for capital expenditure	540	349	22
Development and financial contributions	14	14	8
Increase/(decrease) in debt	207	81	(276)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	761	444	(245)
Application of capital funding			
Capital expenditure			
- To meet additional demand	536	220	-
- To improve the level of service	77	79	-
- To replace existing assets	627	643	32
Increase/(decrease) in reserves	-	-	(285)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	1,241	943	(252)
Surplus/(deficit) of capital funding (C-D)	(480)	(498)	7
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	759	818	1,813
Plus depreciation			756
Expenditure as per Note 1			2,569

Water Services

Sub Activities:

**Kaikōura 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.

Community outcomes

The Water Services group of activities contributes to:

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

Key Issues in 2017/2018

The earthquake of November 2016 left us with several issues to resolve. One of the reservoirs for the urban scheme was damaged beyond repair, and that reservoir, plus another reservoir adjacent to it, will be replaced as part of the earthquake rebuild. A reservoir on the peninsula and another at Ocean Ridge have cracked and both will be relined.

Since the events of Havelock North and the inquiry that followed, the District Health Board (the DHB) became very strict with all the requirements for water supplies. The recommendations of the Havelock North inquiry are leaning towards the chlorination of all water schemes.

The Suburban Water supply is on a permanent Water Boiling Notice (WBN) because of the location of the source. The timber tank at the Ocean Ridge water supply was damaged during the earthquake and after initial repairs, other problems came to light, forcing us to issue a WBN. The repairs are now complete and we removed the WBN in September 2018.

What we did

Water Safety Plans are near completion. A chlorination system has been installed in the Peketa water scheme with a 33,000 litre tank and the WBN has been removed. We are assessing the possibility of finding another source for this scheme that will allow us to include the camping ground and the airport. We also had to review Water Safety Plans for all schemes.

What we planned to do but didn't

Boil Water Notices are still to be lifted at Suburban and East Coast.

Major projects for 2017/2018

Project	Planned \$	Spent \$	Comment
Capital work to improve level of service:			
Peketa treatment upgrade	-	1,843	Improved treatment facilities
Renewal/replacement of existing assets:			
Kaikōura renewals	80,000	1,472	New water connection for temporary housing village
Kincaid renewals	20,725	-	
Peketa treatment	-	27,994	Renewal of UV treatment
Oaro telemetry	12,000	-	
East Coast reservoir	-	7,363	Installed new tank
Total renewals:	112,725	36,828	
Total capital projects:	112,725	38,671	

Performance measures

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The extent to which the supply complies with part four of the NZ Drinking Water Standards (bacteria compliance criteria)	Partial ⁵ see table	Partial ⁵ see table	100%	Partial ⁴ see table
The extent to which the supply complies with part five of the NZ Drinking Water Standards (protozoal compliance criteria)	Partial ⁵ see table	Partial ⁵ see table	100%	Partial ⁴ see table
The percentage of real water loss from the networked reticulation system	38.6%	Not available	40% or less	30%
Fault response times (median time taken) ⁶				
- attendance for urgent call outs	N/A	< 1 hour	Within 1 hour	No urgent call outs
- resolution of urgent call outs	N/A	< 3.8 hours	Within 3.8 hours	No urgent call outs
- attendance for non-urgent call outs	< 8 hours	< 1 day	Within 1 day	1 day
- resolution of non-urgent call outs	< 3 days	< 1 week	Within 1 week	3 days
There were no urgent call outs, and 72 non-urgent call outs, during the 2017/2018 year. These numbers do not include calls directly to Innovative Waste Kaikōura.				
The number of complaints per 1,000 connections ^{6,7} about				
- drinking water clarity	None	< 15	1 or less	0.4679
- drinking water taste	None	< 5	5 or less	0
- drinking water odour	None	< 5	5 or less	0
- drinking water pressure or flow	None	< 100	10 or less	0.9359
- continuity of supply	3.74	< 100	5 or less	5.1474
- the council's response to any of these issues	None	Not available	5 or less	2.3397
The average consumption of drinking water for the district per day	189.6 litres	Not available	< 190.0 litres	Not available

⁵ In 2016 these results were provisional pending the assessment of compliance by the independent drinking water assessor. In 2017 and 2018 the results have been determined by the South Island Drinking Water Assessment Unit of IANZ.

⁶ Call outs, complaints and service requests following the earthquake were not logged for a period of up to six months. The results provided are those logged only, and therefore are not complete. There was a significant increase in activity as a result of the earthquake, because water, sewer and stormwater services were adversely affected.

⁷ 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?					
	Microbiological Compliant			Protozoal Compliant		
	2016	2017	2018	2016	2017	2018
Fernleigh Rural	No	Yes	Yes	No	No	No
Kaikōura Urban	Yes	Yes	Yes	Yes	No	No
East Coast Rural	No	No	No	No	No	No
Kincaid	No	No	No	Yes	No	No
Oaro	No	Yes	No	Yes	Yes	No
Ocean Ridge	No	Yes	No	No	No	No

Of the above supplies, only Kaikōura 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.

Please note that Peketa and Suburban schemes are not part of the annual survey due to the very low population in these schemes.

NOTES (from DWO Annual Survey):

- Fernleigh Protozoa Compliance included in 3-year Plan
- Kaikōura Urban Protozoa Compliance included in 3-year Plan
- Kincaid - need to demonstrate compliance with UV Unit (unknown if validation parameters are being met)
- Oaro - need to demonstrate compliance with UV Unit (unknown if validation parameters are being met)
- Ocean Ridge – need to demonstrate compliance with UV Unit (unknown if validation parameters are being met)

Funding Impact Statement: Water Services

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates (including water meter charges)	884	913	935
Subsidies & grants for operating purposes	-	-	-
Fees & charges	-	-	26
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	884	913	961
Applications of operating funding			
Payments to staff and suppliers	487	497	606
Finance costs	43	40	27
Internal charges and overheads applied	127	136	185
Other operating funding applications	-	-	-
Total applications of operating funding (B)	657	674	818
Surplus/(deficit) of operating funding (A-B)	228	239	143
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	22	23	14
Increase/(decrease) in debt	(67)	(67)	(332)
Gross proceeds from sale of assets	-	330	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(45)	286	(318)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	4	885	2
- To replace existing assets	97	100	37
Increase/(decrease) in reserves	81	(460)	(214)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	183	525	(175)
Surplus/(deficit) of capital funding (C-D)	(228)	(239)	(143)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	657	674	818
Plus depreciation			587
Expenditure as per Note 1			1,405

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 Kaikōura 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.

Community outcomes

Sewerage services contribute to

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

Key Issues in 2017/2018

The November 2016 earthquake considerably damaged our sewer reticulation, some sewer treatment plants and the aerated lagoon. Several temporary repairs were completed to get our infrastructure running. CCTV inspection of approximately 30% of our reticulation in strategic places has taken place. The Totara Lane Pump Station was totally destroyed in the earthquake.

Under the Rebuild Programme, 2.9 km's of our main sewer from the Lyell Creek Pump Station to the Mill Road Pump Station will be replaced. Due to the fragility of the ground where the main was, it has been agreed to reinstate the main on Beach Road. Also, with regard to the higher level of ground for the new main, the works will require the installation of several small pump stations. The work is scheduled to take a year.

The aerated lagoon at the Sewage Treatment Plant was also destroyed in the quake and will be replaced as part of the rebuild.

What we did

Temporary pump was installed to pump sewage of the Totara Lane pump subdivision to Mt Fyffe Rd.

Major projects 2017/2018

Project	Planned \$	Spent \$	Comment
Renewal/replacement of existing assets:			
Sewer renewals (non-earthquake related)	44,012	-	Earthquake renewals took priority

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of dry weather sewage overflows from the sewerage system, per 1,000 sewer connections	2	< 50	None	1
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	0 ⁸
- The number of infringement notices received	None	None	None	0 ⁸
- The number of enforcement orders received	None	None	None	0 ⁸
- The number of convictions received	None	None	None	0 ⁸
Fault response times (median time taken) ⁹				
- Attendance for sewage overflows	< 1 hour	< 1 hour	< 1 hour	< ½ hour
- Resolution of the blockage or other fault	< 2 days	< 1 hour	< 6 days	3 days
The number of complaints received (per 1,000 sewerage connections) ⁹ about;				
- Sewage odour	3	< 10	2 or less	2.6333
- Sewerage system faults	2	< 10	3 or less	1.3167
- Sewerage system blockages	9	< 10	3 or less	1.3167
- The council's response to any of these issues	None	Not available	3 or less	1.3167

⁸ Environment Canterbury has not taken any action against KDC in acknowledgement of the major earthquake damage to the system, most notably the treatment plant.

⁹ Call outs, complaints and service requests following the earthquake were not logged for a period of up to six months. The results provided are those logged only, therefore are not complete. 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 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	550	562	701
Subsidies & grants for operating purposes	-	-	17
Fees and charges	22	23	24
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	572	584	741
Applications of operating funding			
Payments to staff and suppliers	182	187	346
Finance costs	72	69	42
Internal charges and overheads applied	198	207	138
Other operating funding applications	-	-	-
Total applications of operating funding (B)	452	463	525
Surplus/(deficit) of operating funding (A-B)	120	121	216
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	24	25	16
Increase/(decrease) in debt	(77)	(77)	(470)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(53)	(52)	(454)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	43	44	-
Increase/(decrease) in reserves	24	25	(238)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	67	69	(238)
Surplus/(deficit) of capital funding (C-D)	(120)	(121)	(216)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	452	463	525
Plus depreciation			120
Plus impairments in excess of revaluation reserve			980
Expenditure as per Note 1			1,625

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 Kaikōura Township and Ocean Ridge from flooding in heavy rains, discharging to land, sea and other water courses.

Community outcomes

Stormwater contributes to

- Sustainable development
- Quality water & wastewater services

Key Issues in 2017/2018

The November 2016 earthquake damaged several culverts across the District; many of them have already been replaced. There are still a few to replace in rural areas as well as some in the township along the Esplanade as part of the rebuild. A survey of the township footpaths and kerb & channels is underway to determine the extent of damage following the earthquake. Repairs are due to start before the end of this year. The movement of the land has also created blockages in open drains in rural areas. These are assessed and repaired by priority.

The rebuild programme relating to stormwater is included in the Earthquake Event activity. This Stormwater activity aims to describe "business as usual" functions.

What we did

Established programme and cleaned drains by priority of blockage.

Major projects 2017/2018

Project	Planned \$	Spent \$	Comment
Renewal/replacement of existing assets:			
Renewals	10,000	7,022	Replacements following the three significant storm events; Cook, Debbie and Gita.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of flooding events that occurred ¹⁰	None	< 3	< 5	0
For each flooding event, the number of habitable floors ¹¹ affected (per 1,000 properties connected to the stormwater system)	None	< 2	< 2	0
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	None
- The number of infringement notices received	None	None	None	None
- The number of enforcement orders received	None	None	None	None
- The number of convictions received	None	None	None	None
Fault response times (median time taken) ¹²				
- Attendance to a flooding event	None	< 2 hours	< 1 hour	½ hour
The number of complaints received about the performance of the stormwater system (per 1,000 properties connected to the stormwater system)	None	< 2	< 9	3.798
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	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:

- (a) Operating expenditure of more than \$250,000 in any one year
- (b) Capital expenditure of more than \$1 million in any one year
- (c) Scheme and asset replacement value of more than \$10 million, or
- (d) 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.

¹⁰ A flooding event is one that closes a road (except at a known ford), or floods a habitable floor

¹¹ 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

¹² Call outs, complaints and service requests were not logged for a period of up to six months. The results provided are those logged only, therefore are not complete.

Funding Impact Statement: Stormwater

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	122	126	106
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	-	5
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	122	126	111
Applications of operating funding			
Payments to staff and suppliers	50	51	25
Finance costs	10	10	-
Internal charges and overheads applied	24	26	48
Other operating funding applications	-	-	-
Total applications of operating funding (B)	84	87	73
Surplus/(deficit) of operating funding (A-B)	38	39	38
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	9	10	6
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)	(1)	6
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	220	-
- To improve the level of service	-	-	-
- To replace existing assets	27	28	7
Increase/(decrease) in reserves	9	(210)	37
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	28	(38)	44
Surplus/(deficit) of capital funding (C-D)	(36)	(39)	(38)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	84	87	73
Plus depreciation			60
Expenditure as per Note 1			133

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.

What we do

Kaikōura has one landfill and resource recovery centre, located on Scarborough Street. The landfill has resource consent to operate until 2034. Innovative Waste Kaikōura Ltd (IWK), a council-controlled organisation, under contract, undertakes the day-to-day management of the site. The Kaikōura District, through the EarthCheck certification and the Council's Zero Waste Policy, is committed to maintaining a waste diversion rate that is amongst the highest in NZ (of 77.28% this year), 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.

Community outcomes

Refuse & Recycling contributes to:

- Sustainable development
- Environmental protection & enhancement

Key Issues in 2017/2018

The earthquake resulted in an increased volume of refuse materials from an increased population together with a significant volume of demolition materials. These increases have consumed the remaining available space in the landfill at a far greater rate than pre-November 2016. This impact was compounded by the fact that only minimal compaction was being applied to landfilled waste. The recyclable market has been impacted globally by surpluses of some materials particularly hard plastics. The consequence has been falling prices in some areas combined with difficulty to find viable markets for recycling products.

The communities north and south of Kaikōura, particularly Clarence and Kekerengu were cut-off from road access to Kaikōura by the earthquake damage to the SH1 corridor, preventing kerbside collections, recycling station collections and access to residual waste disposal facilities.

What we did

We undertook surveys of the landfill to confirm the rate of filling establish the expected remaining life of the landfill for residual waste disposal. This confirmed a remaining life of around 15 months unless remedial action was undertaken. The remedial action chosen was to purchase a purpose built landfill compactor to re-compact recent and future waste landfilled.

Council was successful in securing a \$570k special grant from the Ministry for the Environment (MfE) to address earthquake waste issues particularly hazardous waste, demolition waste volumes and waste minimisation. This fund was used to establish an asbestos advisory and testing service for damaged

property, establish free hazardous materials collection/disposal and to provide additional infrastructure at the Resource Recovery Centre to assist with recycling of demolition waste.

Design work was undertaken to re-configure the Resource Recovery Centre to provide enhanced facilities for public recycling use as part of a programme to be implemented in 2018/19 utilising the remaining MfE funding.

We continued to provide waste disposal and collection services through a network of litter bins at popular sites and town centres, weekly kerbside recycling collections to Kaikōura, South Bay, Ocean Ridge, Oaro and Goose Bay and a network of recycling stations a key rural and urban locations.

What we planned to do but didn't

We were unable to collect refuse from Clarence and Kekerengu for the period up to Christmas 2017 due to the SH1 closure. Those services were instead provided by Marlborough District Council until access was restored.

Major capital projects

Project	Planned \$	Spent \$	Comment
Capital work to meet increased growth or demand:			
Rebuild waste facilities and build new hazardous waste systems	548,000	-	Project paid over as a grant to Innovative Waste Kaikōura (not capital)
Improve facilities (not funded by MfE)	-	20,000	Storage container, shelving & plant
Landfill capping	7,698	-	
	555,698	20,000	
Other projects (not capital):			
Earthquake waste case management	75,000	56,241	Case manager employed
Rebuild waste facilities and build new hazardous waste systems	-	196,385	New containers, excavator, skips and skip truck (paid over as a grant to IWK)
	75,000	252,626	
	630,698	272,626	

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
Solid waste produced per person	180 kg	275.28 kg	< 180 kg	454.83kg

Funding Impact Statement: Refuse & Recycling

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	258	267	310
Targeted rates	127	131	147
Subsidies & grants for operating purposes	-	-	54
Fees and charges	5	5	1
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	14	14	16
Total operating funding (A)	404	417	527
Applications of operating funding			
Payments to staff and suppliers ¹¹	343	352	637
Finance costs	3	3	1
Internal charges and overheads applied	44	49	67
Other operating funding applications	-	-	-
Total applications of operating funding (B)	390	403	705
Surplus/(deficit) of operating funding (A-B)	14	14	(178)
Sources of capital funding			
Subsidies & grants for capital expenditure ¹³	-	-	249
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(6)	(6)	(51)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	(6)	(6)	198
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	20
- To improve the level of service	-	-	-
- To replace existing assets	8	8	-
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	8	8	20
Surplus/(deficit) of capital funding (C-D)	(14)	(14)	178
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	390	403	705
Plus depreciation			16
Expenditure as per Note 1			721

¹³ During the year, the Council received \$249k from the Ministry for the Environment (through Environment Canterbury), which was in turn paid as a grant to Innovative Waste Kaikōura Ltd, to purchase capital equipment.

Community Facilities

Sub Activities:

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

Goal

To restore earthquake affected recreational areas, reserves and facilities as budget allows. To make safe any facilities where budget does not allow for restoration. To ensure long term planning includes facilities at a level that satisfies the social, economic development, environmental and cultural needs of the community.

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 Kaikōura 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.

Community outcomes

The Community Facilities group of activities contribute to:

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

Parks & Reserves

Key issues in 2017/2018

Funding for various rebuild and repair work had not been defined.

What we did

- Scoped out repair and upgrade works
- Updated cost estimates
- Defined funding
- Commenced strategic review of assets¹⁴

What we planned to do but didn't

We did not carry out repair and upgrade physical works. This was due to a combination of funding definition, which included settling Council's material damage insurance claim and subsequent 3 Year Plan funding provision by Council from July 2018; and the time required to set up Council's professional services panel.

Major projects for 2017/2018

There were no projects for the Parks & Reserves activity, with all major earthquake repairs completed under the Earthquake Event activity.

Level of service performance measures

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of survey respondents who are satisfied, or very satisfied, with the cemetery	98%	93% pre-quake 91% post-quake	96%	70%
Total area of recreational space per capita	N/A	N/A	> 276m ²	Not available
The area of additional esplanade reserve planted	1,000m ²	1,251m ²	100m ²	Nil
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%	Not available	100%	95% estimated result
The percentage of pesticides used by KDC parks & reserves contractors that are biodegradable	100%	Not available	100%	100%
The percentage of cleaning chemicals used by KDC that is biodegradable	92.8%	Not available	> 67%	58.6% estimated result

¹⁴ This is expected to lead to confirmed future parks and reserves scope and funding

Property

What we planned to do but didn't

We did not carry out earthquake repair physical works. This was due to a combination of:

- Funding definition. This included settling Council's material damage insurance claim and subsequent 3 Year Plan funding provision by Council from July 2018 including Council decisions to seek external funding for some aspects.
- Scope definition, particularly related to building code compliance requirements
- Time required to set up Council's professional services panel

Major capital projects

Project	Planned \$	Spent \$	
Provide for growth and demand:			
West End CCTV	-	11,367	Funded by NZ Lotteries
Civic Centre completion (essential work to finish the building, no budget available).	-	163,692	Safety systems, heating and internal fit-out
		175,059	
Improve level of service:			
Memorial Hall upgrade to code compliance standard	50,000	-	To be done in 2018/19
Memorial Hall audio/visual equipment	-	40,816	Funded by NZ Lotteries
	50,000	40,816	

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of Memorial Hall bookings (excluding council's own use)	53	52	At least 54	61
The percentage of tenants in council's pensioner flats that satisfy criteria one in the council's housing for the elderly policy ¹⁵	100%	100%	100%	100%
The number of swims at the Lions Swimming Pool	8,276	1,175 ¹⁶	N/A pool closed	N/A pool closed
The number of people in learn to swim programmes	1,170	352 ¹⁷	N/A pool closed	N/A pool closed

¹⁵ 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.

¹⁶ The Lions Pool is closed due to earthquake damage.

¹⁷ 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.

District Library

Key Issues in 2017/2018

The district faced a range of economic, community, environmental and infrastructure recovery challenges both short and long term. Collaboration between organisations and the integration of recovery initiatives were key to a successful recovery. The Library played a key part in this recovery as a hub for information, recreation and keeping our residents and visitors engaged, especially with the development of an activities programme.

What we did

The library operated a diverse service as an educational, informational, recreational and cultural resource and aimed to satisfy the developing resilience needs of the Kaikōura community. We invested in an activities coordinator in order to best serve post-earthquake community needs.

The library played a key part in creating opportunities for the elderly and youth. The part-time library staff worked hard to stay current with our evolving community, their needs and interests and were able to:

- continuously adapt and evaluate their services, programmes and collection
- support equitable access to information and technology
- offer a community meeting space where all members of the community could gather, interact and participate in programmes, events and activities

What we planned to do but didn't

The Library was on reduced hours following the earthquake, and returned to normal operating hours in June 2017, open from 9.30am to 5.30pm Monday to Friday and 10am to 1pm on a Saturday. During daylight saving hours, the Library has a late night on a Thursday and closes at 7pm. We returned to regular working hours much later than intended.

Major projects for 2017/2018

Developed an activities programme with the help of external Lotteries funding.

Project	Planned \$	Spent \$	Comment
Renewal/replacement of existing assets:			
Library books & resources	25,000	16,508	Keeping the library up to date

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of lending items available at the Kaikōura District Library per capita	7.0	7.2	6.3	6.3
The number of events opportunities provided to the community at the Library	Nil	Nil	24	24

Airport

Key Issues in 2017/2018

The Kaikōura Airport is situated at Peketa on State Highway 1 and is considered a key strategic asset for the future development of air transport services. There are two main operators – Air Kaikōura/ Kaikōura Aero Club and Wings over Whales.

The November 2016 earthquake caused damage to Council's airport terminal and hangar. The terminal had urgent work undertaken to make it safe and operational. The hangar was vacated following a consultant's assessment that identified structural deficiencies.

The insurance claim has been settled for both the terminal and hangar. A dispute with the hangar supplier over design deficiencies is being progressed. Repair scope has been assessed. Cost recovery action is under way.

What we did

Repair budgets were updated and funding was confirmed. Independent advice was received that the terminal can be repaired rather than replaced. An aircraft movement recording system was commissioned to identify and charge for actual rather than estimated landings – which has resulted in a substantial increase in landing fee revenue.

What we planned to do but didn't

Airport terminal and hangar final repairs were not completed.

Major projects for 2017/2018

Project	Planned \$	Spent \$	
Renewal/replacement of existing assets			
Airport taxiway seal	50,000	23,219	The budget was a carry-over from a prior year. The unspent portion \$26k has been carried forward to 2018/2019.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of landings at the Kaikōura Airport	2,882	4,000	1,633	10,121

A new aircraft movement monitoring system, AIMM, was installed at the airport in November 2017. We are now receiving accurate and evidence-based information about landings and airport movements.

Harbour

Key Issues in 2017/2018

The South Bay Marina provides a seawall, slipway, fuel facility, public toilets, boat wash down area, and parking for buses, cars, trailers and boats. This area provides the base for Kaikōura's key visitor activities such as whale watching, dolphin swimming and fishing charters. On the northern side of the peninsula, the North Wharf and Old Wharf are utilised (albeit to a lesser extent) by commercial fishers. The November 2016 earthquake lifted the seafloor, rendering the inner harbour facilities unusable.

What we did

Harbour dredging and remediation works formed a major project under the Earthquake Event activity. Details of that project are on pages 149-150.

What we planned to do but didn't

Stakeholder financial contributions to the harbour remediation work are yet to be received from the harbour stakeholders. This will be finalised with them as part of the renegotiation on the seawall licences.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of survey respondents who are satisfied, or very satisfied, with the harbour	82%	77% pre-quake 54% post-quake	50%	66%
The number of recreational slipway uses ¹⁸	4,339	1,033	2,500	2,100

¹⁸ The number of slipway uses per annum is an estimate taken from slipway revenue

Funding Impact Statement: Community Facilities

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	711	774	774
Targeted rates	350	344	396
Subsidies & grants for operating purposes	3	3	134
Fees and charges	897	785	553
Internal charges and overheads recovered	-	-	75
Fuel tax, fines, infringement fees & other	-	-	3
Total operating funding (A)	1,961	1,906	1,935
Applications of operating funding			
Payments to staff and suppliers	942	958	1,315
Finance costs	273	295	132
Internal charges and overheads applied	267	276	315
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,482	1,529	1,763
Surplus/(deficit) of operating funding (A-B)	479	377	172
Sources of capital funding			
Subsidies & grants for capital expenditure	250	-	43
Development and financial contributions	8	8	(3)
Increase/(decrease) in debt	(159)	252	(1,403)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	79
Total sources of capital funding (C)	98	259	(1,285)
Application of capital funding			
Capital expenditure			
- To meet additional demand	513	570	175
- To improve the level of service	-	-	41
- To replace existing assets	37	38	40
Increase/(decrease) in reserves	27	29	(1,368)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	577	637	(1,112)
Surplus/(deficit) of capital funding (C-D)	(479)	(377)	(172)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	1,482	1,529	1,763
Less internal payments			(76)
Plus depreciation			328
Plus impairment expense			343
Expenditure as per Note 1			2,358

Commercial Activities

Sub Activities:

Leased Properties Forestry

Goal

Forestry resources, investments, and properties are to be managed in a cost effective manner so as to provide the optimum financial return on these assets.

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.

Key Issues in 2017/2018

25 Beach Rd is now fully tenanted with the Opshop and a builder/joiner co-leasing the building. The buildings on Wakatu Quay currently house the aquarium and commercial seafood packing and storage. The Marlborough Regional Forestry joint venture has a logging programme underway, and as a result the Council expects to receive capital distributions from that joint venture.

25 Beach Road has only minor earthquake damage likely to be under the insurance excess; but the building has been in a poor state of repair for a number of years and urgently needs the roof replaced. Following negotiation with the tenant over rental arrears the council now owns the land and buildings on Wakatu Quay and the condition of the buildings has now been assessed.

Core Issues

- Beach Road and Wakatu Quay properties in a state of neglect
- Earthquake damage and state of buildings needs to be assessed

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.

What we did

Reassessed 25 Beach Road structural and other aspects, potential costs to bring it to fill code(s) compliance, costs for deferred maintenance and rental incomes.

Scoped out and commenced a strategic review of KDC assets (land and buildings). The key objective was to define income generating potential (whether via operational income opportunities, or capital sums).

Actions to date include:

- compiling an integrated assets base and identifying requirements and constraints for managing strategic assets

- understanding property operational and capital investment requirements and income streams
- identifying and exploring initial clear (unconstrained) opportunities for retaining or divesting assets for early decisions by Council

Formal Deed of Settlement with Lessee to surrender lease issues for Wakatu land and buildings to ensure ownership passed to Council. Buildings reassessed: dilapidated, under code(s), uneconomic to upgrade. Wakatu property now included as part of strategic review of assets process.

What we planned to do but didn't

Repair 25 Beach Road; the cost to repair has now been independently assessed, and is substantially higher than had been budgeted.

Major projects for 2017/2018

Project	Planned \$	Spent \$	
Replacement of existing assets			
25 Beach Rd major repairs	73,000	-	Current estimated cost to repair is \$250,000, and so the project has been deferred until 2019

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The proportion of revenue from commercial activities as a percentage of total council revenue	10.2%	3.6% or 10.0%	10%	5.32% ¹⁹ or 11.75%

¹⁹ Commercial activities generated \$1,382,388 in revenues in 2017/2018, or 5.32% of total revenue (2017 3.6%). Once again there were particularly unusual circumstances of the earthquake and the subsidies, grants, and other revenues. When those special revenues are removed from the calculation, commercial activities provided 11.75% of total revenue.

Funding Impact Statement: Commercial Activities

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	(19)	(23)	-
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	167	167	180
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	1,012	995	1,202
Total operating funding (A)	1,160	1,139	1,382
Applications of operating funding			
Payments to staff and suppliers	855	834	1,078
Finance costs	-	-	-
Internal charges and overheads applied	29	32	32
Other operating funding applications	-	-	-
Total applications of operating funding (B)	884	866	1,110
Surplus/(deficit) of operating funding (A-B)	276	273	273
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	5	5	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	272	268	273
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	276	273	273
Surplus/(deficit) of capital funding (C-D)	(276)	(273)	(273)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	884	866	1,110
Plus depreciation			34
Expenditure as per Note 1			1,144

Leadership & Governance

Sub Activities:

Mayor & Councillors
Support services
Communications & engagement

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. The Mayor and seven Councillors are elected for the District at large; there are no wards within the District.

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

Mayor & Councillors

Key issues 2017/2018

The ratepayer satisfaction survey shows a substantial drop in satisfaction with the Mayor and Councillors, from 55% to 37%, with open-ended comments from ratepayers supporting the need for improvement in consultation and community involvement.

What we did

The Council voted unanimously to establish a Maori electoral ward, which would have ensured Maori representation at the Council table. A petition of 148 signatures was received in opposition to the new ward, which then required a postal poll to be held. The final result of the postal poll defeated the proposal for the Maori ward, and so the structure of elected members remains status quo.

Levels of service

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of council committees which have Runanga representation	5	4	7	4 ²⁰
The annual budget allocation for significant cultural sites	None as cultural sites are yet to be defined ²¹	None as cultural sites are yet to be defined	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	57%	N/A	N/A
The percentage of satisfaction with the Mayor and Councillors (by annual survey)	56.4%	83%	> 75%	37%

Support Services

Support services can be further defined as the roles of the Chief Executive, finance, customer services, IT and mapping, and asset management. It is these activities that support the organisation to provide financial and human resources, and to deliver Council services to the public.

Key issues 2017/2018

An organisation restructure took effect in July 2017, with three positions disestablished and several others created (many of which are fixed term contracts to deal with earthquake-related matters).

Our council was required to adopt a Three Year Annual Plan for 2018/2019 to 2020/2021. This was as a result of an Order in Council (Hurunui/Kaikōura Earthquakes Recovery (Local Government Act 2002—Kaikoura District 3-Year Plan Order 2018)).

The Maori proverb “Manaaki whenua, Manaaki tangata, Haere whakamua (Care for the land, care for the people, go forward)” provided the guiding themes for our plan.

We believe this plan provides what’s needed for our people, our environment, our land and the future of our District. It will help us create a district that can live up to the ‘Reimagine Kaikoura’ Recovery plan and move forward as a great place to live, with a strong, well-connected community that is ecologically exemplary and economically prosperous.

²⁰ 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.

²¹ 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.

What we did

We are re-framing ourselves as a modern local authority with improved capabilities, particularly in the areas of communication, assets and financial management.

Council was very pleased to have heard from numerous passionate organisations and individuals through 133 submissions on the draft plan. During their deliberations, Councillors considered over 350 issues raised within these submissions. The key areas of interest were the future of our community pool, community facilities and of course the proposed rates rises. Council listened to the submissions and use \$600,000 of the forestry reserve to reduce the rates increases faced by ratepayers in year 1 and 2

Management worked hard to secure additional funding to minimise the rates impost. The Crown announced in May 2018 that it has added \$5.3 million in funding for three-waters, harbour remediation and natural hazards work over the first two years of the Plan.

Leadership has also continued to advocate for additional funding for economic development and are pleased to announce that we have been successful in securing \$200,000 funding from the Provincial Growth Fund to undertake feasibility studies on the Harbour, airport and a Marine Centre of Excellence.

Major capital projects

Project	Planned \$	Spent \$	Comment
Improve level of service:			
Computer equipment & software	40,000	56,706	Software upgrades, new computers, laptops, monitors and tablets
Renewal/replacement of existing assets:			
Vehicle replacement	20,000	44,104	Dog control plus fleet vehicle
Computer equipment	-	12,119	Replaced desktop computers
Office furniture and equipment	20,000	20,016	Desks, chairs, etc.
	80,000	132,945	

Levels of service

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
Paper use by council per employee (number of reams)	15.57 reams	Not available	< 15 reams	Not available

Communications & engagement

Key issues 2017/2018

Communications is a new activity for Council, initially brought in to keep communities up to date with the earthquake response and recovery. Although some budget had been allocated for communications, the need to provide comprehensive communications support across all Council activities was such that budget and staffing as allocated was insufficient. A grant from the Department of Internal Affairs of \$65,000 was secured in late 2017. The grant was used to recruit a Communications Coordinator for a fixed term of 12 months, the position was filled in February 2018. The Communications Coordinator focuses on recovery communications. This brought communications resourcing to 1.8 FTE.

What we did

Communications and Residents surveys

To ensure Council has an accurate understanding of the community's communications needs and expectations a communications survey was conducted in November 2017. Insights from the survey results have shaped the communications work programme including advertising spend and channel development. In 2017/18 for the first time Council outsourced its annual 'Residents and Ratepayers satisfaction survey'. This survey is used to inform Council work programmes and provides a number of the KPI's/ performance measures used in the annual report and other performance management tools. Outsourcing the survey ensured that the results were statistically robust, demographically representative and of a higher quality than has been able to be achieved previously. Over 300 surveys were completed, a 30% increase in the previous highest number of surveys completed. Together, the spend on surveys totalled approximately \$17,000, representing a significant portion of the communications budget overrun.

Three-Year Plan

Communications support for the development, consultation and adoption of the Three-Year Plan was a core focus. Over 133 submissions were received, raising over 350 issues for elected members to consider. Spend on collateral including consultation materials was greater than expected, contributing to the overspend in the communications budget.

In addition to the issues outlined above, communications work over 2017/18 has focused on improving the quality, consistency, reach and timeliness of the information we provide to stakeholders. This has resulted in significant improvements in key website performance measures, Facebook statistics and email and hardcopy communications channels.

A second area of focus has been the development of relationships and networks, allowing the communications team to work more effectively to support, align with and share information and insights across areas of the community. Notable improvements have been made around engaging with the elderly, youth and social agencies.

Funding Impact Statement: Leadership & Governance

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	627	612	536
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	64
Fees and charges	51	41	71
Internal charges and overheads recovered	1,326	1,432	1,686
Fuel tax, fines, infringement fees & other	66	63	-
Total operating funding (A)	2,072	2,148	2,357
Applications of operating funding			
Payments to staff and suppliers	1,730	1,786	2,355
Finance costs	-	-	-
Internal charges and overheads applied	214	235	250
Other operating funding applications	67	63	-
Total applications of operating funding (B)	2,011	2,084	2,605
Surplus/(deficit) of operating funding (A-B)	61	64	(248)
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	21	21	57
- To replace existing assets	41	43	76
Increase/(decrease) in reserves	-	-	(381)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	61	64	(248)
Surplus/(deficit) of capital funding (C-D)	(61)	(64)	248
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	2,011	2,084	2,605
Less internal payments			(1,686)
Plus depreciation			104
Expenditure as per Note 1			1,023

Regulation & Control

Sub Activities:

Statutory Planning
Building Control
Traffic & Parking 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.

We ensure that residents meet and comply with the statutory requirements during their personal rebuild process resultant from the earthquake.

We assist earthquake recovery by ensuring national and local regulatory requirements are met by providing a friendly helpful service.

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 Kaikōura district meet the requirements of the Kaikōura District Plan, and the standards required in the Building Act 2004 and its regulations. The council continues to hold Building Consent Authority accreditation status.

Community outcomes

The Regulation & Control group of activities contribute to;

- Sustainable development
- A safe, efficient transport system

Statutory planning

Key Issues in 2017/2018

Statutory planning consist of a small team with one full time consents planner who undertakes a range of planning functions from planning enquires to processing complex notified subdivisions and land use. In February 2018 our experienced consent planner moved on and council successfully recruited a replacement planner. In the interim consents were processed by external consultants while new staff quickly gained experience.

What we did

The 2017/2018 year staff were presented with a huge range of consenting issues including processing of consents under special legislation being the Hurunui/Kaikōura Earthquake Recovery (Coastal Route and other Matters) Order 2016. This legislation resulted the definition of working days to include Saturdays and Sundays as working days. The legislation also provided a number of approaches to process consents including a three-day process for comments on consents with limited ability to comments of suggested conditions.

Consent process under this legislation included:

- Amending NZTA and KiwiRail footprints for safety and resilience works
- Additional amendments to NZTA and KiwiRail footprints for safety and resilience works
- Safety and resilience works at Mangamaunu
- Disposal and fill sites

The legislation also provided for a slightly longer process that allows for specified persons to be given 15 working days to make comment and council having a total of 21 working days to issue a decision. This truncated process was used to provide for the controversial shared user pathway around Mangamaunu, which has resulted in a judicial review by Surf-break Protection Society.

In addition to these complex consents, staff received and processed a consent for a 118 room hotel to be located within the Business Zone of the District Plan. This is the first significant hotel application which has been located within business zoned land.

A further 60 resource consents to address a range of land uses and subdivisions were addressed. None of the proposed subdivisions exceed more than 5 allotments.

Building control

Key Issues in 2017/2018

Building Control Authority

The Kaikōura District Council is required by law to be an accredited building control authority in order to deliver its statutory requirements under the Building Act. The Council achieved accreditation in March 2018. This accreditation lasts two years, and so we will go through the assessment process again early in 2020. We continue to prepare for the next audit, by continual in-house audits to ensure that we follow the prescribed processes in our BCA Quality Assurance Manual.

What we did

- Achieved accreditation after a robust audit process with IANZ.
- The BCA launched a soft pilot trial of online building consents in 2018. This will enable our customers to submit building consents electronically, directly to council, and thereby save on the costs of printing hard copy plans. The trial has gone well, and went live with the new system in October 2018.
- The BCA public information on our website was totally overhauled to match the requirements as set out in the guidance provided from MBIE for accreditation. MBIE consider the information contained on our building control website page is much more helpful for staff and public alike, and follows their guidance.

Major projects for 2017/2018

The Department of Internal Affairs has granted \$221,000 in 2017/2018 to enable us to increase our statutory capacity, such as to employ more consent processing staff, and to better respond to the influx of complex building work following the earthquake.

The anticipated influx of building consents did not eventuate in any dramatic way; staff numbers remained relatively constant, and focus went instead on enabling electronic processing to speed up productivity when landowners do start on their property rebuilds and repairs.

Project	Planned \$	Spent \$	Comment
Other projects (not capital):			
Building control digital processing systems	10,400	23,477	GoGet online system, training and licences
Additional staff & resourcing	110,600	49,072	External resources
Structural engineering reviews of earthquake repairs to commercial buildings	100,000	72,397	Quality assurance and reviews
	221,000	144,946	

Parking, Animal Control and Enforcement

Key Issues in 2017/2018

Following resignations, two enforcement officers (1.5 FTE) have been employed to monitor issues such as parking in the West End and pay and display carpark, dog control, stock control, noise control, signage and Territorial Authority building compliance work.

What we did

Our Regulatory team increased in February 2018 to 1.5 FTE. We invested in a used, fit for purpose utility vehicle. The Animal Control public information page was totally overhauled to include links to our new online dog registration page and other useful information.

- Deliver after hour services for noise, dog and stock control issues;
- Increased revenue with respect to traffic infringement notices issued;
- An increase in dog registrations in our district

Major projects for 2017/2018

The security of the dog pound was improved.

Project	Planned \$	Spent \$	Comment
Replacement/renewal of assets:			
Dog pound fencing and gates	-	1,125	The site is now secure and locked

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
Estimated parking occupancy in the pay & display (West End) car park during November to February	20,941	11,570	> 20,000	27,683
The number of complaints received about dogs (barking, rushing/aggressive, wandering, lost, welfare issues, etc.)	173	Not available	< 166	83 ²²

Liquor Licensing

Key Issues in 2017/2018

The recovery of the Township following the earthquake has meant that licensed premises that were closed and/or demolished have been progressively re-establishing. This has created changed demographics and has been the subject of consideration and discussion amongst agencies involved in Kaikōura.

²² Call outs, complaints and service requests were not logged for a period of up to six months. The results provided are those logged only, therefore are not complete.

What we did

Liquor licensing services are delivered under contract. The contractor has;

- Provided reports on all On, Off, Special and Club Licences and Manager Certificates, both for new licenses and certificate applications and renewals;
- Liaised closely with the Police in respect of monitoring premises and key issues;
- Liaised and carried out after hours monitoring on licensed premises performance under the Act;

What we planned to do but didn't

We had intended to review the Draft Local Alcohol Policy to then seek community feedback. We had also intended to review and determine the current structure of the District Licensing Committee. Both of these pieces of work are now underway in 2018/2019.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of licensed liquor premises assessed as low-to-medium risk	91.3%	Not available	> 83.7%	97.4% ²³

Other Territorial Authority work

Key Issues in 2017/2018

We reviewed our strategy for earthquake repairs for owners of commercial buildings, and engaged a consultant Structural Engineer to review some of the more complex engineering strategies provided by customers to ensure proposed works to be undertaken would make the building safe for all users.

Our Enforcement Officers and Environmental Health Officer were kept busy trying to manage defecation on some of our well known beaches in the district caused by freedom campers.

What we did

The additional staff resourcing in this area has enabled Council to better deliver its regulatory services by for example:

- Begun a project to monitor and check current B&B establishments under the RMA;
- Better monitoring of littering and fly-tipping in the district;
- Illegal building work being identified following public complainants which has led to an increase in applications for Certificate of Acceptance.
- Increase in Notice to Fix within the district
- Issued two earthquake prone building notices in the district.

What we planned to do but didn't

The council is required to conduct annual Building Warrant of Fitness audits on buildings which have specified systems, such as alarms, sprinklers, etc. With a reasonably new team on board who are required to be brought up to speed in this area of legislation, Council will be undertaking these audits later in the year with a view to spreading the audits over the coming years.

²³ There are 40 licenced premises in the district, but two are closed due to earthquake damage. 37 out of 38 active licenced premises are low to medium risk. Only one premise is considered high risk, because they close at 3am.

Funding Impact Statement: Regulation & Control

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	310	327	202
Targeted rates	40	44	57
Subsidies & grants for operating purposes	-	-	285
Fees and charges	357	365	507
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	7
Total operating funding (A)	706	736	1,058
Applications of operating funding			
Payments to staff and suppliers	488	499	966
Finance costs	-	-	-
Internal charges and overheads applied	219	237	246
Other operating funding applications	-	-	-
Total applications of operating funding (B)	706	736	1,212
Surplus/(deficit) of operating funding (A-B)	-	-	(154)
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	-	-	1
Increase/(decrease) in reserves	-	-	(155)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	(154)
Surplus/(deficit) of capital funding (C-D)	-	-	154
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	706	736	1,212
Plus depreciation			-
Expenditure as per Note 1			1,212

Safety & Wellbeing

Sub Activities:

Civil Defence
Rural Fire Control
Environmental Health
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
- Promotion of a high standard of environmental health
- Promotion of road safety
- Coordination of social services, including family violence and strengthening families programmes.

Community outcomes

The Safety & Wellbeing group of activities contribute to;

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

Civil Defence

Key Issues in 2017/2018

The earthquake highlighted the need to continue to build resilience and capacity within the Council's Civil Defence Emergency Management structure. This was achieved through a combination of training and purchasing equipment. Increased focus was given to Civil Defence in the 17/18 year and beyond.

What we did

We held a number of community planning, volunteer training, and tourism and disaster workshops, with an estimated 200 people in attendance. Kaikōura Gets Ready – a web-based alerting and community resilience platform – was launched in May, with approximately 12% of households signed up in the first month.

Staff training accelerated with more than 90% of staff undertaking basic training and 10% of staff undertaking advanced emergency management training. We have regular leadership training for Emergency Operations Centre managers.

The Emergency Operations Centre was fully activated overnight on 20 February 2018, to deal with the effects of Tropical ex-Cyclone Gita.

What we planned to do but didn't

Due to time constraints, we didn't complete the civil defence radio network, which will boost communication resilience with the rural areas. It is hoped that the radios will be in place by the beginning of summer at the completion of the rural community planning workshops.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of survey respondents who have a Civil Defence emergency kit in their household	91%	75% pre-quake 91% post-quake	90%	81%

Rural Fire Control

Key Issues in 2017/2018

From 1 July 2017 urban and rural fire services were amalgamated into Fire Emergency New Zealand (FENZ) - a single fire service for New Zealand. All personnel became part of FENZ and all rural fire assets excluding the Rural Fire Shed were transferred over to FENZ.

Due to delays with the transfer of leased vehicles and other minor expenses, there remained some residual transactions through the Rural Fire activity; with much of the costs recovered from FENZ.

Environmental Health

Key Issues in 2017/2018

Freedom Camping

During the year, numerous complaints were received and addressed relating to freedom campers not respecting our environment in the Kiwa Road area. Council improved communications, placed signage in the area, funded clean-ups and placed temporary toilets in the area. This situation escalated into a health issue. It was decided to close the area to freedom campers to address health concerns and prevent further contamination. The Council has established a Responsible Camping forum to help find ways to manage camping going forward and to develop regulatory and other solutions to address the issue. This remains a complex issue to manage.

Food Control Plans

The Food Safety Reform in NZ and the commencement of the Food Act 2014 in March 2016 has continued. Since the earthquake event re-establishment of food businesses has been progressive. The Council's contracted EHOs and verifiers have been focussing on assisting the industry where needed and desired by the operators. The registrations and verifications of the food businesses under the Food Act have been undertaken and remain current and compliant with MPI requirements, and the legislation. All food businesses are compliant and the performance based verifications have been tracking well.

The Food Act and associated MPI requirements during the transition period (1 March 2016 to 28 Feb 2019) has had its challenges for the Council, its contracted provider (Food and Health Standards) and the industry. The requirements for food safety compliance are more systematic and stringent for both Council regulators and verifiers and the industry itself. The costs incurred by Councils throughout NZ have also increased. This cost is passed down to the food businesses and entities preparing, manufacturing, storing, transporting and selling food.

Water

The Environmental Health Officers continued to oversee the bacteriological monitoring and safety of the Council-operated drinking water supplies including being part of investigations during bacteriological transgressions from the Drinking Water Standards for NZ and following up corrective actions including Boil Water Notices, sanitary surveys and retesting the water. Effective liaison has been maintained with the Council's Assets division and Community and Public Health. Input to the development of the rewriting of the Councils Water Safety Plans for each public supply has continued and this has focussed on the increased requirements signalled from the Ministry of health following the major water-borne disease outbreak associated with Havelock North and the interim outcomes of the investigation into that water supply.

Major projects for 2017/2018:

The Food Act 2014 reform has been a major project that has involved significant time to ensure compliance by the Council, the Verifiers and industry. The accreditation process for the Council's contractor has been arduous and costly to ensure systems and accreditations for the verification agency and the recognised persons (verifiers) have been suitably developed and implemented.

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of food premises with Food Control Plans	Not measured	75.8%	51%	100%

All required food businesses in the Kaikōura District have registered and verified Food Control Plans. The Council is compliant under the Food Act 2014 and reports monthly to MPI on each verification. There currently 38 registered and verified Food Control Plans, of which 20 food businesses are on 12 monthly verification frequencies, 7 are on 9 monthly and 11 on 18 monthly. There are only two National programmes registered with the Council at this stage.

Community Development

Key Issues in 2017/2018

Our community's ability to cope post-quake made community recovery and development a new and critical focus as this community development services were not funded pre-earthquake.

What we did

The earthquake and resulting damage to property, possessions and people was traumatic. For many, a sense of loss and anxiety was part of our 'new normal'. Our staff continued to work with the CDHB and others to provide help to those who needed it. We encouraged all residents to seek the help and advice they needed.

Community development became a Council priority. Grants from NZ Lotteries enabled eight new roles to support social service delivery and provided the man power to support isolated people across the District.

The Outreach programme, supplemented by the Winter Warmers programme, enabled households to receive extra assistance for weather-proofing, securing properties and help with heating. The externally funded events coordinator ensured there was a well organised event programme on offer to help people come together and enjoy themselves. We also received Ministry of Social Development funding to manage a Violence Free coordinator on behalf of the district.

Major projects for 2017/2018

Project	Planned \$	Spent \$	Comment
Other projects (not capital):			
Community development	232,116	110,630	Savings in personnel costs
Social recovery & winter warmer project	86,000	94,481	Substantially grant funded
Youth coordination	29,771	26,238	Grant funded
Community Hub & R U OK	122,464	72,971	Grant funded
Outreach coordination	100,160	113,476	Grant funded
Family violence coordination	-	16,449	Grant funded
Civil defence radio's & repeaters	12,000	11,611	Purchases but yet to be installed
	582,511	445,856	

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The percentage of school leavers with NZQA level two or higher	65%	Not available	> 66%	NZQA Level 2 96% NZQA Level 3 92%
Growth in employee counts	1,530	Not available	> 1,600	> 1,600 Est ²⁴
Growth in workplace counts	735	Not available	> 735	Not available

²⁴ Employee numbers have been estimated, and while we acknowledge many job losses immediately following the earthquake, there has been an influx of workers to the district involved with NCTIR projects and building repairs.

Funding Impact Statement: Safety & Wellbeing

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	163	170	420
Targeted rates	99	103	20
Subsidies & grants for operating purposes	132	136	187
Fees and charges	16	16	16
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	410	426	643
Applications of operating funding			
Payments to staff and suppliers	302	309	540
Finance costs	-	-	-
Internal charges and overheads applied	110	119	95
Other operating funding applications	-	-	-
Total applications of operating funding (B)	413	429	635
Surplus/(deficit) of operating funding (A-B)	(3)	(3)	7
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)	7
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	(3)	(3)	7
Surplus/(deficit) of capital funding (C-D)	3	3	(7)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)			635
Plus depreciation			15
Expenditure per Note 1			650

District Development

Sub Activities:

District planning
Sustainable development
Tourism & marketing
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 Kaikōura district is sustainably managed.

What we do

The council has developed the Kaikōura 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 Kaikōura 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.

Community outcomes

The District Development group of activities contribute to;

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

District Planning & Sustainable Development

Key Issues in 2017/2018

Business as New

Council has continued with its strong environmental push in both the Kaikōura District Recovery Plan and its continuation of EarthCheck and environmental project supports this. The continuation of EarthCheck benchmarking has been partially changing post-earthquake as the benchmarking is for the entire community as opposed to just the council. With the large number of contractors involved in rebuild works obtaining environmental data has been slow and difficult.

Earthquake Rebuild / District Planning

Parallel to the works which are occurring with regard to Earthquake Recovery, the District Plan and in particular the natural hazards section is under review. A key focus of the review in the 2017/18 year has been engaging of experts to prepare technical reports to ensure sound planning decisions can be made which promote the best interest of our district. Where possible Council creating partnerships with

science providers who have been funded by Central Government. The slope stability works which is occurring through the Endeavour Fund as an example of this.

Environmental Planning

Council has continued to work closely with Environment Canterbury through the Water Zone Committee and assist with planning environmental projects around Lyell Creek. Council has been involved with Love the Lyell. Work has been undertaken to restart the Significant Natural Areas Project and it is hoped that landowners will start to be approached within the next financial year.

What we did

We presented technical reports with regard to our understanding of flooding to the public at the Kaikōura A&P show and answered questions from the public.

We gained insight the of the community's desire to mitigate risk in relations to natural hazards through surveyors at the Kaikōura A&P show and through the 2018 Resident Satisfaction Survey.

Work also continued with Te Korowai on progressing a number of goals of the Kaikōura District Recovery Plan 2017 including "Strive to obtain World Heritage status".

What we planned to do but didn't

Earthquake recovery and delayed responses to requests for information needed as part of EarthCheck benchmarking 2017/18 meant that it was unable to be submitted within this financial year.

Major projects for 2017/2018

Project	Planned \$	Spent \$	Comment
Other projects (not capital):			
District Plan review; rewrite the Natural Hazards chapter	100,000	-	Not commenced

Performance indicators

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
Energy consumption per person in gigajoules (GJ)	443,493 GJ	Not available	Less than 448,800 GJ	Not available
Greenhouse gas (carbon dioxide CO ²) produced per person in tonnes	4.86 tonnes	Not available	Less than 6.0 tonnes	Not available
Nitrogen oxide (NO ²), in kilograms per hectare	0.86 kg/ha	Not available	Less than 0.86 kg/ha	Not available
Sulphur dioxide (SO ₂), in kilograms per hectare	0.07 kg/ha	Not available	Less than 0.06 kg/ha	Not available

Particulates ²⁵ (PM10), in kilograms per hectare	3.18 kg/ha	Not available	Less than 3.17 kg/ha	Not available
The percentage of the district that is under protection for its biodiversity	48.9%	Not available	48.9% or more	50.0%
The percentage of waterway samples that pass district waterway quality standards	83%	Not available	70% or more	75.5% estimated

Tourism, marketing and economic development

Goals & objectives

Ensure that a statutory and non-statutory work streams are in place to enable the District to progress, while ensuring that the natural and physical environment of the Kaikōura District is sustainably managed.

Key Issues in 2017/2018

Tourism and marketing is currently funded through a targeted rate which goes wholly to Destination Kaikōura activities. Council supports tourism development that has local economic benefits, and promotes Kaikōura as a unique visitor destination, and will fund Kaikōura Information & Tourism Incorporated (KITI) on an annual basis to further that goal.

Economic Recovery for 2017/2018 focused on supporting local businesses post-earthquake. Feedback from the business community highlighted that the key issues for businesses were mental tiredness, cash flow, loss of market, infrastructure, workforce staffing, insurance and isolation.

The 2017/2018 annual plan highlighted the implementation of a business mentor program and a business association however these were only small component of the work required to support businesses. The recovery for 2017/2018 were designed and targeted to address the above business concerns.

What we did

Business Mentors

The business mentor program was run through the regional business partnership program. Ministry of Business, Innovation and Employment has been providing capability development funding to Canterbury Employer Chamber of Commerce (CECC) to undertake free trainings in Kaikōura.

Business Association

\$30,000 of government funding was provided to set up a business association in October 2017. CECC was contracted by KDC to develop a business plan and implement a business association in Kaikōura. The work is ongoing to set up a business association.

Major projects for 2017/2018

Container Mall

The container mall was a major recovery commercial project that supported by economic recovery. Economic recovery completed the building consent documentation for the initial development,

²⁵ PM10 is particulate matter 10 micrometres or less in diameter, including dust, pollen and mould spores.

requested mayoral fund support and obtained \$35,000 in-kind funding support from NCTIR/NZTA for the “green space”.

The project was commended by Ministry of Business, Innovation and Employment.

Hospo Project

The Hospitality (“Hospo”) Project started in May 2017 with 22 local business involved and approximately \$4.5 million dollars going back into the local economy.

The project’s impact expanded beyond economic benefit:

- Businesses had to work together to execute the contract, creating a more cohesive industry.
- Through working together, economies of scale were achieved with the purchase price of some products decreasing by 40%.
- Business owner mental wellbeing was supported as the project provided a substitute for the loss of market caused by the road isolation.
- Workers were provided with opportunity to integrate into the local community.
- The Project broke down barriers between locals and the Village. If the project had not gone ahead, it would have been harder for the community to accept the Village being built.

Grants program

The Business recovery grants program started in May 2016 and continued until 15 December 2017. Through this program 20 businesses received a grant with 19 being declined. As part of this program, the business grants assessor was in Kaikōura on a fortnightly basis working with economic recovery. MBIE also provided a senior advisor to visit Kaikōura on a monthly basis to assess the needs of businesses and to continually understand the ongoing business concerns.

Events and road closure management

Economic recovery worked closely with the NCTIR executive team in ensuring that the SH1 south and inland road would be open for major events in Kaikōura. This included The Hop, Seafest and Kaikōura races.

Insurance Management

Economic Recovery worked with the insurance council, MBIE and Christchurch NZ on managing commercial insurance issues. Insurance management support was provided by ChristchurchNZ who worked with a number of business and their insurance companies to finalise payments.

Core projects

Economic Recovery has been facilitating a number of community driven projects to create large scale core projects.

Level of service performance measures

	2015/2016 Actual	2016/2017 Actual	2017/2018 Target	2017/2018 Actual
The number of visitors to the district	197,767	113,647	160,000 or more	151,288
The number of visitors who stayed overnight	338,251	220,217	250,000 or more	304,539

The average number of days visitors stayed	1.71	1.9	1.6 days or more	2.01
The percentage of tourism operators in the district who are environmentally accredited	23	Not available	18%	Not available

Community Grants & Events

Goals & objectives

Increase sport, cultural, environmental and educational opportunities.

Key Issues in 2017/2018

Each year the Council grants funding to several local organisations so that they can carry out their day to day operations, and cover salaries and other expenses that are usually ineligible for funding from other sources. The Council also administers several government grant schemes, such as Creative Communities, and the SPARC Rural Travel Fund. Our community grants administration needed to be tidied up as we were very busy with other recovery issues post-earthquake.

What we did

We employed a resource to take over the grants administration to deliver a professional service to community groups, individuals and organisations. This helped support the promotion of the funding opportunities and fostered community engagement and participation.

Major projects for 2017/2018

We employed a full time co-ordinator with external funding to support drive community wellbeing with community driven and focussed events.

Funding Impact Statement: District Development

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	124	127	233
Targeted rates	374	398	485
Subsidies & grants for operating purposes	17	17	168
Fees and charges	5	5	(2)
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	520	547	884
Applications of operating funding			
Payments to staff and suppliers	473	482	701
Finance costs	2	1	-
Internal charges and overheads applied	38	54	128
Other operating funding applications	-	-	-
Total applications of operating funding (B)	513	537	829
Surplus/(deficit) of operating funding (A-B)	7	10	55
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(8)	(11)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	(8)	(11)	-
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)	55
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	(1)	(1)	55
Surplus/(deficit) of capital funding (C-D)	(7)	(10)	(55)
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)	513	537	829
Expenditure per Note 1			829

Earthquake Event

Sub Activities:

Caring for the displaced (completed 2016/2017)
Emergency response (completed 2016/2017)
Horizontal Infrastructure Rebuild
Natural hazards
Harbour remediation & other facilities

Goals

Lead the District's recovery and rebuild programme following the 7.8 magnitude earthquake of November 2016 and subsequent aftershocks. Build cost-effective and easily accessible infrastructure, transport networks, housing and buildings which are able to withstand weather events, flooding, tsunamis, earthquakes and landslides.

From the Reimagine Kaikōura Recovery Plan

Horizontal Infrastructure Rebuild

The horizontal infrastructure rebuild programme covers council owned infrastructure that was damaged in the November 2016 earthquake relating to the following asset classes:

- Roading and structures
- Three waters (stormwater, wastewater and water supply).

The overall programme estimate of the damage to the above infrastructure is \$39.5M and is anticipated to be completed by June 2020.

Key Issues in 2017/2018

With the emergency response phase completed, the focus for financial year 2017/18 was to transition to a planned and controlled rebuild programme delivery. The extent of the damage was still not fully understood at the start of the year. A priority focus was therefore to get greater certainty for the rebuild funding partners around both the scope and cost of the full programme.

Once a rebuild estimate had been signed off by the governance body in November 2017 (\$39.5m) the focus shifted to ensure that fit for purpose delivery arrangements were established for undertaking a major works capital programme. There was also a need to ensure some of the major capital projects advanced into design in order to achieve the overall programme timelines. At the same time, it was important to ensure that all of the networks continued to operate and that any critical repairs were undertaken through our maintenance contractors.

What we did

The Rebuild Steering Group (RSG) was established in May 2017 to provide governance and oversight of the rebuild programme. This group includes senior representation from all the major funding partners (New Zealand Transport Agency (NZTA), Ministry of Civil Defence and Emergency Management (MCDEM) and Kaikōura District Council (KDC)). The group works collaboratively to make best for programme

decisions. A dedicated rebuild programme management team was also established within KDC for a fixed term. These resources are jointly funded for the duration of the programme.

Further asset investigations to fully understand the scope of the damage were undertaken in the form of CCTV of the wastewater networks, leak detection on the water supply network, full inspections of roads and infrastructures and key bridges. This was used to further inform and develop the overall rebuild programme estimate that was signed off by the RSG in November 2017.

Significant work was undertaken with the funding partners to understand the financial envelope of the programme and to clearly define what scope is eligible under emergency funding rules and what is not. Insurance settlements were also reached with KDC's insurers with regard to above and below ground assets. This has resulted in a greater level of confidence in the financial contribution for each funder.

A procurement strategy for rebuild programme delivery was developed and approved by the RSG and a professional services panel of two firms (Stantec and Jacobs) was established to undertake all of the design work for the programme. Work to establish a physical works panel for undertaking major capital three waters related work was also started to ensure the panel is in place in time for delivery of the major projects once design has been completed.

Some major projects within the programme were advanced into options development and then the various stages of design. These included the Lyell Creek sewer replacement, the aeration lagoon at the wastewater Treatment Plant (WWTP), the five bridge replacement package (Hawthorne, Gillings, Rorrison, Evans and Scotts) and a business case process was established for the Clarence Valley access project.

Some critical works were also undertaken across the networks using our existing maintenance contractors. In terms of roading this included the reseal of Mt Fyffe Road, significant culvert replacements and extensive work in the Puhī Puhī and Blue Duck valley. Other minor works were also undertaken across the network. In terms of the three waters networks some critical repairs were undertaken to Ocean Ridge reservoir, various pump stations on the wastewater networks as well as critical reticulation repairs identified through the CCTV and leak detection work.

What we planned to do but didn't

There has been a significant underspend as reflected below in the rebuild programme this year compared to the Annual Plan budget. This is predominantly as a result of the need to ensure the programme was fully defined and funding secured and in place, as well as needing to establish programme delivery arrangements to undertake both design and physical works.

The original Annual Plan budget had identified significant construction spend for some of the major projects including the five bridges, Lyell Creek sewer, Fords water reservoir and the aeration lagoon. All of these projects have advanced through options development and design but it was unrealistic to achieve construction this financial year given that there were no delivery arrangements in place for either design or construction at the start of the year. All of these projects will commence construction in financial year 18/19.

Major projects for 2017/2018

Project	Planned \$	Spent \$	Comment
Roads & bridges			
Bridge replacements	1,815,740	288,747	Design commenced
Road rehabilitation	970,000	422,525	Mt Fyffe Road and other road reseals
Culvert replacements (including Puhi Puhi and Blue Duck valleys)	650,000	801,112	Puhi Puhi, Blue Duck, Clarence & Kekerengu valleys, and Kaikōura Flats
West End Carpark repairs	50,000	-	Deferred
Traffic services	-	9,642	Signs, road markers, etc.
Emergency repairs (not capital)	619,432	1,200,720	Earthquake repairs
	4,105,172	2,722,746	
Water supplies			
Kaikōura urban pipe renewals	1,000,000	156,286	Completion Mt Fyffe water main
Kaikōura urban reservoirs	1,050,000	55,265	Assessments and concept designs for Fords and Peninsula reservoirs
Kaikōura urban bore renewal	50,000	20,415	Concept designs
Ocean Ridge reservoirs	30,000	8,041	Concept designs
Peketa bore renew/replace	150,000	-	Yet to be completed
East Coast reservoir renew/replace	-	27,760	Replaced concrete tank
Leak detection (not capital)	68,000	16,500	
	2,348,000	284,267	
Wastewater/sewerage			
Aeration lagoon replacement	1,254,170	102,443	Design fees
Pump stations replacements	1,512,500	118,396	Gillings Lane & Esplanade switchboards, Totara Lane major repairs and design
Pipes and manholes renewals	633,330	244,378	Lyell Creek sewer rehabilitation and design fees
CCTV investigations (not capital)	151,000	215,177	
Emergency repairs (not capital)	212,000	156,183	
	3,763,000	836,577	
Stormwater			
Manholes and structures	381,160	-	
CCTV investigations (not capital)	450,000	3,046	
Emergency repairs (not capital)	-	20,442	
	831,160	23,488	
Total rebuild programme 2017/2018:	11,047,332	3,919,530	

Level of service performance measures

There were no specific level of service performance measures established in the Annual Plan for 17/18. The rebuild programme is being measured against safety, time, cost and quality. Specific performance measures have been added to the Three Year plan for 2018-2021.

Safety: There were one significant incident relating to the rebuild programme work in 17/18 with a sub-contractor truck roll in the Puhi Puhi valley. There were no major injuries and a full investigation was undertaken and reported. KDC safety requirements have been defined in the professional services and physical works panel contracts and are being actively reported against.

Time: the overall programme is scheduled to be completed by June 2020. Despite the underspend for 17/18 the programme is still on track for completion by then with all major projects entering into construction in financial year 18/19.

Cost: The rebuild programme estimate approved in November 2017 by the RSG was for \$39.5M. This is being used as a baseline to track against each month. As of the 30th June 2018 the most likely programme estimate was \$38.7M.

Quality: There have been no major non-conformances with regard to rebuild work. Where any quality issues have been identified they have been addressed by the contractors. KDC quality requirements have been defined in the professional services and physical works panel contracts and are being actively reported against.

Natural Hazards

Key Issues in 2017/2018

The Earthquake Recovery activity and the recovery team have been established for a finite period of time, up to two years, and work with funders (NZTA, Ministry of Civil Defence & Emergency Management, and insurers) to streamline the rebuild work. The key focus has been ensuring sufficient measures are in place to provide for the lifting of the Transitional Period post the November 2016 earthquake and Civil Defence State of Emergency.

Post-earthquake “rapid post disaster building usability assessments” were undertaken. These assessments included both geotechnical and structural assessments of buildings and resulted in a number being considered unsafe to reoccupy. Once the transitional period was lifted no legal method existed to prevent reoccupation of building under the CDEM Act 2016.

To ensure safety for residents and the general public, detailed geotechnical assessments were undertaken to determine if occupation of buildings was appropriate. Section 124 notices were issued under the Building Act 2004 in November 2017 for 16 buildings considered to be at an unacceptable level of risk from geotechnical hazards.

This action resulted in a number of property owners being “stuck”, with buildings being unsafe to occupy due to potential risk to life and insurance being insufficient due to limited actual damage. Given the current financial resources of the council, we were unable to provide financial support to property owners.

What we did

We sought to keep ratepayers informed of the changes which were happening with regard to natural hazards. We sought support from Central Government to assist. In May 2018, Government announced \$1.5 million to assist us with addressing natural hazards. Those funds have not yet been received.

Through Reimagine Kaikōura we sought to improve understanding of natural hazards within the district. We also wanted to keep ratepayers informed as much as possible. The changing nature of science, however, and the time taken for research to be undertaken alongside the uncertainty if funding would be received to support landowners, often resulted in sparse information being available to our community and property owners.

Kaikōura District Council has received funding assistance from government to enable us to conduct assessments of natural hazard risks. During this financial year, staff have been working with Central Government and other agencies reviewing earlier geotechnical assessments of earthquake-related land damage and geotechnical hazards.

The new technical assessments were informed by a reduction in the likelihood of earthquakes, and knowledge gained from recent severe weather events, provided a new understanding of these hazards.

New information indicated a reduced level of risk from geotechnical hazards across the region. In addition to information gathered from ongoing geotechnical assessments, the change is largely due to two factors:

- *GNS seismic hazard modelling shows significantly reduced risk of another earthquake*
A year ago, GNS modelling predicted a 40 per cent probability in the next year of another earthquake that would cause ground shaking and small-scale rock fall and landslips on steep slopes. That probability has now dropped to around 10 per cent in Kaikōura – almost back to the level it was before the earthquake.
- *Severe weather events tested properties where hazard notices were issued*
Three significant weather events have hit Kaikōura in recent times, testing the stability of slopes in heavy rainfall. The remnants of cyclones Debbie, Cook and Gita caused severe rainfall and large slips across the region. However, no significant further damage occurred to properties issued with geotechnical hazard notices. Experts have used this information as part of new assessments.

Staff are still working towards achieving the most equitable outcome for everyone involved.

This has been a long process and that property owners – many facing insurance and financial challenges – want to understand their options. Council has been working through the process as quickly as possible given the complexity of the issues.

Major projects for 2017/2018

Project	Planned \$	Spent \$	Comment
Other projects (not capital):			
Geotechnical investigations	168,000	177,427	
Response & recovery team	114,950	87,594	
Mayoral earthquake relief hardship grants	100,500	59,319	
Earthquake recovery (facilities) projects	46,500	57,487	

Recovery events coordination	-	46,225
Mental health & wellbeing recovery	-	35,970
External rebuild & recovery advisors	110,000	222,937
	539,950	686,959

Level of service performance measures

There are no level of service performance measures specified in the Annual Plan, other than reference to the Kaikōura Recovery Plan issues, opportunities and actions. The Recovery Plan sees an opportunity to improve the understanding natural hazards in the district. To achieve this, we are intending to publish information documents about natural hazards in Kaikōura and how to deal with them.

Many of the science projects associated with the earthquake and funding by Central Government span a number of years and Council is yet to receive this information. Council has also contracted a number of experts to gain an understanding of hazards associated with the earthquake. No level of service performance measure exist in relations to these matters.

Harbour remediation and other facilities

Key Issues in 2017/2018

The South Bay Marina provides a seawall, slipway, fuel facility, public toilets, boat wash down area, and parking for buses, cars, trailers and boats. This area provides the base for Kaikōura's key visitor activities such as whale watching, dolphin swimming and fishing charters. On the northern side of the peninsula, the North Wharf and Old Wharf are utilised (albeit to a lesser extent) by commercial fishers. The November 2016 earthquake lifted the seafloor, rendering the inner harbour facilities unusable.

What we did

Harbour dredging and remediation works, starting in 2016/2017, and finishing in 2017/2018, cost \$7.74m, funded by \$5.72m from the Crown and the balance \$2.02m loan funded by the Council. Although the harbour officially re-opened in November 2018 dredging work within the harbour and the installation of the navigational beacons was finalised in May 2018. The harbour was officially blessed and reopened on 14 November 2017; one year on from the earthquake.

A Governance group comprising Chief Executives from ECan and Kaikoura District Council and the National Recovery Manager provided the governance and oversight to ensure the works were completed timeously and close to the original budget.

Work delivered included:

- dredging the Harbour and the Coastguard slipway to return the seabed to pre-earthquake usability, thereby allowing emergency services and commercial vessels to enter/exit the Harbour during all tidal conditions
- repairing wharves and jetties to allow commercial operators to load/offload passengers
- One enhancement which was to be funded from the commercial operators included the construction of a tender jetty

The Kaikoura Harbour Remediation project won an award in the SOLGM Local Governance Excellence Awards for the **Collaborative Government Action** award.

Safe and appropriate marine facilities are critical for Kaikōura's social and economic wellbeing. ECan partnered with Kaikoura District Council, the Ministry for Civil Defence and Emergency Management, and Ngāi Tahu to initiate a harbour remediation project with the objectives of 'immediately returning the harbour to safe operation at as close to previous capacity as practicable, and preserving its capacity as a critical lifeline for the community'. Rapid initiation of the work was critical and we worked together with our local and central government and iwi partners to enable early action to mitigate key risks:

- ECan commissioned a survey and report on remediation options, scope and indicative cost
- the Ministry for the Environment drafted and Parliament passed the Earthquakes Emergency Relief Act, ensuring that work could be undertaken without undue delay
- ECan funded the \$0.2M scoping study; the Department of Prime Minister and Cabinet then confirmed funding of \$5.72M
- KDC provided local leadership in engagement with concerned harbour users and stakeholders.
- The NCTIR Alliance were contracted to deliver the project.

This was clearly not a planned project within Councils' LTPs; however it strongly aligns with ECan's vision 'to facilitate the sustainable development of the Canterbury region.'

What we planned to do but didn't

Stakeholder financial contributions to the harbour remediation work are yet to be received from the harbour stakeholders. This will be finalised with them as part of the renegotiation on the seawall licences.

Major projects for 2017/2018

Project	Planned \$	Spent \$	
Replacement of existing assets			
Harbour dredging and restoration ²⁶			The South Bay harbour was officially blessed and reopened on 14 November 2017; one year on from the quake
Capital work:	7,200,000	6,877,084	
Operating expense:		866,142	
Public toilets major repairs	100,000	5,908	Jimmy Armers Beach initial repairs
Memorial Hall major repairs	110,500	-	Designs underway for a major upgrade
Airport hangar major repairs	180,000	-	The hangar has been found to have structural deficiencies
Other buildings major repairs	180,000	-	Designs and options underway
	7,770,500	7,749,134	

²⁶ Includes work carried over from 2016/2017

Funding Impact Statement: Earthquake event

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	-	-	386
Subsidies & grants for operating purposes	-	-	2,971
Fees and charges	-	-	71
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	1
Total operating funding (A)	-	-	3,429
Applications of operating funding			
Payments to staff and suppliers	-	-	3,660
Finance costs	-	-	30
Internal charges and overheads applied	-	-	22
Other operating funding applications	-	-	-
Total applications of operating funding (B)	-	-	3,712
Surplus/(deficit) of operating funding (A-B)	-	-	(283)
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	5,738
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	268
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	5,050
Total sources of capital funding (C)	-	-	11,056
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	7,642
Increase/(decrease) in reserves	-	-	3,132
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	10,774
Surplus/(deficit) of capital funding (C-D)	-	-	283
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)			3,712
Plus depreciation			2
Expenditure per Note 1			3,714

Kaikōura Hospital

During the 2016/2017 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 Kaikōura Hospital.

As a result, the Council was able to repay the Kaikōura Hospital loan, and there were no further expenses to incur for the Kaikōura Hospital activity.

In the Council's Three-Year Plan 2019-2022, the Kaikōura Hospital no longer features as an activity.

Funding Impact Statement: Kaikōura Hospital

For the year ended 30 June 2018

	2016/2017 Long Term Plan \$000	2017/2018 Long Term Plan \$000	2017/2018 Actual \$000
Sources of operating funding			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	268	260	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
Total operating funding (A)	268	260	-
Applications of operating funding			
Payments to staff and suppliers	-	-	-
Finance costs	143	135	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
Total applications of operating funding (B)	143	135	-
Surplus/(deficit) of operating funding (A-B)	125	125	-
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(125)	(125)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated funding	-	-	-
Total sources of capital funding (C)	(125)	(125)	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	-	-	-
Surplus/(deficit) of capital funding (C-D)	(125)	(125)	-
Funding balance ((A-B) + (C-D))	-	-	-
Reconciliation			
Total application of operating funding (B)			-
Expenditure per Note 1			-

Other Information

Kaikōura Enhancement Trust

Kaikōura 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 Kaikōura 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 Kaikōura 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 Kaikōura 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 Kaikōura Ltd

Innovative Waste Kaikōura 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 Kaikōura 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 Kaikōura.

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 2018, and actual performance is reported on the following page.

Innovative Waste: Statement of Service Performance

For the year ended 30 June 2018

Target	Performance target to achieve the output	Achievements as at 30 June 2018
Client satisfaction	Maintain current level of client satisfaction through annual survey	<p>Kaikōura District Council conducts an annual survey, which covers the Resource Recovery Centre, 3 Waters activities and Public Toilets.</p> <p><u>Not achieved</u></p> <p>The resource recovery centre achieved a percentage of 59% for 2018 (2017 result 69%) Stormwater drainage achieved a percentage of 41% (2017 result 46%) Public Toilets achieved a percentage of 56% (2017 results 60%)</p> <p><u>Achieved</u></p> <p>Sewerage achieved a percentage of 63% (2017 results 56%) Water Quality & Supply achieved a percentage of 57% (2017 results 48%)</p> <p>Note: 2017 results were adjusted to align with new methodology. 2017 results included neutral responses whereas the adjusted 2017 results include only “satisfied” and “very satisfied” responses Stormwater drainage responses include Roding stormwater drainage.</p>
Service Performance	<p>Monthly meetings with the Council CEO, Team Leader Operations and District Planner to discuss contract performance on Solid Waste, Roding, Three Water and any other Council related services. For all activities provide service delivery without exceeding budget.</p> <p>Provide all relevant information to Council to report annually on compulsory performance benchmarks.</p> <p>Establish and encourage Community to be involved in Restoration Station.</p>	<p>Monthly meetings were initiated with the KDCs Asset Manager and contract engineers in January 2018.</p> <p>No official budgets set, however all activities have been undertaken within the fiscal envelope. Of the 19 reporting measures that IWK are responsible for, we have been able to report on 11 of these as no time of call, time to site and time of resolution to Service Requests for 3 Waters activities has been recorded.</p> <p><u>Not achieved</u></p> <p>The Restoration Station did not eventuate, as there was a lack of interest within the community.</p>

Health & Safety	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates	<u>Not Achieved</u> The TRIF rate for 2017/18 was 28.98 (6 TRI x 200,000/41406 (hours worked)).
Staff Engagement	Maintain current level of staff satisfaction through annual survey	<u>Not Achieved</u> To be conducted.
Growth in service provision for the Council	Review the ability to efficiently deliver additional services for the Kaikoura District Council	<u>Not achieved</u> No review was undertaken.

Maori Participation in Decision Making

The council is fortunate to have a positive relationship with Te Runanga o Kaikōura, and communication between both parties is open, frequent, and participative.

These committees are supported by Iwi representation.

Kaikōura Water Zone Committee

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



K A I K O U R A
TOO GOOD TO WASTE