

Kaikōura District Council  
**Annual Report**  
for the year ended 30 June 2019



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



All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

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Cover image: "Kaikōura Uplift" by Philip Jones



All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...

	provide suitable infrastructure.		improve quality of life.		meet the needs of our community.		improve the local economy.		value the environment + biodiversity.		have community participation.
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# General Information

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ....



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## Kaikōura: a great place to live

The Kaikōura district spans from the Haumuri Bluffs in the south to North of the Kēkerengū 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.

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

The spectacular coastline provides excellent fishing, sporting and recreation. 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. Māori legend tells that it was from this peninsula that Maui fished up the North Island from out of the ocean. Māori history and culture is an integral part of Kaikōura, and there is evidence of Māori settlement in the area up to 1,000 years ago.

Our District*	
Population	3,912
Rateable properties	2,976
Total rating units (includes non-rateable properties)	3,238
Total capital value of district	\$1,591,177,000
Total land value of district	\$948,757,100

\*as at 30 June 2018

Our Council~	
Represented by	1 Mayor & 7 elected representatives
Total equity	\$186,270,298
Total assets	\$193,362,682
Number of staff	39.9 FTE
Utilities & services	1 Landfill 8 Public water supplies 1 Sewerage system

~as at 30 June 2019





## 2018/2019 Highlights and achievements

### Becoming more efficient, effective and financially sustainable, we...

- borrowed less than budgeted and used surpluses to reduce debt.
- began work to reduce borrowing costs by joining the Local Government Funding Agency.
- processed 30% more invoices than the previous year.
- undertook a series of stock takes assessing and looking for optimisation of revenue and expenditure as part of the Financial and Corporate Sustainability review.

### Rebuilding and improving our infrastructure and facilities we...

- secured approximately \$4.9M Crown and NZTA funding for earthquake related work.
- began the rebuild of the Lyell Creek sewer, five bridges and the replacement of the Ford Reservoir.
- reroofed four of the pensioner flats and two of the interiors refurbished.
- replaced the Jimmy Armers toilet block
- carried out safety improvements at the airport.
- secured \$750,000 of Lottery Earthquake Fund funding to repair and improve the Memorial Hall.
- began the repair of Memorial Hall and the Cuddons building.
- Worked with Innovative Waste Kaikōura to carry out waste services. This included dealing with 30% more waste than pre-earthquake levels while maintaining just over 50% diversion.

### Improving our services and performance, we...

- dealt with 1,195 customer service requests, 108% more than the previous year.
- met or exceeded over two thirds of our performance measures.
- digitised library services
- continue to support homeowners to resolve insurance, rebuild and repair issues

- achieved a 6% improvement in overall satisfaction with the Council.
- achieved a 14% increase in satisfaction with the Council's response to requests for service and complaints.
- achieved 18% increase in satisfaction with Council meetings/committees.
- carried out major work on three of our water schemes, prioritising for risk and urgency.
- processed 107 resource consents
- issued 340 building consents
- undertook 2,259 building inspections
- dealt with 102 complaints about dogs

### Contributing to a new swimming pool, we...

- brought together all work so far into a Working Group.
- helped set up the Kaikōura Community Charitable trust to lead a 4 year multi-million-dollar project to build a new indoor Aquatic Centre.
- agreed to provide land at Scarborough Street recreation reserve.
- agreed to provide \$1million capital contribution.

### Working towards a Responsible Freedom Camping Bylaw, we...

- trialled new free sites over summer 2018/19, significantly changing campers behaviour.
- agreed to develop a bylaw aiming for the summer of 2019/2020.

### Partnering with Te Rūnanga o Kaikōura, we...

- agreed to co-fund a Cultural Liaison role with Te Rūnanga o Kaikōura
- agreed to work in partnership towards protecting and enhancing the Kiwa Road/ Mangāmāunu area
- invited iwi representatives onto the following groups: Responsible Camping Working Group, and Waste Steering Group



## From the Chief Executive

This year we focused on taking a sustainable approach to improving our services, protecting, enhancing and developing our District and working with our community, our Treaty partners and our visitors and investors.

### Improving our services

A key focus this year has been on improving how we manage and deliver our services. Despite a number of challenges, we have made good progress in several key areas and I believe we can be justifiably proud of what our work and our partnerships and relationships has achieved.

Efforts and improvements made this year mean we can report actual performance across 50 more performance measures than we were able to last year. Evidence shows we met or exceeded more than two thirds of our performance measures this year.

Findings from the Community Satisfaction and Wellbeing Survey from February 2019 also showed a small but significant (6%) improvement in satisfaction with the Council and satisfaction improvements in several key service areas.

I am pleased to be restoring the Council's ability to hold itself to account by reporting performance accurately, and to be taking positive steps forward including;

- Enhancing and supporting community networks, projects and groups through advocacy and support.
- Beginning changes to improve how we manage our roading network including building capacity in our operations and developing a new road maintenance contract.
- Being among the first local authorities on the South Island to provide an online building consent application service
- Upgrading the resource recovery centre and the landfill equipment with funding from the Ministry for the Environment.
- Helping inform MBIE's decision to repurpose 4 of the 7 Temporary Accommodation units to community housing, providing more housing to those in our community most in need.
- Passing the Ministry of Primary Industry audit for our food verification services.
- Our communications team winning a national award for excellence in response and recovery communications

The survey also indicated that residents were feeling more positive than the year before with two thirds agreeing quality of life was improving. Awareness of support services had improved as had confidence that businesses would remain open.

Seeing progress over the year both within our Council and in our wider community is heartening.

### Protecting, enhancing and developing our District

Work to understand what the most recent science could mean for our building and development regulations through the district plan is well underway. This work will help inform decisions about where and how we allow future development and how our community plans for natural hazards like floods and earthquakes.

The Council also reviewed the benefits and costs of future options for our rapidly-filling landfill. Decisions to close the landfill and convert it to a transfer station at the existing site were made alongside starting work to refresh our Waste Minimisation and Management Strategy and Action Plan. Together these two projects, aim to restart the conversation in Kaikōura about waste and help us map out a sustainable future.

Work underway on a Responsible Freedom Camping Bylaw is expected to assist efforts to protect vulnerable areas of our district from environmental damage.

While the immediate impact of the earthquake saw the District geographically isolated and severely impacted tourism and international spend in 2017/2018, the local economy grew over 2019.

The combination of the State Highway opening, ongoing large scale infrastructure activity, remediation of harbour and significant ongoing marketing campaigns re-iterating that Kaikōura is open for business summer resulted in the 2019 tourism season rebounding to pre-earthquake levels. Substantial ongoing Crown investment also ensured increased resilience was built into SH1 over 2018/2019.

This year consents were granted and building began on a new 4.5-star, 118 bed Sudima hotel. Due to open by December 2020 offering a restaurant/bar, conference facilities, gym and pool, the hotel is expected to be a



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welcome further economic boost for our small community

### Financial position

Aside from variances caused by slower than expected progress on the infrastructure rebuild, the Council’s revenue streams have been largely on track with budget

The significant causes of difference in revenue were caused by:

- Slower than expected earthquake rebuild progress saw delays to claims by the Council from the Crown and NZTA resulting in revenue of \$18.425 million against budgeted revenue of \$30.423 million.
- Several grants received in the 2019 financial year remained partially unspent as at 30 June and remain as revenue in advance.

Overall expenditure of \$16.6 million was \$871k less than budget.

The significant causes of differences in expenditure were caused by;

- Negotiations towards settlement agreements for landowners affected by significant changes to natural hazard risk are progressing well however \$355k was spent on natural hazard settlements in 2018/2019 (\$1.2 million less than budgeted). Settlements continue and should all be finalised by December 2019.
- A portion of “business as usual” maintenance work (notably on water schemes and the roading network) was rescheduled to allow alignment with earthquake related work.
- A positive e-coli test from within the Kaikōura urban water supply triggered a compulsory boil water notice. Intensive investigations into the source, including flushing and cleansing Fords Reservoir and related activities cost \$173,000 (unbudgeted spend).

The asset valuations for roading, three waters, land and buildings as at 30 June 2019 significantly increased the Council’s carrying values for property, plant and equipment, in turn increasing equity through the asset revaluation reserves.

To allow the Council to bring the landfill closure and replacement forward a number of years and allow for expected expenses, landfill aftercare provision increased by over \$0.8 million.

In total, borrowings are \$7.74 million lower than budgeted. The Council used some of its available cash to repay debt.

The financial operating result for the year to 30 June 2019 was a sound \$4.48 million surplus, against a budgeted surplus of \$12.91 million.

### Working toward financial and corporate sustainability

As a Council we continue to face financial challenges and look forward to the results from the Financial and Corporate Sustainability review which will present incoming Councillors with significant decisions to make in late 2019.

The review has made good progress. A series of stocktakes assessing and looking for optimisation of revenue and expenditure were undertaken.

This included assessing infrastructure assets, Council services and the performance, costs and revenues associated with Innovative Waste Kaikōura Ltd and the Kaikōura Enhancement Trust – our Council Controlled Organisation’s. A 12-year financial plan (2019 – 2031) is under development.

The outcomes of the review are expected to recommend changes to the way services are delivered to meet future demands.

### Thanks and appreciation

2018/2019 has been a challenging year but our small team has achieved many big steps forward.

I would like to thank my team at the Council, the outgoing Councillors and especially outgoing Mayor Winston Gray for their commitment and hard work. As the Council continues to rebuild, repair and plan for the future of Kaikōura, I continue to strive to remember that decisions made today we make not only for ourselves, but for our future generations.



I remain confident that together we are putting our district on track not just for future sustainability but for future success.

Angela Oosthuizen  
Chief Executive Officer

## Auditor's 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 2019

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's reported information reflects difficulties faced by the Council in accounting for damage caused to its assets and reporting its 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 earthquake on property, plant, and equipment**

Our audit report on the 30 June 2018 financial statements was qualified because there were significant uncertainties in relation to the earthquake damage sustained by the Council's building and harbour assets. Additionally, the Council was unable to appropriately distinguish whether repair costs incurred during the 30 June 2017 financial year were an operating expense or capital improvement. Since all repair costs incurred during the 30 June 2017 year were expensed, there is uncertainty 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.

During the current financial year, the Council revalued its infrastructural assets and buildings to fair value for the first time since they sustained earthquake damage and we are satisfied their revalued carrying amounts as at 30 June 2019 are fairly reflected in the financial statements. However, any misstatement of property, plant and equipment assets as at 30 June 2018 due to the uncertainties explained above would consequentially affect the asset impairment and asset revaluation movements recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2019.

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

- the carrying value of property, plant, and equipment in the statement of financial position as at 30 June 2018;
- the impairment reversal and asset revaluation movement for the 2018 and 2019 years that have been recognised in the other comprehensive revenue and expense section of the

statement of comprehensive revenue and expense, note 7, and the statement of changes in equity; and

- the impairment losses (included in losses) and impairment reversals (included in gains) for the 2018 and 2019 years that have been recognised in the surplus/(deficit) section of the statement of comprehensive revenue and expense and note 7.

In our opinion, except for the effects of the matters explained above:

- The financial statements on pages 72 to 121:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2019;
    - 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 128, 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 21 to 67, 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 21 to 67, 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 three-year 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 17, the Council's performance information reporting has been affected by the continued impact of the earthquake and the introduction of a new customer service request system. This has resulted in the Council not having sufficiently reliable systems and processes in place during the year to accurately report on a number of performance measures. Consequently, 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 2018 Council Activities, which are presented as comparative information in the 30 June 2019 Council Activities, because of the disruption 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 explained above, the Council Activities on pages 17 to 67:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, 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.

### 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 three-year 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 122 to 127, 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 three-year plan and annual plans.

However, we draw attention to the fact that the benchmark results and Schedule 10 disclosures for the 2017 to 2019 years were compiled using figures from the audited financial statements and statement of service provision, which we issued modified audit opinions on.



## 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 8 and 132-135 but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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 18 December 2019, and this is the date on which we give this report.



## Statement of Compliance

The Council and management of 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 date of the Annual Report.

Section 98 of the Local Government Act (2002) requires the Council adopt its annual report within four months of 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 2019.

The Council and management of Kaikōura District Council accept responsibility for the preparation of the annual financial statements and service performance reports, and the judgements used in them.

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

The annual report was adopted on 18 November 2019.



Angela Oosthuizen  
Chief Executive  
18 November 2019



Craig Mackle  
Mayor  
18 November 2019

# Council Activities



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meet the needs of our community.



improve the local economy.



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## What we do: Our groups of activities

The Council delivers a range of services on behalf of the community. This section reports on those services, what we planned to do, what we did and our key projects.

The Council delivers core services as required by the Local Government Act 2002. It also delivers 'public good' services undertaken with the support of residents and ratepayers. Our services are grouped into 12 activity groups.

### Across these groups this year, the Council achieved 78 out of 114 performance measures (69%).

In the first two financial years following the earthquake, disruption to data sources and monitoring systems and challenging workloads meant the Council was only able to report on actual performance measures for 30%, then 36% of our performance measures.

This year, the Council was able to accurately report on only 55% of its performance measures (63 of 114). This is the result of continued impact of the earthquake, introduction of a new customer service request system, and new measures added in the Three-Year Plan.

For the remaining performance measures, 26 measures were incomplete (part-year, part area, or only KDC results excluding contractors). An estimate of performance was used for one measure. In 24 cases no result was available or the measure was not applicable.

Where measures are only estimates, they are marked as estimates and relevant footnotes are added to explain how estimates are calculated.

As part of its' annual survey this year, the Council also began measuring community perception of progress towards 6 community outcomes

64% of respondents are satisfied that their quality of life is improving.

47% agreed that our community participates in decisions and planning.

49% agree that our district is economically diverse, attractive to investment and provides certainty for business and employment.

47% are satisfied that infrastructure, housing and facilities are easily accessible, cost effective and able to withstand natural hazards.

68% agree that our community is resilient, safe and well, and has their essential needs met.

58% believe our community disposes of waste sustainably.

66% agree that our community values, protects and enhances Kaikōura's unique natural environment and biodiversity.

Year	Number of measures		
	2016/2017	2017/2018	2018/2019
Actual performance measure reported	34	41	63
Estimated performance measure reported	33	3	1
Incomplete performance measure reported	-	24	26
Result not available	47	11	23
Not applicable	1	3	1

Helping Kaikōura move forward from the November 2016 earthquake continues to shape the Council's priorities. This year's top focuses were rebuilding and repairing infrastructure and facilities and delivering and improving essential services.

## Roading

Provide for the safe and reliable movement of people and goods throughout the District, connecting communities and accessing property.

### What we do

The Roothing group of activities includes;

- Roads & bridges
- Footpaths & cycleways
- Streetlights

The Council maintains 205km of local roads and 40 bridges in our district. Approximately half of our roads are sealed. Of the bridges, 32 are single lane and 6 have weight restrictions.

Six single lane bridges are earthquake damaged beyond repair (Glen Alton, Gillings Lane, Hawthorne Rd, Rorrisons Rd, Evans Bridge and Scotts Rd).

Route 70 is under management by NZTA until earthquake repairs are completed.

### Key issues in 2018/2019

Around 30% of the local road network 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.

The number of heavy vehicles using these roads daily has increased significantly, leading to accelerated pavement deterioration, failure and damage. This reduced the level of service on those roads and increased the need for management input.

### What we did

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

The RAMM asset management system was validated during the year. The validation corrected and updated data, improving The Council's knowledge of its roading assets. This will allow better decisions to be made around maintenance and renewal programmes in future.

### What we planned to do but didn't

Several capital projects did not commence as the focus stayed on earthquake rebuild work.

A review of the network found a number of faults, work is now underway to prioritise and plan for remediation.

## Community outcomes supported

	<p>Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.</p>		<p>Residents and visitors enjoy an improved quality of life in our District.</p>
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## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
Upgrades to meet additional demand:			
Minor improvements	100	-	
Upgrades to improve level of service:			
Streetlight LED upgrades	27	16	
Undergrounding power cables	125	-	Mainpower is the lead agency
	152	16	
Renewal/replacement of existing assets:			
Sealed pavement renewals	105	100	
Unsealed pavement renewals	63	88	
Kerb & channel (drainage) renewals	53	45	
Traffic services	12	51	
Footpath renewals	50	-	Deferred due to fibre rollout
	283	284	
Total capital projects	535	300	

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The change from the previous year in the number of fatalities and serious injury crashes on the local road network expressed as a number	-1	-1	+ 1	No
The average quality of ride on the sealed local road network, measured by smooth travel exposure <sup>1</sup>	74%	> 85%	89%	Yes
The average quality of ride on the sealed road network measured by NAASRA roughness <sup>1</sup>	117	< 125	117	Yes
The percentage of customer service requests relating to roading, footpath and associated faults responded to within one week	New	100%	Not available	Not available
The number of customer service requests received about the Council's roading network	New	< 365	177	Incomplete
The number of complaints received due to a service request not being actioned properly	New	< 37	5	Incomplete
The percentage of the sealed network that is resurfaced per annum	0%	> 5%	0.82%	No
The percentage of footpaths that are poor condition (grade 4 or 5)	New	< 10%	5%	Yes
The percentage of streetlights not functioning during an audit of any part of the network	New	< 2%	No audit completed	Not available
The percentage of regulatory road signs incorrect or missing during an audit of the road network	New	0.5%	0% <sup>2</sup>	Incomplete

<sup>1</sup> 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 completed in 2019.

<sup>2</sup> Only a partial audit of the road network was completed. There were no issues with signs within the audited area.

In the table of performance indicators on the previous page, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete. For regulatory road signs, only a partial audit of the road network was completed.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.



## Funding Impact Statement: Roading

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	1,015	940	944
Subsidies & grants for operating purposes	267	1,094	1,019
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	34	35	40
<b>Total operating funding (A)</b>	<b>1,316</b>	<b>2,069</b>	<b>2,003</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	539	1,640	1,341
Finance costs	92	35	8
Internal charges and overheads applied	186	117	282
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>818</b>	<b>1,792</b>	<b>1,631</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>498</b>	<b>278</b>	<b>373</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	349	179	147
Development and financial contributions	14	-	4
Increase/(decrease) in debt	81	77	(240)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>444</b>	<b>257</b>	<b>(89)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	220	100	-
- To improve the level of service	79	152	16
- To replace existing assets	643	283	284
Increase/(decrease) in reserves	-	-	(16)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>943</b>	<b>535</b>	<b>284</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(498)</b>	<b>(278)</b>	<b>(373)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,631</b>
Plus depreciation			785
<b>Expenditure as per Note 1</b>			<b>2,416</b>



## Water services

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

There are eight water supplies in Kaikōura:

- Kaikōura Urban
- Kaikōura Suburban
- Ocean Ridge
- East Coast
- Kincaid
- Fernleigh
- Oaro
- Peketa

The Council is responsible for ensuring that water supplied to consumers is safe to drink. It is also our role to ensure a continuous supply of water, with minimal interruptions, prompt response to service requests, and good consumer satisfaction with water pressure, taste, odour and clarity of drinking water.

### Key issues in 2018/2019

Many of the water supplies intakes are at high risk of contamination as a result of shallow unsecure bores and river intakes and the age of the existing infrastructure. New regulations have been introduced by the Government that requires a multi-barrier (Source, bacteria and viruses, protozoa and reticulation) approach to be implemented for all systems to make sure that the water supplied to consumers is safe to drink.

The earthquake damage sustained to the water infrastructure in Kaikōura has resulted in increased pipe bursts in the network.

Aging infrastructure increases the risk of failures in both the reticulation network and at the facilities. This results in higher risks of overflows. A pump is required for Mackles Bore.

No scheme currently complies with the New Zealand Drinking Water Standards, primarily due to the lack of protozoa compliance. Four schemes

comply with microbiological requirements.

Suburban, Fernleigh and East Coast are currently on boil water notices.

UV Treatment is required for protozoa compliance for the Urban Scheme.

Automatic monitoring and alarm systems need to be upgraded.

Water Safety Plans have been approved for seven out of eight schemes. East Coast is currently on hold. Improvement schedules have been compiled as part of the water safety plans.

### What we did

A new pump was installed at Mackles Bore for the Urban Scheme. Some reticulation renewals were undertaken.

Treatment was upgraded at the Peketa water scheme.

The majority of the Water Safety Improvement schedules were implemented, with additional works still required.

At the Ocean Ridge Scheme, we installed:

- a new reservoir liner
- a new chlorine dosing pump
- a turbidity meter

A positive e-coli test from the Kaikōura urban water supply triggered a compulsory boil water notice. Intensive investigations into the source were carried out. remedial works were then undertaken including flushing and cleansing Fords Reservoir. The response and associated works cost a total of \$173,000 (unbudgeted spend).

Automatic monitoring and alarm systems are being upgraded throughout the network to ensure timely response to system failures. The upgrades will make sure that the vital recordings from treatment facilities are monitored remotely. The

work was initiated in 2018/19 and will be completed in 2019/20.

### What we planned to do but didn't

Additional storage was planned to be installed at the Suburban scheme. This has been offset as a project. Investigations into options for a better intake or an alternative supply are currently underway and will be completed midway through 2019/2020.

UV Treatment was scheduled to be installed at the Urban scheme. This has been delayed to

2019/2020 as the estimated cost allocated in the Three-Year Plan was found to be insufficient once cost estimates were refined. Additional funding will be sought or reallocated for this to be undertaken in 2019/2020.

Capital renewals were not undertaken this financial year. These will be undertaken upon completion of the earthquake rebuild programme of renewals/repairs.

## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
<b>Upgrades to improve level of service:</b>			
Kaikōura water main	54	8	
Kaikōura UV treatment	6	-	
Kaikōura pump at Mackles bore	-	35	
Suburban intake	156	-	
Ocean Ridge	1	14	
East Coast	-	12	New telemetry system
Kincaid intake	6	-	
Fernleigh	6	-	
Oaro	7	-	
Peketa	3	8	
	239	77	
<b>Renewal/replacement of existing assets:</b>			
Kincaid water renewals	22	-	
	22	-	
<b>Total capital projects</b>	<b>261</b>	<b>77</b>	

## Community outcomes supported

	Our community is resilient, safe and well and has their essential needs met		Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.
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provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

## Performance indicators

Water Scheme	Compliant with the Drinking Water Standards?					
	Microbiological Compliant			Protozoal Compliant		
	2017	2018	2019	2017	2018	2019
Fernleigh Rural	Yes	Yes	No	No	No	No
Kaikōura Urban	Yes	Yes	Yes	No	No	No
East Coast Rural	No	No	No	No	No	No
Kincaid	No	No	Yes	No	No	No
Oaro	Yes	No	Yes	Yes	No	No
Ocean Ridge	Yes	No	Yes	No	No	No

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The extent to which the water supply complies with part 4 of the NZ Drinking Water Standards (bacteria compliance criteria)	New	100%	67%	No
The extent to which the water supply complies with part 5 of the NZ Drinking Water Standards (protozoal compliance criteria)	New	100%	0%	No
The percentage of real water loss from networked reticulation systems	Not available	< 30%	Not available	Not available
The average consumption of drinking water per day per resident	Not available	< 200 litres	Not available	Not available
<b>Fault response times:</b>				
Where a local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:				
Attendance for urgent call-outs, from the time that the local authority receives notification to the time that service personnel reach the site	No urgent callouts	< 1 hour	Not available	Not available
Resolution of urgent call-outs, from the time the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	No urgent callouts	< 2 days	Not available	Not available
The <b>percentage</b> of urgent callouts responded to within one hour from the time of notification to the time service personnel <b>attend</b> the site	No urgent callouts	98%	Not available	Not available
Attendance for non-urgent call-outs, from the time we received notification to the time that service personnel reach the site	1 day	< 1 day	Not available	Not available
Resolution of non-urgent call-outs, from the time the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	3 days	< 1 week	Not available	Not available

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
<b>Percentage</b> of non-urgent callouts responded to within 48 hours from the time of notification to the time service personnel <b>attend</b> the site	New	98%	Not available	Not available

For the purposes of the above performance indicators, urgent call-outs include major pipe bursts, and non-urgent call-outs include minor leaks and equipment maintenance.

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
<b>Complaints and requests for service<sup>3</sup>:</b>				
The number of customer service requests received about Council water supply schemes per year	72	< 365	101	Incomplete
The number of complaints received about drinking water <b>clarity</b> , per year per 1,000 connections	0.4679	< 1	0.4591	Incomplete
The number of complaints received about drinking water <b>taste</b> , per year per 1,000 connections	0	< 5	0.4591	Incomplete
The number of complaints received about drinking water <b>odour</b> per year per 1,000 connections	0	< 5	0.4591	Incomplete
The number of complaints received about drinking water <b>pressure or flow</b> , per year per 1,000 connections	0.9359	< 10	1.3774	Incomplete
The number of complaints received about drinking water <b>continuity of supply</b> , per year per 1,000 connections	5.1474	< 5	3.2140	Incomplete
The number of complaints received per year about the Council's response to any of these issues, per 1,000 connections	2.3397	< 37	2	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service requests and complaints results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and there is currently no method for measuring water loss from the system or actual water consumed, and therefore results are not available.

<sup>3</sup> There are 2,178 properties connected to Council-owned and operated water supplies in the district

## Funding Impact Statement: Water services

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	913	1,187	1,173
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	3	4
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>913</b>	<b>1,190</b>	<b>1,177</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	497	779	741
Finance costs	40	52	11
Internal charges and overheads applied	136	282	240
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>674</b>	<b>1,112</b>	<b>992</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>239</b>	<b>79</b>	<b>185</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	23	-	6
Increase/(decrease) in debt	(67)	180	(189)
Gross proceeds from sale of assets	330	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>286</b>	<b>180</b>	<b>(183)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	885	239	90
- To replace existing assets	100	22	34
Increase/(decrease) in reserves	(460)	(2)	(122)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>525</b>	<b>259</b>	<b>2</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(239)</b>	<b>(79)</b>	<b>(185)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>992</b>
Plus depreciation			461
<b>Expenditure as per Note 1</b>			<b>1,453</b>

## Sewerage

Protect the health of the District's residents and environment by providing an efficient and effective means of collecting, treating and disposing of sewage effluent in larger urban communities.

### What we do

This group of activities includes the collection, treatment and disposal of sewage, as well as stock effluent facilities.

The Council operates one wastewater system for the Kaikōura township, including the South Bay and Ocean Ridge areas. 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.

### Key issues in 2018/2019

The earthquake damage sustained to the wastewater infrastructure in Kaikōura has resulted in increased flows and silt in the network. Additional operational cleaning is required through the network to keep the system operational.

Aging infrastructure also increases the risk of failures in both the reticulation network and at the facilities. This results in higher risks of overflows.

### What we did

The Earthquake Rebuild Team are undertaking a number of projects to repair and renew infrastructure that is damaged including installation of a pressure sewer system, a new aeration pond at the treatment plant and upgrade to Lyell Creek Pump Station.

Automatic monitoring and alarm systems are being upgraded throughout the network to ensure timely response to system failures. The work was initiated in 2018/19 and will be completed in 2019/20.

### What we planned to do but didn't

Capital renewals were not undertaken this financial year. These will be undertaken upon completion of the Rebuild Team programme of renewals/repairs.

## Community outcomes supported



We value, protect and enhance Kaikōura's unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.



## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
Upgrades to improve level of service:			
New pump system	-	36	Lyell Creek catchment
	-	36	
Renewal/replacement of existing assets:			
Sewer pipe renewals	20	-	
	20	-	
Total capital projects	20	-	

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The number of dry weather sewage overflows, expressed per 1,000 sewer connections	1	0	1.29	Incomplete
<b>Resource consents compliance (discharge from the sewerage system, measured by the number of actions taken against the Council in relation to those consents)</b>				
- The number of abatement notices	0	0	0	Yes
- The number of infringement notices	0	0	0	Yes
- The number of enforcement orders	0	0	0	Yes
- The number of convictions	0	0	0	Yes
<b>Fault response times</b>				
Where the local authority attends to sewerage overflows resulting from a blockage or other fault in the sewerage system, the following median response times measured:				
Attendance time: from the time the local authority receives notification to the time that service personnel reach the site	< 30 mins	< 1 hour	Not available	Not available
Resolution time: from the time the local authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	3 days	< 1 day	Not available	Not available
The percentage of urgent callouts, being service failure, supply fault or overflow, responded to within one hour from the time of notification to the time that service personnel depart to the site.	New	98%	Not available	Not available
The percentage of non-urgent callouts, being minor breaks and equipment maintenance, responded to within 48 hours from the time of notification to the time that service personnel attend site	New	98%	Not available	Not available

Complaints and requests for service				
The number of complaints received about sewage <b>odour</b> , expressed per 1,000 connections <sup>4</sup>	2.6333	< 2	1.9380	Incomplete
The number of complaints received about sewage <b>system faults</b> , expressed per 1,000 connections	1.3167	< 3	1.2920	Incomplete
The number of complaints received about sewage system <b>blockages</b> , per 1,000 connections	1.3167	< 3	1.2920	Incomplete
The number of complaints received about the Councils (or the Councils service providers) <b>response to the above issues</b> , per 1,000 connections	1.3167	< 3	0	Incomplete
The number of customer service requests <b>received</b> about Council wastewater schemes per year	New	< 365	13	Incomplete
The number of complaints received per year due to a service request not being actioned properly	New	< 37	0	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

<sup>4</sup> There are 1,548 properties connected to the Kaikoura sewerage system.

## Funding Impact Statement: Sewerage

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	562	683	700
Subsidies & grants for operating purposes	-	14	48
Fees and charges	23	18	23
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>584</b>	<b>715</b>	<b>771</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	187	419	337
Finance costs	69	62	23
Internal charges and overheads applied	207	145	120
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>463</b>	<b>626</b>	<b>480</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>121</b>	<b>90</b>	<b>291</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	25	-	7
Increase/(decrease) in debt	(77)	(70)	(341)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(52)</b>	<b>(70)</b>	<b>(334)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	73
- To replace existing assets	44	20	-
Increase/(decrease) in reserves	25	-	(116)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>69</b>	<b>20</b>	<b>(43)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(121)</b>	<b>(90)</b>	<b>(291)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>480</b>
Plus depreciation			259
Less Impairment			(1,832)
<b>Expenditure as per Note 1</b>			<b>(1,093)</b>

## Stormwater

We protect the health and property of the District’s residents and the environment, by providing an efficient and effective means of collecting and disposing of stormwater in larger urban communities.

### What we do

The stormwater system predominantly protects the Kaikōura Township, including South Bay and Ocean Ridge, and comprises of approximately 17km of reticulation system that discharges to land, sea and other water courses.

The system comprises a number of small piped and open drain networks most of which discharge to sea or to Lyell Creek. The system includes that provided by kerb and channel on the roads, swales such as those found in the Seaview and Ocean Ridge subdivisions, and large drains such as Phairs Drain and Sullivans Gully.

### Key issues in 2018/2019

The earthquake damage sustained to the stormwater infrastructure in Kaikōura.

Climate change and the increase in the rainfall intensity and severity experienced in storm events will lead to higher frequencies when the stormwater network exceeds capacity.

### What we did

The Earthquake Rebuild Team are undertaking a number of projects to repair and renew infrastructure that is damaged in the reticulation network.

### What we planned to do but didn't

Capital renewals were not undertaken this financial year. These will be undertaken upon completion of the Stormwater Management Plan in 2019/20 and the Rebuild Team have completed the programme of renewals/repairs.

## Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

### Major projects 2018/2019

Project	Planned \$000	Spent \$	Comment
Renewal/replacement of existing assets:			
Stormwater renewals	10	-	
	10	-	

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The number of flooding events, where water enters habitable properties	0	< 1	0	Incomplete
For each flooding event, the number of habitable floors affected, expressed per 1,000 properties connected to the stormwater system	0	< 3	0	Incomplete
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			
Compliance with the Council's resource consents for discharge from the stormwater system, measured by the number of actions taken against the Council in relation to those consents, namely;				
- The number of abatement notices	0	0	0	Yes
- The number of infringement notices	0	0	0	Yes
- The number of enforcement orders	0	0	0	Yes
- The number of convictions	0	0	0	Yes
Fault response times				
The median response time to attend a flooding event, from the time of notification to the time that service personnel reach the site	½ hour	< 1 hour	Not available	Not available
The percentage of urgent callouts, being service failure, supply fault or overflow, responded to within one hour from the time of notification to the time that service personnel depart to the site.	New	98%	Not available	Not available
The percentage of non-urgent callouts, being minor breaks and equipment maintenance, responded to within 48 hours from the time of notification to the time that service personnel attend site	New	98%	Not available	Not available

Complaints and requests for service				
The number of <b>complaints</b> received about the performance of the stormwater system, expressed per 1,000 connections <sup>5</sup>	3.798	< 3	0.541	Incomplete
The number of <b>customer service requests received</b> about Council stormwater schemes	New	< 200	19	Incomplete
The number of complaints received per year due to a service request <b>not being actioned properly</b>	New	< 20	0	Incomplete

**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.

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

<sup>5</sup> There are 1,848 properties connected to the Kaikoura stormwater system

## Funding Impact Statement: Stormwater

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	126	133	134
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	3	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>126</b>	<b>136</b>	<b>134</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	51	81	29
Finance costs	10	-	-
Internal charges and overheads applied	26	45	36
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>87</b>	<b>126</b>	<b>65</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>39</b>	<b>10</b>	<b>69</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	10	-	3
Increase/(decrease) in debt	(11)	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(1)</b>	<b>-</b>	<b>3</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	220	-	-
- To improve the level of service	-	-	-
- To replace existing assets	28	10	-
Increase/(decrease) in reserves	(210)	-	71
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>38</b>	<b>10</b>	<b>71</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(39)</b>	<b>(10)</b>	<b>(68)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>65</b>
Plus depreciation			50
<b>Expenditure as per Note 1</b>			<b>115</b>



## Refuse & Recycling

Our goal is to progressively decrease the volumes of solid waste sent to landfill in the District, with a view to ultimately achieving zero waste to landfill.

### What we do

The Kaikōura District, through the Council's Zero Waste Policy, is committed to maintaining a waste diversion rate that is amongst the highest in NZ. This is testament to the importance placed on waste reduction in our district and consistent with the Council's EarthCheck accreditation.

Kaikōura has one landfill and a resource recovery centre, located on Scarborough Street. Innovative Waste Kaikōura Ltd (IWK), a Council-Controlled Organisation, undertakes the day-to-day management of the site under contract.

IWK also provides weekly kerbside recycling collection services within the urban area, the Oaro village and Goose Bay, additional commercial and rural recycling pickups, and empties the public rubbish bins and recycling stations throughout the district.

### Key issues in 2018/2019

The resource recovery centre and landfill needed upgrading for better efficiency and safety

NZ and offshore markets for recovered and recycled materials became much more difficult

Earthquake rebuilding has left the landfill with approximately two years' life before it is full

Illegal dumping and misuse of recycling sites occurred on a number of occasions.

The Council's statutory Waste Management and Minimisation Plan (WMMP) is well overdue for review.

### What we did

Upgraded the resource recovery centre and the landfill equipment with funding from the Ministry for the Environment.

We worked with Innovative Waste Kaikōura Ltd to carry out waste services. This included dealing with 3,875 tonnes of waste; 30% more than pre-earthquake levels, while maintaining just over 50% diversion.

We disposed of a stockpile of unmarketable recovered and recycled materials

Reviewed the benefits and costs of future options while minimising waste to landfill - extending our landfill, or closing it and transferring our waste to a well-controlled regional landfill. Assessed funding requirements and sources for future options.

Decided on a programme to develop and adopt a new Waste Minimisation Management Plan (WMMP) by April 2020.

Established a Councillor and staff steering group to progress the WMMP and future disposal.

### What we planned to do but didn't

We held off developing the landfill site until the Council makes decisions on its future.

## Community outcomes supported



We value, protect and enhance Kaikōura's unique natural environment and biodiversity and sustainably manage disposal of waste.



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

### Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
Upgrade to improve level of service:			
Landfill site development	311	382	Funded by ECan through the Ministry for the Environment
	311	382	
Renewal/replacement of existing assets:			
Landfill aftercare	9	-	
	8	-	
<b>Total capital projects</b>	<b>319</b>	<b>382</b>	

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Residual solid waste produced (kilogram/year) per resident	454.8 kg	< 152 kg	516.7 kg	No
<b>Compliance with the Council's resource consents for discharge from the sewerage system, measured by the number of actions taken against the Council in relation to those consents, namely;</b>				
The number of abatement notices issued	0	0	0	Yes
The number of infringement notices issued	0	0	0	Yes
<b>Fault response times</b>				
The percentage of urgent callouts, being hazardous or environmental waste dumping on public land, responded to within one hour from the time of notification to the time that service personnel depart to the site	New	98%	Not available	Not available
The percentage of non-urgent callouts, being illegal dumping on public land, responded to within 48 hours from the time of notification to the time that service personnel attend site	New	98%	Not available	Not available
<b>Complaints and requests for service</b>				
The number of customer service requests received about recycling collections per year	New	< 100	5	Incomplete
The number of complaints received per year (complaint being due to a service request not being actioned appropriately)	New	< 10	1	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

## Funding Impact Statement: Refuse & Recycling

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	267	365	385
Targeted rates	131	247	244
Subsidies & grants for operating purposes	-	-	-
Fees and charges	5	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	14	14	14
<b>Total operating funding (A)</b>	<b>417</b>	<b>627</b>	<b>643</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	352	424	478
Finance costs	3	1	1
Internal charges and overheads applied	49	190	168
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>403</b>	<b>616</b>	<b>647</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>14</b>	<b>11</b>	<b>(4)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	315	464
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(6)	(7)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(6)</b>	<b>308</b>	<b>464</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	311	382
- To replace existing assets	8	8	-
Increase/(decrease) in reserves	-	-	78
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>8</b>	<b>319</b>	<b>460</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(14)</b>	<b>(11)</b>	<b>4</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>647</b>
Plus depreciation			381
Plus Landfill aftercare provision			75
<b>Expenditure as per Note 1</b>			<b>1,103</b>



## Community facilities

### Rebuilding, improving and maintaining our physical facilities that support and develop the Kaikōura district

#### What we do

This group of activities includes:

- Parks & reserves including cemetery
- Public toilets
- Public Halls
- Civic Centre
- Housing for the elderly
- Swimming pool
- Harbour
- Airport

We aim to provide facilities that are safe, welcoming and attractive, accessible, culturally appropriate, and affordable on an ongoing basis.

#### Key issues in 2018/2019

- Improving the quality and reliability of toilet facilities in high use locations
- Funding Memorial Hall works
- Defining the swimming pool project
- Carrying out deferred maintenance on the Council’s housing for the elderly
- Airport safety

#### What we did

We continued to maintain our parks and reserves, and reviewed strategic land and other facilities for possible divestment to assist with capital funds.

Work began on reserve management plans. Rūnanga permission was sought for repairing and upgrading the Takahanga tennis courts for multiple uses.

The Jimmy Armers Beach toilets were replaced. The West End toilet block received minor upgrades.

NZ Lotteries granted \$750,000 to refurbish the Memorial Hall, and work to repair earthquake damage and bring the building up to fire, earthquake, and electrical standards, commenced.

Four of the pensioner flats were re-roofed, and two of the interiors refurbished.

The new swimming pool project is progressing. The Council decided not to repair the Lions swimming pool, opting instead to provide Scarborough Street reserve land for future pool development, along with pledging a \$1M capital funding contribution and \$250,000 a year towards operations and maintenance.

A new pool working group was established, and the Council passed project leadership to a Charitable Trust. The Trust has begun defining the pool concept design, progressing Lotteries and other funding bids and working on consent applications.

Airport safety improvements, including operating procedures and physical works, were defined and agreed working with Civil Aviation Authority and the airport operators. Trees were cleared at the airport to improve safety of the runway. Repairs of the Terminal building commenced, Hangar repairs were defined, and a process to recover cost from the supplier commenced.

#### What we planned to do but didn’t

We did not carry out Scout Hall repairs and upgrading. This was held off to define works scopes and Lotteries and other funding.

We did not repair the South Bay public boat ramp. This was held off while a proposal to the Provincial Growth Fund (PGF) was progressed for the whole South Bay harbour and Wakatu Quay.

We did not complete all planned works at the North Wharf. Some of those works were held off to progress the PGF application.

We did not repair the Lions pool.

### Community outcomes supported



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Residents and visitors enjoy an improved quality of life in our District.



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.

### Major projects 2018/2019

Note the table below does not include capital work in progress. Several projects were underway as at 30 June 2019, such as the Memorial Hall project.

Project	Planned \$000	Spent \$000	Comment
Upgrade to meet increased demand:			
Public toilets	276	15	Jimmy Armers Beach
Pensioner flats refurbish	98	-	
Walkways & cycleways	100	-	
Airport taxiway seal	27	-	Deferred to 2020/2021
South Bay harbour	300	6	
North Wharf safety improvements	150	-	
Scout Hall	225	-	
Memorial Hall upgrade	750	-	
Civic Centre	-	1	
	1,926	22	
Upgrade to improve level of service:			
Civic Centre	-	8	Necessary work
	-	8	
Renewal/replacement of existing assets:			
Tennis courts	30	-	
Airport hangar	190	-	
Repair existing Lions Pool	700	-	
Memorial Hall major repairs	-	4	
Public toilets	-	170	Jimmy Armers & West End
Pensioner flats refurbish	-	41	
	920	215	
Total capital projects	2,846	245	

The pensioner flats refurbishment and the public toilets renewals were stated as upgrades in the Three-Year plan, but have been reclassified as renewal projects in the table above.



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Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The number of Memorial Hall bookings (excluding Council use) per annum	61	50	39 <sup>6</sup>	No
The percentage of Council housing tenants who fit criteria one (the highest priority) in the Council’s housing for the elderly policy	100%	100%	100%	Yes
The percentage of pesticides used that are biodegradable	100%	100%	100%	Yes
The percentage of cleaning chemicals purchased that are biodegradable	58.6%	> 90%	57.1%	No
The percentage of tracks and cycleways that are poor condition (grade 4 or 5)	New	< 10%	5%	Yes
The number of customer service requests received about the Council’s community facilities per annum	New	< 500	234	Incomplete
The number of complaints received about the Council’s community facilities (due to a service request not actioned properly) per annum	New	< 50	4	Incomplete

In the above tables of performance indicators, incomplete measures are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

<sup>6</sup> The Memorial Hall incurred some earthquake damage and was closed for repair and upgrading work from May 2019, reopening in September 2019.

## Funding Impact Statement: Community facilities

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	774	787	829
Targeted rates	344	467	466
Subsidies & grants for operating purposes	3	-	1
Fees and charges	785	782	634
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>1,906</b>	<b>2,036</b>	<b>1,930</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	958	1,061	1,261
Finance costs	295	291	67
Internal charges and overheads applied	276	515	347
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,529</b>	<b>1,866</b>	<b>1,675</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>377</b>	<b>171</b>	<b>256</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	1,115	375
Development and financial contributions	8	-	1
Increase/(decrease) in debt	252	79	(896)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>259</b>	<b>1,234</b>	<b>(520)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	570	1,926	22
- To improve the level of service	-	-	19
- To replace existing assets	38	920	582
Increase/(decrease) in reserves	29	(1,441)	(888)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>637</b>	<b>1,405</b>	<b>(264)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(377)</b>	<b>(171)</b>	<b>(256)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,675</b>
Plus depreciation			402
Less Impairment			(490)
<b>Expenditure as per Note 1</b>			<b>1,587</b>





## Commercial activities

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

### What we do

This group of activities includes leased properties (Wakatu Quay, 25 Beach Rd), our forestry holdings at South Bay and the Marlborough Regional Forestry joint venture.

### Key issues in 2018/2019

- Defining Wakatu Quay future options
- Defining the scope of works to upgrade 25 Beach Rd

### What we did

Defined attributes, options, benefits and costs for Council's Wakatu land and buildings as part of a strategic review of assets and a Provincial Growth Fund application (see community facilities section for further details).

Worked with 25 Beach Rd tenants. Reduced tenancies to one long term tenant (the Op Shop)

and expanded their area to the whole ground floor of the building. The Op Shop provides a major community funding stream (over \$100,000 a year) from sale of recycled goods. Carried out design, got consents and let a contract for work to repair earthquake damage, bring the building up as near as practicable to earthquake, fire, accessibility and electrical codes and provide a clear ground floor plate for the Op Shop fit out. Op Shop operations continued during KDC contract works.

### What we planned to do but didn't

The Council had been considering divesting its share of the Marlborough Regional Forestry, however a review of the returns generated from this joint venture show the best economic return is to retain our share for the long term.

## Community outcomes supported

Commercial activities do not directly support our community outcomes, however by operating our assets on a commercial basis, and in a financially sustainable manner, supports growth and development.



## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
Upgrade to improve level of service:			
25 Beach Road	200	-	Work is in progress
	200	-	

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The proportion of revenue from commercial activities as a percentage of total revenue	11.75%	> 4.0%	7.0%	Yes



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## Funding Impact Statement: Commercial activities

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	(23)	(461)	(485)
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	167	19	18
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	995	1,198	1,173
<b>Total operating funding (A)</b>	<b>1,139</b>	<b>756</b>	<b>705</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	834	940	1,136
Finance costs	-	-	-
Internal charges and overheads applied	32	116	113
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>866</b>	<b>1,056</b>	<b>1,249</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>273</b>	<b>(300)</b>	<b>(543)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	5	-	-
- To improve the level of service	-	200	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	268	(500)	(543)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>273</b>	<b>(300)</b>	<b>(543)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(273)</b>	<b>300</b>	<b>543</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,249</b>
Plus depreciation			32
<b>Expenditure as per Note 1</b>			<b>1,281</b>

## Leadership & governance

Provide a governance structure for effective leadership and advocacy and provide accountable stewardship of the Council's assets and resources.

### What we do

This group of activities includes the Mayor and Councillors, the Chief Executive, support services such as finance and IT, asset management and communications.

We lead through ensuring democratic, responsive and transparent representation, frequent and accessible opportunities to participate in the democratic process and effective and fiscally responsible management and governance of all Councils activities and services.

### Key issues in 2018/2019

Over 2018/19 work continued to transform the Councils services and way of working. Council staff numbers have grown from 23 FTE in November 2016 to 39.9 in June 2019. Over the same period staff turnover has been approximately 25%. Following a change process in 2017, a further change process was begun in May 2018.

While not unusual in a post-disaster environment, together these shifts present a number of significant challenges. In response, the Council made significant investment in human resources, employee support and wellbeing services as well as core systems training. Work to improve processes, systems and policies is also ongoing.

The annual satisfaction and wellbeing survey was completed between November 2018 and January 2019. To help the Council understand how community recovery was progressing, the survey contained a focus on housing and support services.

Findings indicated that residents were feeling more positive than the year before with two thirds agreeing quality of life was improving and a small but significant (6%) improvement in satisfaction with the Council. Awareness of support services had improved as had confidence that businesses would remain open. The top five rated services provided by the Council were the public library,

sewerage system, animal control, playgrounds and Council communications. Results also showed significant improvements in the satisfaction with the Council's response to requests for service and complaints (14%) and satisfaction with Council meetings/committees (18%).

### What we did

The Financial and Corporate sustainability project was a key strategic focus. Funded by central government as part of the Government's post-earthquake response and support for the district, the project examines the Council in a post-earthquake context. Pre-earthquake, the Council had for some years opted to prioritise affordability in its decision making. This had resulted in significant under-investment in key staff capability and capacity, an asset network with large deferred maintenance issues, and a risk for the Council to not meet statutory requirements around drinking water, policy making, enforcement and regulation.

With a small and aging ratepayer base, lifting Council performance to address these issues while keeping rates affordable is a significant challenge. The review aims to understand the impact of this under-investment alongside additional pressures created by the earthquakes, consider options for reducing costs and increasing revenue, as well as new, more sustainable ways of working. Several interim reports were generated with a view to providing final recommendations in late 2019.

### What we planned to do but didn't

As the scope of the financial and corporate sustainability review includes examining financial management and service delivery across all Council services, a number of planned reviews such as a rating review and financial 'deep dives' have been delayed to align better with the wider project.



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## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
Upgrade to level of service:			
Computers and software	40	18	Laptops and GIS software
Renewal/replacement of existing assets:			
Office furniture and equipment	14	1	Whiteboards
Vehicles and plant	34	41	
	48	42	
<b>Total capital projects</b>	<b>88</b>	<b>60</b>	

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The percentage of survey respondents who are satisfied with the Mayor, Councillors and staff	37%	75%	48%	No
Compliance with the Local Government Act	New	100%	85%	No
Number of regular hui's with Iwi Executive	New	6	1	No
Council meetings allow for public participation through public forum	New	100%	100%	Yes
The percentage of survey respondents who are satisfied that the Council consults with residents on important issues	New	90%	47%	No

The Council complied with 11 out of 13 specific sections of the Local Government Act (2002); we did not comply, however, with the requirement to adopt the Three-Year Plan on or before 30 June 2018 (adopted 18 July 2018), and we did not adopt the 2018 Annual Report until 11 July 2019 – over eight months past the statutory deadline of 31 October 2018. The Three-Year Plan adoption was consciously delayed by the Council to allow for late information to be incorporated into the Plan. The 2018 Annual Report exceeded its timeframe due to the complexities of assessing impairments on earthquake damaged assets and the technical requirements of the audit.

## Community outcomes



Our community participates in decisions and planning in a way that benefits our future.

## Funding Impact Statement: Leadership & governance

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	612	425	447
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	800	843
Fees and charges	41	34	48
Internal charges and overheads recovered	1,432	2,090	2,012
Fuel tax, fines, infringement fees & other	63	-	-
<b>Total operating funding (A)</b>	<b>2,148</b>	<b>3,349</b>	<b>3,350</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,786	3,669	3,362
Finance costs	-	46	-
Internal charges and overheads applied	235	294	201
Other operating funding applications	63	-	-
<b>Total applications of operating funding (B)</b>	<b>2,084</b>	<b>4,009</b>	<b>3,563</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>64</b>	<b>(660)</b>	<b>(213)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	710	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>710</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	21	40	34
- To replace existing assets	43	48	42
Increase/(decrease) in reserves	-	(38)	(290)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>64</b>	<b>50</b>	<b>(214)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(64)</b>	<b>660</b>	<b>214</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>3,563</b>
Plus depreciation			91
Less Overhead recoveries			(2,011)
<b>Expenditure as per Note 1</b>			<b>1,643</b>

## Regulatory Services

We protect public health and safety by ensuring compliance with legislation and local bylaws. We deliver assurance by ensuring the decisions made are fair, sound, and protect the Council and ratepayers.

### What we do

This group of activities consists of:

- Building control
- Traffic & parking control
- Dog & stock control
- Food premises & environmental health
- Liquor licensing
- Other TA regulatory functions

### Key issues in 2018/2019

The Council requested the development and implementation of a Local Alcohol Policy (LAP). Work was undertaken with the Tri-Agencies and District Liquor Licensing Board to develop the LAP and this is now out for public consultation and feedback.

Our Regulatory Team were heavily involved in the implementation and monitoring of the Urban Boil Water Notice.

Development and implementation of the Kaikōura District Council Dangerous and Insanitary Building Policy 2019 as required by amendment to the Building Act 2004 sections 133AG-133AY.

Developed draft procedures for staff and general guidance for customers when considering land subject to natural hazards impacting on their building consent applications.

Investigation into unconsented short term visitor consent accommodation requiring resource consent has been undertaken.

The summer period saw our environmental clean-up team carry out a number beach faecal matter removal and general rubbish clean ups but in general the behaviour of Freedom Campers to our district was vastly better than previous years.

### What we did

We issued:

- 340 building consents
- 277 Code Compliance Certificates
- 29 Certificates of Public Use
- 54 building exemptions
- 3 Notice to Fix

Undertook 2,259 building inspections. Dealt with 102 dog complaint related matters.

Provided an online building consents application service via "Simpli". Were among the first local authorities on the South Island to provide an online service using this platform.

We completed and passed the Ministry of Primary Industry audit for our food verification services.

Our premises licensing team provided an overview session for our customers around the Local Alcohol Policy and liquor licensing inspectorate, Tri-Agency and District Licensing Authority objectives.

### Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Residents and visitors enjoy an improved quality of life in our District.

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Estimated parking occupancy rate in the West End pay & display carpark during November to February	27,683	> 20,000	33,551	Yes
The number of complaints about dogs (wandering, barking nuisance, rushing, etc)	83	< 155	94	Yes
The percentage of licensed liquor premises assessed as low to medium risk	97.4%	> 83.7%	90%	Yes



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## Funding Impact Statement: Regulatory services

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	327	195	206
Targeted rates	44	68	68
Subsidies & grants for operating purposes	-	322	220
Fees and charges	365	391	515
Internal charges and overheads recovered	-	-	0
Fuel tax, fines, infringement fees & other	-	37	20
<b>Total operating funding (A)</b>	<b>736</b>	<b>1,013</b>	<b>1,029</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	499	832	871
Finance costs	-	-	-
Internal charges and overheads applied	237	238	227
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>736</b>	<b>1,069</b>	<b>1,097</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>-</b>	<b>(56)</b>	<b>(68)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	(68)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>(68)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>68</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,097</b>
Plus depreciation			1
<b>Expenditure as per Note 1</b>			<b>1,098</b>

## Community & customer services

Move seamlessly from social recovery to community development and enable the community to take collective action and generate solutions to common problems.

### What we do

This group of activities consists of:

- Customer services, grants & events
- Civil defence emergency management
- Kaikōura District Library
- Community development

We focus on the safety, health and wellbeing of all residents and visitors to the district, in line with our vision statement, and we plan for and provide civil defence emergency management within the district.

### Key issues in 2018/2019

A community development team was introduced.

The 4 well-beings were re-introduced into the Local Government Act.

Lack of housing due to earthquake related issues was the consistent theme across all organisations.

### What we did

A robust community development programme was delivered, including violence prevention work, targeted event support and consistent grants administration.

Delivered emergency management training across the organisation and community to support building resilience.

Introduced on-line products in the library, increasing connectivity and accessibility

The Kaikōura Rebuild Navigator actively supported homeowners regarding their repair or rebuild.

Advocated with MBIE to repurpose 4 of the Temporary Accommodation units with the management going to a third party.

### What we planned to do but didn't

We planned to employ an externally funded event co-ordinator, but were unsuccessful and have moved event management to the suite of services offered through the library.

We had planned to liaise with the community as to future uses for the Scout Hall, but the community facilities team are still working on the make-safe repairs.

We also planned to ascertain community wants and needs for the old Council office building, with a view of turning it into a community centre. This, like the Scout Hall repair, is a work in progress as the Memorial Hall repair took precedence.

### Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Our community participates in decisions and planning in a way that benefits our future.



Residents and visitors enjoy an improved quality of life in our District.



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## Customer services, grants & events

### Key issues in 2018/2019

Despite significant improvements to perceptions of the Council’s response to requests and complaints since 2017/2018, only 40% of our residents were satisfied with our response to requests and complaints in February 2019.

External earthquake relief funding for the part-time events co-ordinator was depleted, leaving no Council support for community events.

The administration processes for community grants was not a high priority post-earthquake and needed tidying up to ensure consistency.

Resident satisfaction with our cemetery service dropped to 29% according to the satisfaction survey.

### What we did

A Customer Service Improvement Project was developed. Additional training, system improvements, monitoring and reporting were developed. The project is a long term initiative but is showing promising improvements including a 108% increase in use of the system.

All standard operating procedures were updated and digitised in the customer services area, including cemeteries, citizenship ceremonies and pensioner housing support.

There were seven externally funded community projects;

- Earthquake Outreach support
- Family violence coordination
- Earthquake Recovery
- Rebuild Navigator
- Recovery Events Coordination
- Creative Communities scheme
- Sport Rural Travel Fund

### What we planned to do but didn’t

We planned to have one full-time customer service officer for consistency, but have only part-time staff. We are now trialling utilising other administration staff across the organisation to cover any shortfall.

We were unsuccessful in securing external funding for events. This work stream is now an integral part of the library service.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The percentage of survey respondents who are satisfied, or very satisfied, with the Council’s customer services team	New	90%	93%	Yes
The number of externally funded community projects	New	3	7	Yes

## Civil Defence Emergency Management

### Key issues in 2018/2019

Ongoing demands on our community and Council staff as we recover from the earthquake.

### What we did

- 90% of Council staff are trained to EM2 I standard.
- 25% of staff received advanced EO2 training.

Delivered community education and preparedness activities as part of 'Gets Ready Week'. There was a particular focus on West End Businesses preparedness.

Continued public education through workshops, Facebook, Kaikoura Star and radio ads.

Started rural community hubs/radio network. Emergency Management Liaison Meetings recommenced.

Relocated the alternative Emergency Operations Centre from the health centre to the Tar Depot.

### What we planned to do but didn't

The installation of Tsunami evacuation signage for the township was delayed.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The percentage of survey respondents with an emergency kit	81%	90%	82%	No
The number of leadership team meetings and/or civil defence meetings attended per year	New	6	3	No
The number of all-of-staff exercises held per year (e.g. Exercise Pandora)	New	1	0	No
The number of hours civil defence training per staff member per year	New	12 hours	2-10 hours	Estimated



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## Kaikōura District Library

### Key issues in 2018/2019

Modernising our library guiding document and bringing processes and procedures up to date.

Running an events programmes without additional funding.

Teething issues with technology including the Wi-Fi. There were ongoing staffing challenges.

### What we did

Achieved 93% satisfaction with library services in the resident satisfaction survey (Feb 2019).

The library service developed online capability, increasing community involvement with library products.

We worked more closely with community groups on community events, fostering and encouraging community participation and well-being.

Opening hours were changed to better suit the community.

### What we planned to do but didn't

Work with Dementia Canterbury did not commence due to staff turn-over, but has started up again in the new financial year.

Project	Planned \$000	Spent \$000	Comment
Replacement of existing assets:			
Library books	26	21	

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The number of library event opportunities provided to the community	24	28	29	Yes
The number of lending items per capita	6.3	7	7.4	Yes

## Community Development

### Key issues in 2018/2019

The re-introduction of the 4 well-beings into the Local Government Act requires careful consideration as to how this is embedded within Council policy.

Providing support to the community throughout the ongoing impact of the 2016 earthquake: This included coordinating advocacy and information sharing around the current housing shortage and advocacy for those dealing with post-earthquake delays in repairs and rebuild of homes.

### What we did

Two part-time community development officers were employed to deliver on our community outcomes as outlined in the Community Development Plan.

Enhanced capacity for community networks between organisations, individuals and community groups by supplying administrative support.

The Rebuild Navigator was supported to resolve the delays in repair and rebuild and deliver the winter warmer project.

Housing data was gathered and the Council worked with MBIE to repurpose 4 of the 7 Temporary Accommodation units to community housing.

Developed personalised support for the residents in our pensioner houses.

Supported the Kaikōura Youth Council.

### What we planned to do but didn't

The Council responded to community requests to develop a Community Centre in the old Council building. Options are being considered during 2019/2020.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The number of Youth Council meetings facilitated	New	10	37	Yes
The number of Youth Council activities supported	New	5	11	Yes
The number of committees with youth representation	New	3	4	Yes



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## Funding Impact Statement: Community & customer services

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	170	660	695
Targeted rates	103	10	10
Subsidies & grants for operating purposes	136	35	158
Fees and charges	16	47	23
Internal charges and overheads recovered	-	205	166
Fuel tax, fines, infringement fees & other	-	2	2
<b>Total operating funding (A)</b>	<b>426</b>	<b>959</b>	<b>1,054</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	309	974	788
Finance costs	-	-	-
Internal charges and overheads applied	119	127	194
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>429</b>	<b>1,101</b>	<b>982</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(3)</b>	<b>(142)</b>	<b>72</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	26	21
Increase/(decrease) in reserves	(3)	(168)	51
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(3)</b>	<b>(142)</b>	<b>72</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>3</b>	<b>142</b>	<b>(72)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>982</b>
Plus depreciation			50
Less Overhead recoveries			(166)
<b>Expenditure as per Note 1</b>			<b>866</b>



## District development

Ensure that the District's natural and physical environment is sustainably managed, by ensuring that standards and guidelines set down in legislation and regulations are met

### What we do

This group of activities includes:

- Strategy & policy
- District planning
- Environmental planning
- Statutory planning
- Economic development
- Tourism & marketing

We ensure a resilient, safe and enjoyable environment for people to live and play by administering the District Plan. In the District Plan we can:

- Decide where and how we allow future development
- Understand how our community plans for natural hazards like floods and earthquakes
- Develop the kind of community we want to leave our children

If an activity does not meet District Plan requirements we then work alongside developers to make sure developments have the greatest possible net benefit to the community through resource consents.

### What we did

Presented to students, interest groups and international delegates about how the District manages different environmental issues, and how we promote our District.

Used our local knowledge to assist the Restoration Liaison Group in giving effective feedback to groups who are managing the reinstatement of road and railway following damage in the 2016 earthquakes.

### Key issues in 2018/2019

Working with our community in the development of a responsible camping bylaw

Understanding Kaikōura natural hazards as a result of the 2016 earthquake

Beginning a review of EarthCheck to ascertain whether this programme is still fit for purpose.

### Community outcomes supported



We value, protect and enhance Kaikōura's unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.



Our community participates in decisions and planning in a way that benefits our future.



Residents and visitors enjoy an improved quality of life in our District.



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

## Environmental Planning

### What we do

Through our participation in the EarthCheck programme, the Council collects and benchmarks data to measure our sustainability as a destination against set criteria. This data informs suggestions on steps that can be taken to become more sustainable.

We run the Significant Natural Areas Project that aims to identify and work with landowners to protect and manage these areas.

The Council works to support local environmental and conservation efforts such as the South Bay Banded Dotterel study and Hutton’s Shearwater Charitable Trust.

The Council participates in region planning and strategy initiatives such as the Kotahitanga Alliance and Kaikōura Water Zone Committee.

### Key issues in 2018/2019

EarthCheck benchmarking for the 2017/2018 financial year was completed. The report showed several indicators that need improvement.

We are undertaking a review of EarthCheck to see if it is best fit for Kaikōura; we are also looking at other programs as part of this review.

### What we did

A review of the 1997 Significant Natural Area survey is underway to capture any changes to the landscape and the areas themselves.

### What we planned to do but didn’t

We did not audit the 2017/2018 benchmark data within the 12-month deadline. Benchmarking and an audit on the 2018/2019 EarthCheck data has yet to be completed.

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
District energy use in gigajoules per person	Not available	84.56	913.344 GJ	No
District greenhouse gas production (CO2 per person in tonnes)	Not available	4.047	62.035	No
Air quality – nitrogen oxide (NO2) in kilograms per hectare	Not available	0.856	17.52	No
Air quality – sulphur dioxide (SO2) in kilograms per hectare	Not available	0.0696	1.83	No
Air quality – particulates (PM10) in kilograms per hectare	Not available	3.096	1.49	Yes
Solid waste produced per person per year (kg)	Not available	75.66	516.7 kg	No
The percentage of the Kaikōura District’s biodiversity that is under protection	Not available	49.40%	50.20%	Yes
The percentage of water way samples passing the “quality standard”	Not available	78.30%	75.50%	No

## District Planning

### Key issues in 2018/2019

Since the earthquake, the Council has been updating what we know about the natural hazards in Kaikōura. Work is now underway to update the District Plan and turn this science into new provisions for building and development that suit our homes, our district and our environment.

The information will also be on the Council’s website, Land Information Memoranda and property files.

When the Natural Hazards maps and provisions are updated, they will be included in the District Plan (KDP) and used by the Council when processing resource consents.

### What we did

Worked with various technical experts and used science and information from the November 2016 event to better inform technical reports.

Assessed the efficiency and effectiveness of the natural hazard provisions of the current district

plan in order to support the upcoming plan change on natural hazards. Considered whether key national and regional objectives are achieved as required by Section 35 (Duty to gather information, monitor, and keep records) of the Resource Management Act 1991 (RMA). It focuses on determining whether the results and outcomes that are anticipated in the KDP are being achieved.

### What we planned to do but didn’t

Additional peer reviews of technical reports were sought delaying the availability of final reports and planned for public workshops

Note: coastal hazards are excluded from the proposed 2019-2020 natural hazards plan change due to uplift preventing accurate timely science.

Delays have not changed the overall timeframes for completing the review of the natural hazards chapter by June 2021.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Maintain or enhance resident satisfaction (measured by the percentage of survey respondents satisfied with District Planning)	New	80%	34%	No
Progress on the natural hazards content of the District Plan (Natural hazards District Plan review to be completed by 2020/2021 financial year)	New	Public workshops & technical reports completed	Technical reports have been delayed	No
Ensure that strategies for mitigation of risk or retreat occurs for properties with unacceptable life safety risks	New	100%	100%	Yes

## Statutory Planning

### What we do

The Council provides policy direction and support to our community.

We process resource consents for subdivision and land use. The consent process aims to ensure that the developments are sustainable and effects on the environment are avoided, remedied or mitigated.

We also give advice to potential investors in Kaikōura especially through the provision of Land Information Memoranda.

### Key issues in 2018/2019

Freedom Camping numbers are increasing and have become an important topic. Attention has been given to developing policy that maintains public access to areas and reduce environmental harm on significant sites. The Freedom Camping Act 2011 has provided some challenges with how to effectively manage the issue alongside community expectations.

We have spent time working with developers, the community and the Provincial Growth Fund to ensure the quality of district developments reflect our community's expectations.

### What we did

We advised the Council on the use of reserves, ensuring we comply with the Reserves Act. This included finding a new site for the Kaikōura Swimming Pool complex.

We processed:

- 5 visitor accommodation consents
- 14 subdivision consents
- 43 land use consents
- 15 other/variation/boundary consents

Work continued to gain a better understanding of responsible camping and to provide method to reduce the negative impacts of camping. The Council developed a Responsible Freedom Camping Bylaw. The bylaw was developed quickly in partnership with a working group. The Working Group had representation iwi, interest groups and community members.

The Council also began working with Te Runanga o Kaikōura to develop options for protecting and enhancing the Kiwa Road area.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
The percentage of resource consents processed within statutory timeframes	New	100%	70.8%	No

## Economic Development

### What we do

The Council works to attract government and private sector investment in order to address a variety of economic development challenges such as small ratepayer base and relative geographic isolation.

We work to diversify the current District's economy and refocus it for a year-round trading pattern, and to aid Kaikōura's transition from post-quake adversity to future ongoing sustainable economic prosperity.

Proactively addressing the employment needs of current and new residents with particular focus on Māori youth employment.

Supporting business development and capacity building to create a passionate, creative and resilient business community and a platform for ongoing job creation across all industry sectors

The ultimate goal is to enable the development of a vital, resilient, well-structured, future-facing district economy. Our future economy will be based on best practice and innovative environmental management with the aim of attracting values-based investment into existing and new economy sectors.

### Key issues in 2018/2019

Facilitating of a smooth transition from rebuild-focused business towards the first full summer trading season and beyond.

Better than expected financial results of a successful 2018/2019 summer trading season provided a significant boost in the District's business confidence level.

### What we did

The Council successfully managed a Provincial Growth Fund (PGF) funded feasibility study and completed funding applications for the following projects;

- Part 1: Kaikōura Marine Development Programme - Wakatu Quay development
- Part 2: Kaikōura Marine Development Programme - South Bay Harbour redevelopment

Participated in a community-led critical infrastructure review, resulting in a needs and wants analysis of the Kaikōura Airport and the South Bay Harbour.

### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Build conference and event business to assist with year-round visitation	New	No specific target <sup>7</sup>	Ongoing support of developments	Not available
Grow new product areas	New	No specific target <sup>8</sup>	PGF applications have been made for Wakatu Quay and South Bay harbour development, zip-line attraction, and mountain bike trail development	Not available <sup>9</sup>

<sup>7</sup> There is no specific target for 2018/2019, however there is a target that Kaikōura will be recognised as a new conference, seminars and corporate meetings destination by Conventions Incentive NZ (CINZ) and that we will attract hotel investment by June 2020.

<sup>8</sup> There is no specific target for 2018/2019, however there is a target that there are new business/product areas such as education, geology, science, walking and cycling, by June 2020.

<sup>9</sup> As there are no specific targets to assess achievement against, these results are considered not available

## Tourism & Marketing

### What we do

The Council supports growth in the visitor economy by encouraging private sector investment in new accommodation and activity attractions. We add value to the visitor proposition through district infrastructure plans, quality of roads and reliable internet connectivity.

We facilitate new developments which will assist with reducing the seasonality of the sector through all-weather tourism products, and ensure positive support of the local community by incorporating Kaikōura’s core values (environmental stewardship and a small coastal village atmosphere).

### Key issues in 2018/2019

The Kaikōura Destination Plan 2019-2025 was adopted; this is the district’s roadmap for future tourism development, management, marketing and sustainability.

We successfully advocated for an increase in cruise ship visits, and improved the West End parking solution for coaches and motorhomes.

### What we did

Destination Kaikōura (DK) – the organisation funded from the Council to undertake visitor marketing activity – hosted 35 different media organisations in Kaikōura mainly from UK, Europe, North America, Australia, Germany, China & Europe. DK trained a mixture of approximately 900 retail & wholesale agents; training takes place in NZ and off shore.

DK participated in a number of Tourism NZ events, Kiwi Link, International frontline training roadshows and International Marketing Alliance. DK also participated in four Australian tradeshow & roadshows reaching 275 retailers & wholesalers.

### What we planned to do but didn’t

Provision of new, modern visually appealing entry signs has been postponed due to difficulties with identifying suitable sign locations, which would satisfy all NZTA and the Council’s planning requirements.

This task has been moved on to 2019/2020 period.

## Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Grow international and domestic visitor spend year-on-year for three years	New	Achieve 90% pre-quake visitor spend (\$113m)	\$118m	Yes
Increase length of stay (guest nights)	2.01	Length of stay 1.80 nights per visit (pre-quake 1.65)	2.09	Yes
Collaborative partnership marketing	New	Continue work with RTOs, Tourism NZ to grow visitor numbers	See “What we did”	Yes
Percentage of environmentally friendly tourism operators	Not available	18%	18%	Yes

## Funding Impact Statement: District development

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	127	430	453
Targeted rates	398	554	545
Subsidies & grants for operating purposes	17	1,741	2,023
Fees and charges	5	107	104
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>547</b>	<b>2,832</b>	<b>3,125</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	482	2,624	1,306
Finance costs	1	-	-
Internal charges and overheads applied	54	208	196
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>537</b>	<b>2,832</b>	<b>1,502</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>10</b>	<b>-</b>	<b>1,623</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(11)	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	236
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	(1)	-	1,387
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1)</b>	<b>-</b>	<b>1,623</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(10)</b>	<b>-</b>	<b>(1,623)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,502</b>
Plus depreciation			-
<b>Expenditure as per Note 1</b>			<b>1,502</b>





## Earthquake Rebuild

Rebuilding quality infrastructure that meets the needs of the community whilst achieving long term affordability for the Council

### What we do

Rebuild earthquake damaged Council-owned horizontal infrastructure including:

- Roading and bridges
- Footpaths and streetlights
- Water supply
- Sewerage
- Stormwater

Restore pre-earthquake levels of service across the infrastructure network wherever possible. Improve levels of service where funding allows.

Deliver a safe and high quality rebuild programme within the funding envelope agreed with our funding partners. Collaborate with stakeholders to achieve successful outcomes.

### Key issues in 2018/2019

Undertaking damage assessments, investigations for repair, detailed design, consents, approvals, and procurement of work through competitively bid contracts required more time than had been allowed for in the original rebuild programme.

### What we did

All of the major projects for the earthquake rebuild have been competitively tendered and contracts awarded. Major physical works commenced during the 2018/19 financial year, with the balance of rebuild projects to be completed by 30 June 2020. Of these projects, the Totara Lane Sewer Pump Station was operational by the end of September 2019, and the new Fords

Reservoir is due to be commissioned by November 2019. The wastewater treatment plant works and new aeration lagoon are well progressed with completion by February 2020. Our largest project, the Lyell Creek Sewer Upgrade will be finished over the 2019/2020 summer with completion by April 2020.

The six bridge replacements – Hawthorne Road, Rorrisons Road, Gillings Lane, Scotts Road, Evans Bridge and Wards 2 Bridge (both on Mt Fyffe Road) - are all due to be replaced and re-opened by May 2020. Hawthorne, Rorrisons and Evans bridges will be widened from one lane to two, with pedestrian footpaths added to Hawthorne and Rorrisons.

The exception in the overall programme is the Clarence Valley Access project which is progressing on an independent timeline compared to other rebuild activity. 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.

### What we planned to do but didn't

Rebuild expenditure on physical works fell short of what was planned for 2018/19.

At the end of June 2019, however, most major repair works were well underway to enable the forecast completion of the rebuild programme to still be achieved by the end of June 2020.

### Community outcomes supported



We value, protect and enhance Kaikōura's unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...



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## Major projects 2018/2019

Project	Planned \$000	Spent \$000	Comment
<b>Upgrade to improve level of service</b>			
<b>Roading</b>			
Bridge widening	399	-	These projects are referred to as “betterment”, because they are improvements to a higher standard than renewal only.
	399	-	
<b>Water supplies</b>			
Reticulation (pipework)	22	-	As such, they are projects that are subject to a different source of funding from the Crown and projects do not commence until that funding is agreed.
Reservoirs	500	-	
Treatment systems	173	-	
	695	-	
<b>Sewerage</b>			
Treatment improvements	1,300	-	Completion is now due in 2019/2020.
	1,300	-	
<b>Total improvements to level of service:</b>	<b>2,394</b>	<b>-</b>	
<b>Renewal/replacement of existing assets:</b>			
<b>Roading</b>			
External resources	124	-	Work included flood protection work for access road and bridge at the Clarence River.
Sealed pavements	237	52	
Kerb & channel (drainage)	482	80	Culverts were replaced at the Blue Duck and Puhi Puhi Valley Roads.
Bridges	6,142	393	
Footpaths	192	-	Hawthorne Rd was resealed.
Streetlights	89	-	
	7,266	525	
<b>Water supplies</b>			
Reticulation (pipe work)	66	1	Design for Ocean Ridge reservoir
Structures	236	8	
	302	9	
<b>Sewerage</b>			
Reticulation (pipe work)	2,462	1	
Structures (treatment ponds & pump s)	2,599	-	
	5,061	1	
<b>Stormwater</b>			
Reticulation (pipework)	319	-	
Structures	302	-	
	621	-	
<b>Harbour</b>			
South Bay dredging & remediation	-	6,877	South Bay harbour completed
	-	6,877	
<b>Total renewals/replacements</b>	<b>13,250</b>	<b>7,412</b>	



### Performance indicators

	2017/2018 Actual	2018/2019 Target	2018/2019 Actual	Achieved?
Rebuild programme completed on time and within budget	New	Annual programme delivered within 20% of forecast	65% underspent Spent \$5.2 million against a forecast \$14.7 million	No
The rebuild is delivered safely	New	Zero fatalities	Zero fatalities	Yes
Compliance with statutory requirements	New	No major transgressions on consent conditions	No transgressions on resource consent conditions	Yes
Customer satisfaction with rebuild outcomes	New	Over 80% satisfaction in ratepayer survey	50%	No
Handover of acceptable asset data on time and to KDC requirements	New	Council asset management system updated within three months of project completion	Not measurable as no major projects completed in 2018/19	Not available
Quality rebuild outcomes	New	Less than 5% rework across the rebuild programme	No measurable rework	Not available

# Funding Impact Statement: Earthquake event

For the year ended 30 June 2019

	2017/2018 Long Term Plan \$000	2018/2019 Three-Year Plan \$000	2018/2019 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	-	290	290
Subsidies & grants for operating purposes	-	1,138	1,033
Fees and charges	-	-	266
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	-	<b>1,428</b>	<b>1,589</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	-	1,453	2,162
Finance costs	-	85	12
Internal charges and overheads applied	-	22	53
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	-	<b>1,560</b>	<b>2,226</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	-	<b>(132)</b>	<b>(638)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	13,884	1,490
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	957	(33)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	-	<b>14,840</b>	<b>1,457</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	2,394	-
- To replace existing assets	-	13,249	3,924
Increase/(decrease) in reserves	-	(934)	(3,106)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	-	<b>14,708</b>	<b>818</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	-	<b>132</b>	<b>638</b>
<b>Funding balance ((A-B) + (C-D))</b>	-	-	-
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>2,226</b>
Plus depreciation			3
<b>Expenditure as per Note 1</b>			<b>2,229</b>



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# Financial Information



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## Financial overview

For the financial year ended 30 June 2019, over 42% of the Council's revenue came from grants and subsidies; the bulk of which was from the Crown through its Ministries or Departments, and the NZ Transport Agency (NZTA). The Council will continue to rely heavily on the earthquake-related grants and subsidies as we complete the various projects to rebuild our damaged infrastructure.

As a Council we continue to face financial challenges and look forward to the results from the Financial and Corporate Sustainability review which will present incoming Councillors with significant decisions to make in late 2019.

The review has made good progress. A series of stocktakes assessing and looking for optimisation of revenue and expenditure were undertaken. This included assessing infrastructure assets, Council services, and the performance, costs and revenues associated with Innovative Waste Kaikōura Ltd and the Kaikōura Enhancement Trust.

The outcomes of the review are expected to recommend changes to the way services are delivered to meet future demands.

The Council has worked hard to place itself in the best possible financial position we can, by using surplus cash from insurance settlements, etc, to repay debt until our rebuild projects get properly underway. Actual borrowings were only \$1.577 million as at 30 June 2019 – the lowest in over 20 years. This puts us in good stead to remain within our prudent debt limits into the future.

The Council has had its land, buildings, roading, water, wastewater and stormwater assets independently valued as at 30 June 2019, and this has added \$21 million in the carrying value to those assets. Similarly, the assessments of the value of impairment damage have been reviewed, and in some cases the impairments have been reversed for some Council properties.



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## Statement of Comprehensive Revenue & Expense

For the year ended 30 June 2019

	NOTE	COUNCIL			GROUP	
		2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b>Revenue</b>						
Rates	2	6,982	7,101	6,358	7,101	6,358
Fees & charges	3	1,443	1,635	1,455	2,558	2,059
Development & financial contributions		-	20	42	20	42
Grants & subsidies	4	20,676	7,820	11,043	8,068	11,186
Interest revenue	5	75	44	52	44	52
Other revenue	6	1,247	1,250	6,395	1,250	6,405
Gains	7 / 12	-	3,327	661	3,327	661
<b>Total revenue</b>		<b>30,423</b>	<b>21,197</b>	<b>26,006</b>	<b>22,368</b>	<b>26,763</b>
<b>Expenses</b>						
Personnel costs	8	3,499	3,304	3,324	4,538	4,934
Depreciation & amortisation	9	2,043	2,514	2,021	2,620	2,107
Finance costs	5	572	197	254	202	269
Other expenses	10	11,396	10,624	10,585	10,545	9,239
Losses	7	-	-	1,741	-	1,740
<b>Total expenses</b>		<b>17,510</b>	<b>16,639</b>	<b>17,925</b>	<b>17,905</b>	<b>18,289</b>
<b>Operating surplus/(deficit)</b>		<b>12,913</b>	<b>4,558</b>	<b>8,081</b>	<b>4,463</b>	<b>8,474</b>
Environment Canterbury share of Marlborough Regional Forestry (Surplus)/Deficit	11	-	(76)	(99)	(76)	(99)
<b>Surplus/(Deficit) before tax</b>	<b>1</b>	<b>12,913</b>	<b>4,482</b>	<b>7,982</b>	<b>4,387</b>	<b>8,375</b>
Income tax expense	29	-	-	-	16	(97)
<b>Net Surplus/(Deficit) after tax</b>		<b>12,913</b>	<b>4,482</b>	<b>7,982</b>	<b>4,403</b>	<b>8,278</b>
<b>Other comprehensive revenue &amp; expense</b>						
Gains/(losses) on asset revaluation	7 / 12	14,332	20,502	(22)	20,502	(22)
Impairment reversal/(impairment charge)	7	-	-	6,056	-	6,056
<b>Total other comprehensive revenue &amp; expense</b>		<b>14,332</b>	<b>20,502</b>	<b>6,034</b>	<b>20,502</b>	<b>6,034</b>
<b>Total comprehensive revenue &amp; expense</b>		<b>27,245</b>	<b>24,984</b>	<b>14,016</b>	<b>24,905</b>	<b>14,312</b>

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 2019

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$00	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b>Equity at start of year</b>	<b>163,414</b>	<b>161,287</b>	<b>147,271</b>	<b>162,091</b>	<b>147,780</b>
<b>Comprehensive revenue &amp; expense</b>					
Net surplus/(deficit)	12,913	4,482	7,982	4,403	8,278
Gains/(losses) on asset revaluation	14,332	20,502	(22)	20,502	(22)
Impairment gains/(losses)	-	-	6,056	-	6,056
Total comprehensive revenue & expense	<b>27,245</b>	<b>24,984</b>	<b>14,016</b>	<b>24,905</b>	<b>14,312</b>
<b>Equity at end of year</b>	<b>190,659</b>	<b>186,271</b>	<b>161,287</b>	<b>186,996</b>	<b>162,092</b>

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## Statement of Financial Position

As at 30 June 2019

	NOTE	COUNCIL			GROUP	
		2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b>Assets</b>						
<b><i>Current assets</i></b>						
Cash and cash equivalents	13	1,832	1,925	3,744	2,119	4,007
Receivables	14	3,742	2,251	2,278	2,332	2,330
Prepayments & inventory	15	98	229	152	229	153
Other financial assets	16	-	-	-	-	-
Non-current assets held for sale	18	-	-	-	-	-
<b>Total current assets</b>		<b>5,672</b>	<b>4,405</b>	<b>6,174</b>	<b>4,680</b>	<b>6,490</b>
<b><i>Non-current assets</i></b>						
Other financial assets	16	-	9	9	9	9
Forestry assets	17	2,583	2,405	2,279	2,405	2,279
Investment property	18	2,313	1,915	1,465	1,915	1,465
Property, plant & equipment	19	192,025	184,499	158,103	185,403	158,950
Intangible assets	20	-	130	180	130	180
<b>Total non-current assets</b>		<b>196,922</b>	<b>188,958</b>	<b>162,036</b>	<b>189,862</b>	<b>162,883</b>
<b>Total assets</b>		<b>202,594</b>	<b>193,363</b>	<b>168,210</b>	<b>194,542</b>	<b>169,373</b>
<b>Liabilities</b>						
<b><i>Current liabilities</i></b>						
Payables and deferred revenue	21	1,955	3,368	2,446	3,502	2,450
Employee entitlements	22	100	276	382	441	516
Borrowings	23	616	430	1,178	470	1,235
Provisions	24	-	10	-	10	-
Current tax liability	29	-	-	-	-	6
<b>Total current liabilities</b>		<b>2,671</b>	<b>4,084</b>	<b>4,006</b>	<b>4,423</b>	<b>4,207</b>
<b><i>Non-current liabilities</i></b>						
Borrowings	23	8,699	1,147	2,091	1,147	2,118
Deferred tax liability	29	-	-	-	115	130
Provisions	24	-	1,468	472	1,468	472
Other term liabilities	25	565	393	354	393	354
<b>Total non-current liabilities</b>		<b>9,264</b>	<b>3,008</b>	<b>2,917</b>	<b>3,123</b>	<b>3,074</b>
Equity	26	190,659	186,271	161,287	186,996	162,092
<b>Total equity</b>		<b>190,659</b>	<b>186,271</b>	<b>161,287</b>	<b>186,996</b>	<b>162,092</b>
<b>Total liabilities &amp; equity</b>		<b>202,594</b>	<b>193,363</b>	<b>168,210</b>	<b>194,542</b>	<b>169,373</b>

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 2019

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b><u>Operating Activities</u></b>					
Receipts from rates (excluding water meter charges)	6,852	6,887	6,014	6,887	6,014
Interest received	75	44	52	44	52
Receipts from other revenue	7,043	8,488	12,120	9,662	13,133
Payments to supplier and employees	(14,290)	(12,899)	(21,429)	(13,932)	(22,001)
Interest paid	(572)	(122)	(254)	(129)	(260)
GST (net) and company tax	-	124	(1,045)	110	(1,188)
<b>Net cash from operating activities</b>	<b>(892)</b>	<b>2,522</b>	<b>(4,542)</b>	<b>2,642</b>	<b>(4,250)</b>
<b><u>Investing Activities</u></b>					
Grants received for purchase of assets	15,718	2,475	5,804	2,475	5,804
Insurance proceeds	-	-	5,129	-	5,129
Maturing of term deposits	-	-	-	-	-
Purchase of property, plant & equipment	(19,746)	(5,115)	(6,894)	(5,274)	(7,240)
Sale/(purchase) of forestry assets	-	-	-	1	6
Sale /(purchase) of investment properties	(200)	-	-	-	-
Purchase of intangible assets	-	(9)	(42)	(9)	(42)
Acquisition of term deposits	-	-	-	-	-
<b>Net cash from investing activities</b>	<b>(4,228)</b>	<b>(2,649)</b>	<b>3,997</b>	<b>(2,807)</b>	<b>3,657</b>
<b><u>Financing Activities</u></b>					
Proceeds from borrowings	2,323	-	268	-	268
Repayment of borrowings	(397)	(1,692)	(2,532)	(1,723)	(2,593)
<b>Net cash from financing activities</b>	<b>1,926</b>	<b>(1,692)</b>	<b>(2,264)</b>	<b>(1,723)</b>	<b>(2,325)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(3,194)</b>	<b>(1,819)</b>	<b>(2,809)</b>	<b>(1,888)</b>	<b>(2,918)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>5,025</b>	<b>3,744</b>	<b>6,553</b>	<b>4,007</b>	<b>6,924</b>
<b>Cash &amp; cash equivalents at the end of the year (note 13)</b>	<b>1,831</b>	<b>1,925</b>	<b>3,744</b>	<b>2,119</b>	<b>4,006</b>

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## Statement of Accounting Policies

### 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 (KCFT), was established in 2009 with the objective to determine what facilities the community requires and where these are best located. That trust had been active in terms of driving the project, but is financially dormant; meaning it currently has no financial transactions, assets, or liabilities. The KCFT has now been deregistered, and a new Kaikōura Community Charitable Trust (KCCT) has been established in its place by a motivated community group. The KCCT is not a Council-Controlled Organisation, and so is not part of the Group. 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 2019. The financial statements were authorised for issue by the Council on 18 November 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 2020 financial statements. The Council does not expect any significant impact on applying the new standards.

### *Changes in accounting policies*

There have been no changes in 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. The 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, the 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.

The 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 Civic Centre, the former office building, and the memorial hall were valued to component level by Cameron Ferguson, (Registered Valuer, B.Com, VPM) of Quotable Value NZ as at 30 June 2019. The balance of land and buildings were valued effective as at 30 June 2019 by Cameron Ferguson, (B.Com, VPM) 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 Cameron Ferguson, (Registered Valuer, B.Com, VPM) of Quotable Value NZ, and the valuation is effective as at 30 June 2019 at fair value as determined from market-based evidence.
- 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. The most recent valuation of water, sewer and stormwater infrastructure was performed by Jodi Enright (NZCE BE ME, CMEngNZ), of Stantec New Zealand Ltd, and the valuation is effective as at 30 June 2019. Roading assets were valued by Nigel Lister (BSc & PGDipSci (Surveying), BEng (Civil)), of Stantec New Zealand Ltd, valued effective as at 30 June 2019. Both valuations were peer reviewed by Brian Smith (B Com CA), of Brian Smith Advisory Services. For some roading and three water assets there has been significant impairment caused by the November 2016 earthquake. Fully impaired assets have been excluded from the June 2019 valuation, however partially impaired assets have been included at impaired depreciated replacement cost, with the impairment value based on estimated repair costs.

#### 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:

<b>Infrastructural assets</b>	<b>Years</b>	<b>Rate (rounded)</b>
<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%
<b>Operational assets</b>		
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%
<b>Restricted assets</b>		
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 change from zero to 1 times (100%) of the employee's contribution from 1 April 2019.

#### 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 the 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 the Council's accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2019:

- 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		
	2019 REVENUE \$000	2019 EXPENSE \$000	2019 NET RESULT \$000
<b>Activity revenue &amp; expense</b>			
Roading	2,154	2,416	(262)
Water supplies	1,183	1,453	(270)
Sewerage	2,610	739	1,871
Stormwater	136	115	21
Refuse & recycling	722	1,103	(381)
Community facilities	1,967	2,076	(109)
Commercial activities	1,190	1,281	(91)
Leadership & governance	891	1,643	(752)
Regulatory services	823	1,098	(275)
Community & customer services	193	866	(673)
Strategy & policy	2,672	1,502	1,170
Earthquake event	3,078	2,229	849
<b>Total activity revenue &amp; expense</b>	<b>17,619</b>	<b>16,521</b>	<b>1,098</b>
<b>Non-activity revenue &amp; expense</b>			
Plus general rates, uniform annual general charges, and penalties (less remissions)			2,529
Plus interest received			44
Plus net gain on forestry assets			555
Plus/(less) gains on investment properties			450
Plus/(less) gains/(losses) on sale or disposal of assets			-
Plus/(less) Environment Canterbury share of MRF surplus/deficit			(76)
Plus/(less) bad debt movement in provision			(87)
Less bad debt expenses			(31)
<b>Total non-activity revenue &amp; expense</b>			<b>3,384</b>
<b>Net surplus/(deficit) per Statement of Comprehensive Revenue &amp; Expense</b>			<b>4,482</b>



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

## 2 Rates

	COUNCIL & GROUP		
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
General rates	1,032	1,039	1,157
Uniform annual general charges	1,370	1,375	1,283
Earthquake rate	171	172	226
Earthquake levy	119	119	118
Town water uniform annual charge	509	511	435
Town water loan annual charge	81	81	98
Suburban water unit charge	30	26	18
East Coast water unit charge	86	86	86
Kincaid water unit charge	136	141	85
Fernleigh water unit charge	27	27	6
Oaro water unit charge	69	69	16
Peketa water charge	41	41	5
Ocean ridge water charge	78	79	42
Stormwater rate	133	134	106
Sewerage loan rate	132	133	153
Sewerage pan charges	553	584	564
Harbour rate	73	73	67
District planning rate	268	269	221
Commercial rate	353	349	329
Accommodation sector charge	64	57	50
Stock control rate	25	26	11
Rural fire control rate	-	-	20
Roading rate	699	702	448
Footpath & streetlights rate	241	243	206
Town centre rate	101	101	121
Registered premises charge	37	36	33
Urban recycling charge	179	178	88
Rural recycling charge	36	37	25
Public rubbish bin charge	32	32	35

Continued ...

	COUNCIL & GROUP		
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Civic centre rate	179	180	157
Kaikōura Hospital charge	-	-	-
Rate penalties	90	127	107
Rates remissions	(90)	(40)	(104)
Water meter charges	130	113	146
<b>Total revenue from rates</b>	<b>6,982</b>	<b>7,101</b>	<b>6,358</b>

Rates were higher than forecast for both the 2019 and 2018 financial years, because penalties were substantially more, and remissions were substantially less, than forecast. Further, an internal audit of sewer pan charges resulted in more of those charges being applied to properties that had not been rated – or had not been rated consistently with Council policy – in prior years.

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 \$28,471 in rates revenue (2018: \$59,325). The rates revenue disclosed in Note 2 above is the total rates received net of all remissions.

### 3 Fees and charges

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Building & resource consent fees	308	476	387	476	387
Lease & rental revenue	293	329	449	329	449
License fees	216	191	142	191	142
Parking and slipway fees	144	138	110	138	110
Other fees and charges	293	500	367	1,424	971
<b>Total fees and charges</b>	<b>1,255</b>	<b>1,635</b>	<b>1,455</b>	<b>2,558</b>	<b>2,059</b>

Building consent fees were substantially higher than forecast, due to a large volume of earthquake rebuild work underway for both residential and commercial landowners. This was magnified by the high value of some consents, such as consent processing fees for the new hotel.

The Council recovered the cost of some of the harbour remediation work from other benefitting parties, such as cost of the navigational aids (beacons) was recovered from Environment Canterbury.



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## 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	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
NZ Transport Agency roading subsidy	8,575	2,856	4,303	2,856	4,303
NZ Crown (Department of Prime Minister & Cabinet, Ministry of Civil Defence & Emergency Management)	7,944	300	4,740	546	4,877
Department of Internal Affairs	2,739	2,739	631	2,739	631
North Canterbury Transport Infrastructure Recovery (NCTIR)	500	570	601	570	601
NZ Lottery grants	557	536	149	536	149
Ministry for the Environment (via Environment Canterbury)	311	463	295	463	295
Ministry of Business, Innovation & Employment	-	304	50	304	50
Ministry of Social Development (MSD)	30	27	126	27	126
Kaikōura Education Trust	-	-	75	-	75
Other grants, subsidies & donations	20	25	56	27	62
Donations to the Mayoral Earthquake Relief Fund	-	-	9	-	9
Donations to Earthquake Recovery Fund	-	-	8	-	8
<b>Total grants &amp; subsidies</b>	<b>20,676</b>	<b>7,820</b>	<b>11,043</b>	<b>8,068</b>	<b>11,186</b>

## 5 Interest revenue & finance costs

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b>Interest revenue</b>					
Interest on term deposits	75	44	52	44	52
<b>Total financing revenue</b>	<b>75</b>	<b>44</b>	<b>52</b>	<b>44</b>	<b>52</b>
<b>Financing expense</b>					
Interest on borrowings	572	122	254	126	269
Unwinding of landfill provision	-	76	-	76	-
<b>Total financing expense</b>	<b>572</b>	<b>197</b>	<b>254</b>	<b>202</b>	<b>269</b>
<b>Net finance cost</b>	<b>497</b>	<b>(154)</b>	<b>(202)</b>	<b>(158)</b>	<b>(217)</b>

The Council has received a report which extensively reviewed the likely cost and timing for capping and redevelopment of the Scarborough Street landfill. The report has shown a significant increase in cost, and has brought the project forward a number of years, resulting in a substantial increase in the provision for landfill aftercare. The movement (increase in provision) is a financing expense.

## 6 Other revenue

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Insurance claim revenue	-	-	5,129	-	5,139
Share of Marlborough Regional Forestry joint venture other revenue	1,198	1,173	1,202	1,173	1,202
Petrol tax	35	40	38	40	38
Waste minimisation levies	14	14	16	14	16
Infringement fees, fines and other	-	23	10	23	10
<b>Total other revenue</b>	<b>1,247</b>	<b>1,250</b>	<b>6,395</b>	<b>1,250</b>	<b>6,405</b>

Last year the Council successfully settled its material damage and LAPP insurance claims, both by cash settlements so as to enable the Council to progress with rebuild projects.



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## 7 Fair value gains and losses

	COUNCIL & GROUP		
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
<b>Gains</b>			
Forestry asset revaluation gains	-	555	661
Investment property revaluation gains	-	450	-
<i>Reversal of Impairment losses from earthquake damage:</i>			
Assets fully impaired (reversed)	-	404	-
Impairment recognised due to insufficient revaluation reserves	-	1,918	-
<b>Total Gains</b>	-	<b>3,327</b>	<b>661</b>
<b>Losses</b>			
Loss on sale/disposal of asset	-	-	(22)
Investment property revaluation losses	-	-	(395)
<i>Impairment losses from earthquake damage:</i>			
Investment properties	-	-	-
Impairment losses in excess of revaluation reserves	-	-	(1,324)
<b>Total Losses</b>	-	-	<b>(1,741)</b>
<b>Gains/(Losses) through other comprehensive income expense</b>			
Impairment reversal/(charge) to revaluation reserve	-	-	6,056
Gain/(Losses) on asset revaluations	-	20,502	(22)
<b>Total (Gains)/Losses through other comprehensive expense</b>	-	<b>20,502</b>	<b>6,034</b>
<b>Net Gains/(Losses)</b>	-	<b>23,829</b>	<b>4,954</b>

The November 2016 earthquakes caused substantial damage district-wide, including damage to assets owned by the Council. Impairment values have been prepared based on actual values where an asset had been rebuilt, or on the rebuild programme forecast. The difference between the impairment of 2018, and the revised impairment in 2019, is an adjustment in 2019 as below:

Category of asset	Impairment range by class of asset	Total impairment as at 30 June 2018	Impairment recognised/ (reversed) in 2019	Total impairment as at 30 June 2019
Roads & footpaths	Nil to 100%	4,554	(1,233)	3,321
Water pipes & structures	Nil to 100%	503	-	503
Sewerage pipes & structures	Nil to 100%	3,650	-	3,650
Stormwater pipe & structures	Nil to 100%	539	-	539
Land & Buildings	Nil to 100%	1,996	(704)	1,292
Harbour	Nil to 100%	1,232	-	1,232
		12,474	(1,937)	10,537

## 8 Personnel expense

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Salaries, wages and honorarium	3,416	3,292	3,201	4,526	4,811
Employer contributions to defined contribution plans	83	85	77	86	77
Increase/(decrease) in employee entitlements	-	(73)	46	(74)	46
<b>Total personnel expense</b>	<b>3,499</b>	<b>3,304</b>	<b>3,324</b>	<b>4,538</b>	<b>4,934</b>

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	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Roading	814	785	756	785	755
Water Services	341	461	586	461	586
Sewerage Services	294	259	120	259	120
Stormwater	62	50	60	50	61
Refuse & Recycling	1	381	16	487	102
Community Facilities	428	402	328	402	328
Commercial Activities	-	32	34	32	34
Leadership & Governance	70	91	104	91	104
Regulation & Control	-	-	-	-	-
Safety & Wellbeing	33	50	15	50	15
District Development	-	-	-	-	-
Earthquake event	-	3	2	3	2
<b>Total depreciation &amp; amortisation</b>	<b>2,043</b>	<b>2,514</b>	<b>2,021</b>	<b>2,620</b>	<b>2,107</b>



## 10 Other expenses

	COUNCIL			GROUP	
	2019 BUDGET \$000	2019 ACTUAL \$000	2018 ACTUAL \$000	2019 ACTUAL \$000	2018 ACTUAL \$000
Audit fees to principal auditor:					
- Audit for the Council	90	93	80	116	80
- Audit for other Council- Controlled Entity	-	2	2	2	25
Contractors	2,661	2,760	3,143	2,760	3,143
Donations and Grants paid out	367	397	694	617	445
Insurance premiums	371	337	325	369	350
Legal fees	101	113	30	113	30
Receivables written off	10	31	816	31	818
Movement in provision for impairment of receivables	-	87	(691)	87	(691)
Operating lease expense	40	29	43	34	48
Share of MRF joint venture expenses	890	1,087	1,059	1,087	1,059
Personnel related expenses	251	235	207	235	207
Other operating expense	3,599	3,071	1,897	2,712	1,201
Earthquake – initial response expenses	-	-	3	-	3
Earthquake – recovery phase	10	11	218	11	218
Earthquake – external resources and damage assessments	2,288	1,680	825	1,680	825
Earthquake – demolition expenses	-	-	133	-	133
Earthquake – emergency repairs	718	691	1,801	691	1,345
<b>Total other expenses</b>	<b>11,396</b>	<b>10,624</b>	<b>10,585</b>	<b>10,545</b>	<b>9,239</b>

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

The Council holds an 11.5% share in the Marlborough Regional Forestry (MRF) joint venture (see note 30). Of that share, the 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	
	2019 \$000	2018 \$000
Marlborough Regional Forestry joint venture surplus/(deficit)	567	744
<b>Environment Canterbury share @ 13.37%</b>	<b>(76)</b>	<b>(99)</b>

## 12 Gains/(losses) on asset revaluation

The Council revalued most of its asset classes as at 30 June 2019, as part of a normal three-yearly revaluation cycle. The valuations were conducted independently by qualified and experienced valuers with expertise in each particular asset class. The valuations have resulted in a significant increase in asset carrying values, and those increases in values are stated below.

	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Land	2,090	-
Buildings	3,737	-
Roading	12,383	-
Stormwater	434	-
Water	1,815	-
Sewerage	1,832	-
Marlborough Regional Forestry joint venture revaluation	149	(25)
Environment Canterbury share of MRF revaluation (13.37%)	(20)	3
<b>Total gains/(losses) on asset revaluation</b>	<b>22,420</b>	<b>(22)</b>

This note shows the true revaluation gain. This should be read in conjunction with Note 7 Fair value gains and losses, for the revaluation gain less the reversal of impairment.

### 13 Cash & cash equivalents

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash at bank and in hand	1,882	571	2,076	834
Term deposits with a maturity of three months or less at acquisition	-	3,100	-	3,100
MRF bank accounts	43	73	43	73
<b>Total cash &amp; cash equivalents</b>	<b>1,925</b>	<b>3,744</b>	<b>2,119</b>	<b>4,007</b>

#### *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 \$1,783,116 (2018: \$3,483,183), 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 110-111.

### 14 Trade & other receivables

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Rates receivables	760	727	760	727
Debtor receivables	1,745	1,739	1,826	1,642
Debtor accruals	184	273	184	272
GST refundable	-	40	-	40
Receivables prior to impairment	<b>2,689</b>	<b>2,779</b>	<b>2,770</b>	<b>2,681</b>
Less provision for impairment	(438)	(351)	(438)	(351)
<b>Total trade &amp; other receivables</b>	<b>2,251</b>	<b>2,428</b>	<b>2,332</b>	<b>2,330</b>
<b>Total receivables comprise:</b>				
Receivables from non-exchange transactions – this includes rates, grants & subsidies, and development contributions	1,218	1,099	1,218	1,099
Receivables from exchange transactions – including fees and charges, lease revenue and consent fees	1,033	1,179	1,114	1,231
	<b>2,251</b>	<b>2,278</b>	<b>2,332</b>	<b>2,330</b>

**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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
At 1 July	351	1,042	351	1,042
<i>Additional provisions</i>				
Increase/(decrease) in provision	87	(28)	87	(28)
Receivables written off	-	(663)	-	(663)
<b>Total provision</b>	<b>438</b>	<b>351</b>	<b>438</b>	<b>351</b>

## 15 Prepayments & inventory

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Prepayments	229	152	229	152
Inventory	-	-	-	1
<b>Total prepayments &amp; inventory</b>	<b>229</b>	<b>152</b>	<b>229</b>	<b>153</b>

## 16 Other financial assets

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Current portion</b>				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	-	-	-	-
<i>Total current portion</i>	-	-	-	-
<b>Non-current portion</b>				
Unlisted shares in Civic Financial Services Ltd	9	9	9	9
<i>Total non-current portion</i>	-	-	-	-
<b>Total other financial assets</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>

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 \$567,075 (2018: \$741,997).

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 2019, and so net logging sales returned \$nil during the year (2018: \$nil).

	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Opening balance 1 July	2,279	2,056
Increases due to purchases	73	46
Gains/(Losses) arising from changes in fair value attributable to physical changes	172	243
Gains/(Losses) arising from changes in fair value attributable to price changes	383	418
Decreases due to sales (harvest)	(502)	(483)
<b>Closing balance 30 June</b>	<b>2,405</b>	<b>2,279</b>

### 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 2019 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% (2018: 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. Peter Gilbert, Merrill & Ring Ltd revalued the forest as at 30 June 2019 (*Peter Gilbert, Merrill & Ring Ltd revalued the forest as at 30 June 2018*).

### Sensitivity analysis

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

	As at 30 June 2019		
	7%	8% (as used)	9%
The Council's 11.5% share of MRF tree crop value (\$000's)	2,649	2,211	1,856

### 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 2019 of the MRF estate ranges from 1-14 years 79%; 15-28 years 16%; and 29-45 years 5% (2018: 79%, 12% and 9% respectively).

## 18 Investment property

The Council's investment properties are 25 Beach Road (currently occupied by the Opshop), an area of land between Beach Road and the railway line (now being used for temporary housing in conjunction with MBIE), and the land at Wakatu Quay.

	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Opening balance 1 July	1,465	1,860
Additions from subsequent expenditure	-	-
Disposals	-	-
Fair value gains/(losses) on valuation	450	(395)
Loss on impairment	-	-
<b>Closing balance 30 June</b>	<b>1,915</b>	<b>1,465</b>

The Council has commenced 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	
	2019 \$000	2018 \$000
<b>Current portion</b>		
Investment property held for sale	-	-
<b>Non-current portion</b>		
Investment property	1,915	1,465
	<b>1,915</b>	<b>1,465</b>

Investment properties were valued at fair market value by Cameron Ferguson (Registered Valuer, B.Com (VPM)) of Quotable Values Limited as at 30 June 2019. Last year these same properties were valued by Geoff Maxwell (SPINZ, ANZIV, NZIPM), of Maxwell Valuations Ltd. Both parties are experienced and are competent in undertaking asset valuation work in accordance with valuation and accounting standards. The fair value of investment property was determined using the highest and best use method; which is defined as the most probable use of the asset that is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value.

The Council has a contractual obligation for capital expenditure, of \$1.225 million, which includes both the Memorial Hall and 25 Beach Road.



## 19 Property, plant & equipment

Land and buildings were valued at fair value as at 30 June 2019, by Cameron Ferguson of Quotable Values.

Stormwater, water supplies and sewerage systems were valued as at 30 June 2019 by Ali Siddiqui of Stantec New Zealand. Roothing assets were valued as at 30 June 2019 by Ali Siddiqui of Stantec New Zealand. 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 2019 this land has a carrying value of \$4,746,050 (2018: \$4,177,050). Building values include restricted buildings, playgrounds, and other structures, that at 30 June 2019 have a carrying value of \$2,996,660 (2018: \$552,452).

Land under roads of \$18,237,242 (2018: \$18,237,242) is included under Roothing 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.

For some of the roading, three waters and building assets, there has been significant impairment caused by the November 2016 earthquake. Fully impaired assets have been excluded from the June 2019 valuation, however partially impaired assets have been included, with the assumption that they will be repaired in a similar manner to general asset maintenance. Impairment losses had been estimated in 2019, with further information to be found in note 7.

Following the earthquake, "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 December 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. The 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 the Council will account for the capital improvement costs when the project is complete and in effect the improvements vested in the Council.



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2019	Cost/ revaluation 1 Jul 2018 \$000	Accumulated depreciation 1 Jul 2018 \$000	Carrying amount 1 Jul 2018 \$000	Current year additions \$000	Current year transfers \$000	Current year depreciation \$000	Current year revaluations \$000	Cost/ revaluation 30 Jun 2019 \$000	Accumulated depreciation 30 Jun 2019 \$000	Carrying amount 30 Jun 2019 \$000
Land	10,021	-	10,021	236	-	-	2,090	12,347	-	12,347
Buildings	9,763	(288)	9,477	459	164	(215)	4,140	14,025	-	14,025
Landfill Provision	-	-	-	931	-	(373)	-	931	(373)	558
Office equipment	398	(257)	141	15	-	(32)	-	413	(289)	124
Vehicles & plant	497	(369)	128	41	-	(21)	-	538	(390)	148
Park furniture & other	395	(90)	305	-	-	(15)	-	395	(105)	290
Library books	582	(467)	115	21	-	(48)	-	603	(515)	88
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	7,895	(424)	7,471	5	-	(165)	-	7,900	(589)	7,311
Roading	107,691	(1,509)	106,182	747	-	(785)	12,384	118,528	-	118,528
Stormwater	3,779	(108)	3,671	-	-	(50)	434	4,055	-	4,055
Water supplies	11,850	(994)	10,856	43	8	(461)	1,814	12,260	-	12,260
Sewerage	8,170	(436)	7,734	64	-	(259)	1,832	9,371	-	9,371
MRF PPE	1,500	(351)	1,149	110	-	(32)	129	1,739	(383)	1,356
Work in progress	765	-	765	3,356	(172)	-	-	3,949	-	3,949
<b>Council total</b>	<b>163,395</b>	<b>(5,293)</b>	<b>158,102</b>	<b>6,028</b>	<b>-</b>	<b>(2,456)</b>	<b>22,823</b>	<b>187,143</b>	<b>(2,644)</b>	<b>184,499</b>
Subsidiary buildings	419	(144)	275	12	-	(8)	-	431	(152)	279
Subsidiary plant & equip	1,315	(743)	572	151	-	(98)	-	1,466	(841)	625
<b>Group total</b>	<b>165,129</b>	<b>(6,179)</b>	<b>158,950</b>	<b>6,191</b>	<b>-</b>	<b>(2,562)</b>	<b>22,823</b>	<b>189,040</b>	<b>(3,637)</b>	<b>185,403</b>

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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 <sup>10</sup>	-	(33)	-	1,500	(351)	1,149
Work in progress	4,352	-	4,352	4,216	(7,803)	-	-	765	-	765
<b>Council total</b>	<b>152,564</b>	<b>(3,558)</b>	<b>149,009</b>	<b>6,237</b>	<b>-</b>	<b>(1,944)</b>	<b>4,801</b>	<b>163,395</b>	<b>(5,292)</b>	<b>158,103</b>
Subsidiary buildings	419	(136)	283	-	-	(8)	-	419	(144)	275
Subsidiary plant & equip	992	(693)	299	355	-	(50)	(32)	1,315	(743)	572
<b>Group total</b>	<b>153,978</b>	<b>(4,387)</b>	<b>149,591</b>	<b>6,592</b>	<b>-</b>	<b>(2,002)</b>	<b>4,769</b>	<b>165,129</b>	<b>(6,179)</b>	<b>158,950</b>

<sup>10</sup> This is made up of MRF PPE additions \$39k and \$25k revaluation increase



provide  
suitable  
infrastructure.



improve  
quality of  
life.



meet the  
needs of our  
community.



improve  
the local  
economy.



value the  
environment +  
biodiversity.



have  
community  
participation.



### 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-owned assets:

	Closing book value at 30 June \$000	Additions constructed by the Council \$000	Additions transferred to the Council \$000	Replacement cost estimate for revalued assets \$000
<b>2019</b>				
Water supply:				
- treatment plants & facilities	2,669	43	-	5,272
- other assets	9,591	8	-	19,682
Sewerage:				
- treatment plants & facilities	3,368	64	-	5,621
- other assets	6,004	-	-	8,357
Stormwater drainage	4,056	-	-	5,462
Roads and footpaths	118,527	747	-	126,633
<b>2018</b>				
Water supply:				
- treatment plants and facilities	2,742	65	-	5,714
- other assets	8,114	1,084	-	17,578
Sewerage:				
- treatment plants and 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

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 2019 for all disclosed categories.

## 20 Intangible assets

### Carbon credits

In 2019, the Council met its surrender obligations under the Emissions Trading Scheme (ETS) for carbon emissions from its landfill operations for the 2018 calendar year, of 1995 units at a cost of \$25 each. At balance date, the Council holds no carbon credits.

Last year, the Council had no carbon credits, and outstanding surrender obligations under the ETS 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.

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 2018	-	180	180
Additions	-	9	9
Disposals	-	-	-
Amortisation	-	(58)	(58)
<b>Closing balance 30 June 2019</b>	<b>-</b>	<b>130</b>	<b>130</b>
Opening balance 1 July 2017	2	215	217
Additions	28	44	72
Disposals	(30)	-	(30)
Amortisation	-	(79)	(79)
<b>Closing balance 30 June 2018</b>	<b>-</b>	<b>180</b>	<b>180</b>

## 21 Payables and deferred revenue

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Current portion</b>				
<b>Payables and deferred revenue under exchange transactions:</b>				
Trade payables and accrued expenses	2,464	1,463	2,598	1,467
Marlborough Regional Forestry creditors	67	59	67	59
Salaries and wages	-	-	-	-
<b>Total</b>	<b>2,531</b>	<b>1,522</b>	<b>2,665</b>	<b>1,526</b>
<b>Payables and deferred revenue under non-exchange transactions:</b>				
Rates paid in advance	134	104	134	104
Goods & services tax	(54)	-	(54)	-
Deposits and bonds held	281	424	281	274
Environmental Canterbury liability	207	176	207	176
Grant liabilities	269	370	269	370
<b>Total</b>	<b>837</b>	<b>1,074</b>	<b>837</b>	<b>924</b>
<b>Total current portion</b>	<b>3,368</b>	<b>2,596</b>	<b>3,502</b>	<b>2,450</b>



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.

## 22 Employee benefit liabilities

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Accrued salaries & wages, PAYE and FBT	97	122	159	189
Annual leave	164	142	267	209
Sick leave	3	88	3	88
Long service leave	11	30	12	30
<b>Total employee benefit liabilities</b>	<b>276</b>	<b>382</b>	<b>441</b>	<b>516</b>

### *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.

## 23 Borrowings

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<i>Current</i>				
Secured loans	430	1,178	470	1,235
Short term loan (cash advance)	-	-	-	-
<b>Total current borrowings</b>	<b>430</b>	<b>1,178</b>	<b>470</b>	<b>1,235</b>
<i>Non-current</i>				
Secured loans	1,147	2,091	1,147	2,118
<b>Total non-current borrowings</b>	<b>1,147</b>	<b>2,091</b>	<b>1,147</b>	<b>2,118</b>
<b>Total borrowings</b>	<b>1,577</b>	<b>3,269</b>	<b>1,617</b>	<b>3,353</b>

### *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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Less than one year	430	1,178	470	1,235
<i>Weighted average effective interest rate</i>	6.15%	5.24%	6.1%	5.46%
Later than one year but not more than five years	1,147	2,091	1,147	2,118
<i>Weighted average effective interest rate</i>	4.49%	4.79%	4.49%	5.23%
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.

## 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 2019 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 1.74% (2018: 4.93%), and an inflation factor of 1.90% (2018: 1.50%).

CURRENT VS. NON-CURRENT	COUNCIL & GROUP	
	2019 \$000	2018 \$000
<i>Current</i>		
Landfill aftercare costs	10	-
<i>Non-current</i>		
Landfill aftercare costs	1,468	472
<b>Total provisions</b>	<b>1,478</b>	<b>472</b>

MOVEMENTS IN PROVISIONS	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Opening balance 1 July	472	472
Amount used	-	-
Unused amounts reversed	-	-
Unwinding of landfill provision	68	-
Additional provisions made	938	-
<b>Closing balance 30 June</b>	<b>1,478</b>	<b>472</b>



## 25 Other term liabilities

	COUNCIL & GROUP	
	2019 \$000	2018 \$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	393	354
<b>Total other term liabilities</b>	<b>393</b>	<b>354</b>

## 26 Equity

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Public equity	98,866	92,683	99,591	93,562
Special reserves & special funds	1,783	3,483	1,783	3,483
Asset revaluation reserves	85,622	65,121	85,622	65,121
<b>Total equity</b>	<b>186,271</b>	<b>161,287</b>	<b>186,996</b>	<b>162,166</b>

### Public Equity

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance 1 July	92,683	82,650	93,487	83,232
Transfers (to)/from special reserves	1,018	4,192	1,018	4,192
Transfers (to)/from special funds	683	(2,141)	683	(2,141)
Transfer (to)/from revaluation reserve	-	-	-	-
Net surplus/(deficit)	4,482	7,982	4,403	8,279
<b>Closing balance 30 June</b>	<b>98,866</b>	<b>92,683</b>	<b>99,591</b>	<b>93,562</b>

### 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.

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special reserves</b>					
Kaikōura water	All costs for the Kaikōura, Oaro, and Peketa water supplies	88	925	(994)	19
Ocean Ridge Water	All costs	(37)	37	-	-
East Coast water	All costs	(8)	86	(93)	(15)
Kincaid water	All costs	129	145	(95)	179
Fernleigh water	All costs	(24)	43	(67)	(48)
Roading	Maintenance and upgrading of local roads and bridges	(19)	1,775	(1,446)	310
Roading events	Responding to flooding and other events, and repairing damage to roads and bridges	-	98	(40)	58
Footpaths & streetlights	All costs	18	402	(375)	45
Recycling	Recycling collection and sorting, and recycling stations	(24)	212	(200)	(12)
District Plan	All costs	12	319	(161)	170
Stormwater	All costs	33	136	(65)	104
Sewerage	All costs	176	778	(895)	59
Tourism & Marketing	Support for the i-Site and Destination Kaikōura	-	396	(439)	(43)
Commercial Rate	A portion of the cost of providing traffic control, public toilets, public rubbish bins	45	123	(187)	(19)
Harbour	All costs	(27)	887	(839)	21
Registered Premises	All costs	46	108	(141)	13
West End town centre	All costs	121	169	(284)	6
Civic centre	All costs	(199)	613	(797)	(383)
Stock control	All costs	25	26	(29)	22
Earthquake – Roothing	Roothing rebuild associated with the November 2016 quake	-	1,967	(2,765)	(798)
Earthquake – Rebuild director	Project management and resourcing the rebuild	-	535	(886)	(351)
		<b>356</b>	<b>9,780</b>	<b>(10,798)</b>	<b>(663)</b>

Several special reserves have negative balances (such as the Earthquake – Roothing reserve, and the Earthquake – Rebuild director reserve, amongst others). This is purely a timing issue as the costs must be incurred and paid before the subsidy can be claimed back from the Crown and NZTA.

	Purpose	Opening balance \$,000s	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special funds</b>					
Social services	Social projects	6	-	-	6
Tourism strategy	All costs	35	-	-	35
Creative communities	Arts funding	8	9	(11)	6
George Low bequest	Sports & recreation funding	56	5	(6)	55
Economic development	Marketing & coordination	30	397	(370)	57
Forestry	Strategic investment	1,156	423	(497)	1,082
Significant natural areas	Biodiversity project	29	-	-	29
Parks & reserves	New/upgrades	69	1	-	70
Pensioner flats	All costs	(87)	106	(118)	(99)
Investment property	All costs	-	218	(284)	(66)
Community facilities	New/upgrades	209	375	(865)	(281)
Vehicles and plant	New/replacement	(1)	11	(40)	(30)
Waste minimisation levy	Waste minimisation project	27	14	-	41
Landfill development	New/upgrades	81	-	-	81
Landfill aftercare	Closure expenses	94	37	-	131
Library grants	Library resources	2	4	(1)	5
Family violence	Service coordination	(1)	27	(30)	(4)
NZ Lottery – Outreach	Outreach coordination	75	44	(114)	5
DIA Capability funding	Natural hazards and consents processing	(57)	486	(429)	-
Natural hazards remediation	Settlement and remediation for landowners	-	1,555	(355)	1,200
Mayoral fund	Discretionary	8	-	-	8
Airport	Debt repayment & capital projects	(256)	256	-	-
Earthquake fund	Earthquake recovery	75	-	(39)	36
Three waters EQ fund	Water, sewer and stormwater rebuild	1,470	1	(1,566)	(95)
Mayoral EQ relief	Hardship grants	71	-	(18)	53
Earthquake waste grants	EQ waste – facilities and waste coordination	(5)	463	(456)	2
Winter warmer project	Weather proof and heating work for EQ damaged homes	-	1	65	66
EQ recovery support	Earthquake recovery work	-	27	(25)	2
Rebuild navigator	Support landowners with insurance settlements	-	36	(42)	(6)
Communications	Earthquake-related comm's	34	43	(71)	6
Legal challenges	Court costs and legal advice	-	50	-	50
		<b>3,128</b>	<b>4,589</b>	<b>(5,271)</b>	<b>2,446</b>

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.



### Asset Revaluation Reserves

	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Opening balance 1 July	65,121	59,088
Impairment (loss)/reversal	-	6,055
Revaluation gains/(losses)	20,521	(25)
Transferred to general equity	-	-
Environment Canterbury's share of MRF Revaluation (gains)/losses	(20)	3
<b>Closing balance 30 June</b>	<b>85,622</b>	<b>65,121</b>

The Asset Revaluation Reserves consist of:

	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Land	5,369	3,279
Buildings	3,651	-
MRF Land & Improvements	175	46
Library Books	65	65
Roading	70,334	57,952
Stormwater	1,451	1,017
Water Supply	4,577	2,762
Sewerage	0	-
	<b>85,622</b>	<b>65,121</b>

## 27 Remuneration

### Chief Executive

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$211,204 (2018: \$200,813).

### Elected Representatives

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

	COUNCIL	
	2019 \$000	2018 \$000
Mayor Winston Gray	59	57
Councillor Julie Howden	18	18
Councillor Tony Blunt	18	18
Councillor Craig Mackle	18	18
Councillor Derrick Millton	18	18
Councillor Lisa Bond	18	18



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have community participation.

Councillor Celeste Harnett	18	18
Councillor Neil Pablecheque	18	18
<b>Total elected representatives remuneration</b>	<b>188</b>	<b>183</b>

### Council employees

At balance date, the Council employed 33 full-time employees (2018: 30), with the balance of staff representing 6.9 full-time equivalent employees (2018: 7.5). 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:			
	2019		2018
<\$60,000	28	< \$60,000	27
\$60,000 - \$119,999	11	\$60,000 - \$119,999	9
\$120,000 - \$219,999	4	\$120,000 - \$259,999	5
Total employees	43	Total employees	41

During the year, the Council did not pay any severance payments (2018: Nil).

## 28 Financial instrument categories

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

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Loans and receivables</b>				
Cash & cash equivalents	1,925	3,744	2,119	4,007
Trade & other receivables	2,251	2,277	2,332	2,330
Other financial assets	9	9	9	9
	<b>4,185</b>	<b>6,030</b>	<b>4,460</b>	<b>6,346</b>
<b>Financial liabilities at amortised costs</b>				
Trade & other payables	3,644	1,698	2,872	1,700
Secured loans	1,577	3,269	1,617	3,353
Share of MRF held on behalf of Environment Canterbury	393	354	393	354
	<b>5,614</b>	<b>5,321</b>	<b>4,882</b>	<b>5,407</b>

## 29 Taxation

The Council's harbour activities attract taxation. A deferred tax asset has not been recognised in relation to unused tax losses of \$543,886 (2018: \$219,692), which are available to carry forward and offset against future taxable profits. The tax effect of the losses is \$152,288 (2018: \$61,514), based on a tax rate of 28%.

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Components of tax expense recognised in statement of comprehensive revenue and expense:</b>				
Current Taxation	-	-	-	28
Deferred Taxation	-	-	(15)	71
<b>Income tax expense</b>	-	-	<b>(15)</b>	<b>99</b>
Components of deferred tax recognised directly in equity:				
<b>Income tax expense</b>	-	-	<b>(15)</b>	<b>99</b>
<b>Relationship between tax expense and accounting profit</b>				
Surplus/(deficit) before tax	4,032	7,982	3,937	8,851
Tax at 28%	1,129	2,235	1,102	2,478
<i>Add/(less) tax effect of:</i>				
(Non-taxable Income)	(1,129)	(2,235)	(1,119)	(2,374)
Non-deductible expenditure	-	-	2	-
Tax loss not recognised	-	-	-	-
Prior period adjustments	-	-	-	(5)
	-	-	<b>(15)</b>	<b>99</b>
<b>Movement in tax (refund)/payable:</b>				
Balance at start of year	-	-	6	108
Taxation (paid)/refunded	-	-	(6)	(123)
Provided for this year	-	-	-	26
Under/(over) provision prior year	-	-	-	(5)
Balance at the end of the year	-	-	-	6



Movement in temporary differences	2019 Group only			
	Balance 30/6/2018	Recognised in income	Recognised in equity	Balance 30/6/2019
Property, plant and equipment	(147)	(17)	-	(130)
Employee benefits	17	10	-	27
Accrued expenses	-	-	-	-
Losses to carry forward	-	23	-	23
	<b>(130)</b>	<b>15</b>	<b>-</b>	<b>(115)</b>
	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)	-	-
	<b>(59)</b>	<b>(71)</b>	<b>-</b>	<b>(130)</b>

Innovative Waste Kaikōura Limited recognises its tax obligations.

### 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	
	2019 \$000	2018 \$000
Current assets	132	123
Non-current assets	3,568	3,276
<b>Total assets</b>	<b>3,701</b>	<b>3,399</b>
Current liabilities	67	58
Non-current liabilities	695	695
<b>Total liabilities</b>	<b>762</b>	<b>754</b>
<b>Share of net assets employed</b>	<b>2,939</b>	<b>2,646</b>
<b>Share of net surplus/(deficit)</b>	<b>567</b>	<b>744</b>

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

### 31 Related party transactions

#### *Intergroup*

#### *Innovative Waste Kaikōura Ltd*

During the year, through the ordinary course of business, the Council has paid \$1,586,045 (excluding GST) in fees and grants to Innovative Waste Kaikōura Ltd (2018: \$1,566,171) and received \$5,441 (excluding GST) from Innovative Waste Kaikōura Ltd (2018: \$36,664). 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 \$103,965 (including GST) (2018: \$125,081) payable by the Council to Innovative Waste Kaikōura Ltd and 2019 \$0 (including GST) (2018: \$460) receivable by the Council from Innovative Waste Kaikōura Ltd.

#### *Kaikōura 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 the 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	
	2019 \$000	2018 \$000
Chief Executive ( <i>one full-time equivalent member</i> )	211	201
Elected representatives ( <i>eight full-time equivalent members</i> )	188	183
<b>Total key management personnel remuneration</b>	<b>399</b>	<b>384</b>
<b>Total full-time equivalent key management personnel</b>	<b>9</b>	<b>9</b>

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 (2018: \$nil).

## 32 Commitments as lessee, and contingent liabilities

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

	COUNCIL		GROUP	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<i>Non-cancellable operating leases as lessee</i>				
Not later than one year	21	26	34	39
Later than one year and not later than five years	40	61	41	75
Later than five years	-	-	-	-
	<b>61</b>	<b>87</b>	<b>75</b>	<b>114</b>

#### *Capital commitments*

All of the major projects for the earthquake rebuild have been competitively tendered and contracts awarded. Major physical works commenced during the 2018/19 financial year, with the balance of rebuild projects to be completed by 30 June 2020. Of these projects, the Totara Lane Sewer Pump Station was operational by the end of September 2019, and the new Fords Reservoir is due to be commissioned by November 2019.

The wastewater treatment plant works and new aeration lagoon are well progressed with completion by February 2020. Our largest project, the Lyell Creek sewer main will be finished over the 2019/2020 summer with completion by April 2020.

Five bridge replacements – Hawthorne Road, Rorrison's Road, Gillings Lane, Scotts Road, Evans Bridge and Wards 2 Bridge (both on Mt Fyffe Road) - are all due to be replaced and re-opened by May 2020. Hawthorne, Rorrison's and Evans bridges will be widened from one lane to two, with pedestrian footpaths added to Hawthorne and Rorrison's.

The exception in the overall programme is the Clarence Valley Access project which is progressing on an independent timeline compared to other rebuild activity. There are currently no contractual commitments for this project.

CONTRACTS	COUNCIL & GROUP	
	2019 \$000	2018 \$000
Lyell Creek sewer main	4,629	-
Five bridges design and build	3,155	-
Waste water treatment plant & aeration lagoon	2,410	-
Fords Kaikōura Urban water reservoir	809	-
Totara Lane sewer pump station	46	-
	<b>11,049</b>	-

#### *Housing NZ Corporation funding*

Housing New Zealand Corporation has provided \$497,776 (2018: \$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 2019, the scheme had a past service surplus of \$1.8 million (exclusive of Employer Superannuation Contribution Tax (2018: \$6.6 million surplus)). 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.

Based on the latest review, completed as at 31 March 2018, the Scheme's Actuary recommended (and endorsed by the board) employer contributions to the Scheme change from zero to 1 times (100%) of the employees' contribution from 1 April 2019.

#### *Employee litigation*

At balance date the Council is involved in litigation involving an employee-related matter arising about events prior to 30 June. We are not in a position to disclose further information as this is sitting with lawyers and still in early days. Any further disclosure may seriously prejudice the outcome.

## 33 Commitments as lessor, and contingent assets

### *Insurance settlements for earthquake damage*

In the financial year to 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 2019, 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Not later than one year	197	110	197	106
Later than one year, but not later than five years	605	392	605	374
Later than five years	550	218	550	217
	<b>1,352</b>	<b>720</b>	<b>1,352</b>	<b>697</b>

## 34 Insurance on assets

The Kaikōura earthquake caused substantial damage to Council-owned 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.

#### *Buildings and building contents*

The assets covered by the Council's material damage policy carry a total depreciated value as at 30 June 2019 of \$30,887,561 (2018: \$18,122,001), and have a total sum insured of \$38,352,809 (2018: \$32,939,415). The insured



value takes into account the cost to replace/rebuild the assets including demolition (if any). The carrying value of buildings has been revalued as at 30 June 2019. The remainder of assets (e.g. building contents such as furniture, artwork and computer equipment) are stated at their last known market value less depreciation, and after impairment (if any). 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 2019 of \$148,000 (2018: \$127,324), with insurance cover for replacement value of \$162,165 (2018: \$221,222). Insured cover includes windscreen replacement for all vehicles.

### *Water, sewerage, and stormwater assets*

These activities have a total asset value for insurance purposes of \$62,676,823 (2018: \$57,882,083), 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. Structural above-ground assets such as water reservoirs and sewer pump stations are not covered in this section; they are included in the material damage policy for buildings and building contents. The LAPP policies provide cover for pipe networks and underground assets only. These assets have a total depreciated value as at 30 June 2019 of \$19,116,518 (2018: \$16,387,625).

### *Roads, bridges and footpaths*

These assets have a total carrying value at 30 June 2019 of \$100,290 (excluding land under roads, and after impairment), (2018: \$87,757,824). 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 2019, the Council has no cash in the roading special reserve, having spent all available funds on emergency roading repairs (2018: \$Nil).

There is \$3,524,256 of assets that the Council considers to be uninsured within this group of activities (2018: \$1,797,244). These include sea walls and footpaths.

## 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 2019 was a modest \$4.48 million surplus, against a budgeted surplus of \$12.913 million.

Revenue of \$21.2 million is well short of the budgeted \$30.4 million. This is almost entirely due to the delays in the earthquake rebuild, which meant that claims from the Crown and NZTA were not made, and so grants and subsidies are \$12.8 million less than budget. Those claims will only be reimbursed by the Crown and NZTA as the project expenses are paid. There are \$3.3 million in fair value gains, that had not been budgeted, that relate to gains in forestry and investment property valuations, and the reversal of earthquake-related impairments. Other than these variances, overall the Council's revenue streams have been largely on track with budget.

Expenditure of \$16.6 million is \$871k less than budget. The significant differences being;

- \$1.2 million of natural hazard settlements yet to be spent. The budget of \$1.55 million sits in the 2018/2019 financial year, however due to the complexity and sensitive nature of the negotiations with affected landowners, it was inevitable that only a portion of this amount would be spent within that financial year. The unspent balance carries over to 2019/2020, and settlement agreements with landowners is progressing well.
- Several "business as usual" maintenance expenses have not been spent due to the focus on earthquake renewals instead – notably water and roading maintenance, reducing expenses by over \$0.38 million.

- Tests from the Kaikōura urban water supply suggested a faecal-matter contamination, which sparked intensive investigations into the source, including flushing and cleansing Fords Reservoir. The total cost of this response was \$173k and was unbudgeted.
- Delays in the earthquake rebuild has meant there was not the need to raise loans during the year; this in turn led to a savings in loan interest vs. budget of \$375k.

### Statement of Financial Position

Asset valuations were completed as at 30 June 2019, for roading, three waters, land and buildings. These significantly increased the Council's carrying values for property, plant and equipment – by \$22.8 million – in turn increasing equity through the asset revaluation reserves. Notwithstanding this, the actual value of property, plant and equipment remained \$7.5 million less than budgeted due to the delays in the rebuild projects.

Total borrowings are \$7.74 million lower than budgeted due to the rebuild work being much slower than forecast and the Council using some of its available cash to repay debt.

A provision for landfill aftercare was reviewed during 2019 and, due to a significant increase in the estimated cost to over \$1.2 million, and bringing the project forward a number of years to 2021, the landfill aftercare provision increased by over \$0.8 million.

### Statement of Cash Flows

Cash decreased over the year by \$1.82 million, to a balance of \$1.925 million at 30 June 2019.

- Net cash from operating activities generated \$8.2 million, which enabled these funds to be used for investing activities such as the major earthquake rebuild projects.
- As much surplus cash as possible was used to repay debt, so as to ensure the Council is in a good borrowing position as the rebuild projects get properly underway in 2019/2020.

## 36 Post Balance Date Events

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

# Annual Report Disclosure Statement

For the year ending 30 June 2019

## 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 –

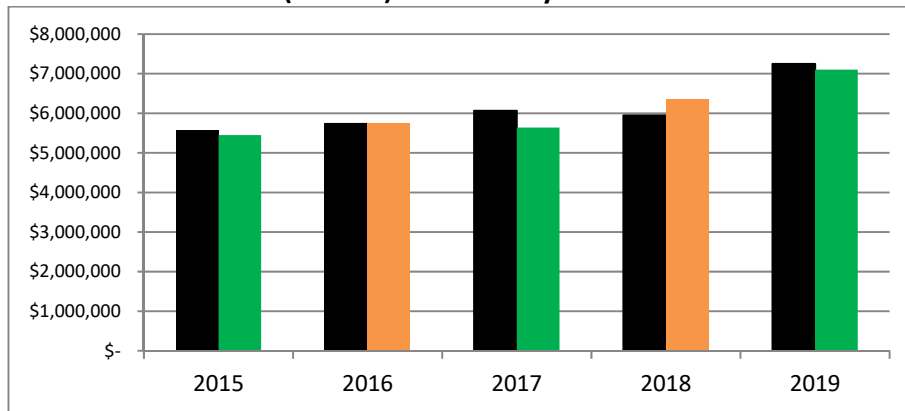
- actual rates income equals or is less than each quantified limit on rates; and
- actual rates increases equal or are less than each quantified limit on rates increases.

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 Three-Year Plan. The Council set its limit on rates increases to 14% in order to meet the costs of our earthquake rebuild. In dollar terms this sets a cap of \$7,248,487. The Council’s actual rates for the 2019 financial year were \$7,101,410, which is within the cap.

**Rates (income) affordability benchmark**



Quantified limit on rates income



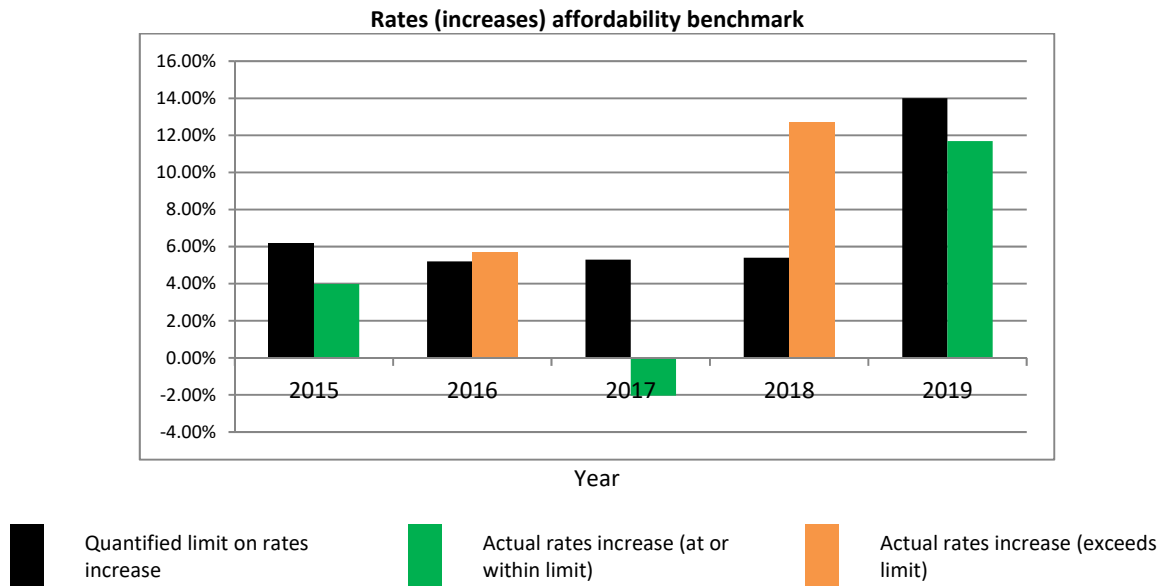
Actual rates income (at or within limit)



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 Three-Year Plan. The quantified limit is 14%, and the actual increase was 11.69%.



### 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.

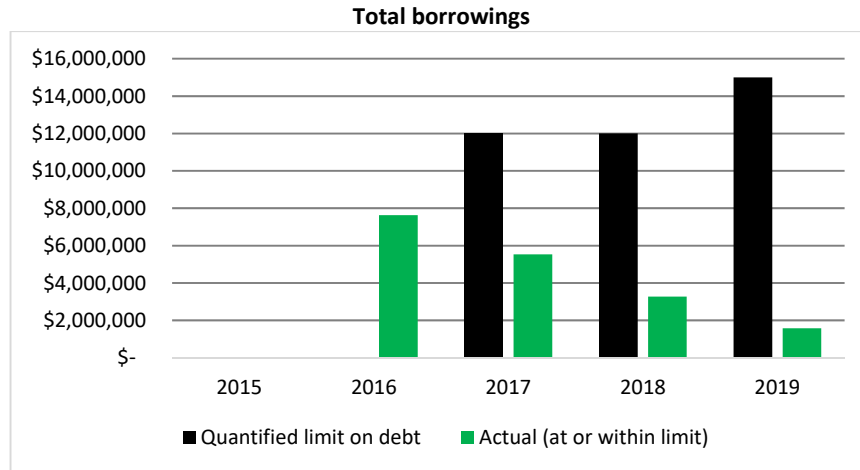
Now for the 2019 financial year, the Council set its limit on rates increases to 14% so as to meet the costs of our earthquake rebuild programme. The actual increase was well within the cap at 11.69%.

### Debt affordability benchmark

The Council meets the debt affordability benchmark if –

- total borrowings do not exceed \$15 million; and
- loan interest expense is less than 10% of total revenue.

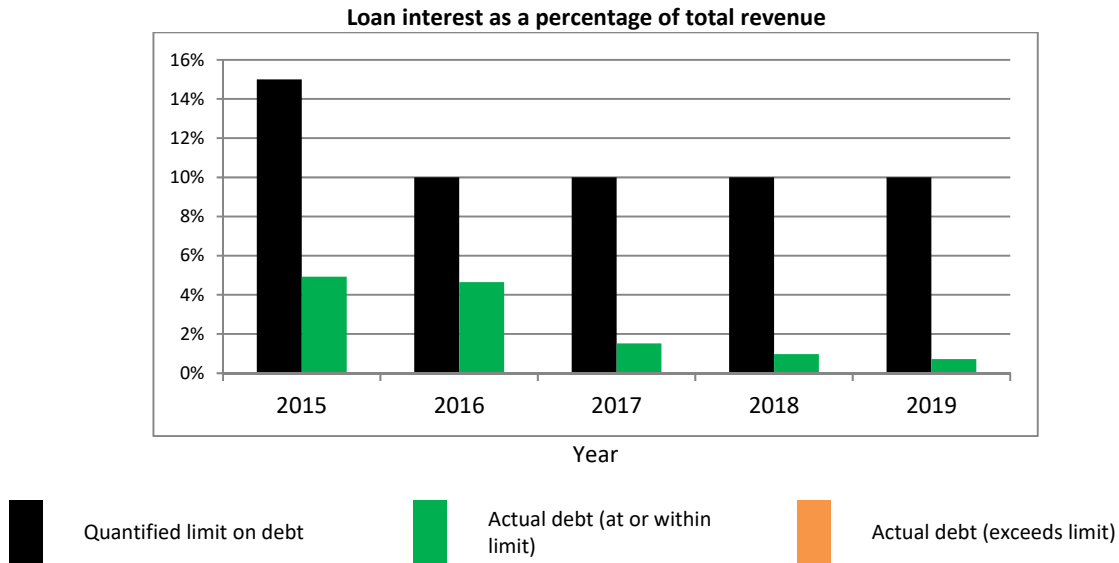
The following graph compares the Council’s actual borrowing with the quantified limit on borrowing stated in the financial strategy included in the long term plan. The quantified limit is \$15 million.



#### Comment

The Council increased its debt limit from \$12 million to \$15 million for the Three-Year Plan 2018-2021 in preparation for new borrowings to fund the earthquake rebuild. In reality, due to the delay in the rebuild works, actual borrowings are much less than forecast as the Council has used available cash to reduce debt while we prepare for the rebuild to commence.

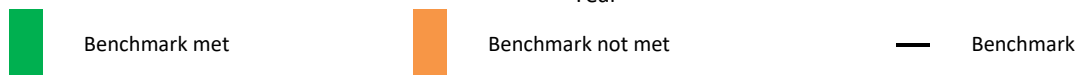
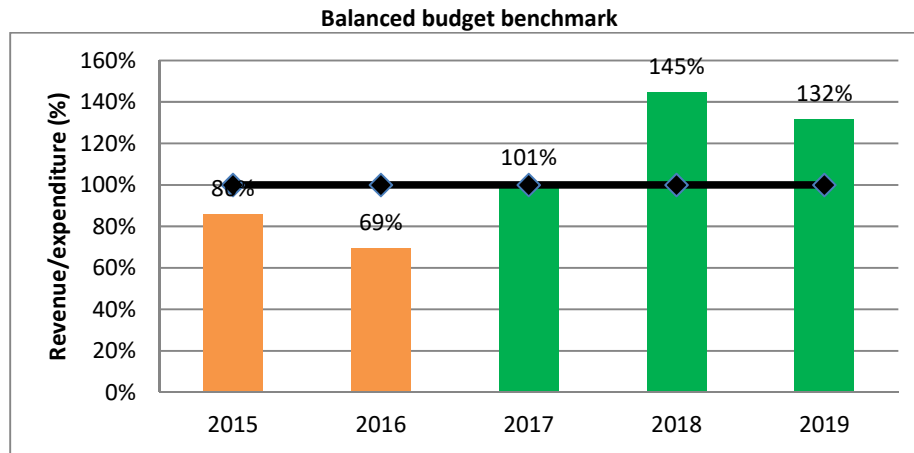
The following graph compares the Council’s actual borrowing with a quantified limit on loan interest as a percentage of total revenue. Loan interest expense is less than 1% due to savings by paying off debt.



### Balanced budget benchmark

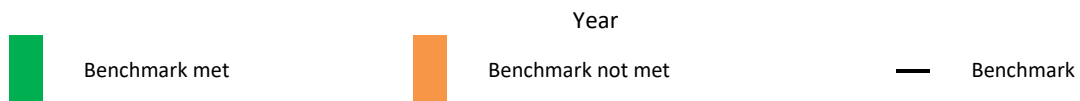
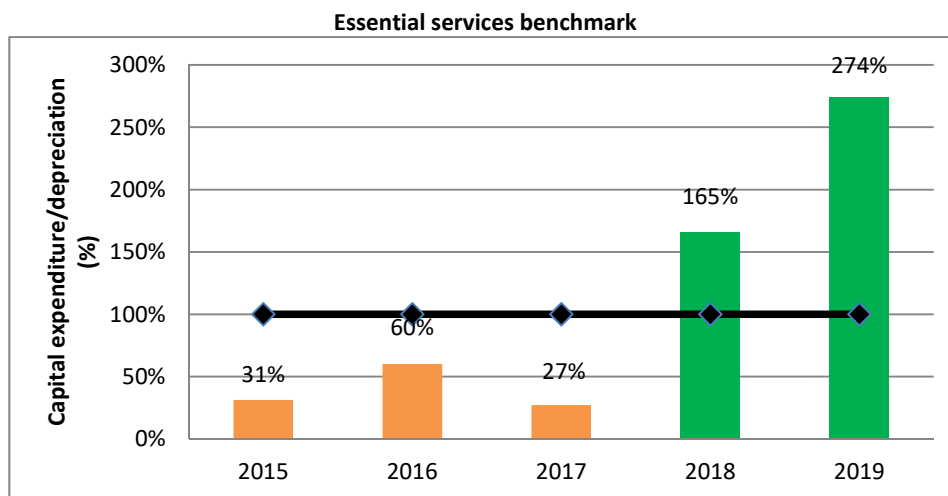
The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

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



### 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.



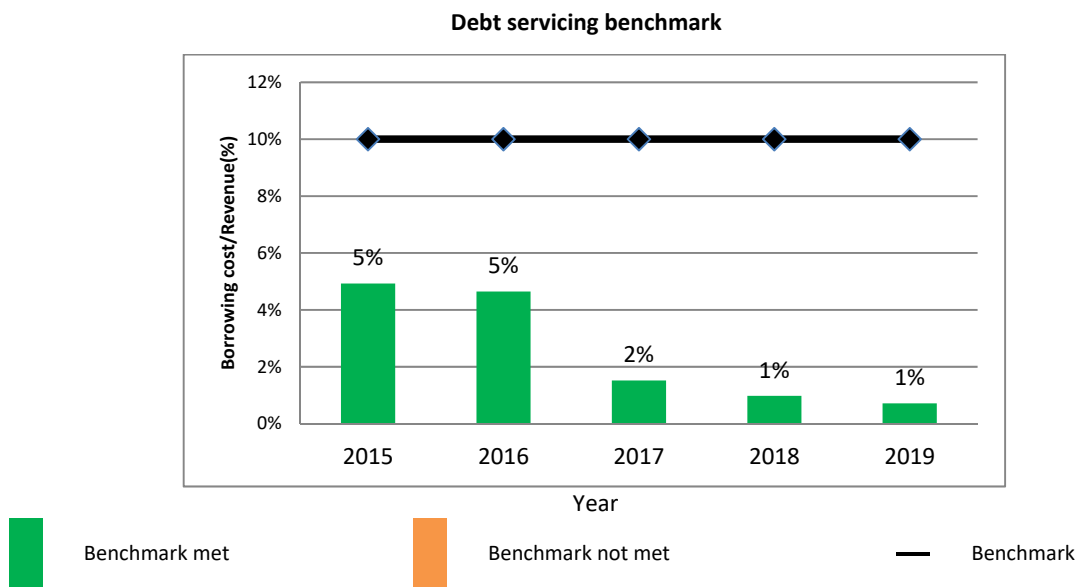
*Comment*

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 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.

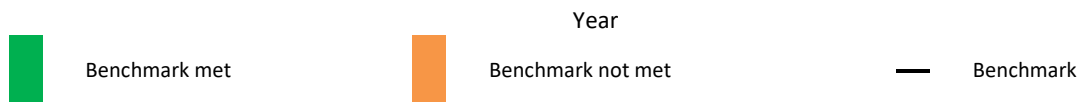
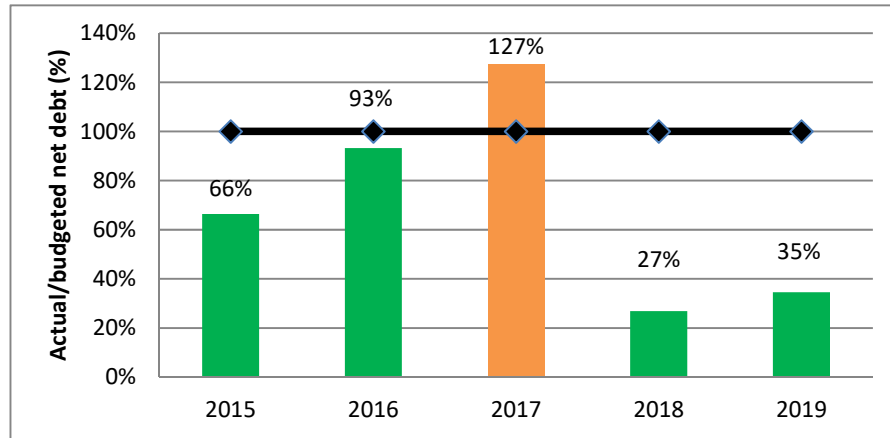


**Debt control benchmark**

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.



Debt control benchmark



Comment

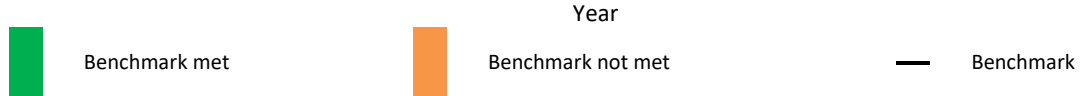
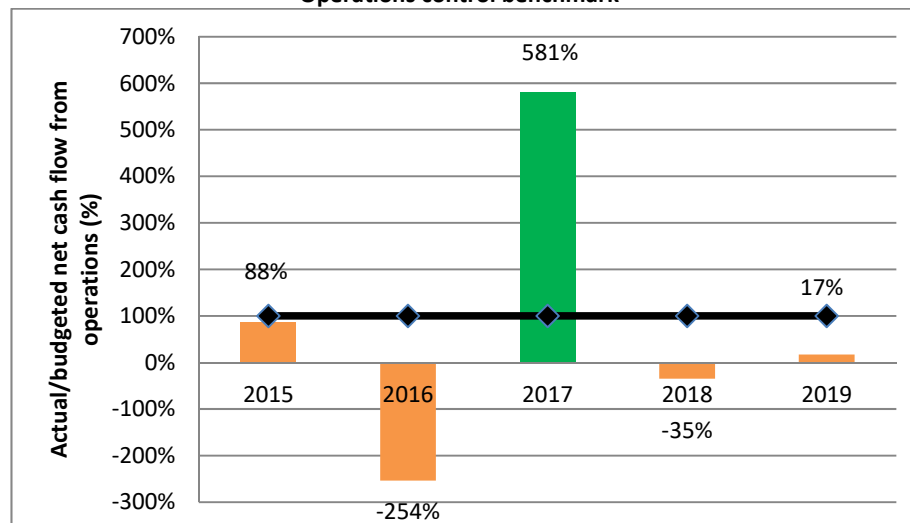
The Council has been able to repay most of its loans due to the delays in the rebuild, and so our net debt is much lower than had been planned.

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.

Operations control benchmark



### 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.

Now in 2019, cash flow from operations is once again well below predictions (\$8.2 million received against \$14.8 million forecast), due to the impact of the Crown and NZTA subsidies being so difficult to predict both in terms of timing as well as whether the subsidies are for capex or operational work during the forecast period.

## Funding Impact Statement

For the years ended 30 June (whole of Council)

	2018 Annual Plan \$000	2018 Actual \$000	2019 Annual Plan \$000	2019 Actual \$000
<b>Sources of operating funding</b>				
General rates, UAGCs, rates penalties	2,433	2,475	2,402	2,529
Targeted rates (including water meter charges)	3,816	3,883	4,580	4,572
Subsidies & grants for operating purposes	2,678	4,992	5,143	5,345
Fees & charges	1,464	1,455	1,404	1,635
Interest & dividends from investments	20	52	75	44
Fuel tax, fines, infringement fees & other receipts	2,257	1,267	1,286	1,250
<b>Total operating funding (A)</b>	<b>12,668</b>	<b>14,124</b>	<b>14,890</b>	<b>15,375</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	10,930	13,784	14,896	13,810
Finance costs	467	254	572	122
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>11,397</b>	<b>14,038</b>	<b>15,468</b>	<b>13,932</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>1,271</b>	<b>85</b>	<b>(578)</b>	<b>1,443</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	11,131	6,052	15,533	2,475
Development and financial contributions	47	42	-	21
Increase/(decrease) in debt	3,052	(2,264)	1,927	(1,700)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	813	-	-	-
Other dedicated capital funding	-	5,129	-	-
<b>Total sources of capital funding (C)</b>	<b>15,043</b>	<b>8,958</b>	<b>17,460</b>	<b>796</b>
<b>Application of capital funding</b>				
Capital expenditure				
- To meet additional demand	-	195	1,051	258
- To improve the level of service	677	99	4,310	704
- To replace existing assets	15,394	5,943	15,585	4,956
Increase/(decrease) in reserves	243	2,807	(3,064)	(3,678)
Increase/(decrease) in investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>16,314</b>	<b>9,044</b>	<b>16,882</b>	<b>2,239</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(1,271)</b>	<b>(85)</b>	<b>578</b>	<b>(1,443)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ....

	provide suitable infrastructure.		improve quality of life.		meet the needs of our community.		improve the local economy.		value the environment + biodiversity.		have community participation.
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# Other Information



provide  
suitable  
infrastructure.



improve  
quality of  
life.



meet the  
needs of our  
community.



improve  
the local  
economy.



value the  
environment +  
biodiversity.



have  
community  
participation.

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ....



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

## 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 (IWK) is 100% owned by the Kaikōura Enhancement Trust, and is responsible for the day-to-day objectives of that Trust. The financial activity of Innovative Waste is included in the Council's group financial statements.

IWK is a leading provider of waste management services, public toilet maintenance, recycling services, 3 waters maintenance services, reserve planting and maintenance services and general maintenance services.

### Objectives

IWK's key objectives are:

- To implement safe working practices to maintain a safe working environment for staff, contractors, customers and others and to recognise the Council's legal obligations under the Health and Safety at Work Act 2015.
- To maintain a strong market presence in the areas of waste minimisation, maintenance and management of public utilities.
- To provide cost effective and efficient service delivery that meets the district and clients' expectations and maintains contract longevity.
- To provide advice and support to local businesses to divert waste from landfill.
- To operate in an environmentally friendly manner.
- To be recognised nationally as a leader in environmental sustainability
- To operate water supply and wastewater facilities in an environmentally sustainable manner.
- To ensure that the business operates in a way that generates appropriate financial returns and dividend streams for the shareholder. To implement sound strategic and financial planning to ensure the capacity is available to meet the three waters, waste and recycling needs of the Kaikōura District in a commercially viable manner.
- To assist the Council in empowering, educating and encouraging the community in recycling surplus resource and waste in the community.

### 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.
- Parks and reserves.

IWK's current area of operation is in the upper South Island. The company is open to investigating opportunities elsewhere in New Zealand where they are advantageous and where there are synergies with the existing business and will enhance the company's financial position. IWK may consider entering into joint venture when appropriate in order to capitalise on commercial opportunities.

IWK has determined a number of performance measures in its Statement of Intent for the year to 30 June 2019, and actual performance is reported as follows.

### Financial Performance Targets



	2018/2019 Target	2018/2019 Actual
Revenue	2,212,100	2,513,723
Net Profit After Tax	254,800	(45,463)
Return on Equity	32%	(6%)
Shareholder funds/total assets	57%	60%
Equity	805,600	712,970
Debt to Debt plus Equity	9%	5%
Earnings per Share	2,540	(455)
Dividend Ratio	10%	0%

### Operational Performance Targets

Target	Performance target to achieve the output	Achievements as at 30 June 2019
Client satisfaction	98% of all urgent or callouts to the contract are responded to within one hour or two hours respectively from the time of notification to the time that service personnel depart to the site	<b>Results not available</b> All service requests are logged through KDC's Ozone programme and advised via phone and/or email to IWK. All responses are then checked on a weekly/monthly basis with KDC. All urgent requests are attended to immediately.
	98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time of notification to the time that service personnel attend site	<b>Results not available</b> All non-urgent call outs are responded to within 24 hours.
	Service requests received about recycling are less than 100 per year	<b>No service requests received during the year</b> Service requests regarding recycling are rung through to KDC to be recorded in Ozone.
Health & Safety	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates	<b>Achieved</b> TRIFR rate for 2017/18 was 28.9+8 (6 TRI x 200,000/41,406 (hours worked)). TRIFR rate for 2018/19 was 18.41 (3 TRI x 200,000/32,590 (hours worked))
Staff Engagement	Establish baseline of staff satisfaction through annual survey	<b>Achieved</b> Average engagement score of 4.0
Service Performance	Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions	<b>Achieved</b> No non-compliance notices or infringements issued to KDC.
	The number of complaints received per year being due to a service request not being actioned appropriately is less than 25	5 complaints in total



## Māori Participation in Decision Making

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

These committees are supported by Iwi representation.

- ***Kaikōura Water Zone Committee***
- ***Airport Committee (no representative appointed as at 30 June 2019)***

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ...



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

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K A I K O U R A  
T O O G O O D T O W A S T E

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