

MACKENZIE  
DISTRICT COUNCIL

# Annual Report 2017/18









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# From your Mayor and Chief Executive

We are pleased to present the 2017/18 Annual Report. It has been a productive year with the Mackenzie District continuing to experience unprecedented growth in tourism and positive growth in development and agriculture. Tourism remains one of our main economic drivers with \$303 million spend by year end April 2018.

Council stayed committed to keeping rates at an affordable level with a 6.43% increase this year. Debt remained at a low level, however this is set to change in future years. Our total revenue for the year was \$24.7 million, \$8.8 million of which was derived from rates, demonstrating the extent to which Council generates income from sources other than rates. Our total expenditure was \$17.1 million leaving a surplus after tax of \$7.6 million, mainly due to the receipt of subsidies, grants, real estate sales, vested assets, revaluation of assets, investments and higher than budgeted financial contributions.

We continued to invest in our infrastructure with \$4.4 million invested in capital expenditure, including \$3.0 million on core infrastructure. During this year, Council lobbied strongly for a tourism related tax or levy for the provision of infrastructure and is pleased with the recent positive announcement by the Government. We are also grateful for co-funding received from the Tourism Infrastructure Fund for a number of high profile projects to the amount of \$0.936 million with completion scheduled in the 2018/19 financial year.

We continued to foster positive relationships and worked closely with our partners, peers and stakeholders. This year Council formed an alliance with Environment Canterbury, Department of Conservation, Land Information New Zealand and Waitaki District Council to work collaboratively on the Mackenzie Basin Alignment project. Trialling a new innovative and collective approach, Council reached agreement with the Mackenzie Development Group, a community representative group, to jointly finance the preparation of a funding application to the Provincial Growth Fund for a feasibility study that will determine the best possible pathways towards a sustainable future for the District.

Business as usual remained strong all year and our small organisation continues to punch above its weight, with many highlights during this year, including our Long Term Plan 2018-28, Lake Tekapo Town Centre Development, Lakeside Drive Subdivision, the 2018 Hilti Organisational Commitment to Customer Service Award for digital building consents processing, flood protection works, the commencement of a consents monitoring programme, our new starlight highway and the significant progress made in reviewing our Civil Defence and Emergency Management systems and processes in partnership with our community.

The strong growth we continue to experience presents various opportunities to review and adapt our strategic direction, financial strategy and operating model for the future. Council enrolled in the CouncilMARK™ programme with the assessment report becoming available in May 2018. The report provided a strong mandate for change and in light of this a comprehensive organisational review was commenced and is scheduled for completion in mid-2019.

It is with sadness that we remember the passing of our respected colleague, Greg Hormann, who was involved in a fatal vehicle accident in December 2017 whilst on duty as Council's Freedom Camping Enforcement Officer.

We are appreciative of the tireless effort from all elected members and staff during this year and we thank them for their commitment in serving and fostering our community.

We also thank you, our community, for your ongoing support during this year and for your high levels of engagement, which is a sign of a healthy community. Our customer satisfaction surveys indicate that you are generally satisfied with the levels of service we provide. We will continue to strive towards finding the balance between keeping the rates affordable and enabling our district to grow and prosper. There is a bright future ahead and we look forward to working with you, and for you, in the next financial year.



Graham Smith  
Mayor



Suzette van Aswegen  
Chief Executive





# Statement of Compliance

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## Statement of Compliance

The Council and management of Mackenzie District Council confirm that all the statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been met.

## Statement of Responsibility

The Council and management accept responsibility for the preparation of the annual Financial Statements and the judgements used in them, and hereby adopt the Financial Statements as presented. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance reporting.

In the opinion of the Council and management, the annual Financial Statements for the year ending 30 June 2018 fairly reflect the financial position, financial performance and service achievements of the Mackenzie District Council.



Graham Smith

Mayor

31 October 2018



Suzette van Aswegen

Chief Executive

31 October 2018



# 1 Introduction

## 1.1 Your Council



**Graham Smith**

**Mayor**

027 228 5588  
03 615 7804  
[mayor@mackenzie.govt.nz](mailto:mayor@mackenzie.govt.nz)



**James Leslie**

**Deputy Mayor**

Pukaki Ward  
021 886 806  
03 435 3112  
[jamesleslie@mackenzie.govt.nz](mailto:jamesleslie@mackenzie.govt.nz)



**Paul Hannagan**

Pukaki Ward  
021 142 3163  
[paulhannagan@mackenzie.govt.nz](mailto:paulhannagan@mackenzie.govt.nz)



**Russell Armstrong**

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**Anne Munro**

Opuha Ward  
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**Chris Clarke**

Opuha Ward  
022 026 8708  
03 685 8535  
[chrisclarke@mackenzie.govt.nz](mailto:chrisclarke@mackenzie.govt.nz)



**Stuart Barwood**

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03 685 8920  
[stuartbarwood@mackenzie.govt.nz](mailto:stuartbarwood@mackenzie.govt.nz)



## 1.2 Your Council

The Mackenzie District has three Community Boards:

- Fairlie – elected by the electors of the Fairlie community boundary;
- Tekapo – elected by the electors of the former Tekapo Ward; and
- Twizel – elected by the electors of the Twizel Township.

FAIRLIE COMMUNITY BOARD	Les Blacklock (Chair)	027 252 2227 / 03 685 6115 theteds1955@gmail.com
	Carolyn Coakley	027 478 3107 / 03 685 5998 carocoakley@gmail.com
	Pauline Jackson	027 212 5727 / 03 685 8627 highctrymc@xtra.co.nz
	Damon Smith	021 065 4062 / 03 685 8627 damonsmithy@gmail.com
	Councillor Chris Clarke	022 026 8708 / 03 685 8535 chrisclarke@mackenzie.govt.nz
TEKAPO COMMUNITY BOARD	Stella Sweney (Chair)	021 0460 886 / 03 680 6222 stellasweney12@gmail.com
	Steve Howes	021 801 216 / 03 680 6674 steveh@instants.co.nz
	Caroll Simcox	027 235 6722 / 03 680 6607 carollsimcox@xtra.com
	Lyn Martin	03 680 6537 lyntekapo@gmail.com
	Councillor Russell Armstrong	027 431 775 / 03 435 0421 russellarmstrong@mackenzie.govt.nz
TWIZEL COMMUNITY BOARD	Jacqui de Buyzer (Chair)	027 383 5695 jacqui.debuyzer@xtra.co.nz
	Norman Geary	027 848 752 norman.geary@gmail.com
	Nicola (Nancy) Collins	021 069 4167 nancy.herself@gmail.com
	Pat Shuker	022 010 7320
	Councillor Paul Hannagan	021 142 3163 paulhannagan@mackenzie.govt.nz

### Twizel Community Board By-election

As a result of the resignation of Luke Paardekoooper effective 26 January 2018, an extra-ordinary vacancy was created on the Twizel Community Board.

As this vacancy was created more than 12 months from the next triennial election, the position was required to be filled by election.

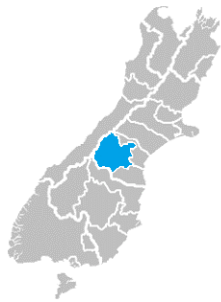
A call for nominations resulted in 3 nominations being received, requiring a by-election to be held.

A by-election for Twizel Community Board was held 3 May 2018, with a voter return of 47% (577 votes).

Nicola (Nancy) Collins was declared elected with 47% of the vote. Nancy was sworn in by the Mayor at the Twizel Community Board meeting on 11 June 2018.

The by-election resulted in an unbudgeted spend of \$13,000.

## 1.3 Our District



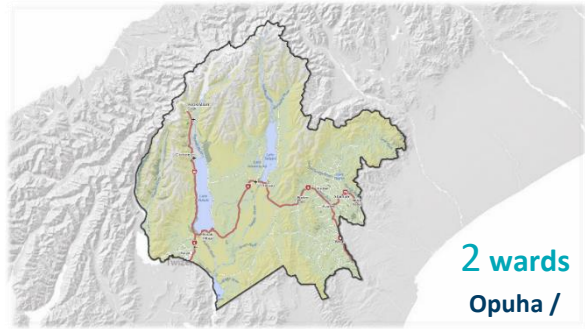
**7,140km<sup>2</sup>**

Land area

(not including  
inland waters)

**0.6 people per km<sup>2</sup>**

(National average: 15.9)



**2 wards**

Opuha /  
Pukaki

**Population 3rd  
smallest**

Out of  
67  
districts



**2.66%**



of NZ's total  
land area

**\$53,615 GDP per  
capita**



**4,602**

rating units

at 30 June 2017



**4,300**

(usually resident  
population)



**\$29,300 median  
income (over 15  
years)**



**14.3% agricultural  
share of GDP**  
2016



**1,818 occupied  
dwellings**

56% of dwellings

**FAIRLIE: 696**

**TEKAPO: 369**

**TWIZEL: 1,137**

**1.9%**

unemployment

7.1%  
national  
average



**\$303 million  
tourist spend**



To year  
ending  
April  
2018

**1,449 unoccupied  
dwellings**

44% of dwellings



**15.9% population  
aged 65 years +**

14.3% nationally

**65+**

**73.3% housing  
affordability measure  
(buy)**

78.8%  
nationally



**182 guest nights  
per 10,000  
residents**



**2.4 people  
average household  
size**

National  
average  
2.7



Data sources: Statistics NZ 2013 Census, MBIE Monthly Regional Tourism Estimates, MBIE Regional Economic Activity



## 1.4 Community Outcomes

### AN ATTRACTIVE AND HIGHLY VALUED NATURAL ENVIRONMENT

The outstanding natural features of the district need to be preserved, enhanced, accessible and promoted. Anyone who has lived in the Mackenzie District or who has visited, understands that the natural environment is our greatest asset. Council's role in supporting this outcome is as a regulator through its District Plan. This provides a detailed framework for managing the natural and physical resources of the district. Council also provides and funds local reserves, and acts as an advocate for environmental issues. It has also joined other councils in protecting our lakes and streams for generations to come under the Canterbury Water Management Strategy.

### A THRIVING ECONOMY

We need to have a well-balanced economy, providing employment and investment opportunities, and sustaining a full range of support services. Our prosperity is based on farming, hydro-electric power generation and tourism. Council's role in economic development is to provide a regulatory environment that facilitates growth. It also funds the support and promotion of businesses in the district.

### A DEMOCRACY THAT UPHOLDS THE RIGHTS OF THE INDIVIDUAL

The district needs a council that represents its community while respecting the rights of the individual. The Mackenzie District, with an estimated population of 4,300 is represented by 19 elected representatives who continue a long tradition of championing a vigorous local democracy. The role of elected members is to represent the district and their community, make decisions on its behalf, and advocate when required.

### A FIT AND HEALTHY COMMUNITY

We need a variety of sporting, recreational, cultural, spiritual, health, welfare and education resources to help sustain and enrich our lives. Council is one of the major providers of recreational and community facilities such as sports grounds and community halls. It works alongside local clubs and volunteers to help promote a fit and healthy community. It also supports the provision of medical and other social services and will act as an advocate where required on behalf of the community.

### SAFE, EFFECTIVE AND SUSTAINABLE INFRASTRUCTURE

Council is the prime provider and funder of essential services including roads, drinking water, sewage treatment, storm water disposal, refuse collection and recycling. This is very much the council's "bread and butter".

### A SUPPORTIVE AND CONTRIBUTING COMMUNITY

Council seeks to foster a supportive and contributing community and encourage people to use their skills for the benefit of the wider community. The supportive nature of the Mackenzie community is one of its unique advantages and is recognised and valued by those who live here. Council plays a supportive role in this area, advocating on behalf of community groups when required and facilitating local initiatives.



## 1.5 Council activities at a glance

The Annual Report details our achievements and progress for our eight groups of activities in the 'Council activities' section on the report from page 27.



Groups of Activities	Activities
GOVERNANCE & CORPORATE SERVICES	<ul style="list-style-type: none"> <li>Governance</li> <li>Administration</li> <li>Community Facilities Department</li> <li>Chief Executive Office</li> <li>IT Department</li> <li>Finance</li> <li>Engineering Department</li> </ul>
WATER SUPPLIES	<ul style="list-style-type: none"> <li>Water Supply</li> </ul>
WASTEWATER	<ul style="list-style-type: none"> <li>Wastewater</li> </ul>
STORMWATER	<ul style="list-style-type: none"> <li>Stormwater</li> </ul>
ROADING	<ul style="list-style-type: none"> <li>Rooding</li> <li>Footpaths</li> <li>Parking</li> <li>Cycleways &amp; walkways</li> </ul>
REGULATORY SERVICES	<ul style="list-style-type: none"> <li>Building Control</li> <li>Animal Control</li> <li>Environmental Health</li> <li>Civil Defence &amp; Emergency Management</li> <li>District Planning</li> </ul>
COMMUNITY & TOWNSHIP SERVICES	<ul style="list-style-type: none"> <li>Cemeteries</li> <li>Halls</li> <li>Solid Waste</li> <li>Parks &amp; Swimming Pools</li> <li>Toilets</li> <li>Libraries</li> <li>Medical Centres</li> <li>Pensioner Housing</li> </ul>
TOURISM, ECONOMIC DEVELOPMENT & COMMERCIAL ACTIVITIES	<ul style="list-style-type: none"> <li>Real Estate</li> <li>Forestry</li> <li>Investments</li> <li>Pukaki Airport</li> <li>Economic Development and District Promotion.</li> </ul>

Each of Council's groups of activities contribute to our community outcomes as summarised below:

AN ATTRACTIVE AND HIGHLY VALUED NATURAL ENVIRONMENT	✓	✓	✓	✓	✓	✓	✓	✓
A THRIVING ECONOMY	✓	✓	✓	✓	✓	✓	✓	✓
A DEMOCRACY THAT UPHOLDS THE RIGHTS OF THE INDIVIDUAL	✓							
A FIT AND HEALTHY COMMUNITY	✓	✓	✓	✓	✓	✓	✓	✓
SAFE, EFFECTIVE AND SUSTAINABLE INFRASTRUCTURE	✓	✓	✓	✓	✓	✓	✓	✓
A SUPPORTIVE AND CONTRIBUTING COMMUNITY	✓						✓	✓

## 1.6 How we plan for our District

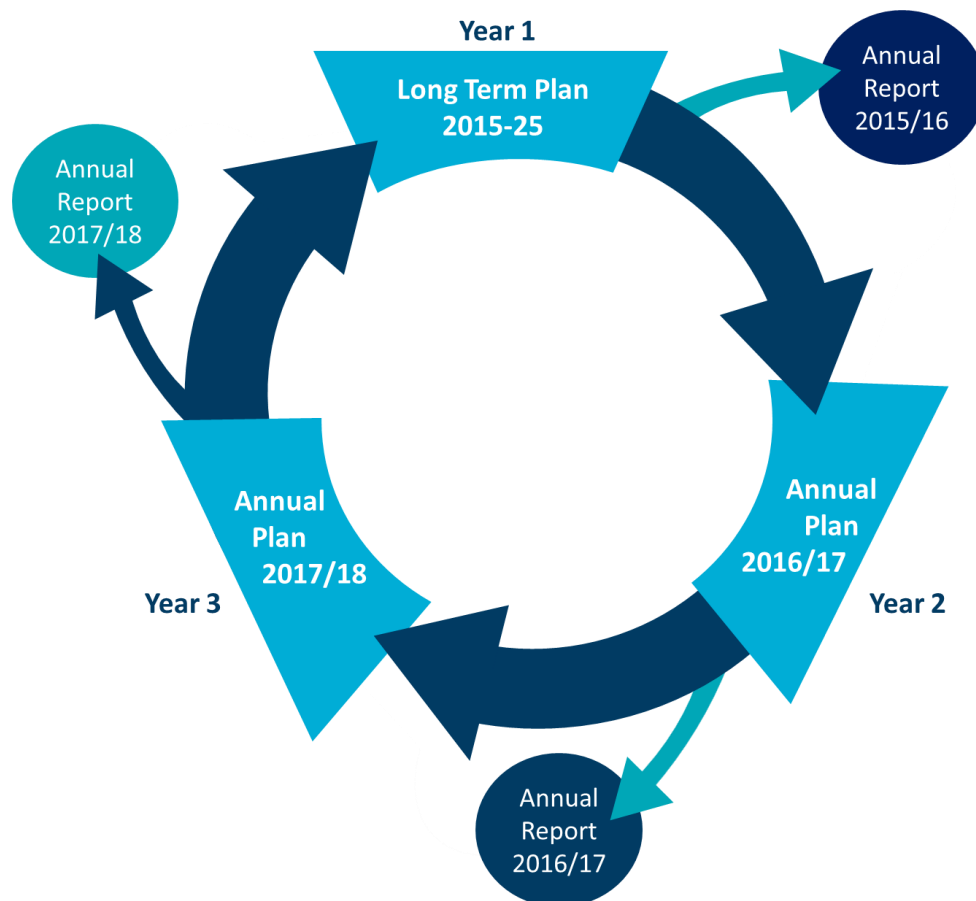
Council's planning process centres on three key documents:

1. The Long Term Plan (LTP), prepared every three years, is a strategic planning document which forecasts Council's budgets and project priorities over its ten year life.
2. The Annual Plan is produced in the years when we do not produce a Long Term Plan. The Annual Plan updates the work programme and budget in detail for the year the plan covers.
3. The Annual Report is prepared every year to report on how the Council performed against its targeted budget and work programme for the year and to report any variations.

This is our Year 3 Annual Report, which shows what we've achieved together in 2017/18, detailing performance achieved against the targets and work programmes detailed in the 2017/18 Annual Plan which was developed from Year Three of the Long Term Plan 2015.

You can read the Annual Plan 2017/18 we're reporting against at [www.mackenzie.govt.nz](http://www.mackenzie.govt.nz) 'Annual Plans'.

In June 2018, Council adopted its Long Term Plan (LTP) 2018-2028 which shows what we plan to do for the next 10 years, how much it will cost and what the community will receive. Our LTP is reviewed every three years. You can read the LTP 2018-28 at [www.mackenzie.govt.nz](http://www.mackenzie.govt.nz) 'Long Term Plan 2018-2028'.





## 2. Highlights of the year

*Here's a snapshot of the year just gone by - the big projects we have advanced or delivered, the highlights of our financial results, and an overview of our non-financial performance.*



# Tourism Infrastructure Projects

We continued to experience significant growth in visitor and tourist numbers to our district in the 2017/18 year, which has been really positive for the district and has brought many benefits. However it can also result in a number of challenges for the Council in managing impacts on our communities and our special environment, and in ensuring service levels can be maintained.

The Tourism Infrastructure Fund is administered by the Ministry of Business, Innovation and Employment (MBIE) and supports local communities facing pressure from tourism growth. This includes districts such as ours, with high visitor numbers but small ratepayer bases. A number of our projects were able to be undertaken with this co-funding.

## *Lake Tekapo's Lakeside Drive toilets*

We installed a new five toilet unisex facility at Lakeside Drive, Lake Tekapo. The existing toilet block was demolished.



## *The Pines*

We partnered with Land Information New Zealand (LINZ) to upgrade the Pines camping area at Lake Pukaki, an area extremely popular with visitors and campers. Works included the installation of four modern pump-out long-drop toilets in addition to the area's two existing toilets. The cleaning and daily servicing of these toilets is funded by LINZ.

We also put in place controls to limit previously uncontrolled vehicle access around the site, by defining and fencing specific vehicle tracks and parking areas. This will protect sensitive areas and landscape values, and protect the amenity and enjoyment of those visiting and using the site.

## *Effluent dump stations*

We undertook works to upgrade Lake Tekapo's effluent dump station site on Hamilton Drive, including improving vehicle access and traffic flow. A second dump station was installed, to cater for up to three campervans at a time.



## *Burkes Pass toilets*

Up until last year, there were no public toilets between Fairlie and Lake Tekapo. Council has moved to address this, seeking available co-funding for the construction of a unisex toilet in Burkes Pass. The building has been designed to complement the surrounding buildings and heritage theme of the area, in both colour and construction.

In 2017/18 we successfully applied for and obtained co-funding from central government's Tourism Infrastructure Fund, for a number of projects aimed at better supporting and managing the impacts from our tourists and visitors:

Project	MBIE funding
Lake Pukaki Lookout toilet upgrade	\$100,000
Lakeside Drive toilets, Burkes Pass toilet, compactor bins & effluent dump station	\$267,000
The Pines Permaloo toilet block & fencing	\$275,000
Church of the Good Shepherd landscaping, walkways and carparking	\$294,000



### **Lake Pukaki toilets**

With increasing visitor numbers to the Mackenzie, we sought to address pressures at popular tourist areas including those along our lakesides. At the Lake Pukaki lookout, Council obtained co-funding to undertake a total internal upgrade of the public toilets. The toilet upgrade was progressed over the winter months and was completed in early August 2018.

### **Compactor bins**

We sought co-funding for the installation of two coin-operated compacting rubbish bins. These provide solutions to encourage and support appropriate waste disposal by visitors, thereby protecting our environment. One bin is located at Hamilton Drive carpark at Lake Tekapo. The second is currently located in Twizel, but will be relocated to Lake Alexandrina over the summer period. These relocatable bins provide improved rubbish collection points and allow us to meet demand during peak seasons.

### **Church of the Good Shepherd**

The Church of the Good Shepherd, one of the most popular tourist attractions in New Zealand, has also been under increasing pressure due to tourism growth. The 800,000 (and growing) domestic and international visitors per year are having an effect on the visitor experience in terms of pedestrian safety, flow of traffic, and reduced photographic opportunities as well as increasing potential for the adjacent natural environment to be compromised.

We worked with the Lake Tekapo Community Board and the Mackenzie Cooperating Parish to develop a plan for improvement works, to ensure the site is managed and protected appropriately. Planning and design has been completed for:

- Construction of a new carpark for buses on western side of footbridge to encourage pedestrian traffic to the Church
- Installation of new walkways and paths to improve views and photographic opportunities around the Church
- Installation of new fencing and plantings in keeping with the natural environment, to further protect and isolate the Church, allowing a greater level of control around the site
- Landscaping to form screening around the Church
- Reducing car parking around the Church and removing bus parks.

We contributed to temporary fencing around the perimeter of the Church to provide interim protection. With planning and design now completed, the physical works are programmed for the 2018/19 financial year.



# Hosting of Ministers

## *Hon. Kelvin Davis, Minister of Tourism*

Our Mayor and Chief Executive were very pleased to host the Minister of Tourism, the Honourable Kelvin Davis and his wife at Tekapo in January. This provided the opportunity to discuss first hand the issues facing the Mackenzie community such as growing tourist numbers, management challenges around infrastructure including toilets, waste management and roads, protecting residential areas and most importantly, the likely impact of tourism on our communities and ratepayers. We advocated strongly for central government support and are pleased with the announcement of the International Visitor Conservation and Tourism Levy.

## *Hon. Eugenie Sage, Minister of Conservation & Land Information*

In June 2018 the Honourable Eugenie Sage visited the Mackenzie District and met with the Mayor, Councillors and staff. Given the importance of farming to our local economy, and the near-completion of Council's District Plan Change 13 for landscape management in the Mackenzie Basin, the meeting provided for timely and useful discussion. Council appreciated the opportunity to work through the many issues in an effort to find the balance between sustainable and viable farming and protecting some of the nation's most scenic and ecologically sensitive land.



Mayor Graham Smith and Hon. Kelvin Davis at the Church of the Good Shepherd, Lake Tekapo – 16 January 2018



# Our Dark Sky

## ***Starlight Highway***

Mackenzie is fortunate to have a genuine distinctiveness which we value highly and must protect. Our Dark Sky is attracting an ever increasing number of tourists with observatories and businesses growing quickly to meet the interest. Our named Starlight Highway, the road to the stars, is a new initiative celebrating our uniqueness.

## ***Working with NZTA***

We also have a focus on protecting our night sky as part of Council planning and operational activities. Our assets team have been working towards replacing the district's light fittings with more energy efficient longer-life LED light fittings. We applied for funding from NZTA, who subsequently approved funding for new 2200k LED light fittings that will meet the requirements of the Mackenzie Basin's International Dark Sky Reserve gold star status. NZTA normally subsidises the use of 3000k or 4000k fittings, however on this occasion Council and NZTA worked together to get special approval for the use of 2200k fittings. The 2200k fittings are more orange in colour, which is beneficial for viewing the night sky as there is less blue light emission. Council is delighted that NZTA have recognised the importance of the Mackenzie Basin's International Dark Sky Reserve gold star status.



# Emergency Works



## Flooding, July 2017

The district experienced a concentrated rainfall event on top of a wet winter resulting in localised flooding and damage to roads. Up country in the Mackenzie Basin, snow fell with up to 1m accumulating at road level. At the peak of the event, floodwaters threatened a number of houses but subsided before significant damage occurred. Council, our contractors, Fairlie Volunteer Fire Brigade and members of the community undertook emergency flood works, returning water to streams, pumping floodwaters and sandbagging. While the event damaged roads, the overall impacts were relatively minor compared with the significance of the storm.



## Glen Lyon Road Slips, November 2017

A significant, localised thunderstorm caused four large slips on the side of the Ben Ohau Range in to Lake Ohau. The slips blocked access along Glen Lyon Road between the Ohau boat ramp and Glen Lyon Station. Repairs to the road took 10 days, with emergency access established within the first 4 days.



## Glen Lyon Road Slips, February 2018

A period of heavy rain in early February brought further material down the slip faces of two of the November slips. These slips resulted in the road being closed 2 days while the debris was removed. In this second event, less material was brought down than in the November slips.



## Lilybank Road, Macaulay River, February 2018

A heavy rain event in early February caused the Macaulay River to break out of its river bed, flowing along the southern bank and ford access track. This caused washouts to the ford, making the track impassable, isolating Lilybank Station and the Macaulay valley. A vehicle access track was reestablished with the use of a bulldozer. We undertook works which involved putting the river back in its original bed.





## *Online processing of Building Consents*

We partnered with Hurunui and Kaikoura District Councils to introduce a new electronic consenting system known as *GoGet*. The newly implemented system enables automated integration with our electronic file management systems and core regulatory systems. Information is able to be automatically updated when our building staff are out on site, as well as staff having access to plans and consent information on their devices rather than needing to take physical plans on site.

## *'Going Digital' Building Consent award*

In recognition of this work, Council, along with Hurunui and Kaikoura District Councils, were awarded the **2018 Hilti Organisational Commitment to Customer Service and Excellence Award** for demonstrating dedication to exceptional customer service and excellence.



Grant Hyde, our Building Control Manager, accepting the award.



# Other highlights



**Lake Tekapo  
Town Centre  
Development**

During the year we upgraded Lake Tekapo Village centre's central viewing corridor area. This important site is between Rapuwai and Motuariki Lanes within the commercial centre, providing links to the lakefront area and views of the lake and mountains. The aim was to enhance the amenity of the area for residents and visitors. The site works provided for a multi-use space on three levels, with seating amongst low stone walls, landscaping, and a mix of grass, decking, and saw cut concrete.

The remaining development of the Tekapo lakefront is largely dependent upon the progression of surrounding developments, including the commercial buildings being constructed on Motuariki Lane. A master plan for the Lakeside Domain, Church of the Good Shepherd and surrounding areas will be developed in 2018/19. A budget of \$916,000 has been included in the Long Term Plan 2018-28 to complete this development over four years commencing 2018/19.



On 19 June 2018, we adopted our Long Term Plan 2018-28 which provides for the future of the Mackenzie over the next ten years.

Development of the Long Term Plan was a significant project, involving a two and half years of project planning and work and an extensive statutory process. The process included both pre-consultation and full public consultation phases, enabling us to hear from our community and ratepayers before making decisions on Council and community priorities and budgets for the next ten years. The Plan process met all audit and statutory requirements.



At the beginning of the financial year we increased our resourcing in CDEM, employing a full time Emergency Management Officer on a two year contract. This has enabled a review of Council's CDEM operations, including developing and implementing appropriate systems to enable the Council to be satisfied it is fulfilling its functions under the CDEM Act. To date, there has been significant progress in updating our systems and processes, both internally and externally. We have also been able to increase our engagement with community groups and stakeholders, enhancing our community's preparedness for an emergency.

The Mackenzie Basin has experienced significant land use change in recent years. Together with Environment Canterbury Regional Council, Department of Conservation, Land Information New Zealand, and Waitaki District Council, we have formed a partnership group known as the Mackenzie Alignment. The purpose of the group and the alignment project is to ensure effective and coordinated management of the Basin's land and water resources.

Since its establishment, we have been actively exploring opportunities for greater alignment for the benefit of the unique environment of the Basin and its communities. During the year, this has involved the sharing of experts and advice, improved information sharing and joint consenting processes.



Council obtained a B-rating in LGNZ's CouncilMARK™ assessment programme, indicating a generally competent level of service delivery across four assessment areas. The outcome of this assessment formed the basis of a comprehensive change management programme for the Mackenzie District Council with the next assessment taking place in 2021. The aim of this programme is to enhance the standard of local government in New Zealand.



During the year we began a programme of monitoring resource consents and compliance with our District Plan. As well as fulfilling our statutory responsibilities, monitoring can tell us about key pressures on our environment and how our District Plan is working. This will inform our upcoming District Plan review by highlighting which rules are working well and where there needs to be a change. It also helps to ensure resource consents are being complied with.

We are aiming to monitor up to 100 consents each year, with those that pose the greatest risk to the environment being prioritised.



# Financial Highlights

- We had an overall **surplus** after tax of **\$7.6 million**, with a total **revenue** of **\$24.7 million**.
- Our total **expenditure** was **\$17.1 million**.

## We remain debt free

- Although we will be taking on some **debt** in 2018, our net debt at 30 June 2018 stands at **nil**.

## Our rates remain low

- We collected **\$8.8 million** in **rates**.
- Our average residential **rates** remain the **lowest** in the country.
- We predicted a 6.00% **rates rise** but due to growth and new rating units coming on stream, the rates rise was **6.43%**.

## We are growing

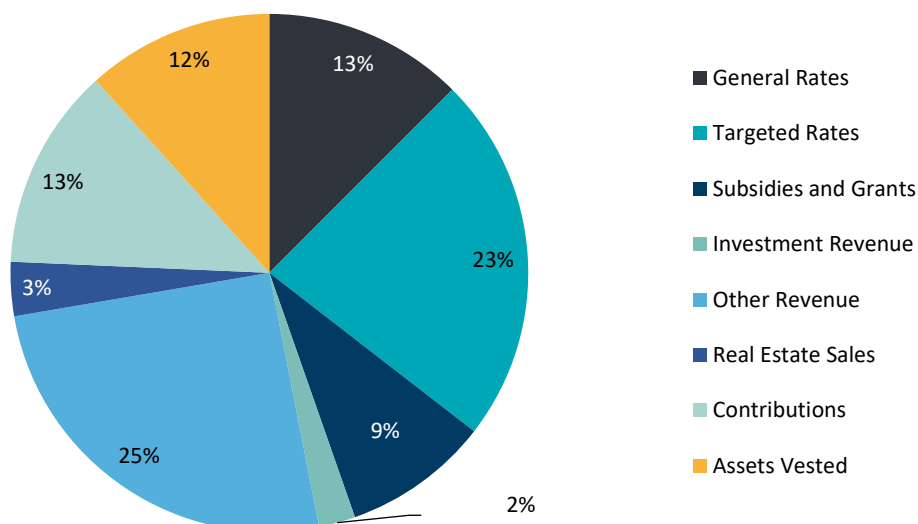
- We have **146 new rating units**.
- We processed **376 building consents**.
- We granted **206 resource consents**.

## We continue to invest in our infrastructure

- We currently own **\$254 million** of **assets**.
- We invested **\$4.4 million** in **capital expenditure** (excluding vested assets) on our infrastructure and other assets. \$3.0 million of this was on our core infrastructure.
- We received **\$2.9 million** of **vested assets** including roading, water and wastewater infrastructure.
- We obtained **\$936,000** of **tourism infrastructure funding** for key tourism related projects throughout the district.

## What operating revenue was received?

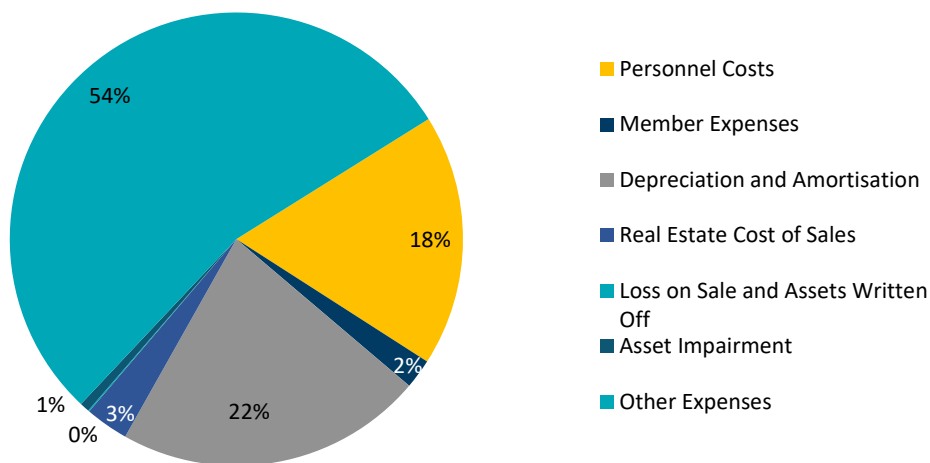
This chart shows the proportion of operating revenue collected in the 2017/18 year.





### What operating expenditure was incurred?

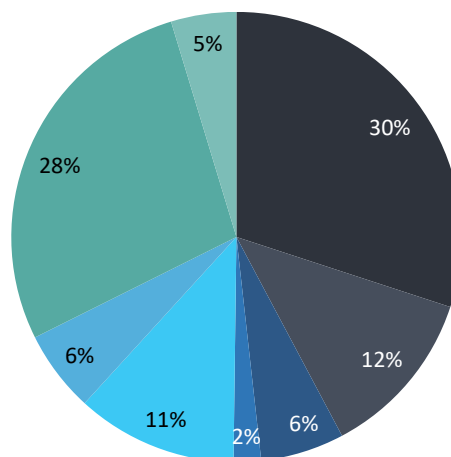
This chart shows the proportion of operating expenditure in the 2017/18 year.



### Where we collected your rates

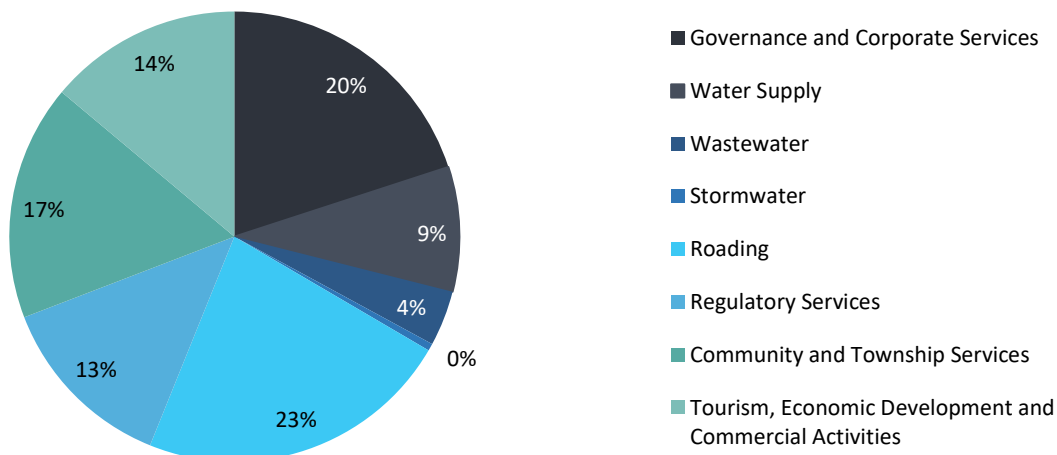
This chart shows the proportion of rates collected that went to each of our eight groups on activities in the 2017/18 year.

- Governance and Corporate Services
- Water Supply
- Wastewater
- Stormwater
- Roading
- Regulatory Services
- Community and Township Services
- Tourism, Economic Development and Commercial Activities



### Where your rates were spent (operating expenditure)

This chart shows the proportion of rates spent on operating expenditure in each of our eight groups on activities in the 2017/18 year.



# Grants & Awards

## Awards presented by Council

The **Mayoral Volunteer Award** in recognition of service to the community was jointly awarded to:

- Phyl Jones
- Maureen McColl
- June Robertson

For their contributions in operating the community second-hand stalls in Fairlie.

The **Mackenzie County Scholarship** awarded by the Mackenzie County Scholarship Trust for first year of tertiary education was awarded to:

- Isabella Guerin (Mackenzie Resident/ratepayer)
- Elisha Campomanes (Twizel Area School)
- Onanong Hemtanont (Mackenzie College)

**Bruce Scott Memorial Prize** awarded to the senior secondary student of the Mackenzie District who best exhibits sustained effort and application in all that they do and who always demonstrates good citizenship, practical skills and leadership potential, was awarded to

- Sky Lambe.

## Grants

### Grants awarded to the community by Council

Group	Grant amount \$
Mackenzie Heritage Museum	\$2,000
Lake Alexandrina Conservation Trust	\$15,000
Mackenzie A&P Show	\$500
Mackenzie Community Library	\$20,000
Lake Tekapo School	\$45,000
Mackenzie County Scholarship Trust	\$1,761.82
Fairlie Bowling Club	\$1,824.81
Mackenzie Rugby Club	\$7,531.75
Mackenzie Community Enhancement Board	\$42,550
<b>Total</b>	<b>\$136,168.38</b>

### Grants awarded to the community by the Fairlie Community Board

Group	Grant amount \$
Mackenzie A&P Show	\$500
<b>Total</b>	<b>\$500</b>

### Grants awarded to the community by the Lake Tekapo Community Board

Group	Grant amount \$
Lake Tekapo Promotions	\$10,166
Lake Tekapo Lions	\$150
<b>Total</b>	<b>\$10,316</b>

### Grants awarded to the community by the Twizel Community Board

Group	Grant amount \$
Hall Hire – Mackenzie Warblers	\$158.87
Twizel Area School	\$100
<b>Total</b>	<b>\$258.87</b>

*In the 2017/18 year, we welcomed 15 residents of the district as New Zealand citizens in four ceremonies*

# Citizenship Ceremonies



## **8 August 2017:**

- Kimberley Menard
- Richard Menard
- Maria de los Angeles Mumm
- Philip Newman
- Nicola Newman

## **19 September 2017:**

- Jeanette Meade
- Sonam Sherpa
- Dawa Tamang
- Chloe Dearlove
- Reynante Mendoza

## **13 February 2018:**

- Fane Gauna
- Jodi Payne
- Adam Geary
- Margaret Ormsby

## **8 May 2018:**

- Wouter Smit



# Working with our partners

## *Te Rūnanga o Ngāi Tahu and ngā papatipu rūnanga*

Council has established relationships with Te Rūnanga o Ngāi Tahu (TRoNT) and the three papatipu rūnanga whose rōhe (area) include the Mackenzie District: Te Rūnanga o Arowhenua, Te Rūnanga o Waihao, and Te Rūnanga o Moeraki. To read more about our relationships with TRoNT and ngā papatipu rūnanga, see page 181.

## *Mid South Canterbury Rooding Collaboration*

The Mid South Canterbury Rooding Collaboration was established in 2014 allowing for collaboration across Mackenzie, Timaru, Waimate and Ashburton Districts in road work contracting. The road operations and maintenance activity for the collaborative region was procured by each of the Councils through a single common specification, which also provided for the unique requirements of each district. As well as enabling Council to use joint procurement of works contracts to ensure that we are getting the best deal for work, the collaboration enables the sharing of resources and skills, an important benefit for small councils.

## *Alps2Ocean*

A collaboration between the Mackenzie and Waitaki District Councils, the Alps2Ocean Cycleway is an asset for our region. The joint venture project is managed by the Alps2Ocean Joint Committee, which is a joint committee of the 2 Councils with members from the Mackenzie District Council, Waitaki District Council Department of Conservation and two Business Partners.

## *Library Services*

In providing for libraries in Twizel and Fairlie the Council 'purchases' library services from the Twizel Area School and Mackenzie College. These services are provided through agreements with Twizel Area School Management Committee for the Twizel Library and Mackenzie College for the Fairlie Library. Council provides 52% of the funding for these services with the remainder provided by the schools.

## *Mackenzie & Waitaki Basin Responsible Camping Working Group*

We are part of a collaborative arrangement with Waitaki District Council, the Department of Conservation, Land Information New Zealand, and the New Zealand Transport Agency to look at tourism pressures across the Mackenzie and Waitaki Basins. The group works to respond to central government's aim to address freedom camping issues through their responsible camping fund.

## *Canterbury Waste*

Our Council works alongside all district and city councils within Canterbury and Environment Canterbury Regional Council to advance regional waste minimisation in addition to the work being done by each Council.

## *Shared Public Health and Liquor Licensing*

Our Council is part of a shared public health and liquor licensing service with Timaru and Waimate District Councils with a joint local alcohol policy providing a consistent approach to how the sale of alcohol is managed across the districts. Public health and liquor licensing is managed through a contract with Timaru District Council.

## *Canterbury Water Management*

Launched in 2009, the Canterbury Water Management Strategy sets out a collaborative, community-led approach to environmentally sustainable water management.

In managing water across Canterbury, water zone committees were established. They serve to develop actions and tactics to deliver on the ten targets of the Canterbury Water Management Strategy in their respective zones. There are two zones within our district:

- Upper Waitaki Zone Water Management Committee – joint committee of Environment Canterbury, and Mackenzie and Waitaki District Councils.
- Orari-Temuka-Opihi-Pareora Zone Water Management Committee – joint committee of Environment Canterbury and Mackenzie, Timaru and Waimate District Councils.

## *Shared Information Technology*

Our Council is part of a shared information technology (IT) service alongside Hurunui and Kaikoura District Councils. The shared IT service began in 2016 and involves:

- A data centre housing the servers, and core networking and IT security and management systems;
- Data storage;
- GIS mapping capability;
- An IT service desk that takes all user requests for support and routes them to a shared team.

The shared service provides a more stable, reliable and resilient IT system and results in savings and efficiencies for Council in providing IT services to the organisation.

## *Mackenzie Alignment*

Together with Environment Canterbury Regional Council, Department of Conservation, Land Information New Zealand, and Waitaki District Council, we have formed a partnership group known as the Mackenzie Alignment. The purpose of the group and the alignment project is to ensure effective and coordinated management of the Basin's land and water resources.

Each year we measure ourselves against the goals we set out in the Long Term Plan.

# Services for our district

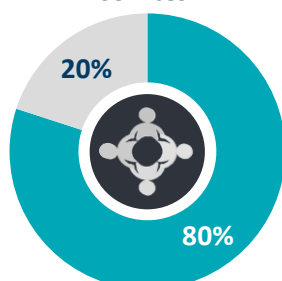
We have eight groups of activities, and we measure how we performed during the year in these areas against a number of different indicators.

This year we:

- achieved 36 out of 54 measures (67%)
- did not achieve 17 out of 54 measures (31%)
- not applicable 1 out of 54 measures (2%)

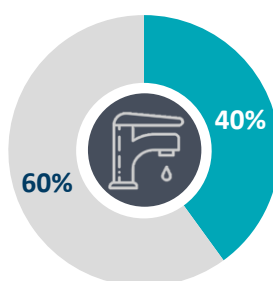
■ Achieved
 ■ Not achieved
 ■ Not applicable

## Governance and Corporate Services



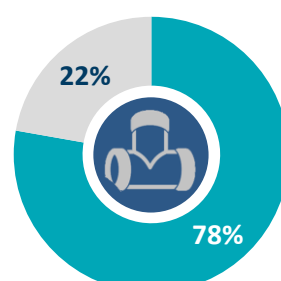
Achieved 4 of 5 measures

## Water Supply



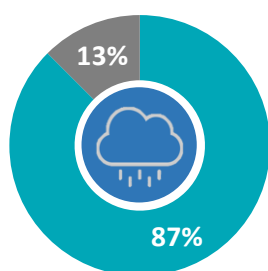
Achieved 4 of 10 measures

## Wastewater



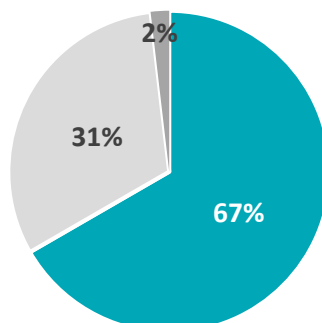
Achieved 7 of 9 measures

## Stormwater

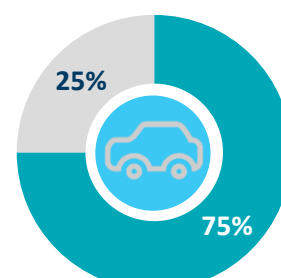


Achieved 7 of 8 measures

## All of Council Activities

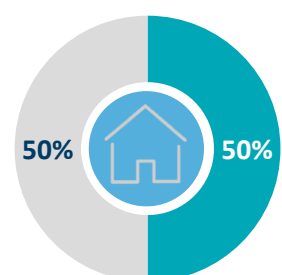


## Roading



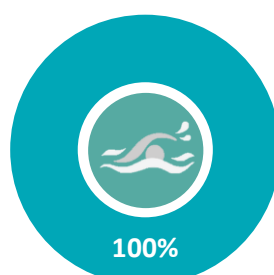
Achieved 6 of 8 measures

## Regulatory Services



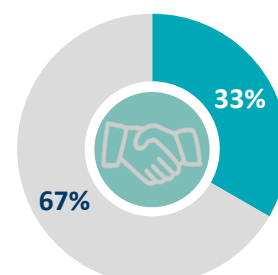
Achieved 4 of 8 measures

## Community and Township Services



Achieved 3 of 3 measures

## Tourism, Economic Development and Commercial Activities



Achieved 1 of 3 measures

Full details about our performance in each of the 8 groups of activities is contained in [Chapter 3: Council Activities](#).





### 3. Council activities

*This section provides a detailed account of how we performed against the third year of the LTP 2015-25 and Annual Plan 2017/18. For each group of activities we have provided information on how we have performed, challenges/issues we have experienced, looking ahead, and financial information.*



# 3.1 Governance & Corporate Services



## Key facts:

**2**

### wards

Mayor elected at large and six councillors from two wards: Pukaki & Opuha

**3**

### community boards

- Fairlie;
- Tekapo; and
- Twizel

**7**

### committees

of Council:

- Finance
- Assets & Services
- Planning & Regulations
- Strategy
- Audit & Risk
- Mackenzie Forestry
- Pukaki Airport Board

**27**

### full time staff

and 7 part time staff

*The Governance and Corporate Services activity supports and guides all the activities carried out by the Mackenzie District Council. These services enable the Council to function and provide stable, transparent, effective, efficient and accountable local governance to the district.*

## What we do

Under section 41 of the Local Government Act 2002 (LGA), a territorial authority must have a governing body consisting of a Mayor and members. That body is responsible and democratically accountable for the decision making of the local authority.

In the case of the Mackenzie District, the Council comprises a Mayor elected at large and six councillors elected from two wards (three from each ward).

The district also has three elected Community Boards representing Twizel, Tekapo and Fairlie.

The governance activity includes all work associated with the elected Council and the Community Boards. Elected members, being the community's representatives, make decisions within the framework of the LGA on behalf of, and in the interests of, our community.

Corporate Services provides managerial and administrative support for all other activities undertaken by the Council.

## Key Projects for 2017/18

As well as business-as-usual administration and support for Council activities, the Council had planned a number of projects for 2017/18 year in the Governance and Corporate Services activity area.

### Project One

#### Renovation of the Fairlie Council offices

##### What we achieved during 2017/18:

We had proposed to renovate the Fairlie Council offices to provide for increased office space, better support for functional areas, and improved public access and service. In developing this project, a detailed engineering assessment was carried out on Council's buildings. The results of this evaluation have warranted further consideration around the use of our building for Council in the future before the work on the buildings can progress. The work identified in the Annual Plan has therefore been deferred pending the outcome of the review.

In the interim, Council has undertaken some minor work to provide temporary office accommodation solutions including the addition of a portacom building.

### Project Two

#### Improvements to information technology

##### What we achieved during 2017/18:

The Annual Plan included a programme to make improvements to our IT systems to meet changing expectations and requirements for technology and information management. This included upgrading or replacing our document management system, replacement of our phone system and digitising our property file records. Council has successfully completed a review of its document management systems and has since implemented a new electronic document management system across the organisation. This work included development of internal policies and procedures for the management of Council records and information to achieve efficiencies in Council systems, accessibility of information, and compliance with statutory requirements.

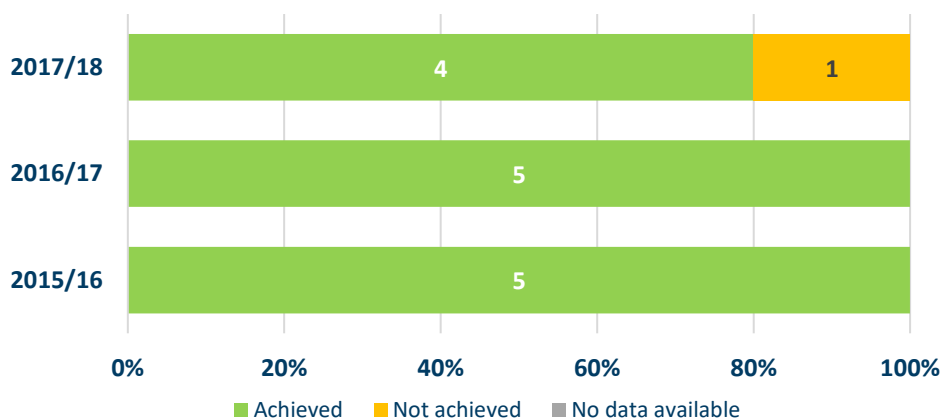
The rollout of the new electronic document management system was required to be completed before work could commence on digitising our property file records. While all new records being created are being maintained as digital records, the digitising of historic records has not been completed. This will be undertaken as a separate project in future.

Our current phone systems have been adapted to ensure greater flexibility and reliability of use. This removed the necessity to replace the existing phone system.

This work was completed under our shared services agreement with Hurunui District Council, who are contracted to provide our IT services.

## Assessment of performance against measures and targets for 2017/18

We achieved 80% of our non-financial performance standards in the governance and corporate services activity.





The following tables show how our governance and corporate services activity performed as measured against the targets set for the 2017/18 year.

### Measure 1: The annual report is prepared within statutory timeframes and with an unmodified audit opinion

#### What we did:

The Council is required to adopt its Annual Reports by 31 October each year. For the 2016/17 Annual Report, the Council received an unmodified audit opinion, and adopted the Annual Report on 12 December 2017. We did not therefore meet this target as the Annual Report 2016/17 was unable to be adopted within statutory timeframes.

#### Challenges/issues we experienced:

A delay in obtaining an unmodified audit opinion resulted in Council not meeting the statutory timeframes for the adoption of the Annual Report 2016/17.

#### Looking ahead:

Council will ensure it prepares its annual reports in accordance with all requirements. To achieve this it will ensure that information is provided to AuditNZ in a complete and timely manner to ensure compliance with statutory timeframes.

**Target:** the annual report is prepared within statutory timeframes and with an unmodified audit opinion

2014/15	2015/16	2016/17
✓	✓	✗

### Measure 2: The annual plan is prepared within statutory timeframes and with an unmodified audit opinion

#### What we did:

Our Long Term Plan 2018-28 was adopted on 19 June 2018 with an unmodified audit opinion. Year 1 of the Long Term Plan forms the Annual Plan for the 2018/19 year. Therefore this target was achieved.

#### Challenges/issues we experienced:

While the preparation of a Long Term Plan is a significant project, no significant challenges or issues were experienced in preparing the Long Term Plan 2018-2028 within statutory timeframes nor in obtaining an unmodified audit opinion.

#### Looking ahead:

As Council begins to prepare for our Annual Plan 2019/20 we will maintain a focus on meeting statutory timeframes. The LGA no longer requires that Annual Plans are subject to audit, so the measure requiring an unmodified audit opinion is no longer applicable.

**Target:** the annual plan is prepared within statutory timeframes and with an unmodified audit opinion

2015/16	2016/17	2017/18
✓	✓	✓

### Measure 3: The percentage of residents across the district who say they are satisfied with the performance of the councillors and Mayor in the annual ratepayer survey

#### What we did:

This year, in excess of 60% of ratepayers surveyed were satisfied with the performance of the councillors and Mayor during 2017/18. With an 89% achieved in 2017/18, satisfaction levels have been increasing over the last three years.

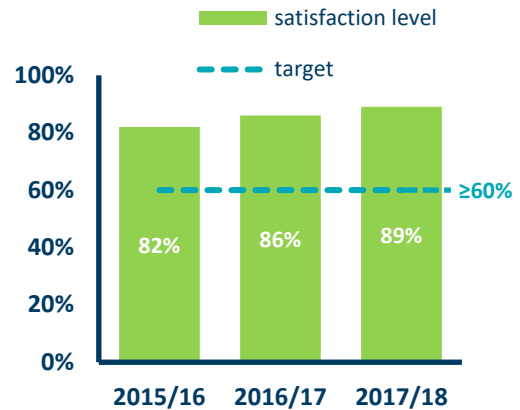
#### Challenges/issues we experienced:

No significant challenges or issues were experienced during the 2017/18 year.

#### Looking ahead:

Council will continue to seek feedback from ratepayers and residents about its performance.

**Target: 60% or above**



### Measure 4: Number of face-to-face meetings held each year between Council representatives and Papatipu Rūnanga, or Te Rūnanga o Ngāi Tahu

#### What we did:

Council representatives met with representatives of ngā papatipu rūnanga or Te Rūnanga o Ngāi Tahu twice during the year, therefore achieving our annual target.

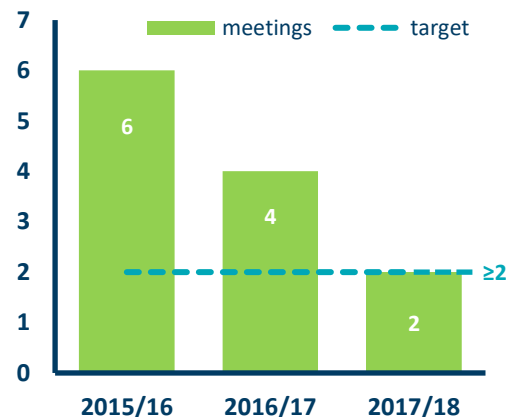
#### Challenges/issues we experienced:

Council recognises the constraints on capacity between papatipu rūnanga and Council and therefore endeavours to ensure that the number of meetings between rūnanga and Council are appropriate and will offer the greatest opportunity for effective and meaningful engagement.

#### Looking ahead:

Council places a high level of importance on our relationships with ngā papatipu rūnanga and Te Rūnanga o Ngāi Tahu. To support effective engagement and to facilitate development of opportunities for Māori to contribute to effective decision making, Council will endeavour to extend and promote opportunities for involvement as far as practicable.

**Target: 2 or more**



## Measure 5: Number of public forums held each year with communities and groups

**Target:** 40 or more<sup>1</sup>

### What we did:

During the 2017/18 year, Council met 15 times, Committees of Council were held 37 times, and there were 24 Community Board meetings held. In addition, Council held 3 Long Term Plan public sessions.

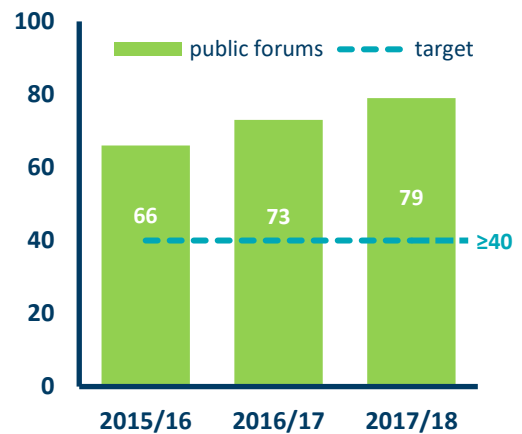
A total of 79 public forums were held during the year, exceeding our target of 40.

### Challenges/issues we experienced:

No significant challenges or issues were experienced. We are conscious of the need to engage with communities and ratepayers in a variety of ways, to ensure our communication is most effective. We will continue to focus on ensuring the right level and type of engagement is undertaken.

### Looking ahead:

A review of Council's target for the number of public forums may be appropriate to ensure that the target remains appropriate. We will also seek to review the way we engage with ratepayers and communities.



<sup>1</sup> Note: this includes both formal and informal meetings, workshops and drop-in sessions.



## Financial Summary

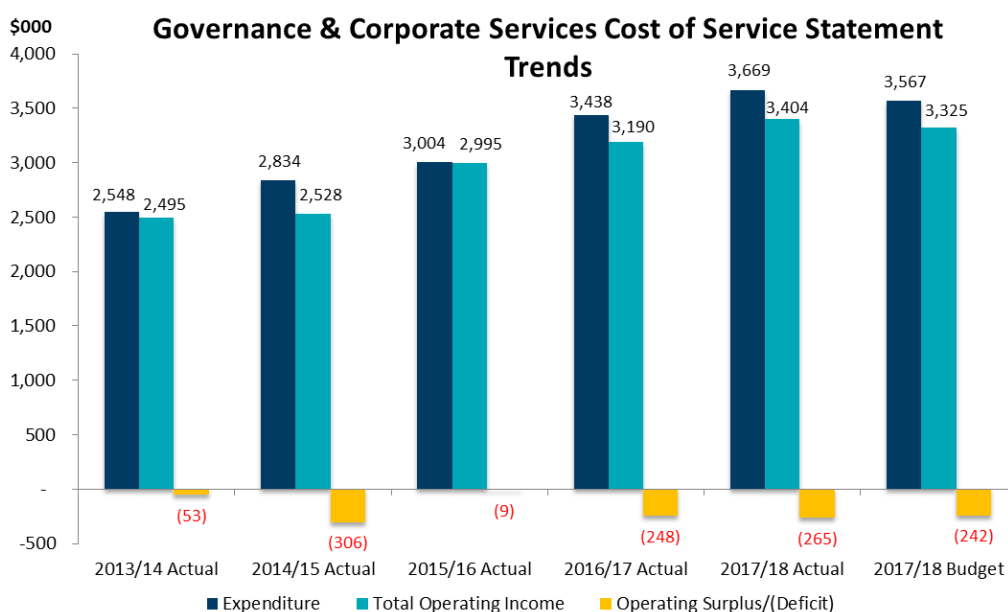
### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
Notes <sup>2</sup>		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
General rates		2,853	2,977	2,977
Targeted rates		26	31	31
Other revenue		1	171	261
Gain on sale of assets		0	8	12
Internal interest income		1	0	1
Internal income		110	138	122
TOTAL REVENUE		3,190	3,325	3,404
EXPENDITURE				
Personnel costs		2	1,723	1,764
Member expenses		3	341	314
Consultancy expenses		4	258	295
Administration			632	747
Operational and maintenance		5	334	292
Interest on capital reserves			19	6
Internal expenses			74	55
Loss on sale of intangible assets			0	0
Depreciation		6	186	196
TOTAL EXPENDITURE		3,438	3,567	3,669
OPERATING SURPLUS/(DEFICIT)		(248)	(242)	(265)

#### The key variances from budget were:

1. Other revenue is higher than budgeted largely due to higher than anticipated revenue from Environment Canterbury Regional Council for their share of valuation fees, a greater amount of roading contributions received in lieu of carparking, and higher levels of engineering fees from Asset Management being received. This is offset by lower than anticipated revenue relating to the Upper Waitaki Zone Committee.
2. Personnel costs is higher than budgeted due to costs associated with staff recruitment.
3. Members expenses is below budget, mainly due to lower expenses associated with the water zone, provision being made for triennial elections to be spent in the 2018/19 year and lower than anticipated conference expenses. This is offset by an un-anticipated cost incurred for the Twizel Community Board by-election following the resignation of one of its members.
4. Consultancy expenses is higher than budget because of an additional revaluation of Council's land and buildings being required following extraordinary property value increases across the district.
5. Administration expenses is higher than budgeted largely due to the higher costs associated with the Long Term Plan, additional fees associated with the 2017 Annual Report audit, provision for Doubtful debt being allowed for and higher than anticipated telephone and tolls cost.
6. Operational and maintenance costs is below budget due to lower than anticipated costs associated with Council's vehicle fleet and lower than anticipated repair costs for the Twizel office building.



### Funding Impact Statement

For the year ending 30 June 2018

Notes	2017	2018	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	2,682	2,740	3,029
Targeted rates	26	26	31
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	135	145	123
Local authorities fuel tax, fines, infringement fees, and other receipts	122	143	210
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,966</b>	<b>3,054</b>	<b>3,393</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	2,695	2,789	3,413
Finance costs	0	0	0
Internal charges and overheads applied	82	86	61
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,777</b>	<b>2,875</b>	<b>3,474</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>188</b>	<b>179</b>	<b>(81)</b>

### SOURCES OF CAPITAL FUNDING

Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes	2017	2018	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
<b>Capital expenditure</b>			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	176	247	224
Increase (decrease) in reserves	13	(68)	(305)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>189</b>	<b>179</b>	<b>(81)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(189)</b>	<b>(179)</b>	<b>81</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Reconciliation

For the year ending 30 June 2018

<b>Surplus (deficit) of operating funding</b>	(81)
<b>Add back:</b>	
Gain on Sale Assets	12
<b>Less:</b>	
Depreciation	196
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(265)</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.



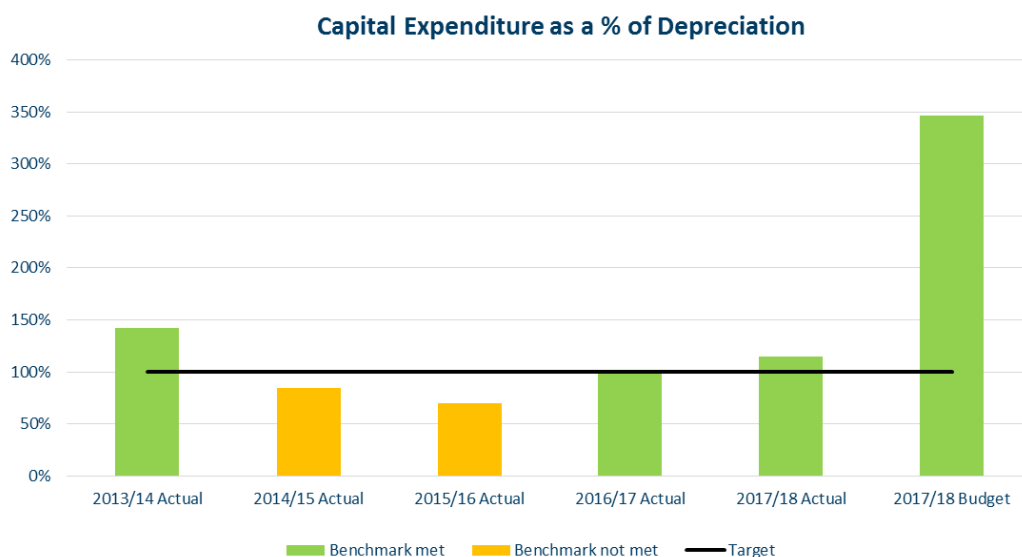
## Capital Expenditure

For the year ending 30 June 2018

Projects	Notes <sup>3</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REPLACE EXISTING ASSETS				
Information Technology				
information management programme	1	0	150	0
Records management programme		0	50	42
PC Server	2	0	74	0
Network infrastructure		0	0	14
Software		31	10	19
GIS aerials	3	0	61	0
Communications equipment	4	4	30	0
Plant & equipment		0	5	4
Plant & Equipment				
Plant & equipment		0	0	3
Motor vehicles		102	30	34
Fairlie Building				
Building - other	5	41	200	59
Furniture & Fittings - admin		8	0	13
Furniture & Fittings - other		4	5	1
Twizel Building				
Building - other		0	25	30
Furniture & Fittings - other		1	5	5
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		191	645	224
TOTAL CAPITAL EXPENDITURE		191	645	224

### <sup>3</sup> The key variances from budget were:

1. Council did not undertake the digitisation of its paper records as expected due to the implementation of a new Electronic document and records management system (EDRMS). Council decided to wait until it had chosen and implemented a new EDRMS before digitising paper records.
2. Council placed its server upgrade on hold to pursue a cloud based solution meaning that this budget has not been spent.
3. Council did not undertake any work on GIS aerials during the year. This will be undertaken in future years in conjunction with the Canterbury Maps initiative.
4. Communications equipment was not replaced during the year as further operational adjustments improved the system.
5. Council did not spend the full budgeted amount on the Fairlie building. This upgrade was delayed due to work being done to reconfigure the internal space of the building. This spend also includes the purchase of an additional Portacom for a meeting space.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Purchase of motor vehicles was budgeted and part of a replacement policy.
- Purchase of computer and information technology equipment was budgeted as part of a replacement policy.

## 3.2 Water supplies



### Key facts:

**5**

#### Council operated supplies

- 4 urban schemes: Twizel, Tekapo, Fairlie & Burkes Pass
- Pukaki Airport
- Allandale rural scheme

**242km**

#### water mains

- in addition to:
- 15km service lines
- 115km water races

**2,841**

#### properties

connected to Council water systems

**449**

#### hydrants

for firefighting water supply

*Safe and sufficient drinking water is essential for the health and well-being of our communities. The water treatment, storage and distribution systems managed by Council contribute to this by providing the treatment and delivery of safe drinking water to communities served by Council owned systems.*

### What we do

Water supply is regarded as one of the core functions of Council.

Council maintains and manages the treatment and distribution of water with community water supplies in the townships of Twizel, Tekapo, Fairlie and Burkes Pass, with a small stand-alone scheme at Pukaki Airport and rural schemes at Allandale, Kimbell and Albury. The Council manages the four urban schemes, the Pukaki Airport supply, and the rural scheme at Allandale.

Management of the Albury water supply is undertaken by the Albury Rural Water Supply Society Inc. under a formal agreement with the Council. Management of a small piped stock water scheme, Kimbell Rural, is carried out by consumers.

Council also manages two public stock water race systems within the district being Ashwick Opuha and School Road.



## Key Projects for 2017/18

As well as the routine maintenance and operations required to provide our community water supplies, Council had planned to undertake some significant programmes in 2017/18.

### Project One

#### Pipe replacement and upgrade programmes in Twizel and Fairlie

##### What we achieved during 2017/18:

In its 2015 Infrastructure Strategy, the Council identified that one of the biggest issues facing the Council in the next 30 years is the need to replace asbestos cement (AC) and aging concrete water pipes in each of the three towns. In the 2017/18 year, Council continued this AC and concrete pipe replacement programme, with AC pipe being replaced in Rata and Ben Ohau Roads, Twizel and concrete pipes replaced in Kirke and Doon Streets, Fairlie. These pipeline replacements were completed on time and within budget.

The pipelines in Twizel were replaced using pipe bursting techniques to reduce the impact on other Council services and adjacent residents. This reduced costs for those replacements. In most cases the watermain were replaced with the same sized pipe however the pipeline in Ohau Road was up sized to allow for increased demand from the new subdivisions in the area.

Watermain in Fairlie were replaced using open trenching as it was not possible to use the pipe bursting technique. In Doon Street, Council took the opportunity to construct a new foot path over the water main as part of the reinstatement.

### Project Two

#### Completion of design work for the upgrade of Fairlie's water supply

##### What we achieved during 2017/18:

The construction of a new treatment plant to upgrade Fairlie's water supply had initially been planned for 2017/18 in the Long Term Plan. However this was reprogrammed in the Annual Plan 2017/18, with the design work being scheduled to be completed in 2017/18 and the construction programmed for 2018/19.

Council commissioned Filtec to complete the design of the new treatment plant. In reviewing the proposed upgrade, Council is happy with the design work which proposes an economical option for the new treatment plant. The construction of the treatment plant will be completed in 2018/19.

### Project Three

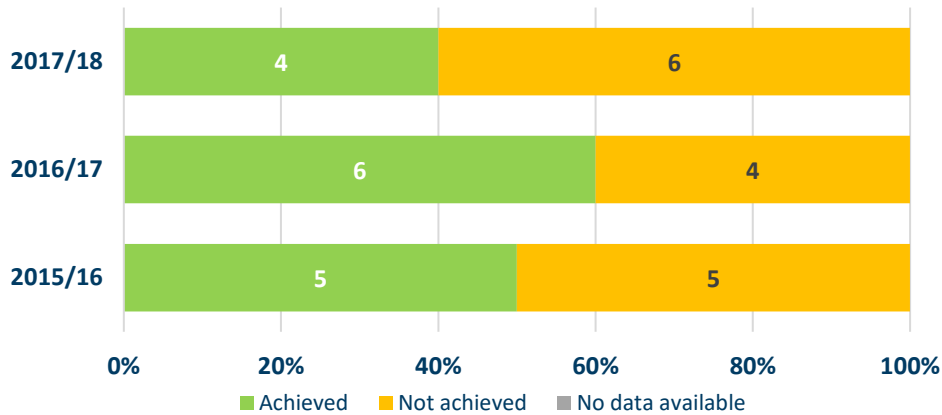
#### Installation of telemetry equipment at Tekapo and Fairlie

##### What we achieved during 2017/18:

Scada telemetry equipment was programmed to be installed at the Tekapo intake to measure flows and, at the Fairlie reservoir to measure levels and outflows. This work has been completed. In addition to monitoring the plants in real time for alarms, the equipment also provides a large complement of data which is useful for the ongoing management of the assets.

## Assessment of performance against measures and targets for 2017/18

We achieved 40% of our non-financial performance standards in the water supply activity.



The following tables show how our water supply activity performed as measured against the targets set for the 2017/18 year.

### Measure 1: The percentage of real water loss from the networked reticulation system<sup>\*4</sup>

**Estimated Target: <25%**

#### What we did:

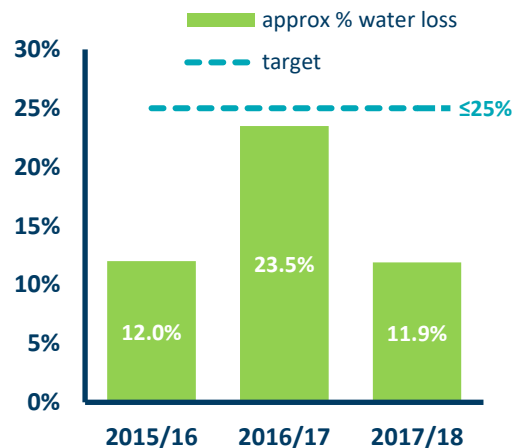
We met this target for 2017/18 with approximately 11.89% of real water loss. Using Councils SCADA reporting telemetry we are able to identify the minimum night flow over the winter months flow rate in l/sec, assuming that this flow recorded during this time is mostly leakage and then use this information to calculate the leakage result. This result is less than 2016/17 due to a more accurate method of calculating the water loss.

#### Challenges/issues we experienced:

No significant challenges or issues were experienced during the 2017/18 year.

#### Looking ahead:

Council seeks to continue to minimise water loss and has a repeatable method to measure and/or calculate the amount water loss.



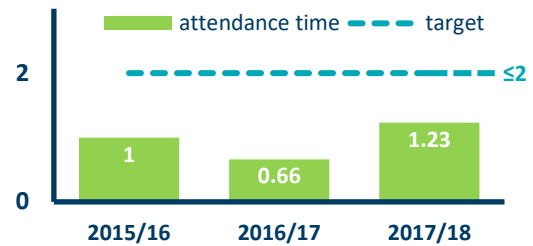
\* Mandatory Performance Measure

<sup>4</sup> There are no known and recorded pumped volumes supplied to each scheme. However, at present, the district's urban schemes are each made up of non-metered and metered supplies, and are a mix of on-demand and restricted supply. This means that there is currently no way to measure a difference between supply and consumption. The Council is able to make a coarse estimate only.

## Measure 2: The median response times attend a call-out in response to a fault or unplanned interruption to the network reticulation system<sup>5</sup>:

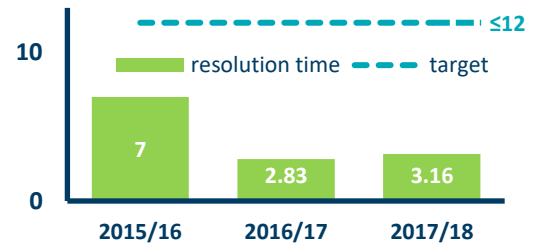
- a) *Attendance for urgent call-outs: from the time that the Council receives notification to the time that the service personnel reach the site; and*

**Target:**  
≤2 hrs



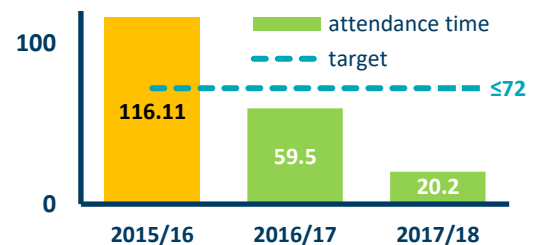
- b) *Resolution of urgent call-outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption; and*

**Target:**  
≤12 hrs



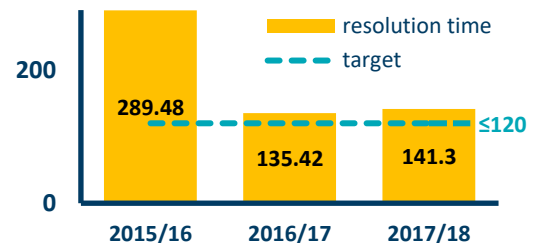
- c) *Attendance for non-urgent call-outs: from the time that the Council receives notification to the time that the service personnel reach the site; and*

**Target:**  
≤72 hrs



- d) *Resolution of non-urgent call-outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.*

**Target:**  
≤120 hrs



### What we did:

Whilst we achieved 3 of the 4 targets for attendance and resolution of faults or unplanned interruption to our water reticulation system times, the resolution of non-urgent call-outs (measure 1(d)) exceeded the target time by 21 hours and 30 minutes.

### Challenges/issues we experienced:

Council and its contractor are reviewing the protocols and impediments that resulted in not meeting the resolution of non-urgent call-outs (measure 2(d)), to find out how to improve the service in the future.

### <sup>5</sup> Definitions:

Urgent – no water, major mains break or water leak with potential to affect large numbers of properties

Non-urgent – applies to all other issues

Complaint – second report to Council or its contractors by the same party about the same issue.



### Looking ahead:

Council needs to maintain standards and protocols to ensure a focus remains on attendance and resolution timeframes so that faults and unplanned interruptions to our networked reticulated water systems are addressed in a timely manner.

## Measure 3: The average consumption of drinking water per day per resident within the District\*

### What we did:

We did not meet this target in 2017/18. Further public education is warranted to ensure that the need to reduce consumption is understood and practiced by our residents and visitors.

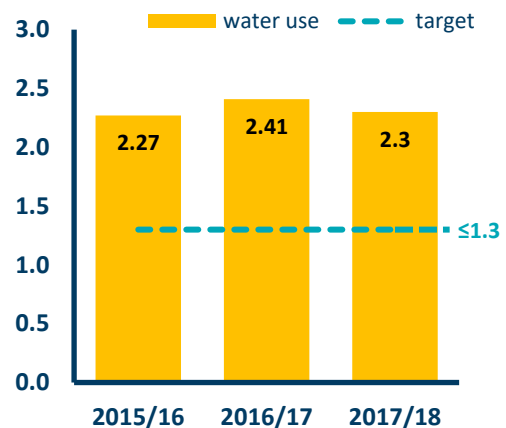
### Challenges/issues we experienced:

Daily water usage levels in excess of our target indicate a lack of understanding by residents and visitors of the need to reduce consumption of water. Alternative methods of getting this message out are required to ensure that prudent and efficient usage of water is clearly communicated.

### Looking ahead:

A review of Council's target for consumption will need to be made to ensure that it is practical, in addition to continued messaging of the need for prudent and efficient water usage to our residents and visitors.

**Target:**  $\leq 1.3\text{m}^3$  per person per day within urban schemes



## Measure 4: The extent to which the drinking water supplies comply with the drinking water standards for protozoal compliance\*

### What we did:

Although the required infrastructure is in place for two of our schemes, the programmed upgrade of the Fairlie water supply not having been completed, and the two schemes yet to be signed off, we are not yet compliant with this measure.

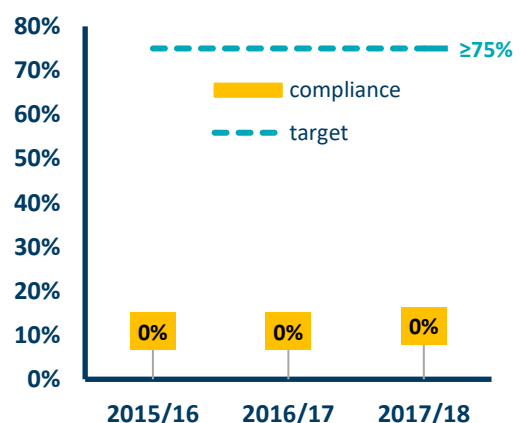
### Challenges/issues we experienced:

Delays to the schedule of work to upgrade the Fairlie water supply have resulted in continued non-compliance of the Fairlie water supply. In addition, we have yet to obtain sign-off on the infrastructure changes at the Tekapo and Twizel meaning that none of our supplies comply at this time.

### Looking ahead:

Council has planned to progress the upgrade to the Fairlie water supply in 2018/19, to ensure that the protozoa compliance criteria can be met and will continue to work towards obtained sign-off on Twizel and Tekapo. Staff will continue to remain focussed on the procedures for good operating practices to ensure compliance.

**Target:**  $\geq 75\%$  of supplies comply (3 out of 4 supplies comply)



\* Mandatory Performance Measure

## Measure 5: The extent to which the drinking water supplies comply with the drinking water standards for bacteria compliance\*

**Target:** greater than or equal to 95% compliance for all four supplies

### What we did:

We took an adequate number of samples at Burkes Pass but there were two transgressions meaning that the Burkes pass supply did not meet the standard. Insufficient samples were collected from the Fairlie and Twizel supplies resulting in a non-compliance. The Tekapo supply gained compliance. Overall, one of four supplies complied with the bacterial compliance standard.

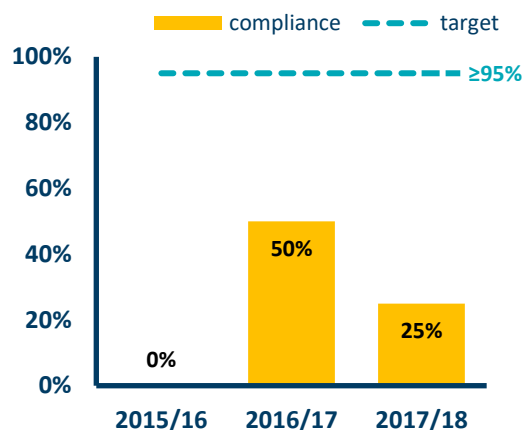
### Challenges/issues we experienced:

There were some issues with getting the samples taken on the correct days and delivered on time to the laboratory for testing which has resulted in non-compliance with the standard.

This measure has stated differently than previous years and results for previous years have been re-calculated to allow for comparison.

### Looking ahead:

Council will continue to increase sampling frequency going into the next year. In addition, we will work systematically towards compliance with all drinking water standard, including obtaining sign-off on our Water Safety Plans that we can prepared.



## Measure 6: The total number of complaints received about any of the following:

*(a) drinking water clarity; (b) drinking water taste; (c) drinking water odour; (d) drinking water pressure or flow; (e) continuity of supply; and (f) Council's response to any of the above\*.*

*Expressed per 1000 connections to the networked reticulation system.*

**Target:** less than 5 complaints/1000 connections within urban schemes

### What we did:

This year the target of less than or equal to 5 complaints per 1000 connections was not met. A total of 16 complaints were received across our urban water supplies which have 2,841 connections.

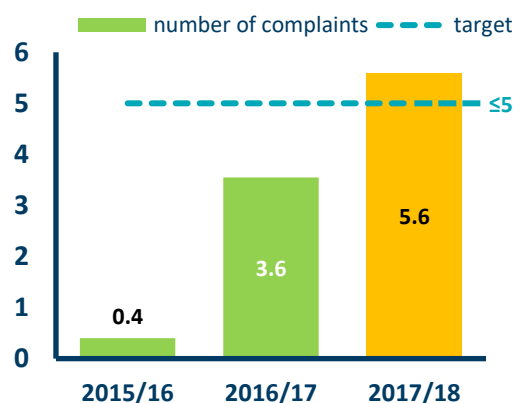
### Challenges/issues we experienced:

It is likely that this increase in the number of complaints received per 1000 connections is the result of issues experience with chlorine dosing earlier in the year.

It should be noted that we have refined our measuring of this calculating the result differently in 2017/18. The previous years have been restated to allow for an accurate comparison.

### Looking ahead:

Council will work to ensure that standards and protocols are maintained and that a focus remains on this measure.



\* Mandatory Performance Measure

## Measure 7: The percentage of ratepayers satisfied with the water supply service.

Target: 80%

### What we did:

This year, Council did not meet our target, as less than 80% of customers surveyed stated that they were satisfied with the water supply service received during 2017/18.

### Challenges/issues we experienced:

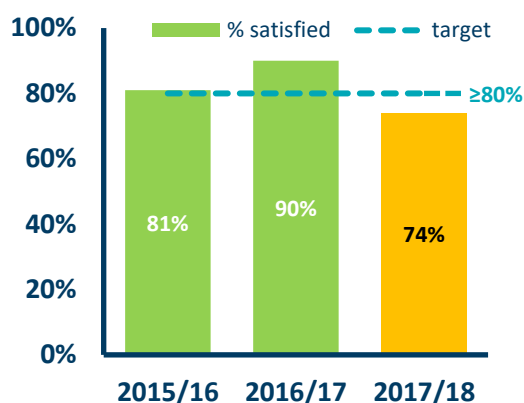
As a result of a plant failure within the Twizel water treatment plant, a higher dosage rate of Chlorine occurred for a short period. This resulted in an increase in complaints about the water quality.

It should be noted that we have refined our calculation of this measure from previous year which has resulted in a reduced level. Applying the improved calculation, the 2016/17 result would be restated as 76% and the 2015/16 as 79%.

### Looking ahead:

New monitoring equipment has been installed in Twizel to avoid a repetition of this failure in the future.

Council will continue to maintain standards and protocols, to ensure that a focus remains on customer satisfaction levels.



## Summary of E.coli sampling results

### Treatment Plants

Plant name	Required number of samples	Number of collected samples	Number of transgressions	Compliance
Fairlie	104	93	0	Non-compliant due to number of samples
Burkes Pass	52	58	2	Non-compliant
Tekapo	52	53	0	Compliant
Twizel	104	100	0	Non-compliant <sup>1</sup>
Albury	52	0	N/A	Non-compliant
Allandale	52	53	2	Non-compliant

### Notes

<sup>1</sup> Council contractors missed the sampling times required and a major flood prevented samples getting to the testing lab.

### Distribution Networks

Plant name	Required number of samples	Number of collected samples	Number of transgressions	Compliance
Albury	12	11	9	Non-compliant
Allandale	12	13	0	Compliant
Burkes Pass	12	12	0	Compliant
Fairlie	52	58	0	Compliant
Kimbell	12	13	0	Compliant
Tekapo	12	57	0	Compliant
Twizel	52	56	1	Non-compliant



## Financials

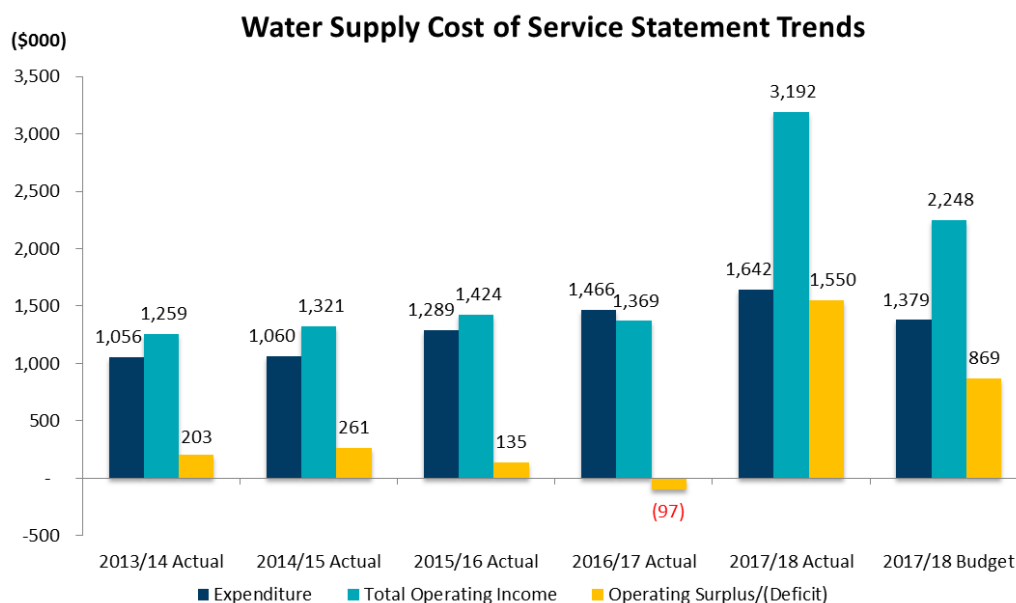
### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
	Notes <sup>6</sup>	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Targeted rates		1,012	1,183	1,221
Interest revenue		5	2	13
Other revenue	1	212	191	235
Contributions	2	131	342	1,200
Other gains		2	0	0
Internal interest income		4	2	5
Internal income		3	3	31
Assets vested	3	0	525	487
TOTAL REVENUE		1,369	2,248	3,192
EXPENDITURE				
Personnel costs		25	17	24
Consultancy expenses	4	35	0	27
Administration	5	79	40	83
Operational and maintenance	6	626	568	803
Interest on capital reserves		97	152	92
Internal expenses		3	3	3
Finance costs		0	19	0
Depreciation	7	601	580	610
TOTAL EXPENDITURE		1,466	1,379	1,642
OPERATING SURPLUS/(DEFICIT)		(97)	869	1,550

#### <sup>6</sup> The key variances from budget were:

1. Other revenue is higher than budget due to the higher than anticipated water revenue for the Albury scheme.
2. Financial/upgrade contributions revenue is higher than budgeted due to higher than forecast development within the district. These contributions are driven by developer activity.
3. Assets vested were less than budgeted. Vested assets depends on section development within the district and costs incurred by developers.
4. Consultancy expenses is higher than budget due to work associated with the upgrade to the Twizel bore pump, and modelling support for Pukaki Airport.
5. Administration costs is higher than anticipated due to changing Council rates against these activities. The budget did not include the charge and was recorded elsewhere.
6. Operational and maintenance costs is higher than budgeted due to increased contractor costs relating to repairs to and upgrades of the Twizel bore pump and the Albury scheme, work in progress expenses for a new Twizel and Manuka Terrace water source costs being written off and contractor costs for the Downlands scheme being higher than budgeted.
7. Depreciation is higher than budget due to earlier than anticipated vesting of prior year assets along with higher than anticipated capital expenditure from the previous year and the asset revaluation undertaken in the 2017 year producing higher asset values than budgeted.



## Funding Impact Statement

For the year ending 30 June 2018

### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties  
 Targeted rates  
 Subsidies and grants for operating purposes  
 Fees and charges  
 Internal charges and overheads recovered  
 Local authorities fuel tax, fines, infringement fees, and other receipts

#### TOTAL OPERATING FUNDING (A)

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
0	0	0
982	1,010	1,221
0	0	0
0	0	0
6	7	36
163	167	249
<b>1,152</b>	<b>1,184</b>	<b>1,506</b>

### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers  
 Finance costs  
 Internal charges and overheads applied  
 Other operating funding applications  
**TOTAL APPLICATIONS OF OPERATING FUNDING (B)**

#### Surplus (deficit) of operating funding (A-B)

531	547	938
11	19	0
108	107	95
0	0	0
<b>650</b>	<b>673</b>	<b>1,033</b>
<b>502</b>	<b>511</b>	<b>473</b>

### SOURCES OF CAPITAL FUNDING

Subsidies and 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

#### TOTAL SOURCES OF CAPITAL FUNDING (C)

0	0	0
0	342	1,200
116	152	0
0	0	0
0	0	0
0	0	0
<b>116</b>	<b>494</b>	<b>1,200</b>

### APPLICATIONS OF CAPITAL FUNDING

	2017	2018	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	411	2,868	716
- To replace existing assets	10	11	67
Increase (decrease) in reserves	197	(1,874)	890
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>618</b>	<b>1,005</b>	<b>1,673</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(502)</b>	<b>(511)</b>	<b>(473)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation

For the year ending 30 June 2018

<b>Surplus (deficit) of operating funding</b>	<b>473</b>
<b>Add back:</b>	
Financial contributions	1,200
Vested Assets	487
	<b>1,687</b>
<b>Less:</b>	
Depreciation	610
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>1,550</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.



## Capital Expenditure

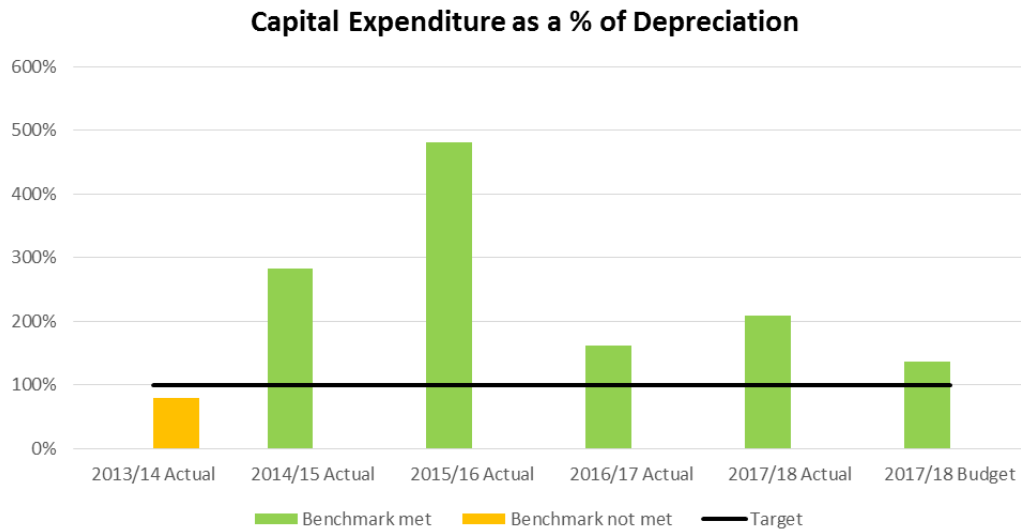
For the year ending 30 June 2018

Projects	Notes <sup>7</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
Urban Water				
Vested assets		0	525	487
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	525	487
IMPROVE LEVEL OF SERVICE				
Urban Water				
Town Reticulation - renewal	1	532	510	376
Treatment - new		61	234	253
Albury Water				
Community Assets - water supply	2	0	0	87
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		593	744	716
REPLACE EXISTING ASSETS				
Urban Water				
Town Reticulation - renewal		299	0	0
Reticulation		1	0	0
Service connections	3	51	0	51
Plant		5	19	0
Treatment - renewal		11	0	0
Public health risk management plan		0	0	1
Plant		10	0	0
Community Assets - water supply		0	16	0
Allandale Water				
Community Assets - water supply		0	11	1
Ashwick/Opuha Water				
Headworks		0	0	14
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		377	46	67
TOTAL CAPITAL EXPENDITURE		970	1,315	1,270

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

### <sup>7</sup> The key variances from budget were:

1. Town Reticulation – renewal is below the budget due to Council being able to achieve favourable contract rates and undertake all planned work at a lower cost than expected.
2. Community Assets – water supply had an unbudgeted spend to install chlorine treatment on the Albury scheme.
3. Unbudgeted expenditure was incurred in relation to service connection renewals across the towns because of the age of the assets which in some cases date back to the early 1970s.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Sections of the Fairlie reticulation are renewed each year until the failing pipes which were installed in the early 1940's are all replaced.
- All other reticulation in the townships was assessed to ensure continuity of service to the connected properties.
- Amounts were budgeted for investigation in Twizel to determine whether there was a new source available to service Twizel and also to investigate reticulating Manuka Terrace.
- Assets vested in Council are the result of development.

## 3.3 Wastewater



### Key facts:

**4**

treatment facilities

each of the four schemes are treated with oxidation pond wastewater treatment systems

**83.4km**

sewer lines

**883**

manholes

**6**

pump stations

**2,678**

properties

connected to Council wastewater systems

*Appropriate collection and treatment of wastewater is essential for the health and well-being of our communities. Wastewater treatment plants, pumping stations and reticulation systems contribute to maintaining public health and environmental quality by controlling the quality of effluent and minimising the risk of undesirable wastes directly entering the environment.*

### What we do

Wastewater is one of the core functions of Council, as provided by statute.

Council is responsible for the management of wastewater (sewage) collection, treatment and disposal services for its urban communities. Wastewater services are provided to

support the development of the district and to protect the physical environment and the health of our communities.

There are community wastewater systems in the townships of Twizel, Tekapo, Fairlie and Burkes Pass. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground.

### Key Projects for 2017/18

Council identified key priorities to be progressed within the wastewater supply activity within Year 3 with the work programme being confirmed by the Annual Plan 2017/18.

#### Internal inspections of the sewer mains in Fairlie and Tekapo

##### Project One

#### What we achieved during 2017/18:

The Council has a project in place to undertake an internal inspection using CCTV of the aging sewer mains in Fairlie and Tekapo. This allows Council to assess the condition and remaining life of those assets and develop a replacement programme. This project was to be undertaken over three years (from 2015), with replacements to commence in Fairlie during 2017/18. During the year, a total of 863 metres of sewer mains were inspected and condition rated. The pipes were found to be in better condition than we expected with only a few minor problems encountered. These have been easily addressed.



## Project Two

### Investigation and design of a new wastewater disposal system for Tekapo waste stabilisation ponds

#### What we achieved during 2017/18:

In our Long Term Plan 2015-25 we had initially planned to undertake investigation and design work for a new wastewater disposal system for Tekapo waste stabilisation ponds in 2015/16. This work programme was subsequently rescheduled to be undertaken in the 2017/18 Annual Plan.

In 2017/18 we explored options for a new wastewater disposal system. We identified a new, suitable disposal zone adjacent to the existing location. The location and design complied with the resource consent for our existing operations. The new disposal zone was constructed early in 2018, allowing for the treatment and disposal of increased effluent from potential growth in Tekapo during the next 5 to 10 years.

## Project Three

### Upgrade and consolidation of the Twizel wastewater treatment and disposal system

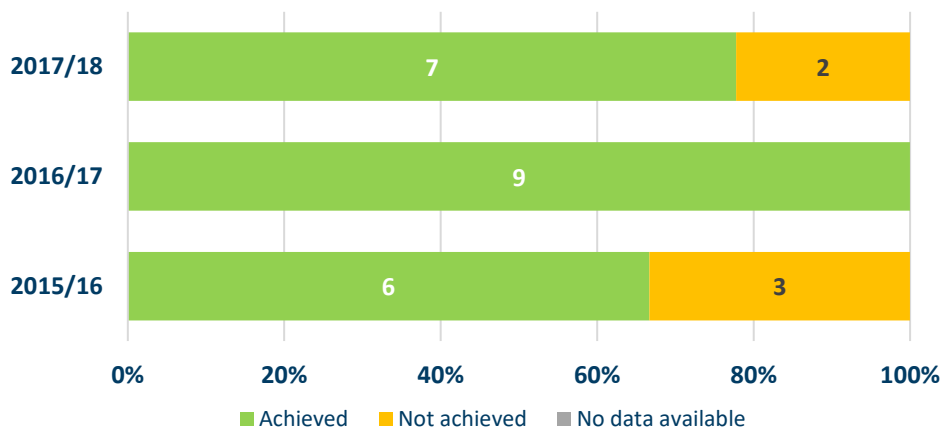
#### What we achieved during 2017/18:

In our Long Term Plan 2015-25 Council had programmed an upgrade and consolidation of the Twizel wastewater treatment and land disposal system to be completed in 2015/16. These works were delayed from 2015/16 and Council in its Annual Plan 2017/18 rescheduled this for completion during 2017/18.

The progression of the project to upgrade and consolidate the Twizel wastewater treatment and land disposal system was dependent upon Council being able to acquire sufficient land around the Twizel stabilisation ponds. It has taken longer than expected to acquire the land, with this only being finalised recently. The design work for the new wastewater treatment and land disposal system was completed in 2017/18 and the construction is expected to be completed in 2018/19.

### Assessment of performance against measures and targets for 2017/18

We achieved 78% of our non-financial performance standards in the wastewater activity.



The following tables show how our wastewater activity performed as measured against the targets set for the 2017/18 year.

## Measure 1: The number of dry weather sewerage overflows from Council's sewerage system.\*

*Expressed per 1000 connections to that sewerage system.*

### What we did:

During the 2017/18 year, there were 4 dry weather overflows. With 2,678 properties connected to Council's wastewater systems throughout the district, this equates to 1.5 dry weather sewerage overflow events per one thousand connections.

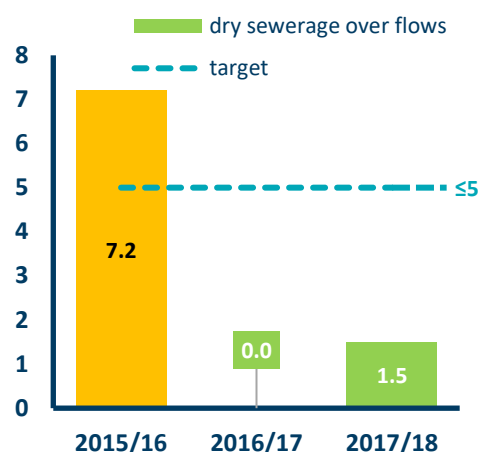
### Challenges/issues we experienced:

In most cases, overflows resulted from blocked drains which had a significant fat build up from adjacent residential properties.

### Looking ahead:

Council will work on preparing educational material to remind those with properties connected to our wastewater systems about what can and cannot be disposed of to our reticulated wastewater systems.

**Target: <5 events**



## Measure 2: Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of:

*(a) abatement notices; (b) infringement notices; (c) enforcement orders; and (d) convictions, received by the Council in relation to those resource consents.\**

### What we did:

Environment Canterbury Regional Council (ECAN) did not issue any compliance notices for any of resource consents which Council operates for its wastewater systems. Council continues to monitor all sites and report all information to ECAN, in addition to site inspections being carried out by ECAN monitoring staff.

### Challenges/issues we experienced:

There were no challenges or issues affecting the Council's ability to operate our waste stabilisation ponds within our resource consent conditions and good practice guidelines.

### Looking ahead:

Council will continue to monitor the operation of our wastewater discharge systems and available data to ensure that the ponds continue to operate well and that they remain able to cope with future growth within our townships.

**Target: nil**

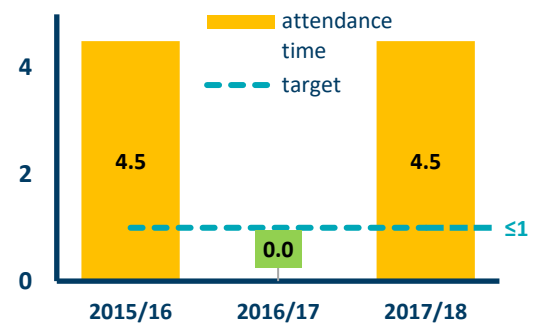
	2015 /16	2016 /17	2017 /18
Abatement notices	Nil	Nil	Nil
Infringement notices	Nil	Nil	Nil
Enforcement orders	Nil	Nil	Nil
Convictions	Nil	Nil	Nil

\* Mandatory Performance Measure

**Measure 3: Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the median response times as follows:**

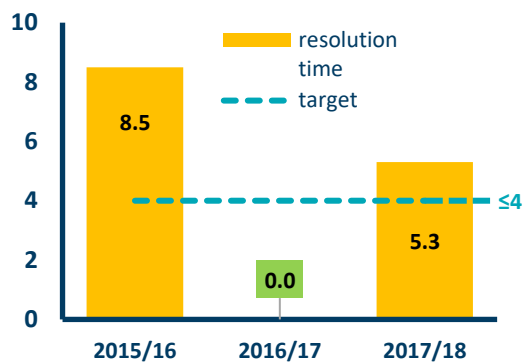
a) *Attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site; and*

**Target:**  
≤ 1 hr



b) *Resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault\**

**Target:**  
≤ 4 hrs



**What we did:**

Council did not meet its targets for the attendance or resolution of sewerage overflows resulting from a blockage or other fault in the wastewater system for the 2017/18 year.

**Challenges/issues we experienced:**

The geographic size of our district and the volume of work pose challenges in meeting these targets for a number of reported events. When specialist equipment is required to un-block a drain, this has to be sourced from Timaru. This alone can result in a delay in getting that equipment to site in excess of 1 hour.

**Looking ahead:**

Council will work with its contractor to review existing processes and resourcing levels to identify opportunities to reduce response times.

\* Mandatory Performance Measure



## Measure 4: The total number of complaints received by the Council about any of the following:

(a) sewage odour; (b) sewerage system faults; (c) sewerage system blockages; and (d) the Council's response to issues with its sewerage system\*

Expressed per 1000 connections to the Council's sewerage system.

### What we did:

Council received three complaints regarding the above matters in relation to our wastewater systems. With 2,678 properties connected to Council's wastewater systems, this equates to 1.1 complaints per one thousand connections.

All complaints received were investigated and found to be from odour being exhausted from the terminal vents on individual houses. These matters were addressed as soon as they were identified.

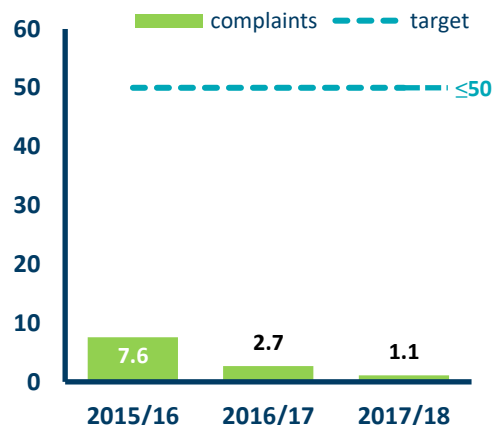
### Challenges/issues we experienced:

There were no significant challenges or issues experienced during the 2017/18 year.

### Looking ahead:

A review of Council's target for the number of complaints received concerning its wastewater activity may be made to ensure that it remains appropriate.

**Target:** ≤50 complaints/1000 connections



## Measure 5: The percentage of ratepayers satisfied with the sewerage treatment and disposal service.

### What we did:

Of those residents surveyed, 94% stated that they were satisfied with Council's sewerage treatment and disposal system. This is in excess of the annual target of 85%.

### Challenges/issues we experienced:

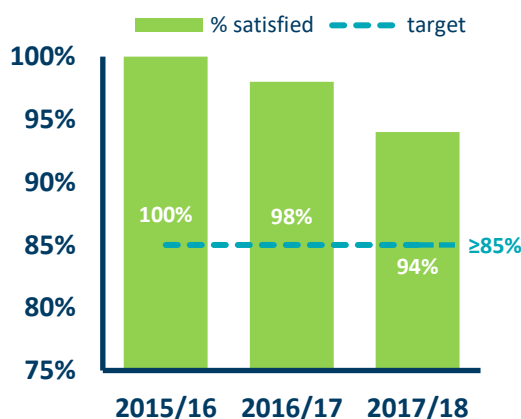
There were no significant challenges or issues in the management of wastewater within the district in the 2017/18 year.

It should be noted that we have refined our calculation of this measure from previous year which has resulted in a reduced level. Applying the improved calculation, the 2016/17 result would be restated as 89% and the 2015/16 as 98%.

### Looking ahead:

As the district continues to grow, pressures on our wastewater systems will need to be understood to ensure current levels of service do not slip. This will be addressed as part of Council's strategic township studies to be undertaken in 2018/19.

**Target:** ≥85%



### Definitions:

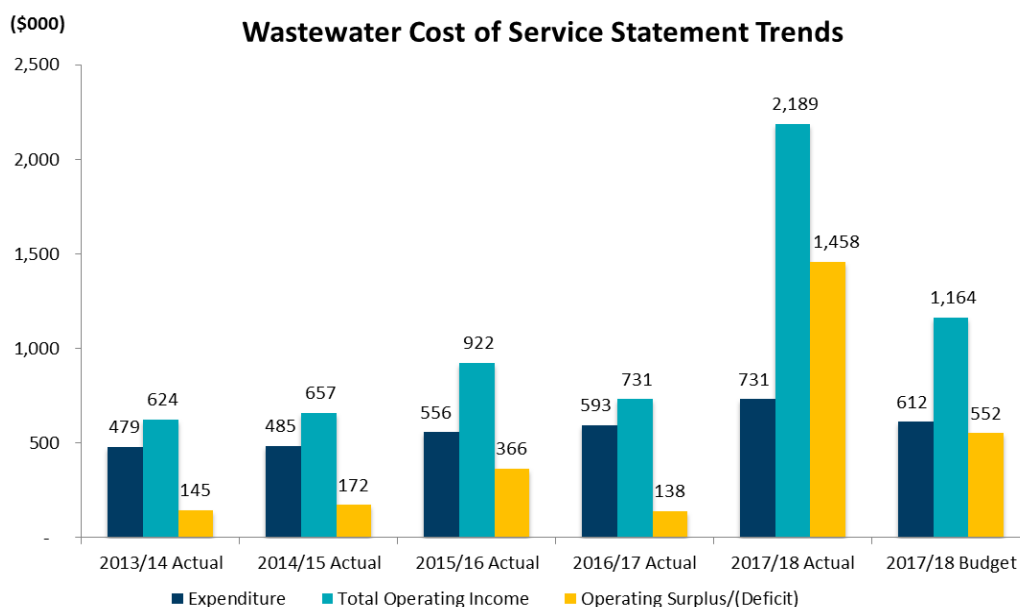
Complaint – second report to Council or its contractors by the same party about the same issue

## Financials

### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
	Notes <sup>8</sup>	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Targeted rates		571	599	602
Other revenue		11	12	14
Contributions	1	110	205	744
Internal interest income		39	9	36
Internal income		0	0	16
Assets vested	2	0	339	777
TOTAL REVENUE		731	1,164	2,189
EXPENDITURE				
Consultancy expenses		16	0	3
Administration		36	11	37
Operational and maintenance	3	231	239	374
Interest on capital reserves		6	4	3
Depreciation		304	358	314
TOTAL EXPENDITURE		593	612	731
OPERATING SURPLUS/(DEFICIT)				
		138	552	1,458



<sup>8</sup> The key variances from budget were:

1. Financial/Upgrade contributions revenue is higher than budgeted due to greater than forecast growth which is driven by developer activity and is difficult to accurately determine.
2. The value of assets vested for the year is higher than anticipated. This is driven by developer activity and is difficult to accurately determine.
3. Operational and maintenance is higher than budgeted. This is due to a large amount of contractor work performed on Lakeside Drive, Tekapo sewer and pump station and the Fairlie Camping Ground pump station, and additional costs being incurred after issues with sewerlines in Twizel.

### ***Funding Impact Statement***

For the year ending 30 June 2018

## SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties	
Targeted rates	
Subsidies and grants for operating purposes	
Fees and charges	
Internal charges and overheads recovered	
Local authorities fuel tax, fines, infringement fees, and other receipts	
<b>TOTAL OPERATING FUNDING (A)</b>	

2017	2018	
Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
0	0	0
578	579	602
0	0	0
0	0	0
28	43	52
6	6	14
<b>612</b>	<b>628</b>	<b>668</b>

## APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers	
Finance costs	
Internal charges and overheads applied	
Other operating funding applications	
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	

237	250	415
0	0	0
6	6	3
0	0	0
<b>243</b>	<b>256</b>	<b>418</b>

**Surplus (deficit) of operating funding (A-B)**

369	372	250
-----	-----	-----

## SOURCES OF CAPITAL FUNDING

Subsidies and 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

**TOTAL SOURCES OF CAPITAL FUNDING (C)**

0	0	0
0	205	744
0	0	0
0	0	0
0	0	0
0	0	0
<b>0</b>	<b>205</b>	<b>744</b>

## APPLICATIONS OF CAPITAL FUNDING

Capital expenditure

- To meet additional demand
- To improve the level of service
- To replace existing assets

Increase (decrease) in reserves

Increase (decrease) of investments

**TOTAL APPLICATIONS OF CAPITAL FUNDING (D)**

0	0	0
31	11	446
0	0	6
338	566	548
0	0	0
<b>369</b>	<b>577</b>	<b>944</b>

### Surplus (deficit) of capital funding (C-D)

(369)	(372)	(250)
-------	-------	-------

**FUNDING BALANCE ((A-B) + (C-D))**

0 0 0



## Reconciliation

For the year ending 30 June 2018

<b>Surplus (deficit) of operating funding</b>	<b>250</b>
<b>Add back:</b>	
Financial contributions	744
Vested Assets	777
	1,521
<b>Less:</b>	
Depreciation	314
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>1,458</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

## Capital Expenditure

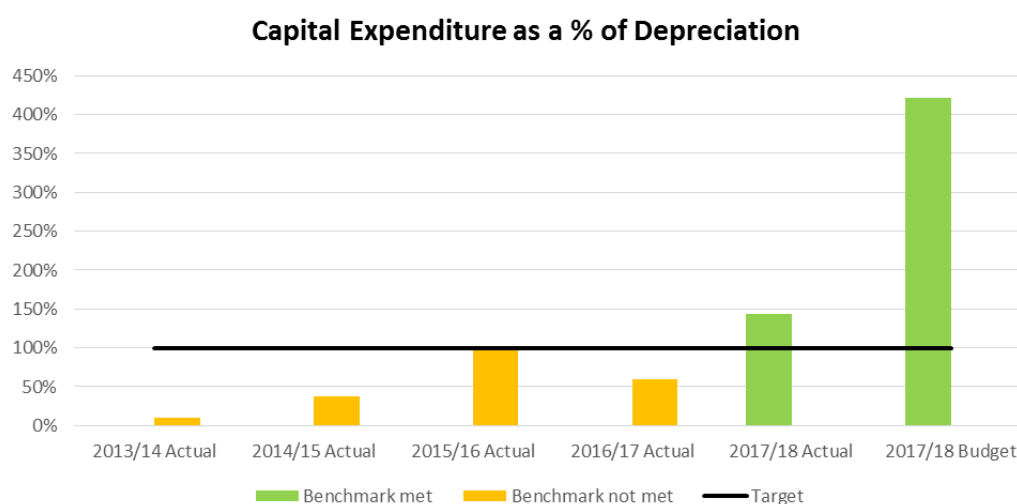
For the year ending 30 June 2018

Projects	Notes <sup>9</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
Urban Sewer				
Vested assets	1	0	339	777
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	339	777
IMPROVE LEVEL OF SERVICE				
Urban Sewer				
Sewer Reticulation - new	2	18	11	0
Sewer Treatment - new		165	1,500	446
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		183	1,511	446
REPLACE EXISTING ASSETS				
Urban Sewer				
Sewer Reticulation - renewal		0	0	6
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		0	0	6
TOTAL CAPITAL EXPENDITURE		183	1,850	1,229

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

### <sup>9</sup> Key variances from budget were:

1. The value of vested assets received is higher than budgeted. This is driven by developer activity and is difficult to accurately determine.
2. Council planned to upgrade the Twizel disposal/treatment field in 2017/18. This has been delayed to 2018/19 due to issues in securing the necessary land.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Work was planned to ensure that the effective disposal of sewage could be maintained in the reticulated areas.
- Assets vested in Council are the result of development.

## 3.4 Stormwater



### Key facts:

**22,851m<sup>2</sup>**  
treatment area

**18.2km**  
pipelines

**248**  
manholes

**6.2km**  
open drains

Appropriate collection and treatment of stormwater is important to protect public health and property. Council provides safe, effective and sustainable stormwater infrastructure to ensure that there is no detrimental impact on the environment from the disposal of stormwater in our urban areas of Twizel, Tekapo and Fairlie.

### What we do

Council is responsible for the management of stormwater. The stormwater network provides drainage away from the road corridor and homes to minimise the incidence of flooding. Stormwater is the smallest of the 3 waters activities (water, wastewater and stormwater).

Council manages stormwater networks in Twizel, Tekapo and Fairlie. Each of these schemes are subject to consent conditions imposed by Environment Canterbury Regional Council.

Our networks to discharge to ground or to water after flowing through some form of treatment such as a swale or larger vegetated treatment area. All the stormwater reticulation is via gravity with pipes ranging from 150mm to 1,050mm in diameter.

The stormwater network does not include the drainage control assets consisting of kerb and channel, surface water channels, catch pits, soak pits, side drains, and culverts less than 3.4m<sup>2</sup> cross sectional area. These are included in roading assets.

## Key Projects for 2017/18

Stormwater management is assuming increasing importance nationally and regionally in terms of appropriate management of discharges and impacts on water quality. As well as our usual operational management of this activity, planning around managing stormwater discharges has also been a feature of our work in the period.

### Project One

#### Stormwater Management Plans for Twizel, Tekapo and Fairlie

##### What we achieved during 2017/18:

Environment Canterbury Regional Council's Land and Water Regional Plan requires our urban networks to have a Stormwater Management Plan. The plans are currently being prepared for each of Twizel, Tekapo and Fairlie and will be lodged with Environment Canterbury for approval during the 2018/19 year. The Plans will be the basis of a new application for discharge consent with Environment Canterbury.

### Project Two

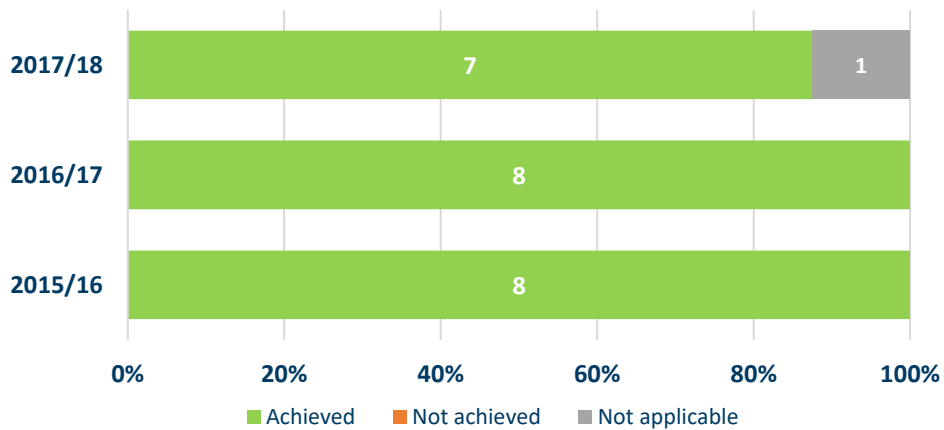
#### Stormwater discharge system for Lakeside Drive Tekapo

##### What we achieved during 2017/18:

Council has planned works to establish a significant stormwater treatment facility in Lake Tekapo to collect and treat stormwater originating from Lakeside Drive. The Lakeside Drive stormwater system has been completed and is now operational.

## Assessment of performance against measures and targets for 2017/18

We achieved 87% of our non-financial performance standards in the stormwater supply activity.





The following tables show how our stormwater activity performed as measured against the targets set for the 2017/18 year.

## Measure 1: The number of flooding events that occur in the district\*

### What we did:

During the 2017/18 year, we experienced one flooding event which affected urban properties in July 2017, and a second event as a result of Ex-Tropical Cyclone Gita. As this does not exceed our target of no more than two events within the district, this measure for 2017/18 has been achieved.

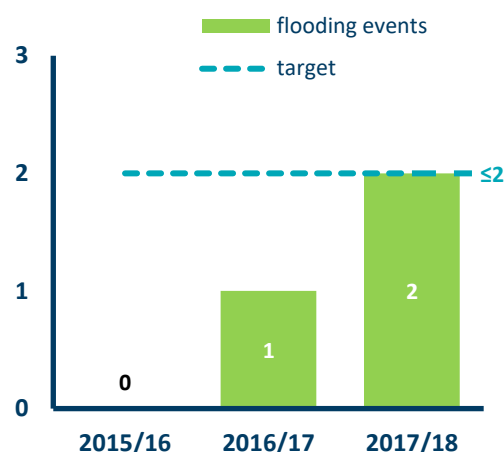
### Challenges/issues we experienced:

There are a number of stormwater networks and drains which, while not managed by Council, have the potential to impact on Council services when blockages or failures occur. Council works to ensure that we are aware of these areas of risk and that we remain able to respond to any blockages in a timely manner.

### Looking ahead:

Council staff and contractors will ensure that areas of risk are identified and determine whether any resilience can be built into the systems to minimise adverse effects resulting from blockages or failures.

**Target:  $\leq 2$**



## Measure 2: For each flooding event, the number of habitable floors affected\*

*Expressed per 1000 properties connected to the Council's stormwater system.*

### What we did:

There are 3,141 properties connected to Council stormwater systems within the district. During the July 2017 flood event, four habitable floors were affected. Expressed per 1000 connected properties, this equates to 1.27, meeting our target of less than or equal to 2 habitable floors affected per 1000 connections.

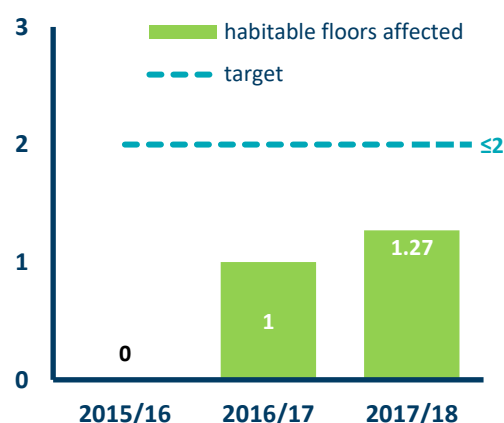
### Challenges/issues we experienced:

The flood event which affected the properties during 2017/18 was caused by an upstream blockage on a neighbouring property.

### Looking ahead:

Council staff and contractors will ensure that areas of risk are identified and determine whether any resilience can be built into the systems to minimise adverse effects resulting from blockages or failures.

**Target:  $\leq 2$  per flooding event / 1000 properties connected to Council's stormwater system**



\* Mandatory Performance Measure

### Measure 3: Compliance with the Council's resource consents for discharge from its stormwater system measured by the number of:

*(a) abatement notices; (b) infringement notices; (c) enforcement orders; and (d) convictions, received by the Council in relation to those resource consents\**

#### What we did:

Environment Canterbury Regional Council (ECAN) did not issue any compliance notices for any of resource consents which Council operates for discharge from its stormwater systems during the 2017/18 year. Council continues to monitor all discharges and report all information to ECAN, in addition to site inspections being periodically carried out by ECAN monitoring staff.

#### Challenges/issues we experienced:

There were no challenges or issues affecting the Council's ability to operate our stormwater treatment facilities within our resource consent conditions and good practice guidelines.

#### Looking ahead:

Council will continue to monitor the operation of our stormwater treatment systems and available data to ensure that the all facilities continue to operate as designed and within consent conditions.

**Target: nil**

	2015 /16	2016 /17	2017 /18
Abatement notices	Nil	Nil	Nil
Infringement notices	Nil	Nil	Nil
Enforcement orders	Nil	Nil	Nil
Convictions	Nil	Nil	Nil

### Measure 4: The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site \*

#### What we did:

During the 2017/18 year, there was one flooding event in the district (as identified in Measure 1) however this was not a result of failure of Council's stormwater infrastructure. Although Council contractors responded to the event and assisted in mitigating the effects, this measure is not applicable to the July 2017 event.

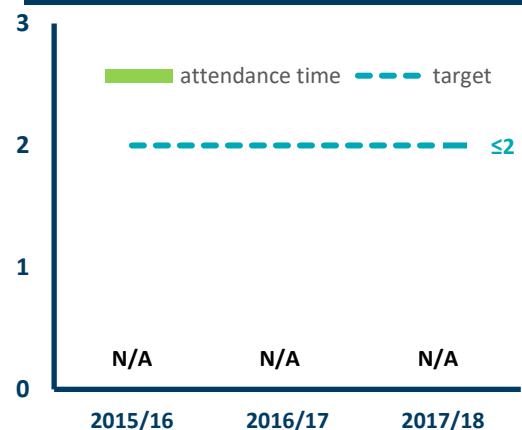
#### Challenges/issues we experienced:

A There were no challenges or issues affecting the Council's stormwater infrastructure in the 2017/18 year.

#### Looking ahead:

Council staff and contractors continue to review systems and processes to ensure that all incidents are responded to in a timely manner.

**Target: 2 hours, including travel time to remote parts of the district**



\* Mandatory Performance Measure

## Measure 5: The number of complaints received by the Council about the performance of its stormwater system\*

*Expressed per 1000 properties connected to the Council's stormwater system.*

**Target:** <5 complaints/1000 connected properties

### What we did:

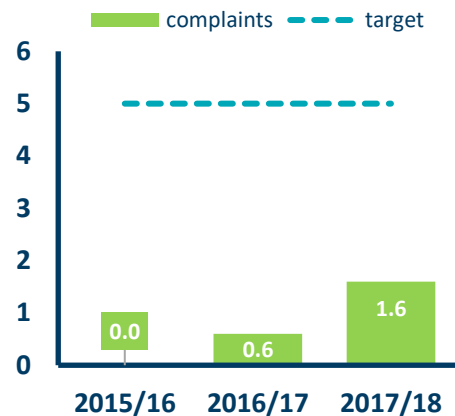
During the 2017/18 year, Council received 5 complaints regarding the performance of its stormwater system. With 3,141 properties connected to our systems throughout the district, the measure for 2017/18 is 1.6 complaints per one thousand connected properties.

### Challenges/issues we experienced:

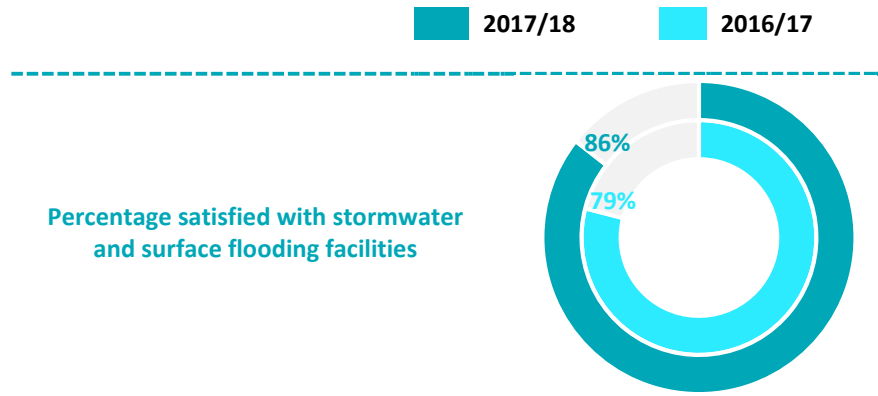
A number of the complaints received were related to no maintenance having been carried out on an upstream drain which later blocked and overflowed into a number of properties.

### Looking ahead:

Council staff and contractors will ensure that areas of risk are identified and determine whether any resilience can be built into the systems to minimise adverse effects resulting from blockages or failures.



## Other community feedback



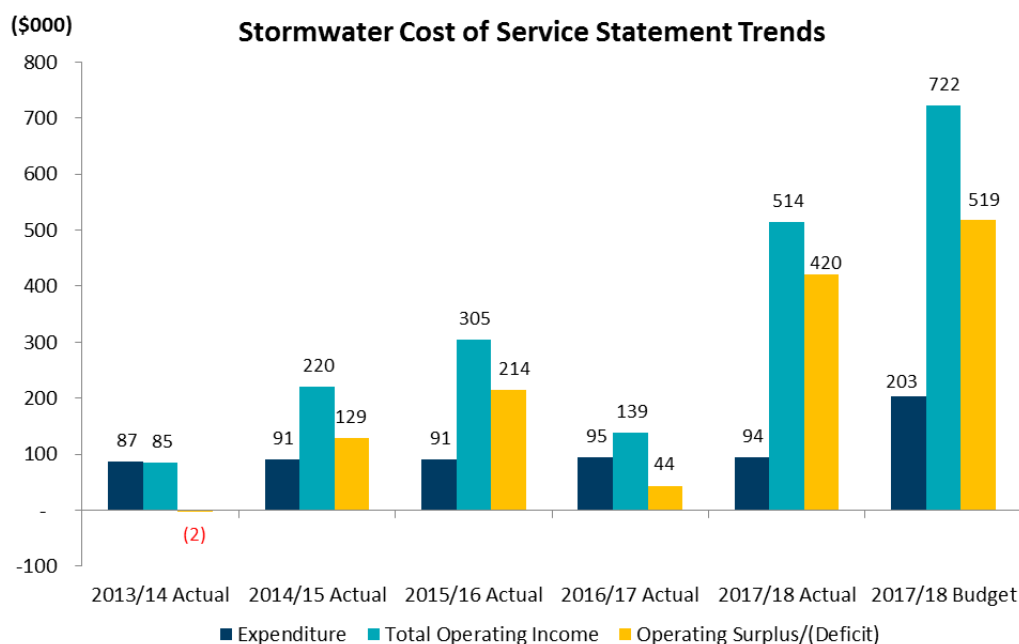
\* Mandatory Performance Measure

## Financials

### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
	Notes <sup>10</sup>	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Targeted rates		101	195	197
Contributions		10	57	0
Internal interest income	1	28	7	34
Internal income		0	0	6
Assets vested	2	0	463	277
TOTAL REVENUE		139	722	514
EXPENDITURE				
Consultancy expenses	3	8	86	0
Administration		9	1	10
Operational and maintenance		30	29	30
Depreciation		48	87	54
TOTAL EXPENDITURE		95	203	94
OPERATING SURPLUS/(DEFICIT)		44	519	420



#### <sup>10</sup> The key variances from budget were:

1. Internal interest revenue on Capital Reserves is ahead of budget due to higher than anticipated levels of reserves being held due to maintaining a higher positive capital reserve balance because the budgeted capital for the year was not spent.
2. Vested Assets received were lower value than anticipated. This is driven by developer activity and is difficult to determine.
3. Consultancy budget to undertake development of Stormwater Management Plans was not spent during the 2017/18 year resulting in a favourable variance.



## Funding Impact Statement

For the year ending 30 June 2018

### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	85	170	197
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	10	11	40
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0

#### TOTAL OPERATING FUNDING (A)

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
0	0	0
85	170	197
0	0	0
0	0	0
10	11	40
0	0	0
95	181	237

### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers	29	115	39
Finance costs	0	0	0
Internal charges and overheads applied	0	0	0
Other operating funding applications	0	0	0

#### TOTAL APPLICATIONS OF OPERATING FUNDING (B)

#### Surplus (deficit) of operating funding (A-B)

29	115	39
0	0	0
0	0	0
0	0	0
29	115	39
66	66	198

### SOURCES OF CAPITAL FUNDING

Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	57	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0

#### TOTAL SOURCES OF CAPITAL FUNDING (C)

0	0	0
0	57	0
0	0	0
0	0	0
0	0	0
0	0	0
0	57	0

### APPLICATIONS OF CAPITAL FUNDING

Capital expenditure			
- To meet additional demand	0	321	0
- To improve the level of service	0	0	0
- To replace existing assets	0	0	0
Increase (decrease) in reserves	66	(198)	198
Increase (decrease) of investments	0	0	0

#### TOTAL APPLICATIONS OF CAPITAL FUNDING (D)

#### Surplus (deficit) of capital funding (C-D)

0	321	0
0	0	0
0	0	0
66	(198)	198
0	0	0
66	123	198
(66)	(66)	(198)

#### FUNDING BALANCE ((A-B) + (C-D))

0	0	0
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## Reconciliation

For the year ending 30 June 2018

<b>Surplus (deficit) of operating funding</b>	<b>198</b>
<b>Add back:</b>	
Vested Assets	277
<b>Less:</b>	
Depreciation	54
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>420</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

## Capital Expenditure

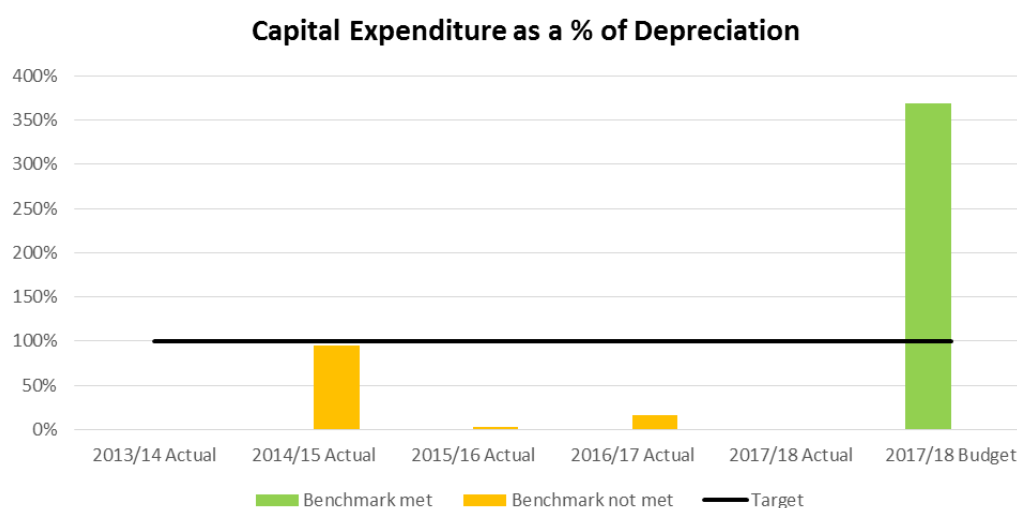
For the year ending 30 June 2018

Projects	Notes <sup>11</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
Urban Stormwater				
Vested assets	1	0	463	277
Plant	2	0	321	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	784	277
TOTAL CAPITAL EXPENDITURE		8	784	277

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

### <sup>11</sup> The key variances from budget were:

1. Vested assets received was lower than budgeted. This is driven by developer activity and is difficult to determine.
2. Lakeside Drive, Tekapo stormwater detention was budgeted under the stormwater activity but the actual costs formed part of the commercial subdivision and were recorded in Council's commercial activity.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Assets vested in Council are the result of development.

## 3.5 Roding



### Key facts:

**213 km**

sealed roads

**519 km**

unsealed roads

**59 km**

footpaths

**98**

bridges

**1,145**

streetlights

Local roads owned and maintained by Council  
(excluding State Highways and roads  
within Mt Cook Village)

The roding network links areas, connects people with each other and essential services, underpins the District's iconic tourism economy, enables businesses to access resources and markets, and provides people with social, cultural, recreational and employment opportunities.

### What we do

Our district's roding network is considered vital infrastructure by the Council, underpinning the district's economic wellbeing and supporting significant activities such as farming, tourism and development. The provision of roding services is the biggest single cost item for the Council.

Council owns and maintains 732 kilometres of local roads within the district. That is all the roads in the district except for state highways, which are managed by the New Zealand Transport Agency (NZTA), and roding within Mt Cook Village which is administered by the Department of Conservation.

Rural roads make up 92% of our network and are an important part of the export supply chain with the main rural land uses in the District being pastoral farming, dairy farming and forestry. Roding also provides the key tourist routes throughout the District.

The roding assets administered by the Council include more than just roads. There are also footpaths, bridges, streetlights, signage and other assets associated with transportation. The total optimised depreciated replacement cost for Council's roding assets is \$94.07 million (July 2016 valuation).



## Key Projects for 2017/18

Renewals, replacements and maintenance of our network to appropriate standards for our communities and visitors continued to be a focus for the 2017/18 year. Some of the key projects we undertook to maintain our levels of service are outlined below.

### Project One

#### Replacement of the Fraser Road No 2 Bridge

##### What we achieved during 2017/18:

The Fraser Road Bridge in the Albury area had reached the end of its life and was weight restricted, and Council had planned for its replacement. Inspections found that while the timber deck needed to be removed from the existing structure, the abutments were still structurally sound. Works were undertaken to add a new deck, which has allowed for the removal of weight restriction and improved the resilience of this route. These improvements to Fraser Bridge 2 have extended the life of the bridge to give a remaining useful life in excess of 50 years.

### Project Two

#### Ongoing resealing and re-metalling works

##### What we achieved during 2017/18:

##### Resealing

During 2017/18, 12.97km of resealing was completed within the district, with 5.04km being within the urban areas and 7.93km being rural roads. The works were completed by Fulton Hogan as part of our combined contract with Timaru and Waimate District Councils. Resealing ensures that the pavement is protected and kept waterproof to reduce the risk of failure.

##### Remetalling

On average, monitoring of our unsealed roads shows we lose approximately 17mm off the crown of the road per year. To maintain current levels of service, approximately 21,000m<sup>3</sup> of wearing course is applied to our unsealed roads annually. This work is ongoing.

We are also trialling new methods to improve our roads and reduce maintenance requirements, including adding clay to our granular maintenance material to aid in binding the material, and trialling weathered rock material as an alternative to our standard material. As part of this investigation work we have used a number of different sources and trial sites over this time. The trials are proving successful but we are continuing to monitor these sites to check performance over time.

### Project Three

#### Renewals of footpaths within Fairlie township

##### What we achieved during 2017/18:

The Long Term Plan 2015-25 had anticipated ongoing renewal of footpaths in each township over time. However this programme of ongoing renewals was reduced across the district over the past year. This decision was made following an announcement by Chorus regarding the rollout of ultra fast broadband (UFB) for Twizel, Tekapo and Fairlie. The work by Chorus will require excavation of footpaths, grassed/gravel berms, etc. to install the cables and associated infrastructure. It was therefore considered that the renewals of footpaths were best deferred until the installation of UFB has been completed. In the interim, Council has been undertaking some maintenance to ensure necessary levels of safety are maintained. A new footpath was constructed on Doon Street in Fairlie, as the opportunity arose in conjunction with a water main renewal.

### Project Four

#### Streetlighting replacement programme

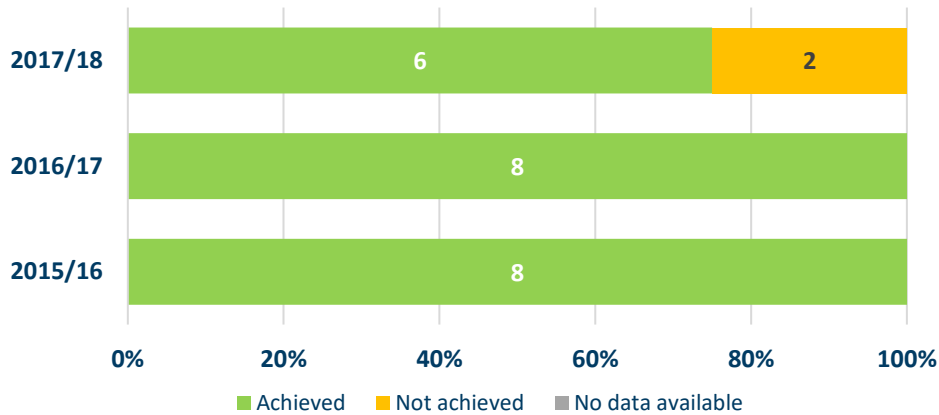
##### What we achieved during 2017/18:

In our townships the streetlights that we have are low pressure sodium bulbs, but these are no longer able to be sourced for replacements. Council has therefore been seeking an alternative fitting which will be compliant with lighting restrictions within the Mackenzie and which will not negatively impact upon our international dark sky reserve.

Early in 2017/18, the New Zealand Transport Agency (NZTA) offered a favourable subsidy rate of 85% for the upgrade of streetlights to LED lighting. LED fittings are becoming increasingly common with reduced maintenance costs and lower energy consumption. Following discussions between Council and the Aoraki Mackenzie International Dark Sky (AMIDSR) Board, a lower heat range fitting was sought to ensure our International Dark Sky Reserve - Gold Status was retained. At present, Council is reworking our business case and sourcing fittings with the intended replacement programme to commence in the 2018/19 year financial year.

## Assessment of performance against measures and targets for 2017/18

We achieved 75% of our non-financial performance standards in the roading activity.

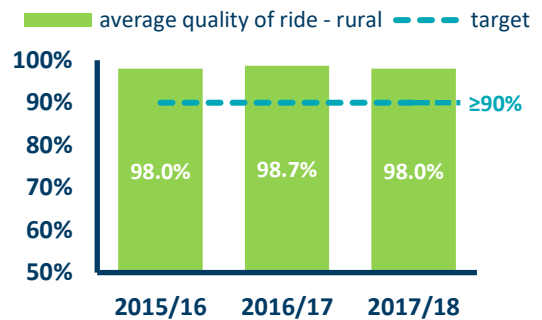


The following tables show how our roading activity performed as measured against the targets set for the 2017/18 year.

### Measure 1: The average quality of ride on a sealed local road network, measured by smooth travel exposure\*:

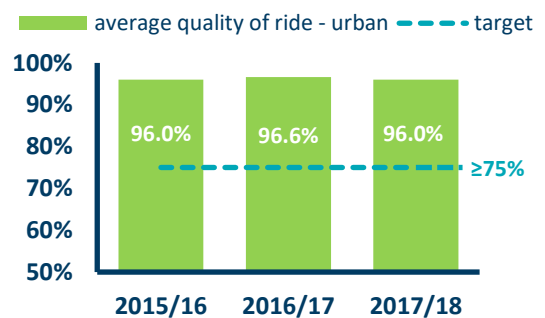
#### a) Rural roads; and

**Target:**  
≥90%



#### b) Urban roads

**Target:**  
≥75%



#### What we did:

Council aims to maintain our network to a high standard. We have quality control processes in place to ensure works completed on our networks and vested assets (e.g. subdivisions) are constructed to a high standard, and that works within the corridor (e.g. service trenches) are restored to the same level. To ensure a high standard, staff carry out quality assurance checks during construction and prior to surfacing. If works do not meet this standard, they are reworked or reconstructed. These measures ensure that the quality of ride on our rural and urban roads, measured by smooth travel exposure, is maintained.

\* Mandatory Performance Measure

### Challenges/issues we experienced:

With the level of development occurring within our district, and the resulting need to underground services across roads, the roughness and in turn smooth travel exposure on our roads can be affected. Council work with developers to manage and minimise this as much as possible to maintain quality of rides. Regular maintenance of our roading network is also required to maintain this level.

### Looking ahead:

Council will continue to carry out maintenance and will complete a condition rating for the 2018/19 financial year as part of a bi annual survey as required by NZTA. We will continue to look for areas for improvements when inspecting and carrying out quality assurance checks. This will enable us to maintain roughness levels and improve where possible.

## Measure 2: The percentage of the sealed local road network that is resurfaced\*

Target:  $\geq 4\%$

### What we did:

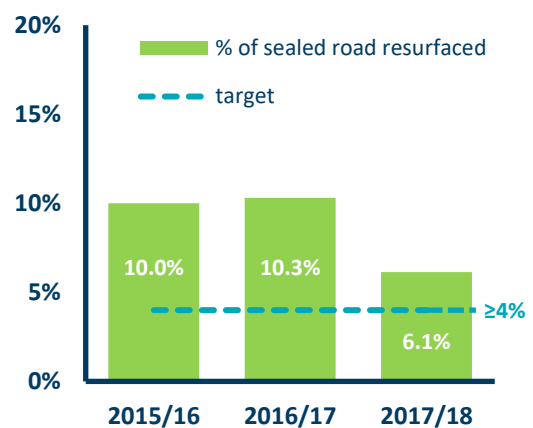
During the 2017/18 year, Council sealed 12.97km of road consisting of 5.04km of urban roads and 7.93km of rural road. This equated to 6.14% of the sealed local road network, achieving our annual target of 4%.

### Challenges/issues we experienced:

There have been no significant challenges or issues hindering Council's 2017/18 resealing work programme.

### Looking ahead:

Council continues to use our current contract model with our collaboration partners as we progress into the second year of a two year contract. Council will also seek improvements in delivery of the contract where we experienced issues.



## Measure 3: The percentage of the unsealed road network renewed using wearing course and stabilisation techniques

Target:  $\geq 2\%$

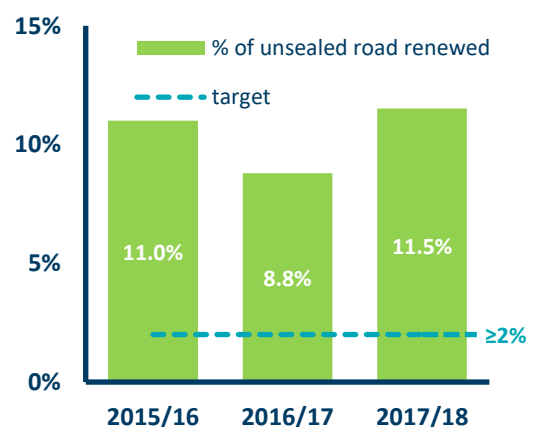
### What we did:

During the 2017/18 year Council applied 23,191m<sup>3</sup> of granular material on our unsealed roads; 21km of maintenance material and 39km of wearing course treatments.

### Challenges/issues we experienced:

It is difficult to make assumptions about the amount of unsealed wearing course that may be required in any given year as this can be affected by a number of factors including changes in land use, seasonal activities, development and environmental conditions (e.g. weather conditions and events).

Due to increasing wear resulting from these factors, our road network often requires additional wearing course treatments compared with a number of other districts. Whilst this wearing course treatment increases longevity of our unsealed roading assets, the cost is slightly higher than maintenance metal treatments, which means that our volumes of metal don't go as far.



\* Mandatory Performance Measure

### Looking ahead:

We are continually looking for new innovations for the treatment of our unsealed roads. There are a number of weathered rock sites in raw source which we have been trialling over the last nine years. We have also started blending weathered rock with our crushed river aggregate source to improve product performance and achieve longer life for our material.

In some cases maintaining our extremely high use unsealed roads is not cost effective and where this is identified, a business case for seal extension may be justified. Council will continue to use the weathered rock material sources when they are close by or specific properties are required to recycle materials. We plan to use clay and crushed material or raw pit source for the low - medium traffic areas or where an abundant source of granular material is close by.

## Measure 4: The percentage of road users satisfied with the roading network

Target:  $\geq 80\%$

### What we did:

Council works to maintain our roading network to a high standard for the benefit of our communities and visitors while seeking to keep maintenance costs at an affordable level. Of those surveyed, 72% stated that they were satisfied with our roading network in 2017/18 which is less than our target of 80%.

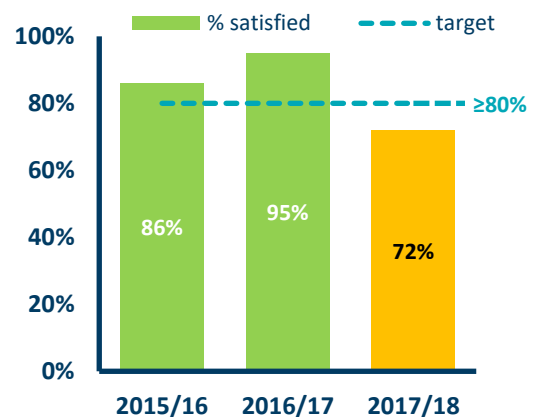
### Challenges/issues we experienced:

During the 2017/18 year, there have been a number of weather events which have caused flooding and snow falls. This has impacted on our maintenance budget by increasing work pressures with the clean-up and reinstatement after each large event.

It should be noted that we have refined our calculation of this measure from previous year which has resulted in a reduced level. Applying the improved calculation, the 2016/17 result would be restated as 70% and the 2015/16 as 87%.

### Looking ahead:

Council will continue to seek improvements to our roading network and maintenance. We will work with our contractors to ensure that appropriate works are carried out in a timely manner with minimum disruption.





## Measure 5: The change from the previous financial year in the number of fatalities and serious injury of crashes on the local road network expressed as a number\*

### What we did:

Council works to maintain our roading network (all roads within the district excluding state highways and roads within Mt Cook Village) to a high standard and to ensure that our roads are safe. We also provide road users with crucial information via our traffic services infrastructure (traffic signage, markings, delineation, etc.) to aid in driver decision making and encourage safe driving practices. There were no fatal crashes on roads managed by the Council in the period. There was one serious injury crash during 2017/18. The annual target was therefore met for 2017/18.

### Challenges/issues we experienced:

Increasing traffic volumes and changes in the type of road users can impact on road safety. As these changes occur, Council has to remain proactive, increasing signage and making traffic safety improvements such as increased signage, road widening etc. This is necessitated by increases to average speeds, greater traffic volumes and the number of drivers who are unfamiliar with our narrow and/or unsealed roads.

### Looking ahead:

A number of safety improvement projects have been signalled in our Long Term Plan 2018-28 including site benching, seal widening, pedestrian and cycle paths, and new signage. Council will also continue to maintain our existing traffic services and maintenance including vegetation control (to increase visibility), and pothole repair.

**Target:** change from previous financial year = 0 (equate to a total target of  $\leq 2$  fatality and serious injury crashes)

	2015 /16	2016 /17	2017 /18
Change from previous financial year	0	0	-1

## Measure 6: The percentage of customer service requests relating to roads and footpaths to which Council responds within the timeframe specified in the LTP\*

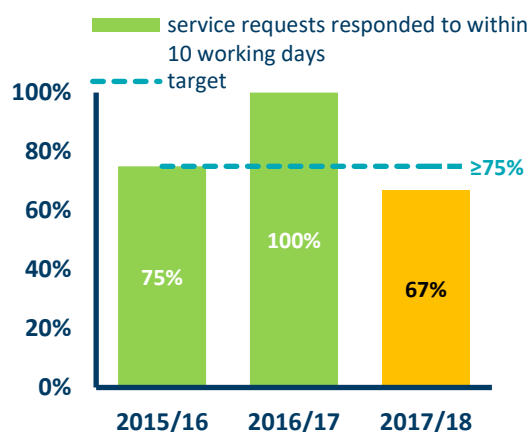
### What we did:

The percentage of customer services requests relating to roads and footpaths which were responded to within 10 working days in 2017/18 (67%) did not meet our target of 75%.

### Challenges/issues we experienced:

Some of the service requests received during 2017/18 were not entered correctly, resulting in them not being provided to our contractor. While most of these requests were responded to and resolved within the 10 working day period, this was not recorded in the system for managing requests, and cannot therefore be included in this measure.

**Target:**  $\geq 75\%$  of service requests relating to roads and footpaths will be responded to within 10 working days.



\* Mandatory Performance Measure

### Looking ahead:

Council will continue to work with our contractor to ensure that all customer service requests are responded to in an appropriate and timely manner. The system for recording customer requests has been improved.

## Measure 7: The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the LTP\*

### What we did:

Council rated its footpaths 2 years ago, followed by a complete visual inspection completed last year. As a result, a work programme was developed for footpaths within the district. However these intended works have since been placed on hold pending the roll-out of ultra fast broadband (UFB). This will avoid the need to make further repairs after the UFB installation.

Council has continued to repair footpaths where they posed an immediate hazard or where failure of the asset may have occurred if not attended to.

At present, 95.3% of the total length of our footpaths are at, or above, the average condition rating.

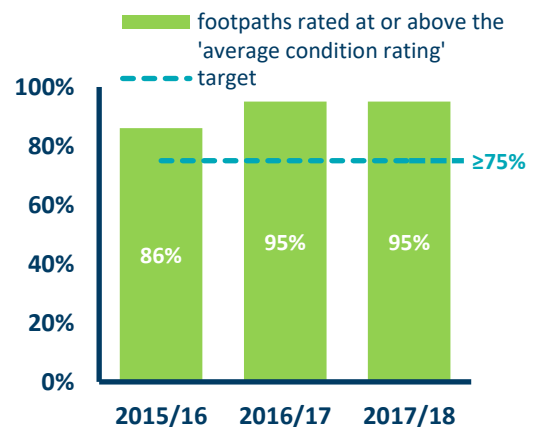
### Challenges/issues we experienced:

The announcement of the roll-out of UFB was a significant factor affecting footpath maintenance. This is because of the cable infrastructure to be installed with the shoulders/berms of our road reserve, and the likely impact of trenching and associated works on our footpaths. Council has chosen not to progress large scale maintenance until the UFB installation has been completed.

### Looking ahead:

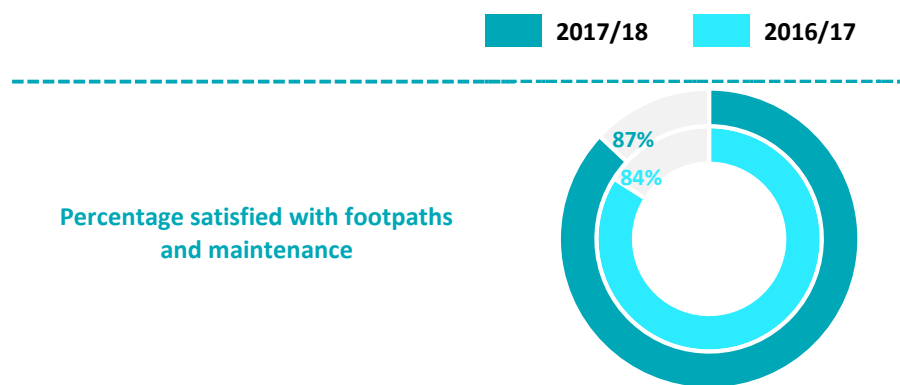
Once the UFB rollout has been completed, Council intend to increase the footpath maintenance and renewals to ensure that all proposed work is completed. The trenching and damage excavation and surfacing will be rectified by Chorus as part of their works. Improvements will be considered to coincide with the rollout works where determined to be appropriate. The 'catch up' of our work programme may take up to 3 years to complete. Council will undertake our next condition rating assessment in 2020/21.

**Target:** ≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.



\* Mandatory Performance Measure

## Other community feedback



## Financials

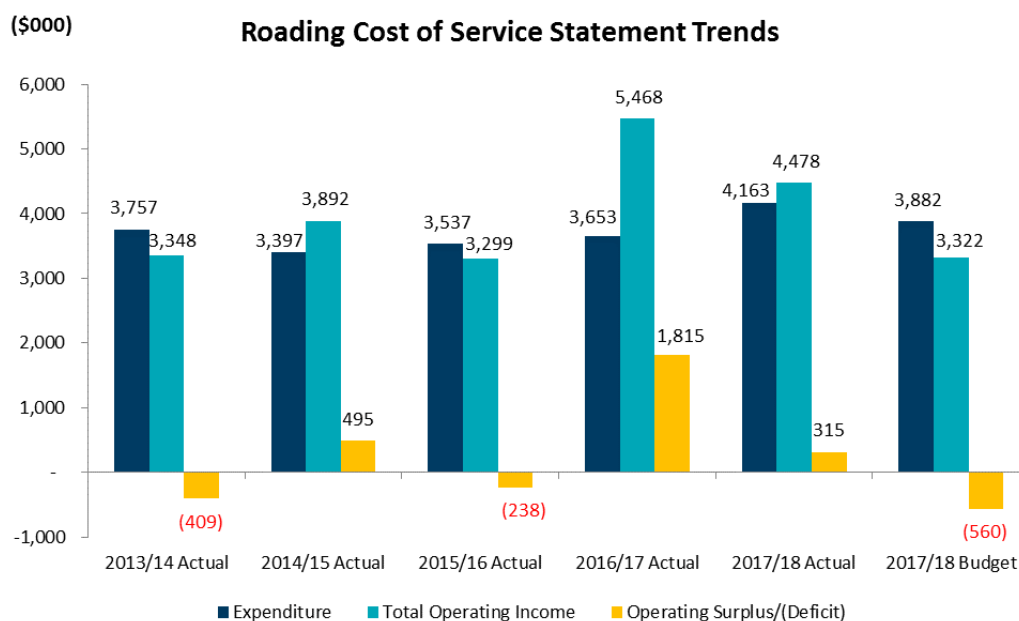
### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
Notes <sup>12</sup>		Actual	Annual Plan	Actual
		\$'000's	\$'000's	\$'000's
<b>REVENUE</b>				
		1,163	1,152	1,159
	1	1,923	1,826	1,945
		48	26	25
	2	2,334	318	1,349
<b>TOTAL REVENUE</b>		<b>5,468</b>	<b>3,322</b>	<b>4,478</b>
<b>EXPENDITURE</b>				
		164	193	193
	3	187	140	185
		3	0	27
	4	1,204	1,220	1,565
		30	60	34
		19	16	21
		0	69	0
		2,046	2,184	2,138
<b>TOTAL EXPENDITURE</b>		<b>3,653</b>	<b>3,882</b>	<b>4,163</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>1,815</b>	<b>(560)</b>	<b>315</b>

#### <sup>12</sup> The key variances from budget were:

1. Subsidies and grants is higher than anticipated due to additional funding being received from NZTA to cover extra roading spends, and unbudgeted petrol tax being received.
2. Vested assets received were higher than anticipated. This is driven by developer activity and is difficult to determine.
3. Consultancy expenses is higher than anticipated due to unbudgeted expenditure (Council approved costs) associated with parking assessments for Fairlie and Tekapo coupled with assistance in relation to the Long Term Plan, Asset Management Plans and One Road Network Classification measurements.
4. Roading expenses is higher than the budget due to flood remediation from the July 2017 floods being required.



## Funding Impact Statement

For the year ending 30 June 2018

### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties  
 Targeted rates  
 Subsidies and grants for operating purposes  
 Fees and charges  
 Internal charges and overheads recovered  
 Local authorities fuel tax, fines, infringement fees, and other receipts

#### TOTAL OPERATING FUNDING (A)

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
0	0	0
1,160	1,371	1,159
960	908	1,000
0	0	0
13	24	0
43	44	114
<b>2,176</b>	<b>2,348</b>	<b>2,273</b>

### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers  
 Finance costs  
 Internal charges and overheads applied  
 Other operating funding applications

#### TOTAL APPLICATIONS OF OPERATING FUNDING (B)

#### Surplus (deficit) of operating funding (A-B)

1,472	1,506	1,971
31	69	0
16	17	55
0	0	0
<b>1,519</b>	<b>1,592</b>	<b>2,026</b>
<b>657</b>	<b>756</b>	<b>247</b>

### SOURCES OF CAPITAL FUNDING

Subsidies and 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

#### TOTAL SOURCES OF CAPITAL FUNDING (C)

595	617	857
0	0	0
738	796	0
0	0	0
0	0	0
0	0	0
<b>1,333</b>	<b>1,413</b>	<b>857</b>

### APPLICATIONS OF CAPITAL FUNDING



	2017	2018	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	1
- To replace existing assets	2,004	2,197	1,714
Increase (decrease) in reserves	(14)	(28)	(611)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>1,990</b>	<b>2,169</b>	<b>1,104</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(657)</b>	<b>(756)</b>	<b>(247)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Reconciliation

For the year ending 30 June 2018

<b>Surplus (deficit) of operating funding</b>	<b>247</b>
<b>Add back:</b>	
Capital Subsidies and Grants	857
Vested Assets	1,349
	2,206
<b>Less:</b>	
Depreciation	2,138
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>315</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

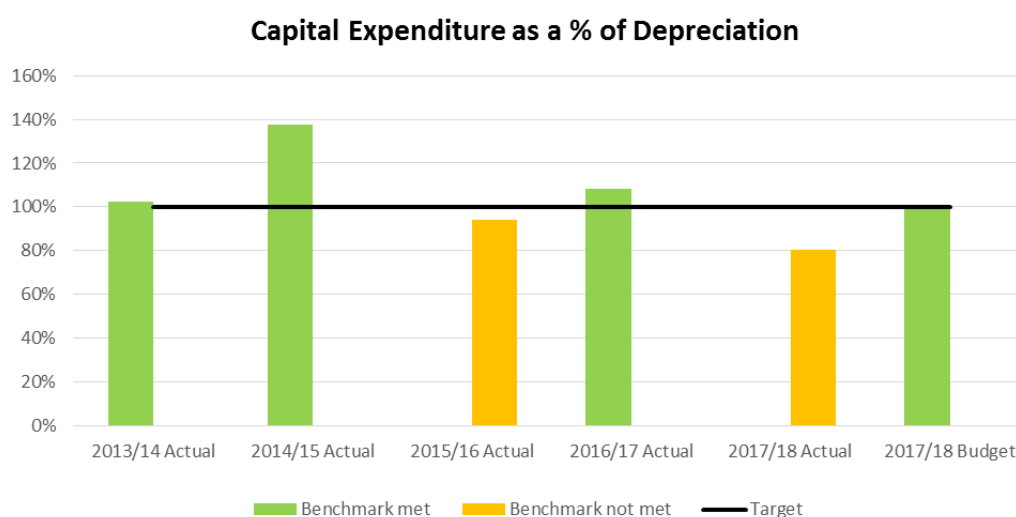
## Capital Expenditure

For the year ending 30 June 2018

Projects	Notes <sup>13</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
District Rooding				
Vested assets	1	2,334	319	1,349
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		2,334	319	1,349
IMPROVE LEVEL OF SERVICE				
District Rooding				
Footpaths - surfacing	2	188	166	1
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		188	166	1
REPLACE EXISTING ASSETS				
District Rooding				
Unsealed road metalling		663	700	710
Sealed road resurfacing		770	600	547
Drainage renewal		107	62	64
Plant and equipment		0	6	2
Sealed road pavement rehabilitation	3	64	268	99
Structures component replacements bridges	4	75	60	0
Structures component replacements cattlestops		0	8	0
Traffic services renewals		55	72	42
Minor improvements		296	259	250
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		2,030	2,035	1,714
TOTAL CAPITAL EXPENDITURE		4,552	2,520	3,064

### <sup>13</sup> The key variances from budget were:

1. Vested assets received is higher than budgeted. This is driven by developer activity and is difficult to determine.
2. Footpath – surfacing is below budget due to the work being held over until Ultra Fast Broadband is rolled out.
3. The entire budget for sealed road pavement rehabilitation was not spent due to higher than anticipated maintenance cost throughout the year which was not covered under emergency works funding.
4. The budget for structures component replacements bridges was not spent due to higher than anticipated environmental maintenance costs throughout the year which was not covered under emergency works funding.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Roading projects were budgeted to maintain an appropriate level of service to the District's roading network.
- Assets vested in Council are the result of development.

## 3.6 Regulatory services



### Key facts:

<b>206</b> <u>resource consents</u> processed	<b>376</b> <u>building consents</u> processed	<b>1,593</b> <u>dogs</u> registered in the district	<b>98</b> <u>liquor licences</u> issued in the district	<b>67</b> <u>food premises</u> licenced in the district
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*The Council undertakes a range of regulatory activities to enhance the safety of those who live in and visit the Mackenzie District. It also aims to protect and enhance the natural environment by regulating development in a manner that is environmentally sensitive, well planned and positively contributes to the maintenance and enhancement of the district's natural and scenic landscape. Council also ensures that all new buildings and alterations in the district are constructed in a manner that promotes the health, safety and wellbeing of the community, and complies with all the relevant statutes and codes.*

### What we do

Council's regulatory service group of activities includes resource management (the planning department), building control, animal control, civil defence and emergency management, and public health and liquor licensing.

#### Resource management

The planning department is responsible for administering the Council's functions under the Resource Management Act 1991. The purpose of the Resource Management Act is to enable sustainable management of the district's natural and physical resources. Council's key planning document under this Act is the District Plan, which identifies the issues facing the district and seeks to manage the effects of those issues by setting objectives, policies and rules to achieve the purpose of the Act. Other resource management functions of the planning department include: resource consents processing; processing plan changes; monitoring and enforcement of resource consents and activities permitted by the District Plan; review of the District Plan; and regulatory policy and bylaw development and monitoring.

#### Building control

The Council is an accredited Building Consent Authority. Council's building control department is responsible for administering the Council's functions under the Building Act 2004. This involves processing building consent applications, monitoring the construction of buildings, and issuing code compliance certificates upon the completion of building work. As a territorial authority, Council is also responsible for enforcement under the Building Act 2004 relating to breaches including dangerous and/or insanitary buildings, auditing of swimming pools and undertaking building warrant of fitness checks.

#### Civil Defence and Emergency Management

The Council is responsible, under the Civil Defence Emergency Management Act 2002, to ensure that the Council and community are prepared and able to respond in

the event of a civil defence emergency. Council's civil defence activity relies heavily on volunteers in responding to any emergency, and the Council seeks to ensure that all staff and volunteers are adequately trained for their roles. Council staff and volunteers are trained to support Council during civil defence events.

### Public Health and Liquor Licensing

The Council has responsibilities under the Food Act 2014 to ensure that premises which prepare and sell food meet

hygiene regulations and are inspected. The Council also has other responsibilities under the Sale and Supply of Alcohol Act 2012. The Council's functions of licensing and monitoring premises under the Food Act 2014 and Sale and Supply of Alcohol Act 2012 are managed through a contract with Timaru District Council, who carry out these services on the Council's behalf. In 2014 the Council prepared a joint local alcohol policy (LAP) with Timaru and Waimate District Councils, providing a consistent approach to how the sale of alcohol is managed in these parts of South Canterbury.

## Key Projects for 2017/18

It has been a busy year for the regulatory services activity area. As well as processing significant numbers of building and resource consents and liaising with stakeholders in relation to environmental management, Council also increased its resourcing of its civil defence and emergency management function to review and improve its ability to respond to emergencies.

### Project One

#### Development of a Local Approved Products Policy

##### What we achieved during 2017/18:

Under the Psychoactive Substances Act, Councils can choose whether to have Local Approved Products Policies (LAPP) which set out where psychoactive substances (also known as legal highs) can be sold. Initial work on the development of a Local Approved Products Policy was completed, with the preparation of a background report which considered options available to Council. This work has not progressed further due to other work assuming priority such as District Plan Review and resource consenting. Staff changes during the year also impacted on development of the policy. It is intended that work on the policy will be progressed in the 2018/19 year.

### Project Two

#### District Plan Review and Plan Changes

##### What we achieved during 2017/18:

##### District Plan Review

A number of sections of the Mackenzie District Plan are due for review. In 2017/18 Council resolved to continue the District Plan Review programme (DPR) in two stages. Stage One encompassed changes around two priority issues being, 1) activities on the surface of water; and 2) biodiversity. Stage Two will then encompass all other outstanding issues (excluding Plan Change 13).

Stage One of the DPR was progressed during 2017/18 with Plan Change 18 (Biodiversity) and Plan Change 19 (activities on water) progressing through a pre-notification consultation programme and public notification of the proposed provisions on 23 December 2017. Submissions and further submissions were concluded during the 2017/18 year. It is expected that these plan changes will become operative during the 2017/18 year.

##### Plan Change 13 – Landscape in the Mackenzie Basin

Plan Change 13 was first notified by the Council in 2007 and has been an ongoing area of work since that time, being subject of a number of appeals through the Courts. Many of these matters have been resolved and work continued on finalising the Plan Change during 2017/18. A 12<sup>th</sup> decision was issued by the Court in September 2017, a 13<sup>th</sup> decision in December 2017 and a Court Order issued in May 2018. Work during the 2017/18 year largely centred around confirming proposed Farm Base Areas and their associated rules. Plan Change 13 is now largely complete, with the remaining outstanding matter being confirmation of the Farm Base Area rules. A decision on this final matter is expected in the short term which will bring Plan Change 13 to its conclusion.

##### Plan Change 17 – Indigenous Vegetation Clearance

Plan Change 17 which provided an interim "freeze" on indigenous vegetation clearance exemptions was progressed to a decision in the 2017/18 year. This plan change became operative 21 July 2017.



## Project Three

### Upgrade of civil defence radios

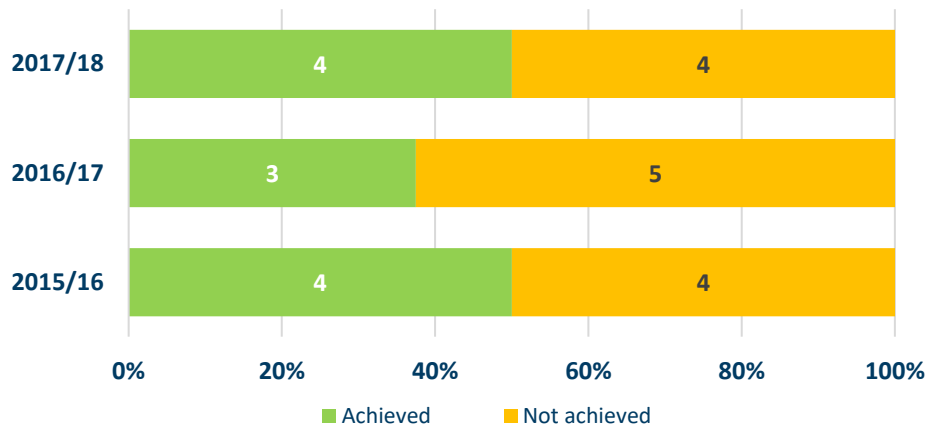
#### What we achieved during 2017/18:

In 2017/18 Council initiated a review of its CDEM activities, with the aim of ensuring we had procedures in place and adequate communication and response systems to enable us to better undertake our coordination function in an emergency event.

After completing a review of the location and requirements for Civil Defence radios across the district, we purchased two new base set radios (analogue and DMR capable) with one located in the Fairlie Emergency Operations Centre (EOC) and the other in Council's Twizel office. Council also purchased six handheld radios to be allocated to emergency workers or staff during an emergency. The upgrading of the civil defence radios will ensure improved communication capabilities during an emergency in the event of the failure of routine communication systems (landline and cell phones). Council now has 12 radios positioned around the community which we will progressively update in the years ahead.

#### Assessment of performance against measures and targets for 2017/18

We achieved 50% of our non-financial performance standards in the regulatory services activity.



The following tables show how our regulatory services activity performed as measured against the targets set for the 2017/18 year.

## Resource Management

### Measure 1: The percentage of those surveyed that are satisfied by the belief that the Council is adequately managing resource management issues in the District

Target:  $\geq 80\%$

#### What we did:

This target was not met for 2017/18. However an improvement on 2016/17 satisfaction levels has been achieved.

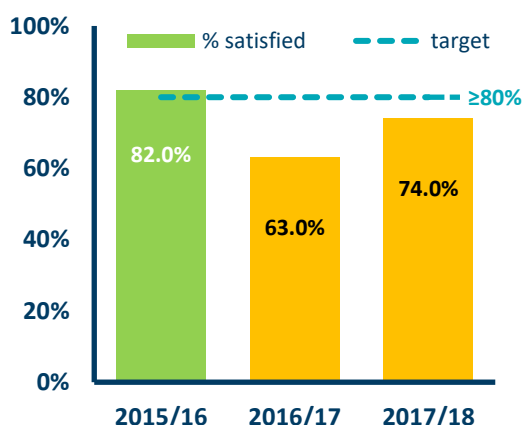
#### Challenges/issues we experienced:

Growth and development in the district has meant a positive but very busy year for the Council, in managing impacts on our iconic environment. At times attracting and retaining experienced staff was a challenge in term of meeting our targets.

#### Looking ahead:

Council will continue its resource management functions.

It is considered that this measure may be ambiguous in the use of the broad term "resource management issues", as it may not be specific enough to provide meaningful information from respondents. A change to this measure may be considered.



### Measure 2: Non-notified consents are processed within the statutory timeframe of 20 working days

Target:  $\geq 95\%$

#### What we did:

This target was not met in the 2017/18 year. The percentage of non-notified consents being processed within the statutory timeframes was maintained from 2016/17.

#### Challenges/issues we experienced:

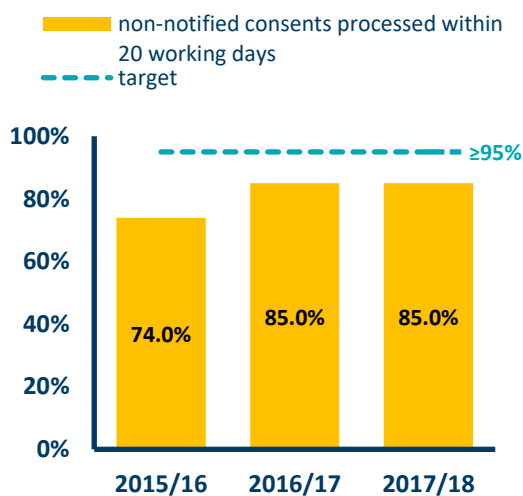
Council has continued to receive a large number of resource consent applications as has been experienced in recent years. Staff changes have resulted in the inability to process some consent applications within timeframes.

The high number of applications relative to staffing levels means that Council is reliant on the use of external planning consultants. Due to staff changes during the 2017/18 year, increased use of consultants was required. The majority of non-notified resource consent applications which exceeded the statutory timeframes were processed externally, where challenges arise in ensuring commitment to compliance with timeframes.

#### Looking ahead:

A review of the 95% target may be considered to ensure it remains achievable given with the recent growth in resource consent application numbers and the difficulty in attracting/retaining experienced staff.

Council will also work with our external consultants to ensure that a focus remains on statutory timeframes.



### Measure 3: The percentage of applicants for resource consents that are satisfied with the quality of services they receive

Target:  $\geq 80\%$

#### What we did:

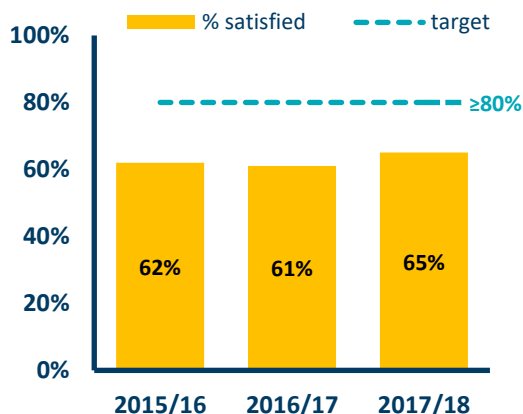
We did not meet this target for 2017/18. However a 4% improvement was recorded from the 2016/17 year. Further, as shown in the other feedback on page 87 there has been improvement in related areas. In particular, the number of applicants satisfied with planning staff (helpfulness and accessibility) has increased by 12% (from 58% to 70%) and those who believe the cost and time associated with resource consent applications is reasonable has increased by 16% (from 45% to 61%) compared with the 2016/17 levels.

#### Challenges/issues we experienced:

There has been a number of staff changes in the planning team this year with both the Planning Manager and Senior Planner roles vacant for much of this year. This, coupled with the high level of activity in the planning area has at times made consistent delivery of service difficult.

#### Looking ahead:

A Planning Manager has now been appointed. Council will continue to improve internal processes and upskilling of staff to offer further improvement to the level of service experienced by our applicants.



## Building Control

### Measure 4: Building consents are processed within the statutory timeframe of 20 days

Target:  $\leq 95\%$

#### What we did:

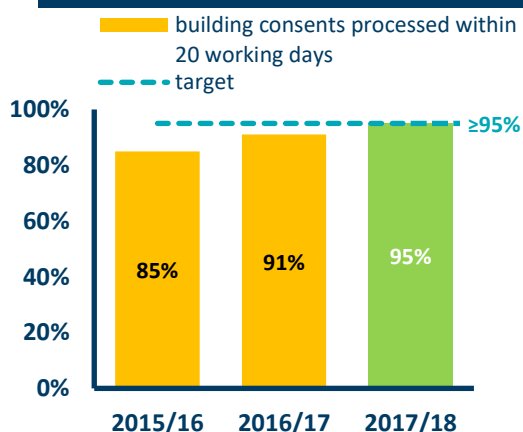
This target has been achieved for the 2017/18 year. 95% of building consents were processed within the 20 working day statutory timeframe.

#### Challenges/issues we experienced:

The number of building consent applications received by Council remains high, which continues to place pressure on the building team.

#### Looking ahead:

It is anticipated that the number of building consent applications received will remain at a high level. Despite increasing work load, Council will retain a focus on ensuring compliance with statutory timeframes. Where necessary, this will be achieved with the assistance of external consultants.



## Measure 5: The percentage of applicants for building consents that are satisfied with the quality of the service they receive

Target:  $\geq 80\%$

### What we did:

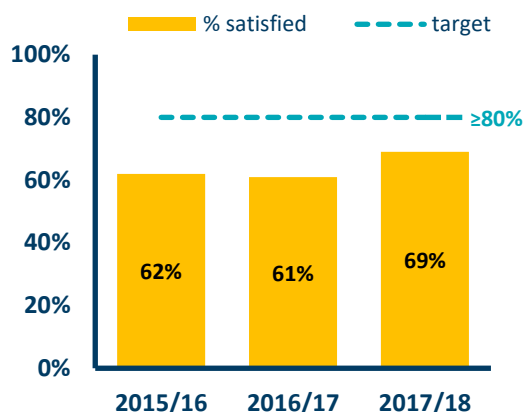
Council did not meet this target in 2017/18. However a 8% improvement was measured from 2016/17. Further, as shown in the other feedback on page 87, there has been an improvement in related areas of building consent processing. In particular, the level of applicants satisfied with building staff (helpfulness and accessibility) has increased by 3% (from 76% to 79%).

### Challenges/issues we experienced:

At times, the high level of activity in the building area poses challenges to the delivery of service.

### Looking ahead:

Building consent application numbers are likely to remain at high levels in the coming years. Council will ensure that focus remains on providing a good level of service to applicants.



## Animal Control

## Measure 6: The percentage of those surveyed that believe the Council is adequately managing dog control issues in the District

Target:  $\geq 80\%$

### What we did:

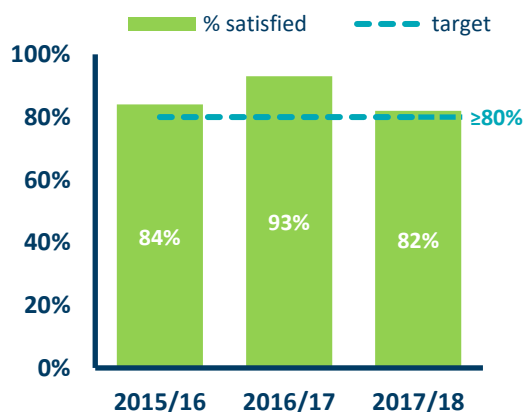
With 82% of respondents considering that dog control issues are adequately managed within the district, the target for 2017/18 was met.

### Challenges/issues we experienced:

The Animal Control Warden role in Twizel was vacant for the latter half of 2017/18. The responsibilities of this role were therefore picked up by the Group Manager Regulations, who has also been fulfilling the vacant Planning Manager role. This shortage in staffing has meant some delay in responding to dog control issues in Twizel.

### Looking ahead:

An Animal Control contractor has now been appointed in Twizel. This will assist in ensuring a good level of service in relation to managing dog control issues within the district can be maintained.



## Civil Defence and Emergency Management

### Measure 7: Council staff and volunteers are familiar with their roles and are adequately trained.

**Target:** Training is attended as required, and the Council will participate in one training exercise per year

#### What we did:

In 2017 the Council appointed a full-time Emergency Management Officer (EMO) on a two-year fixed term to review and strengthen its CDEM activities. As a result increased training and upskilling of staff has been achieved, to better enable them to operate within the Emergency Operations Centre (EOC). An exercise was held in June 2018, testing the initial 8 hours of an EOC activation.

#### Challenges/issues we experienced:

During the 2017/18 year, there has been a number of staff movements and new staff joining the Council. This has required the provision of a range of training opportunities, from introductory through to advanced training.

Releasing staff from their business as usual roles to participate in training continues to be a challenge for the organisation, but staff remain committed to their civil defence roles.

#### Looking ahead:

Improved and ongoing opportunities in the form of monthly training for EOC staff will be provided. This will ensure that staff (and volunteers as necessary) are familiar with the required systems and processes.

2015/16	2016/17	2017/18
✓	✓	✓

### Measure 8: The percentage of the community surveyed that believe they are adequately prepared for a civil defence emergency

**Target:** ≥80%

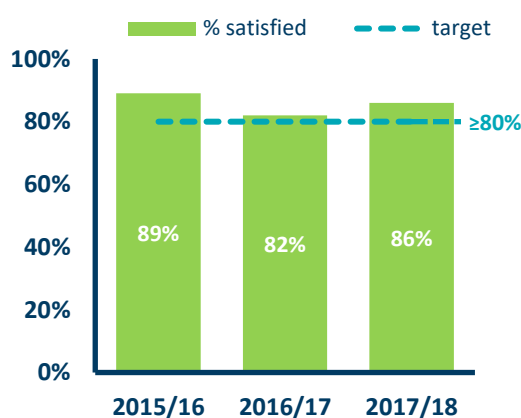
#### What we did:

This target was achieved. Council staff have been working on improving means of communicating with our communities and visitors. We have increased the use of our council Facebook page and website to provide weather warnings and CDEM information. Regular articles providing educational material encouraging and promoting community preparedness are also provided in local publications.

#### Challenges/issues we experienced:

As emergency events are irregular and have unknown consequences, challenges arise in encouraging communities and residents to be prepared. This can be compounded by a general belief that organisations and agencies within our communities will be able to provide support. Ongoing education and support of preparedness will assist in managing these expectations and ensuring that individuals, households, and groups are resilient.

Challenges also arise from the large number of visitors who pass through our district, in terms of ensuring their safety and welfare should an emergency event occur. Council is committed to ensuring the welfare of all those within our district, and will continue to work with tourist and accommodation providers to enable effective communication and preparedness throughout the district.

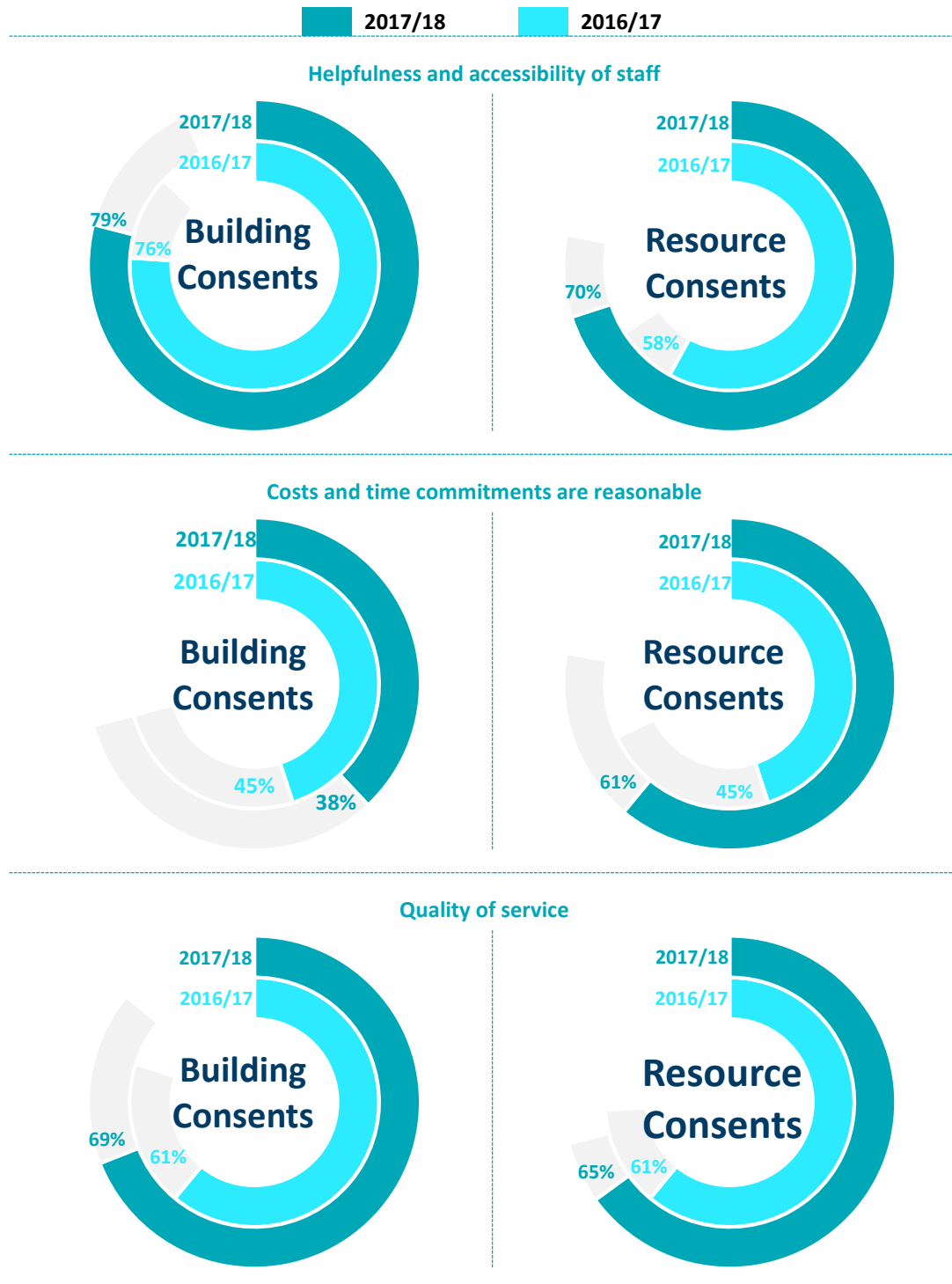




### Looking ahead:

Council is committed to continuing education of individuals, households, groups and businesses around resilience for communities and businesses. A focus of our civil defence activity over the coming year will be on planning for the response to the Alpine Fault “AF8” programme in our District.

### Other community feedback



## Financials

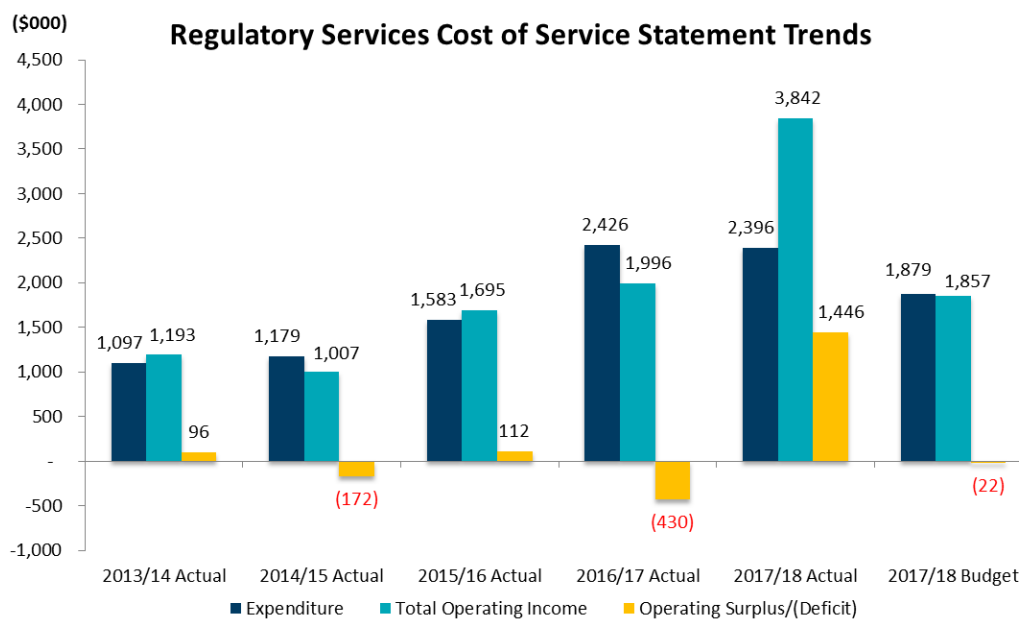
### Cost of Service Statement

For the year ending 30 June 2018

		2017	2018	
	Notes <sup>14</sup>	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
General rates		448	597	587
Targeted rates		168	0	0
Other revenue	1	1,240	1,010	1,515
Gain on sale of assets		5	0	0
Contributions	2	135	250	1,181
Internal income	3	0	0	559
TOTAL REVENUE		1,996	1,857	3,842
EXPENDITURE				
Personnel costs	4	714	977	895
Consultancy expenses	5	1,002	512	1,068
Administration		82	60	80
Operational and maintenance	6	261	182	247
Interest on capital reserves		56	51	59
Internal expenses		34	41	42
Loss on sale and assets written off		221	0	0
Depreciation		56	56	5
TOTAL EXPENDITURE		2,426	1,879	2,396
OPERATING SURPLUS/(DEFICIT)		(430)	(22)	1,446

#### <sup>14</sup> The key variances from budget were:

1. Other revenue is higher than budgeted largely due to the level of land use and building activity in the district, and higher fees being recovered from Health and Liquor Licencing. This is offset by lower than anticipated animal control fees.
2. Contributions revenue is higher than budgeted due to greater levels of subdivisions which drive contribution levels.
3. Although not budgeted, internal income was received. This is a contribution due to a Council owned subdivision.
4. Personnel costs is lower than budgeted due to difficulty in recruiting for a planning manager.
5. Consultancy expenses is higher than budgeted due in part to greater than anticipated growth in the District driving the need to outsource building control and resource consent processing work, additional costs associated with the Building Consent Authority audit, and higher than anticipated costs associated with district planning.
6. Operational and maintenance costs is higher than budgeted largely due to additional costs associated with the Council health and liquor licensing activity.



### Funding Impact Statement

For the year ending 30 June 2018

#### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties	424	412	587
Targeted rates	173	159	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	559
Local authorities fuel tax, fines, infringement fees, and other receipts	640	656	1,515
<b>TOTAL OPERATING FUNDING (A)</b>	<b>1,237</b>	<b>1,227</b>	<b>2,661</b>

#### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers	1,444	1,319	2,289
Finance costs	0	0	0
Internal charges and overheads applied	102	103	101
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,546</b>	<b>1,422</b>	<b>2,390</b>

#### Surplus (deficit) of operating funding (A-B)

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
(309)	(194)	271

#### SOURCES OF CAPITAL FUNDING

Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	120	120	1,181
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>120</b>	<b>120</b>	<b>1,181</b>

#### APPLICATIONS OF CAPITAL FUNDING

##### Capital expenditure

- To meet additional demand
- To improve the level of service
- To replace existing assets

Increase (decrease) in reserves

Increase (decrease) of investments

##### TOTAL APPLICATIONS OF CAPITAL FUNDING (D)

##### Surplus (deficit) of capital funding (C-D)

##### FUNDING BALANCE ((A-B) + (C-D))

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
0	0	0
0	0	0
8	66	11
(196)	(140)	1,441
0	0	0
(188)	(74)	1,452
308	194	(271)
0	0	0

#### Reconciliation

For the year ending 30 June 2018

##### Surplus (deficit) of operating funding

##### Add back:

Financial contributions

##### Less:

Depreciation

##### OPERATING SURPLUS/(DEFICIT)

271

1,181

5

1,446

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

## Capital Expenditure

For the year ending 30 June 2018

Projects	Notes <sup>15</sup>	2017	2018	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
IMPROVE LEVEL OF SERVICE				
Regulatory Services				
Inspectorate				
Computers	1	0	35	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		0	35	0
REPLACE EXISTING ASSETS				
Regulatory Services				
Civil Defence				
Plant & equipment		0	11	11
Rural Fire				
Plant & equipment		3	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		3	11	11
TOTAL CAPITAL EXPENDITURE		3	46	11

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the capital expenditure are as follows:

- To maintain an appropriate level of capability in the regulatory area.

<sup>15</sup> The key variances from budget were:

1. Computers to implement Go-Get software (electronic processing of building consents) was not required to be purchased.



## 3.7 Community & Township services



### Key facts:

#### 10 pensioner housing units

- Seven in Fairlie; and
- Three in Twizel

#### 5 cemeteries

- Albury;
- Fairlie;
- Burkes Pass;
- Tekapo; and
- Twizel.

#### 2 swimming pools

- Fairlie; and
- Twizel

#### 380ha recreation land\*

\*Recreation A (Active) and Recreation P (Passive) zoned land and includes domains, parks and walkways)

#### 3 RRPs

Resource Recovery Parks:

- Fairlie;
- Tekapo; and
- Twizel

*Council aims to meet the needs and aspirations of the community through the provision of a range of recreational facilities and open spaces which are safe, well maintained, offer a range of quality recreational experiences, and are affordable to the community.*

### What we do

Community and Township Services provides the township amenity areas and recreational facilities, including the district's pools, parks, reserves, libraries, community centres and halls.

We also provide a range of services including pensioner housing, cemeteries, public toilets, grants to the Resource Centres in Fairlie and Twizel, and support for the medical centres in Fairlie and Twizel. In addition to this, Council administers and distributes grants from Sport New Zealand and Creative New Zealand as well as making annual grants

towards Heartlands Resource Centres in Fairlie and Twizel and one-off grants from time to time for specific projects.

The Council aims to protect public health and the environment through the provision of appropriate services for the disposal of residual waste, and to minimise the volume of residual waste disposed of to landfill through the promotion and provision of reduction, reuse and recycling services. In doing so, Council provides solid waste collection services and has three Resource Recovery Parks which are operated by our contractors, EnviroWaste.

## Key Projects for 2017/18

2017/18 was a busy year for many aspects of this activity. As well as maintaining our parks, reserves, and facilities, we provide support to other services such as medical centres to ensure they are viable in our district. The level of significant visitor growth meant also increased requirements for activities such as waste management, freedom camping and public toilets. Some key projects are further outlined below.

### Project One

#### Twizel township projects including the resurfacing of the tennis courts and maintenance works on the Twizel Pool

##### What we achieved during 2017/18:

##### Twizel Tennis and Netball Courts

Identified as a key priority by the Twizel Community Board, the Twizel netball, tennis and small court hockey areas were resurfaced. The previous asphalt courts were overtopped with an all-weather, multi-use artificial turf which was remarked for each of the courts. In addition, new fencing was installed around the courts, providing improved separation from the Twizel pool.

##### Twizel Swimming Pool

The first stage of a two stage schedule to increase the compliance of the Twizel Swimming Pool with NZ standards was completed with the pumping and filtration system being replaced in 2017. The second stage of the project, which is scheduled to commence in 2018/19, includes a separate filtration system for the learner's pool, converting the toddler's pool to a splash pad, lining the pools with a synthetic liner, and consideration of a supplementary heating system.

### Project Two

#### Tekapo lakefront development

##### What we achieved during 2017/18:

Lake Tekapo Village centre's central view shaft which runs between Rapuwai and Motuariki Lanes was upgraded. These works were preceded by the demolition of the village centre public toilets. The view shaft has been modified to provide three levels and a multi-use space, with seating amongst low stone walls and landscaping. The works were intended to complement the trees on the site and the improvements undertaken by surrounding businesses.

In addition to the development of the central view shaft, the flying fox on the Domain was relocated to the western area of the domain to be in proximity of the proposed playground.

The remaining development of the Tekapo lakefront is largely dependent upon the progression of surrounding developments, including the commercial buildings being constructed on Motuariki Lane. A master plan for the Lakeside Domain, Church of the Good Shepherd and surrounding areas will be developed in 2018/19. A budget of \$916,000 has been included in the Long Term Plan 2018-28 to complete this development over the next four years.

### Project Three

#### Compacting waste disposal station at Lake Alexandrina

##### What we achieved during 2017/18:

Council purchased and installed a compacting waste disposal bin at Lake Alexandrina for the use of visitors and campers.

A second compacting bin was installed at the Lake Tekapo dump station. Following a successful bid for Ministry of Business, Innovation and Employment (MBIE) Tourism Infrastructure funding, the dump station area was upgraded to improve access and traffic flow. The installation of a second dump station provided opportunities for simultaneous use of this facility.

### Project Four

#### Public toilet upgrades in the district

##### What we achieved during 2017/18:

Following a successful MBIE Tourism Infrastructure Fund bid, planning was undertaken for the installation of new public toilets at Burkes Pass, Lake Tekapo and at the Pines camping area at Lake Pukaki. New toilets have been installed in Burkes Pass (with works completed and the toilets opening recently) and on Lakeside Drive, Lake Tekapo.

Upgrading of the Pine camping area was undertaken as a joint venture with Land Information New Zealand (LINZ) and included the installation of four modern pump-out long-drop toilets in addition to the camp's two existing toilets. The cleaning and daily servicing of these toilets is funded by LINZ. The upgrade works were complemented by the development of defined vehicle tracks and specific parking areas which aim to limit vehicle damage to the environment.

## Project Five

### Lake Pukaki public toilet disposal field upgrade

#### What we achieved during 2017/18:

At the time of preparing the 2017/18 Annual Plan, it was anticipated that the public toilet disposal field at the Lake Pukaki lookout would require an upgrade due to high levels of demand. With support from MBIE's Tourism Infrastructure Fund, work was undertaken on completing an upgrade of the toilets at the Lake Pukaki lookout. In designing this upgrade, it was determined that the existing disposal field was fit for purpose and the proposed upgrade was no longer necessary at this time. The toilet upgrade, which was progressed over the winter months, was completed in early August 2018.

## Project Six

### Mackenzie Community Centre upgrade

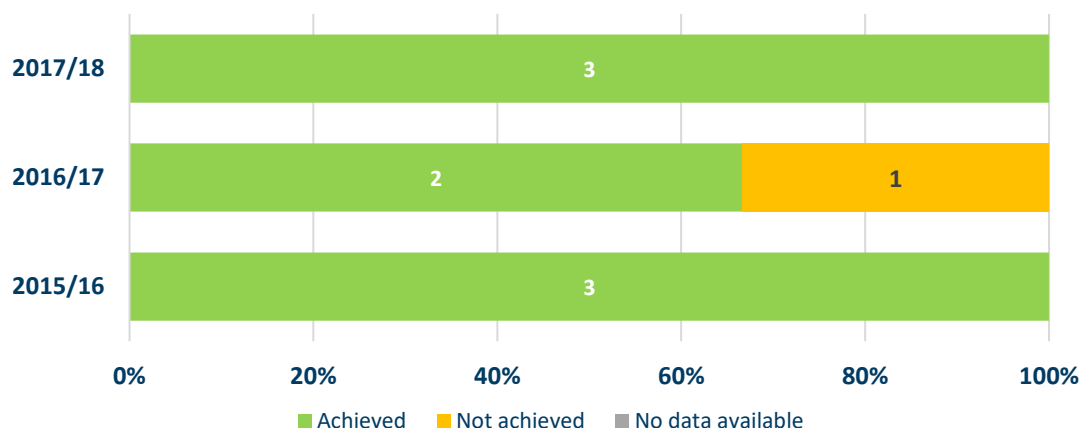
#### What we achieved during 2017/18:

The Annual Plan 2017/18 included a project of theatre improvements in the Mackenzie Community Centre in Fairlie. The planned upgrades of the Theatre were delayed pending completion of an engineering assessment of the building. In the interim, the budget was used to complete upgrades to the Community Centre car parking areas.

Budget of \$144,000 has been included in the Council's Long Term Plan 2018-2028 for various improvements to the Mackenzie Community Centre, to be completed over four years commencing 2018/19.

### Assessment of performance against measures and targets for 2017/18

We achieved 100% of our non-financial performance standards in the community and township services activity.



The following tables show how our community and township services activity performed as measured against the targets set for the 2017/18 year.

## Community and Township Services

### Measure 1: Average customer satisfaction rating for township services and facilities

**Target:  $\geq 84\%$**

#### What we did:

As an overall measure across all of Council's township services and facilities, Council received an average customer satisfaction rating of 90.1% from those surveyed in the 2017/18 year. This was an increase of 2% compared with 2016/17.

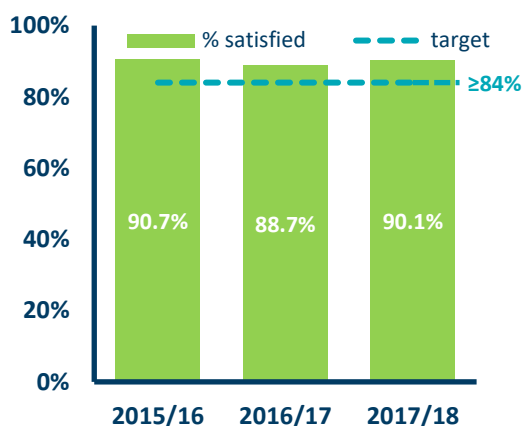
Further details of satisfaction levels with individual township and community services and facilities are included on page 96.

#### Challenges/issues we experienced:

Competing workloads and projects and the progression of other developments have resulted in delays of some scheduled projects and upgrades.

#### Looking ahead:

Council will continue to manage our township services and facilities to the benefit of our communities and visitors. Activities in this area are likely to continue to be busy with ongoing increases expected in visitor numbers to the district.



## Solid Waste

### Measure 2: The percentage of solid waste from the district resource recovery diverted from landfills

**Target:  $> 37\%$**

#### What we did:

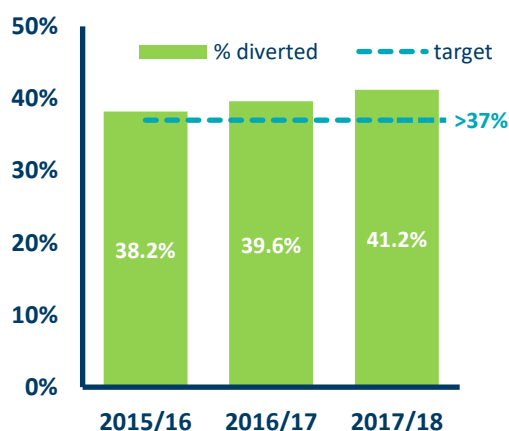
As a district, the percentage of waste that we divert from landfill is continuing to increase, with 41.2% of solid waste diverted from landfill during 2017/18. This year Council introduced free drop off of recycling to our three Resource Recovery Parks to encourage the public to separate out their recycling from waste destined for the landfill. Throughout the year staff have run a number of education projects to encourage waste minimisation and recycling practices and behaviours.

#### Challenges/issues we experienced:

We continue to experience challenges arising from contamination of kerbside recycling bins, meaning that the entire contents become waste and cannot be diverted from the landfill. To minimise incidences of this, education campaigns are run to ensure that our residents and visitors understand what can be recycled.

#### Looking ahead:

Council recently adopted a Waste Management and Minimisation Plan which provides direction for the management of waste in the district over the next six years and includes actions to minimise waste and increase recycling. It is anticipated that outcomes from the implementation of the proposed action plan will increase the levels of waste diverted from landfill.



### Measure 3: Compliance with resource consent conditions

#### What we did:

Council has a number of resource consents associated with our Resource Recovery Parks and Clean Fill sites. During 2017/18 we achieved our target of 100% compliance with the conditions of these consents.

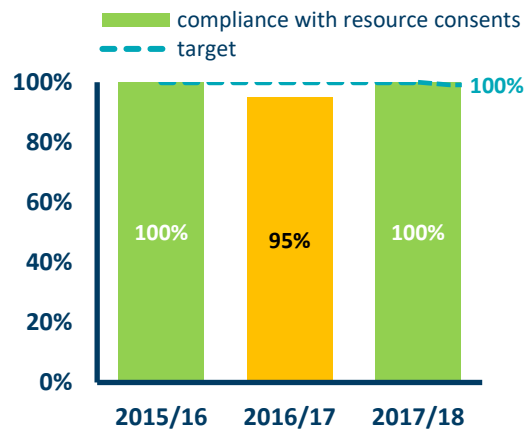
#### Challenges/issues we experienced:

No significant challenges or issues were experienced during the year.

#### Looking ahead:

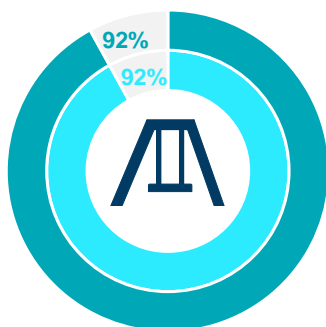
Council has systems in place to ensure compliance with resource consent conditions and will continue to work to ensure that we remain fully compliant with all of our resource consents.

**Target: 100%**



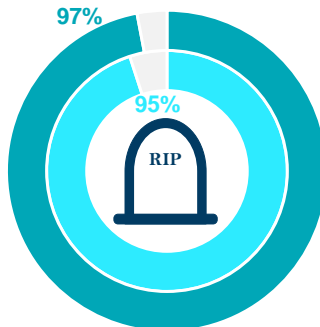
### Other community feedback

2017/18 2016/17



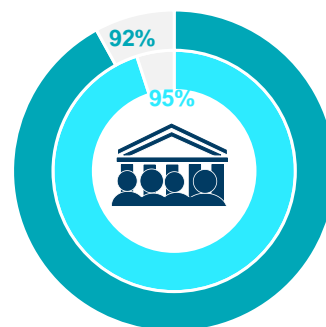
**92%**

were satisfied with parks, reserves and playground facilities



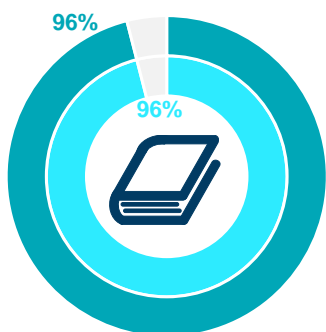
**97%**

were satisfied with cemeteries and their maintenance



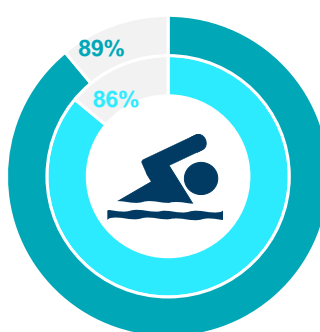
**92%**

were satisfied with community halls and buildings



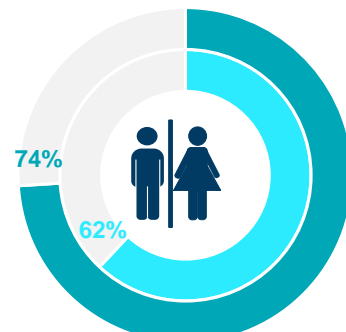
**96%**

were satisfied with library services



**89%**

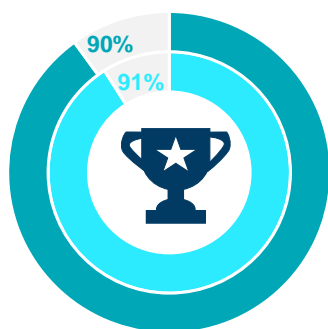
were satisfied with the swimming pool facilities



**74%**

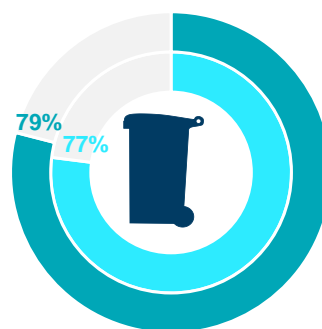
were satisfied with public toilets in the district





**90%**

were satisfied with the presentation  
of town centres



**79%**

were satisfied with rubbish collection  
and the Resource Recovery Parks

## Financial Summary

### Cost of Service Statement

For the year ending 30 June 2018

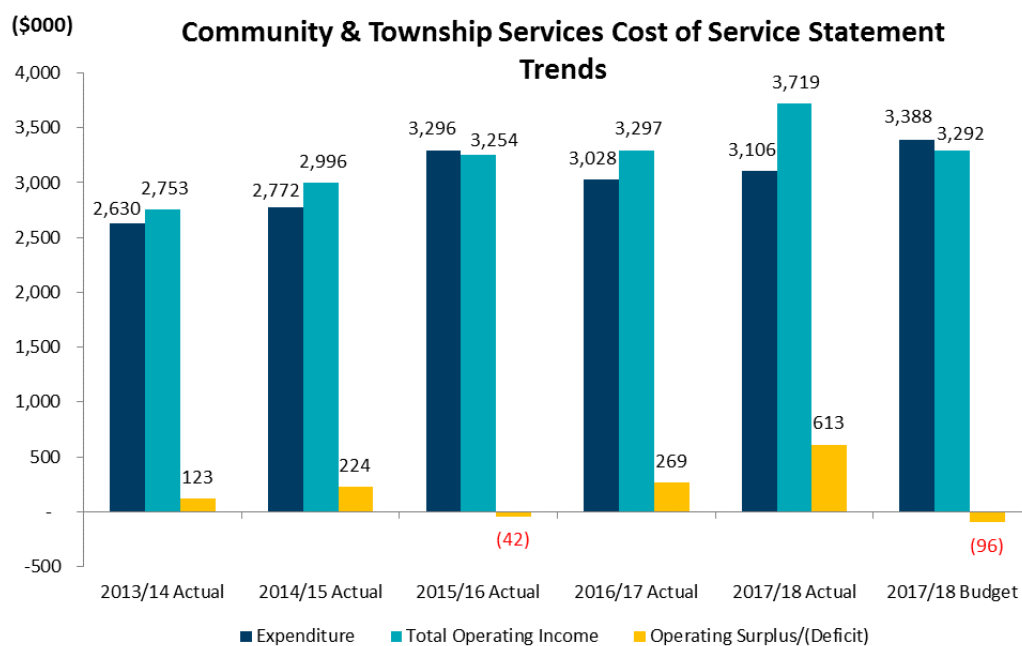
		2017	2018	
Notes <sup>16</sup>		Actual	Annual Plan	Actual
		\$'000's	\$'000's	\$'000's
<b>REVENUE</b>				
		459	691	732
		1,900	2,020	2,039
	1	426	19	321
	2	501	553	618
		11	9	9
<b>TOTAL REVENUE</b>		<b>3,297</b>	<b>3,292</b>	<b>3,719</b>
<b>EXPENDITURE</b>				
		123	148	115
		32	58	23
	3	229	307	280
	4	2,215	2,410	2,224
		64	84	55
		4	6	4

#### <sup>16</sup> The key variances from budget were:

1. Subsidies and grants is higher budgeted due to receipt of subsidy from the Ministry of Business, Innovation and Employment for toilets to be installed at the Lake Pukaki Pines and funding received from the Motor Caravan Association.
2. Other revenue is higher than the anticipated due to a grants being received from the University of Canterbury (for Lake Tekapo projects) and Whitestone Contracting (picnic tables at the entrance to Fairlie). Additional revenue was recorded for the hire of the Twizel Events Centre.
3. Administration expenses is lower than budgeted due to grants being made towards Lake Alexandrina projects, the Mackenzie Library refurbishments and the Lake Tekapo School pool. This overspend was offset by less rates spends due to a change in rates previously budgeted for in the township accounts now being expensed to the specific area.
4. Operational and maintenance expenses is lower than budgeted. This is largely due to collection fees being higher for Lake Tekapo township because of an increase in bin numbers, repairs and maintenance being higher than budgeted due to significant repairs to the Twizel Swimming Pool and additional maintenance and cleaning required to the public toilets due to an extended busy period. These overspends were offset by less expenses in other areas.

	2017	2018	
	Actual	Annual Plan	Actual
	\$000's	\$000's	\$000's
Loss on sale and assets written off	0	0	27
Depreciation	361	375	378
<b>TOTAL EXPENDITURE</b>	<b>3,028</b>	<b>3,388</b>	<b>3,106</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>269</b>	<b>(96)</b>	<b>613</b>

Notes<sup>16</sup>



## Funding Impact Statement

For the year ending 30 June 2018

### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties	677	701	732
Targeted rates	1,863	2,084	2,039
Subsidies and grants for operating purposes	18	19	19
Fees and charges	0	0	0
Internal charges and overheads recovered	16	19	9
Local authorities fuel tax, fines, infringement fees, and other receipts	496	524	618
<b>TOTAL OPERATING FUNDING (A)</b>	<b>3,070</b>	<b>3,347</b>	<b>3,417</b>

### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers	2,660	2,939	2,642
Finance costs	0	0	0
Internal charges and overheads applied	115	110	59
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,775</b>	<b>3,049</b>	<b>2,701</b>

2017	2018	
Long Term Plan	Long Term Plan	Actual
\$000's	\$000's	\$000's
677	701	732
1,863	2,084	2,039
18	19	19
0	0	0
16	19	9
496	524	618
<b>3,070</b>	<b>3,347</b>	<b>3,417</b>
2,660	2,939	2,642
0	0	0
115	110	59
0	0	0
<b>2,775</b>	<b>3,049</b>	<b>2,701</b>

#### Surplus (deficit) of operating funding (A-B)

#### SOURCES OF CAPITAL FUNDING

Subsidies and 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

#### TOTAL SOURCES OF CAPITAL FUNDING (C)

#### APPLICATIONS OF CAPITAL FUNDING

Capital expenditure

- To meet additional demand
- To improve the level of service
- To replace existing assets

Increase (decrease) in reserves

Increase (decrease) of investments

#### TOTAL APPLICATIONS OF CAPITAL FUNDING (D)

#### Surplus (deficit) of capital funding (C-D)

#### FUNDING BALANCE ((A-B) + (C-D))

2017	2018	
Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
295	298	716

0	0	302
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	302

0	0	0
0	0	5
51	431	1,018
244	(133)	(5)
0	0	0
295	298	1,018

(295)	(298)	(716)
-------	-------	-------

0	0	0
---	---	---

### Reconciliation

For the year ending 30 June 2018

#### Surplus (deficit) of operating funding

#### Add back:

Capital Subsidies and Grants

#### Less:

Depreciation

Loss on Sale and Assets Written off

#### OPERATING SURPLUS/(DEFICIT)

716

302

378

27

405

613

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of financial contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

## Capital Expenditure

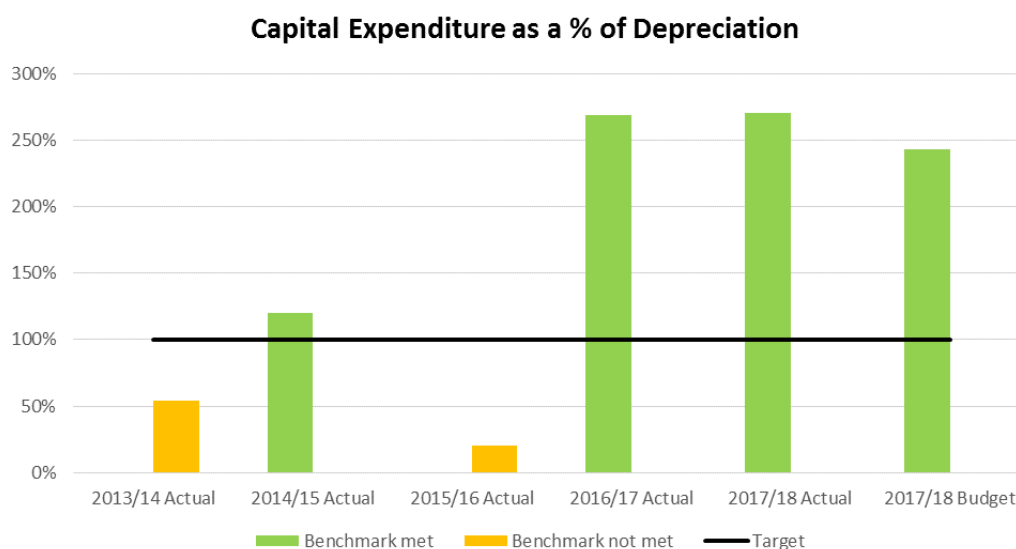
For the year ending 30 June 2018

Projects	Notes <sup>17</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
Community Services				
Cemeteries				
Land		5	0	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		5	0	0
IMPROVE LEVEL OF SERVICE				
Recreational Facilities				
Other Reserves				
Land		68	0	0
Twizel Swimming Pool				
Plant & equipment		0	25	5
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		68	25	5
REPLACE EXISTING ASSETS				
Community Services				
Twizel Pensioner Housing				
Plant & equipment		7	0	0
Public Toilets				
Buildings	1	854	600	649
Recreational Facilities				
Mackenzie Community Centre				
Plant & equipment		2	0	0
Buildings		6	10	4
District General				
Community assets		0	50	38
Tekapo Township				
Implementation of development plan	2	0	158	326
Twizel Township and Twizel Reserves				
Projects		20	11	0
Twizel Community Centre				
Furniture & fittings	3	0	53	1
Plant & equipment		8	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		897	888	1,018
TOTAL CAPITAL EXPENDITURE		970	913	1,023

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

### <sup>17</sup> The major variances were:

1. Capital expenditure to replace existing assets is higher than budgeted with toilet being upgraded or installed at Lake Pukaki Pines, Tekapo Lakeside, Burkes Pass, and the Lake Pukaki Lookout.
2. Capital expenditure to implement the Tekapo Township development plan is higher than anticipated due to a change in the scope of capital works required. This was offset by a reduction in operational maintenance costs.
3. The budget for seating in the Twizel Community Centre was not spent as the project has been delayed until 2018/19.



### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the capital expenditure are as follows:

- To maintain appropriate levels of public toilets throughout the district.
- To ensure existing community facilities do not deteriorate.



## 3.8 Tourism, Economic Development & Commercial Activities



### Key facts:

**nil**  
planted

(commercial  
forestry)

**\$9.2m**  
invested

in the bond market  
and on term deposit

**\$3.6m**  
property sales

**\$59,500**  
ED

economic  
development  
support

**\$275,000**  
promotion spend

*Council works to foster the economic development of the district as a whole, to provide a strong marketing strategy and a focus on district promotion and branding. Council also manages a number of commercial activities and investments, seeking to secure the best economic returns for our community.*

### What we do

#### Tourism Promotion

Tourism is a significant contributor to the district's economy. The district is presently experiencing significant growth in tourist and visitor numbers. Council believes that it is important to continue to promote the Mackenzie for the long term, to ensure these benefits are maintained. At the same time, we recognise that it is important to also plan for managing the effects of increased visitor numbers in the district.

Support for Council's involvement in tourism promotion activity was confirmed in 2017 through a survey of those ratepayers that pay targeted tourism rates, with the overwhelming response being support for Council's ongoing investment in this activity.

Council also supports tourism within the Mackenzie District through the maintenance and promotion of the Alps 2 Ocean Cycle Trail. The A2O extends from Mount Cook to Lake Ohau. Within the Waitaki District, the trail then continues to Oamaru. Responsibility for maintenance of the cycleway is shared between the Mackenzie and Waitaki District Councils with marketing and promotion provided through a contract with Tourism Waitaki.

#### Economic Development

Having a range of diverse and sustainable businesses is also essential to the district's economic wellbeing. Council wants existing and developing businesses to have access to information, advice and support they need to thrive and grow.

#### Commercial Activities

Council is also involved in a range of commercial activities, to contribute to a thriving district economy. Our commercial activities consist of:

- Investments;
- Forestry;
- Real estate and rentals; and
- Pukaki Airport.

By generating returns on our investments and using these returns to offset rates, we can keep rates at an affordable level for households and business while still providing the types of services, infrastructure and facilities that make the Mackenzie District a desirable place to live, work and visit. In addition, Council operates Pukaki Airport as a public airport, acting as an important gateway to the district and serving and promoting a range of aviation and tourism operations.

## Key Projects for 2017/18

As well as the planned and ongoing programmes of work in forestry, airport, tourism promotion, investments and economic development, there were some amendments to projects undertaken that had not been anticipated in the Long Term Plan. Some key projects and variances are outlined below.

### Project One

#### Forestry

##### What we achieved during 2017/18:

Council had not planned to harvest any forestry in the 2017/18 year. However two stands of trees in the Simons Pass Plantation which had been planted with Muricata Pine in 1985 were considered to be of low quality as they were small areas (27.2 and 10.1 hectares), and had considerable snow and wind damage. Early in 2017/18, an opportunity arose to harvest these stands. Harvesting was completed in early 2018, with replanting of the block with Atenuata and Corsican pine commencing shortly after.

The harvesting operation was expected to provide a net return of \$85,000 but this was far exceeded by the eventual return of \$208,000 due to favourable exchange rates and lower than anticipated shipping costs as well as a higher than anticipated timber yield.

Required ongoing maintenance and management of the Council's other forestry assets was undertaken during 2017/18.

### Project Two

#### Resealing of Pukaki Airport runway

##### What we achieved during 2017/18:

The Pukaki Airport Board committee had planned to undertake a second coat seal of the parallel and lateral taxiways during the 2017/18 financial year. However due to competing priorities including the construction of an additional hangar, the work programme was delayed. The resealing of the parallel and lateral taxiways is now scheduled to be completed in 2018/19.

### Project Three

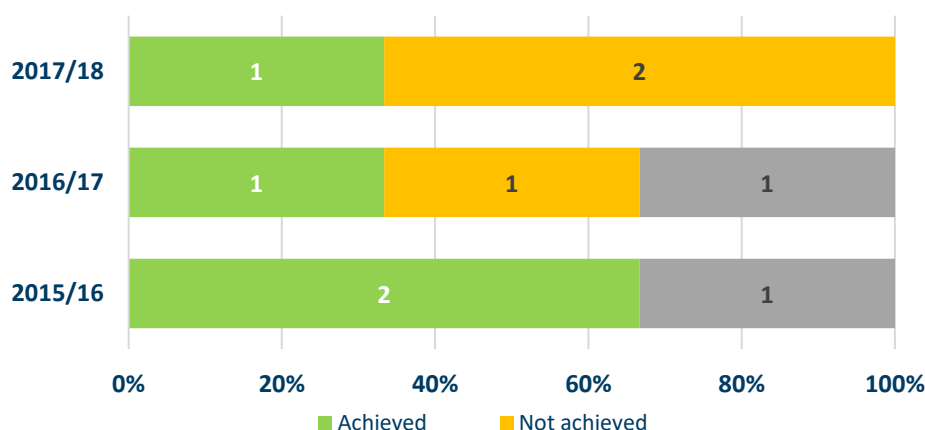
#### Development of Lakeside Drive, Lake Tekapo

##### What we achieved during 2017/18:

During 2017/18 Council settled transactions for surplus land at Lakeside Drive in Tekapo that were subject to Sale and Purchase agreements. As part of the conditions of sale, Council undertook works on the sites that included the removal of trees, levelling of the site, and installation of services.

## Assessment of performance against measures and targets for 2017/18

We achieved 33% of our non-financial performance standards in the tourism, economic development and commercial activities.



The following tables show how our tourism, economic development and commercial activities performed as measured against the targets set for the 2017/18 year.

### Measure 1: Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio

#### What we did:

This target was not achieved for the year. Council undertook the quarterly reviews of its investment portfolio. The portfolio outperformed the benchmark on 3 out of 4 quarters measured.

Looking at the year as a whole, Council achieved an increase in value of 4.89% compared to the benchmark of 4.08%.

#### Challenges/issues we experienced:

Council's portfolio has been reducing over time as maturities are not replaced due to interest rates remaining low and new bond systems carrying a longer term at a lower rate. Council only has five bonds in its portfolio and any movements at a micro level will be magnified. Council has decided to invest in term deposits to enable it to take advantage of upward movements in interest rates.

#### Looking ahead:

Council anticipates that it will become more difficult to achieve the target as our bond portfolio diminishes. It will see a shift to term deposit investments in anticipation of increases in interest rates. However this is not expected until early 2020. This strategy does allow Council to re-enter the bond market should a suitable opportunity arise.

**Target:** Council's cash investment portfolio independently reviewed each quarter and investments out-perform the Bancorp Ltd benchmark portfolio

2015/16	2016/17	2017/18
✓	✗	✗

### Measure 2: Council to undertake a review of its real estate and surplus land, including the Tekapo Lakefront Development

#### What we did:

This target was not achieved for the year. Council has placed a moratorium on all land sales to enable it to undertake a stocktake of its land. This will allow Council to determine what it considers to be surplus and how it wishes to bring that land to market and in what form (sale or lease). Because the moratorium has been put in place, there has been no work done on the review of Council's real estate and surplus land.

#### Challenges/issues we experienced:

Not applicable (refer above).

#### Looking ahead:

This review is planned for 2018/19 as part of wider strategic work to be undertaken by Council. It is anticipated that Council will be in a position to undertake more land development/sales in mid 2019/20.

**Target:** Review completed by 2017/18

2015/16	2016/17	2017/18
N/A	N/A	✗

### Measure 3: Percentage of ratepayers satisfied with the Council's tourism promotion and economic development

Target: ≥80%

#### What we did:

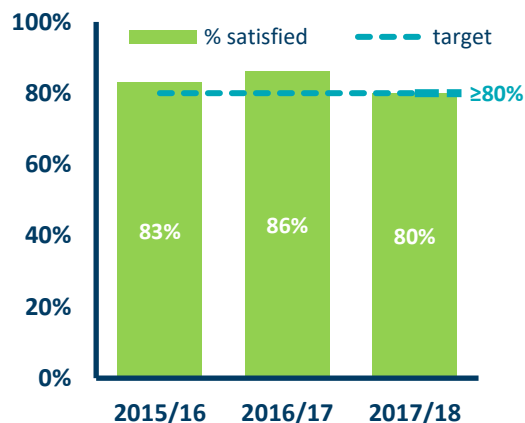
This target was achieved for the year. 80% of ratepayers surveyed were satisfied with the Council's tourism promotion and economic development activities during 2017/18.

#### Challenges/issues we experienced:

While tourism promotion bring positive outcomes for the district, unless it is well managed it could potentially have a significant effect on our residents and ratepayers. These impacts include the increased pressure on services and the need for upgraded and additional facilities and services. As tourism continue to grow, expectations of our communities for Council to manage the effects of this growth will increase.

#### Looking ahead:

It is anticipated that tourism will continue to grow in the coming years. The simultaneous increase in expectations of Council will need to be managed. To this end, the Council is planning to undertake work to ensure growth is provided for in our facilities, infrastructure and services and to ensure the wellbeing of our local communities is maintained. The Council will also continue to lobby for Central Government support in managing the effects of tourism.



## Financial Summary

### Cost of Service Statement

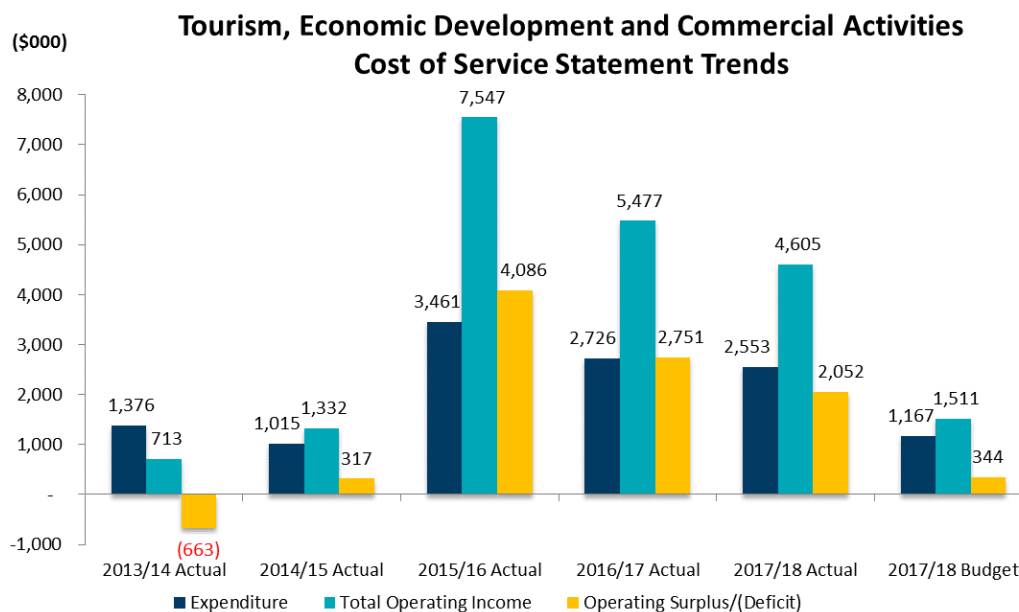
For the year ending 30 June 2018

		2017	2018	
	Notes <sup>18</sup>	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Targeted rates		479	363	470
Dividend	1	466	0	300
Interest revenue	2	233	836	251
Other revenue	3	605	662	855
Other gains	4	1,434	372	2,790
Real estate sales	5	2,825	0	835
Internal interest income	6	399	545	373
		6,441	2,777	5,874
Less used to offset rates		(964)	(1,267)	(1,269)
TOTAL REVENUE		5,477	1,511	4,605
EXPENDITURE				
Personnel costs	7	100	48	91
Member expenses		31	40	49
Consultancy expenses	8	110	106	137
Administration		115	151	111
Operational and maintenance	9	542	526	626
Real estate cost of sales	5	1,339	0	531
Interest on capital reserves		211	206	209
Internal expenses		0	0	609
Loss on sale of intangible assets		215	0	0
Asset impairment	10	0	0	118
Depreciation		63	90	72
TOTAL EXPENDITURE		2,726	1,167	2,553
OPERATING SURPLUS/(DEFICIT)		2,751	344	2,052

#### <sup>18</sup> The key variances from budget were:

1. Dividends received is higher than budgeted and is included in the interest revenue budget. Dividend payments are dependent on third party decisions.
2. External interest revenue is less than anticipated due to a reduction in interest rates and having less money on deposit. As noted above, the budget for interest incorporates both estimated dividend revenue and interest income.
3. Other revenue is higher than budgeted due to additional carbon credits being received, unbudgeted timber sales and, an increase in rental incomes. Higher income was also received from the Twizel Information Centre. These increases were offset by a budgeted donation to the cycleway not being received as the work it was dependent upon progress of work.
4. Other gains is higher than budgeted largely due to an increase in the valuation of the forestry assets, and real estate sales of two sections in Twizel and two lots in the Lakeside Drive development in Lake Tekapo.
5. Although no revenue from real estate sales was budgeted two Pukaki Airport sections and the final Lake Tekapo lakefront development section were sold. The cost real estate sales is therefore also higher than anticipated.
6. Internal interest revenue is slower than budgeted due to the timing of section sales in real estate and lower than anticipated capital reserves balances for public toilets and roading.
7. Personnel costs is higher than budgeted due to increased Twizel Information Centre tourism wages as a result of demand.
8. Consultancy expenses is higher than anticipated due to legal fees for the Lakeside Drive subdivision, section sales in Twizel and Fairlie, the lease of the Lake Tekapo Post Office units, the Genesis agreement and a joint venture proposal.
9. Operational and maintenance costs is higher than budgeted largely due to higher than anticipated forestry costs for site preparation after the early harvest, extra thinning and other forestry works such as spraying, fencing and maintenance. Significant work was undertaken in North West Arch to clear trees for the sale of sections and repairs to the Old Post Office Unit in Lake Tekapo were performed.
10. Asset impairment results from a reduced value of Lake Tekapo lakefront land which is now valued as land under roads.





### Funding Impact Statement

For the year ending 30 June 2018

#### SOURCES OF OPERATING FUNDING

General rates, uniform annual general charges, rates penalties	(944)	(1,037)	(1,269)
Targeted rates	442	454	470
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	1,126	1,269	373
Local authorities fuel tax, fines, infringement fees, and other receipts	865	1,380	1,406
<b>TOTAL OPERATING FUNDING (A)</b>	<b>1,489</b>	<b>2,065</b>	<b>980</b>

#### APPLICATIONS OF OPERATING FUNDING

Payments to staff and suppliers	714	730	1,014
Finance costs	0	0	0
Internal charges and overheads applied	90	123	818
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>804</b>	<b>853</b>	<b>1,832</b>

#### Surplus (deficit) of operating funding (A-B)

2017	2018	
Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
(944)	(1,037)	(1,269)
442	454	470
0	0	0
0	0	0
1,126	1,269	373
865	1,380	1,406
<b>1,489</b>	<b>2,065</b>	<b>980</b>
714	730	1,014
0	0	0
90	123	818
0	0	0
<b>804</b>	<b>853</b>	<b>1,832</b>
<b>686</b>	<b>1,212</b>	<b>(852)</b>

#### SOURCES OF CAPITAL FUNDING

Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	1,628	1,500	586
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>1,628</b>	<b>1,500</b>	<b>586</b>

#### APPLICATIONS OF CAPITAL FUNDING

##### Capital expenditure

- To meet additional demand
- To improve the level of service
- To replace existing assets

Increase (decrease) in reserves

Increase (decrease) of investments

##### TOTAL APPLICATIONS OF CAPITAL FUNDING (D)

##### Surplus (deficit) of operating funding (A-B)

##### FUNDING BALANCE ((A-B) + (C-D))

2017	2018	
Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
0	0	64
0	0	0
0	0	145
2,314	2,713	(475)
0	0	0
<b>2,314</b>	<b>2,713</b>	<b>(266)</b>
<b>(686)</b>	<b>(1,213)</b>	<b>852</b>
<b>0</b>	<b>0</b>	<b>0</b>

#### Reconciliation

For the year ending 30 June 2018

##### Surplus (deficit) of operating funding

**(852)**

##### Add back:

Other Gains/Losses

2,790

Asset Revaluation

0

Real Estate sales

835

**3,625**

##### Less:

Depreciation

72

Asset impairment

118

Real Estate cost of sales

531

**721**

##### OPERATING SURPLUS/(DEFICIT)

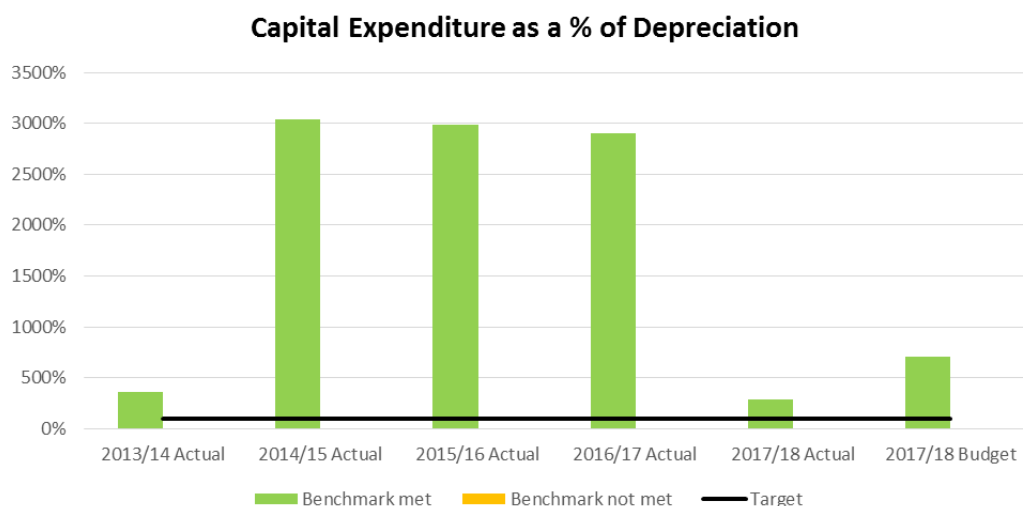
**2,052**

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They cannot be used to fund operating expenditure.

## Capital Expenditure

For the year ending 30 June 2018

Projects	Notes <sup>19</sup>	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
Commercial				
Alps 2 Ocean Cycleway	1	6	526	64
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		6	526	64
REPLACE EXISTING ASSETS				
Pukaki Airport Board				
Hangar	2	379	111	22
Real Estate				
Development costs	3	1,447	0	123
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		1,826	111	145
TOTAL CAPITAL EXPENDITURE		1,832	637	209



### Reasons for Undertaking Capital Expenditure Projects

The Council's reason for undertaking the significant capital expenditure was as follows:

- To complete the land development project at the Tekapo Lake Front.

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### <sup>19</sup> The key variances from budget were:

- Capital works to extend the Alps 2 Ocean Cycleway was not completed in its entirety. Budget will be carried over for progressing this in 2018/19.
- Capital expenditure for Pukaki Airport is less than budgeted due to work of the taxiway being deferred until 2018/19, while the construction of the hangar was completed.
- An unbudgeted spend on real estate development work in Lakeside Drive.



## 4. Financial information

*This section contains a detailed look at our financial performance through the year.*

## 4.1 A guide to the financials

---

### *Introduction*

The Local Government Act 2002 requires the Council to report its actual performance compared to targets published in the Long Term Plan and Annual Plan. We report against both financial and non-financial measures. The main purpose of providing financial statements is to enable stakeholders (residents and ratepayers, other local authorities, business community groups, Government regulatory bodies etc.) to assess our performance and make decisions regarding the Council and how it conducts its business.

The financial information includes the Statement of Comprehensive Revenue and Expense, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the accompanying Statement of Accounting Policies and Notes to the Financial Statements. This information must be prepared according to generally accepted accounting practice and recognised accounting standards.

### *Statement of Accounting Policies*

These explain the basis upon which the financial statements are prepared. They explain the methods adopted by the Council used to measure the transactions incorporated into the financial statements above.

### *Statement of Comprehensive Revenue and Expense*

The Statement of Comprehensive Revenue and Expense shows all of the Council's revenue earned and expenses incurred for the 12 months up to 30 June 2018. Revenue includes revenue received from rates and other revenue such as investment revenue, rent and fees while expenses paid includes costs such as operating costs and depreciation. This statement shows how total comprehensive revenue is arrived at. Total comprehensive revenue is then added or subtracted from the Council's equity as shown in the Statement of Changes in Equity.

### *Statement of Changes in Equity*

This statement provides information about the nature of changes in the Council's ratepayers' equity during the year.

### *Statement of Financial Position*

The Statement of Financial Position shows the assets and liabilities of the Council as at 30 June 2018. Assets include cash, accounts receivable (money owed to the Council but not yet received), investments, land, buildings, operational and infrastructural assets. Current assets are amounts owed to the Council that are expected to be received within the next 12 months while current liabilities are the Council's debts that are due to be paid within the next 12 months. Investments are the Council funds held in revenue earning securities while property, plant and equipment are of a permanent nature and are held for the benefit of the community. Non-current liabilities represent money owed by the Council that does not have to be paid within the next 12 months.

### *Statement of Cash Flows*

This statement covers all the inflows and outflows of cash during the year covered by the Statement of Comprehensive Revenue and Expense.

The Statement of Cash Flows identifies the sources and application of cash in respect of the Council's operating, investing and financing activities.

### *Notes to the Financial Statements*

These notes to the accounts provide further details of what the summarised amounts reported on in the above financial statements are comprised of. The reference to the note is included in the financial statements 'Notes' column, beside the dollar values for the current financial year.



## 4.2 Statement of comprehensive revenue & expenditure

For the year ending 30 June 2018

		2017	2018	
	Notes	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Rates	4	8,247	8,603	8,777
Subsidies and Grants	4	2,349	1,845	2,266
Investment Revenue	4	704	838	564
Real Estate Sales		2,825	0	835
Contributions		386	854	3,125
Other Revenue	4	4,004	3,005	6,281
Assets Vested	4	2,334	1,645	2,890
TOTAL REVENUE		20,849	16,790	24,738
EXPENSES				
Personnel Costs		2,734	3,106	3,082
Member Expenses		418	381	363
Finance Costs		0	88	0
Depreciation and Amortisation	7	3,669	3,916	3,767
Real Estate Cost of Sales		1,339	0	531
Asset impairment		0	0	118
Loss on sale of intangible assets		217	0	0
Loss on sale and assets written off		0	0	15
Other Expenses	6	8,236	7,870	9,276
TOTAL EXPENSES		16,613	15,361	17,152
Surplus/(Deficit) Before Taxation		4,237	1,429	7,586
Income tax expense	13	0	0	0
Surplus/(Deficit) After Taxation		4,237	1,429	7,586
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Items that could be reclassified to surplus/(deficit)				
Financial assets at fair value through other comprehensive revenue and expense		536	0	(9,895)
Items that will not be reclassified to surplus/(deficit)				
Property, plant, and equipment revaluations		13,831	0	474
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		18,604	1,429	(1,835)

Explanations of significant variances against budget are detailed in Note 28: *Explanations of Major Variances against Budget*.

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

## 4.3 Statement of changes in equity

*For the year ending 30 June 2018*

	Notes	2017	2018	
		Actual	Annual Plan	Actual
		\$'000's	\$'000's	\$'000's
<b>EQUITY AT START OF THE YEAR</b>		224,590	241,208	243,194
Gains/(losses) on financial assets valuation		536	0	(9,895)
Gains/(losses) on property valuation		13,831	0	474
Net income/(expense) recognised directly in equity		14,367	0	(9,421)
Net comprehensive revenue and expense		4,237	1,429	7,586
<b>Total recognised revenue for the year</b>		18,604	1,429	(1,835)
<b>TOTAL EQUITY AT END OF THE YEAR</b>	10	<b>243,194</b>	<b>242,637</b>	<b>241,359</b>

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

## 4.4 Statement of financial position

For the year ending 30 June 2018

		2017	2018	
	Notes	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
ASSETS				
Current Assets				
Cash and cash equivalents	11	6,844	3,414	11,338
Receivables	12	2,369	2,142	2,862
Other Financial assets	14	1,714	121	1,406
Inventory	15	5,280	4,922	45
TOTAL CURRENT ASSETS		16,207	10,600	15,651
Non-current Assets				
Other Financial assets	14	21,488	22,820	11,573
Inventory	15	0	0	2,428
Forestry assets	16	5,432	4,905	5,910
Intangible assets	17	48	2,037	345
Property, plant and equipment	18	203,855	205,144	209,405
TOTAL NON-CURRENT ASSETS		230,823	234,906	229,661
Total Assets		247,030	245,506	245,312
LIABILITIES				
Current Liabilities				
Payables and deferred revenue	20	3,515	2,429	3,615
Employee entitlements	21	239	97	257
Provisions	22	3	3	3
TOTAL CURRENT LIABILITIES		3,757	2,529	3,875
Non-current Liabilities				
Employee entitlements	21	22	19	23
Provisions	22	57	55	55
Borrowings and other financial liabilities		0	266	0
TOTAL NON-CURRENT LIABILITIES		79	340	78
Total Liabilities		3,836	2,869	3,953
NET ASSETS				
		243,194	242,637	241,359
EQUITY				
Accumulated Funds	10	112,206	117,555	115,436
Reserves	10	130,988	125,082	125,923
TOTAL EQUITY		243,194	242,637	241,359

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

For and on behalf of the Council, who authorise the issue of these financial statements on 31 October 2018.

## 4.5 Statement of cash flows

*For the year ending 30 June 2018*

### CASH FLOWS FROM OPERATING ACTIVITIES

#### Cash was provided from:

	2017	2018	
Notes	Actual	Annual Plan	Actual
	\$'000's	\$'000's	\$'000's
Receipts from rates revenue	8,201	8,603	8,761
Receipts from other revenue	4,116	1,845	8,361
Subsidies and grants received	2,349	3,479	2,266
Interest received	264	838	258
Dividends received	449	0	484
Property sales	0	1,500	0
	<b>15,379</b>	<b>16,265</b>	<b>20,130</b>

#### Cash was applied to:

Payments to suppliers	8,055	11,357	12,294
Payments to employees	2,689	0	3,063
Interest paid	0	88	0
	<b>10,744</b>	<b>11,445</b>	<b>15,357</b>
<b>Net cashflow from operating activities</b>	<b>4,635</b>	<b>4,820</b>	<b>4,773</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

#### Cash was provided from:

Receipts from sale of property, plant and equipment	4,261	0	3,684
Receipts from sale of intangible assets	2,097	0	0
Receipts from sale of investments	0	0	1,017
	<b>6,358</b>	<b>0</b>	<b>4,701</b>

#### Cash was applied to:

Purchase of property, plant and equipment	7,419	7,065	4,291
Purchase of investments	0	0	689
	<b>7,419</b>	<b>7,065</b>	<b>4,980</b>
<b>Net cashflow from investing activities</b>	<b>(1,061)</b>	<b>(7,065)</b>	<b>(279)</b>

### CASH FLOWS FROM FINANCING ACTIVITIES

#### Cash was provided from:

Proceeds from borrowings	0	266	0
	<b>0</b>	<b>266</b>	<b>0</b>

#### Cash was applied to:

Repayment of borrowings	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cashflow from financing activities</b>	<b>0</b>	<b>266</b>	<b>0</b>

Net Cashflows from operating activities	4,635	4,820	4,773
Net Cashflows from Investing Activities	(1,061)	(7,065)	(279)
Net Cashflows from Financing Activities	0	266	0

	Notes	2017	2018	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
Net increase (decrease) in cash, cash equivalents and bank overdrafts		3,574	(1,979)	4,495
Cash, cash equivalents and bank overdrafts at the beginning of the year		3,270	5,393	6,844
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>11</b>	<b>6,844</b>	<b>3,414</b>	<b>11,338</b>

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.



## 4.6 Funding impact statement (whole of Council)

For the year ending 30 June 2018

	2017		2018	
	Annual Plan \$000's	Actual \$000's	Annual Plan \$000's	Actual \$000's
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	2,902	2,882	3,110	3,079
Targeted rates (other than a targeted rate for water supply)	5,221	5,388	5,543	5,719
Subsidies and grants for operating purposes	715	787	790	1,019
Fees, charges, and targeted rates for water supply	0	0	0	0
Interest and dividends from investments	385	704	772	564
Local authorities fuel tax, fines, infringement fees, and other receipts	2,468	2,842	3,413	3,558
<b>TOTAL OPERATING FUNDING (A)</b>	<b>11,691</b>	<b>12,603</b>	<b>13,628</b>	<b>13,939</b>
<b>Application of Operating Funding</b>				
Payments to staff and suppliers	10,190	11,393	11,356	12,721
Finance costs	47	0	88	0
Other operating funding applications	389	0	659	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>10,626</b>	<b>11,393</b>	<b>12,103</b>	<b>12,721</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,065</b>	<b>1,210</b>	<b>1,525</b>	<b>1,218</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	855	1,483	1,055	1,159
Development and financial contributions	120	386	854	3,125
Increase (decrease) in debt	738	0	0	0
Gross proceeds from sale of assets	4,103	3,368	1,500	566
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>5,816</b>	<b>5,237</b>	<b>3,409</b>	<b>4,850</b>
<b>Application of Capital Funding</b>				
Capital expenditure				
- To meet additional demand	232	6	321	64
- To improve the level of service	3,113	1,040	526	1,168
- To replace existing assets	2,096	5,324	2,301	3,185
Increase (decrease) in reserves	1,440	77	1,786	1,651
Increase (decrease) of investments	0	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>6,881</b>	<b>6,447</b>	<b>4,934</b>	<b>6,068</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,065)</b>	<b>(1,210)</b>	<b>(1,525)</b>	<b>(1,218)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus (whole of Council)

For the year ending 30 June 2018

	2017		2018	
	Annual Plan \$000's	Actual \$000's	Annual Plan \$000's	Actual \$000's
<b>Surplus (deficit) of operating funding</b>	<b>1,065</b>	<b>1,210</b>	<b>1,525</b>	<b>1,218</b>
<b>Add back:</b>				
Contributions	120	386	854	3,125
Gain on Sale Assets	50	5	8	12
Doubtful debts recovered	0	4	0	0
Real Estate Sales	0	2,825	0	835
Other Gains/Losses	1,449	1,436	372	2,790
Increase/(decrease) revaluation	0	14,367	0	(9,421)
Subsidies treated as Capital	855	1,483	1,055	1,159
Vested Assets	3,145	2,334	1,645	2,890
	<b>5,619</b>	<b>22,840</b>	<b>3,934</b>	<b>1,390</b>
<b>Less:</b>				
Depreciation	3,551	3,669	3,916	3,767
Asset Impairment	0	0	0	118
Loss on Sale and Assets Written off	74	438	0	27
Real Estate Cost of Sales	0	1,339	0	531
	<b>3,625</b>	<b>5,446</b>	<b>3,916</b>	<b>4,443</b>
<b>Net Comprehensive Revenue and Expense</b>	<b>3,064</b>	<b>18,604</b>	<b>1,543</b>	<b>(1,835)</b>

## 4.7 Notes to the financial statements

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## NOTE 1 – Statement of Accounting Policies

### Reporting entity

Mackenzie District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The principal activity of Mackenzie District Council is the provision of local authority services, including resource management, water, storm water, waste water and roading services, hazard management, recreation and cultural services and building control to the community. The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice. The financial statements of the Council are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 31 October 2018.

### Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

The Council and management of Mackenzie District Council are responsible for the preparation of the financial statements, including the appropriateness of the assumptions underlying the financial statements and other required disclosures.

Council, who are authorised to do so, believe the assumptions underlying the financial statements are appropriate.

### Statement of Compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards.

The financial statements have been prepared in accordance with and comply with PBE Standards RDR. The criteria under which Council is eligible to report in accordance with Tier 2 PBE Standards are:

- Council is not considered large with expenses greater than \$2 million and less than \$30 million per annum, and
- Not publicly accountable

### Presentation currency and rounding

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

The financial statements have been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment, certain infrastructure assets, investment property and forestry.

### Changes in accounting policies

There has been no changes in accounting policy during the year.

### Summary of significant accounting policies

#### Basis of consolidation

Consolidated financial statements are prepared 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 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 affect the level of potential ownership benefits that arise from the activities of the subsidiary.

### Joint venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

PBE IPSAS 8 requires venturers to account for their investment in a jointly controlled entity using either proportionate consolidation or equity accounting.

Mackenzie District Council has a 4% interest in a jointly controlled asset called the Downlands Water Supply has chosen the proportionate method for accounting for its joint venture. Council recognises in its financial statements its share of each of the assets, liabilities, revenue, and expenses of the joint venture.

### Statement of Cash Flows

Cash and cash equivalents is considered to be cash on hand and cash at bank, and on-call deposits, net of overdrafts.

Operating activities include cash received from all revenue sources of the Council and record the cash payments made for the supply of goods and services.

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

Financing activities comprise activities that change the equity and debt capital structure of the Council.

### Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST. Where GST is not recoverable as input tax, 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 prospective 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 2017/18 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 in preparing these financial statements.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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.

- Estimating the fair value of land, buildings, and infrastructural assets – see Note 18: *Property, plant and equipment*.
- Estimating the retirement and long service leave obligations – see Note 21: *Employee entitlements*.
- Estimating the landfill aftercare provision – see Note 22: *Provisions*.

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Classification of property – see Note 18: *Property, plant and equipment*.



## NOTE 2 – Summary Revenue and Expenditure for Group of Activities

### Accounting policy

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 that cannot be identified in an economically feasible manner with a specific significant activity.

All of Council's costs are "direct costs", which are costs charged directly to significant activities. Consequently, Council does not require a cost allocation policy for indirect costs.

There have been no changes to the cost allocation methodology during the year.

### Breakdown of summary revenue and expenditure for group of activities

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
<b>INCOME</b>		
Governance and Corporate Services	3,190	3,404
Water supplies	1,369	3,192
Sewerage	731	2,189
Stormwater	139	514
Roading	5,468	4,478
Planning and Regulatory	1,996	3,842
Community and Towns	3,297	3,719
Commercial activities	5,477	4,605
	<b>21,667</b>	<b>25,943</b>
Less interest on capital reserves	(481)	(458)
Less internal income	(113)	(734)
<b>Total revenue</b>	<b>21,071</b>	<b>24,751</b>
<b>EXPENDITURE</b>		
Governance and Corporate Services	3,438	3,669
Water supplies	1,466	1,642
Sewerage	593	731
Stormwater	95	94
Roading	3,653	4,163
Planning and Regulatory	2,426	2,396
Community and Towns	3,028	3,106
Commercial activities	2,726	2,553
	<b>17,425</b>	<b>18,354</b>
Less interest on capital reserves	(478)	(455)
Less internal expenditure	(112)	(734)
<b>Total expenditure</b>	<b>16,834</b>	<b>17,165</b>
<b>OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION</b>	<b>4,237</b>	<b>7,586</b>

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (refer to Note 4: *Revenue*). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

## NOTE 3 – Revenue: Exchange and Non-Exchange Transactions

The split of exchange and non-exchange transactions for revenue and receivables is disclosed below:

### Revenue

	2017	2018	
	Actual	Annual Plan	Actual
	\$000's	\$000's	\$000's
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
<i>Revenue from rates</i>			
General	2,827	3,248	3,091
Targeted	5,420	5,355	5,686
Penalties	54	50	52
<b>Total revenue from rates</b>	<b>8,301</b>	<b>8,653</b>	<b>8,829</b>
<i>Revenue from transfers</i>			
Vested assets	2,334	1,645	2,890
Fines and infringements	1	2	1
Consents, licences and permits	800	745	1,081
Contributions	386	854	3,125
Operating grants	787	790	1,000
Capital grants	1,076	1,055	857
Other transfer revenue	79	0	88
Other non-exchange revenue	312	380	939
<b>Total revenue from transfers</b>	<b>5,775</b>	<b>5,471</b>	<b>9,981</b>
<b>Total revenue from non-exchange transactions</b>	<b>14,076</b>	<b>14,124</b>	<b>18,810</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Water and wastewater	146	121	117
Sales of goods and services	2,063	1,304	1,705
Interest revenue	239	401	264
Dividend revenue	465	436	300
Rental revenue	345	404	395
Property, plant and equipment gains on disposal	690	0	2,312
Provision of goods and services	2,825	0	835
<b>Total revenue from exchange transactions</b>	<b>6,773</b>	<b>2,666</b>	<b>5,928</b>
<b>TOTAL REVENUE</b>	<b>20,849</b>	<b>16,790</b>	<b>24,738</b>

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (refer to Note 4: Revenue). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

## NOTE 4 – Revenue

### *Accounting policy*

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

### **Revenue from Non Exchange Transactions**

#### *Rates revenue*

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Revenue from water-by-meter rates 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.

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Rates collected on behalf of the Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

#### *New Zealand Transport Agency roading subsidies*

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

#### *Other grants 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.

#### *Building and resource consent revenue*

Revenue from building consents is recognised when payment of the consent is received. Revenue from fees charged for resource consent processing is recognised in proportion to the stage of completion. Work performed is invoiced monthly until completion.

#### *Entrance fees*

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.

#### *Provision of goods and services*

Services provided to third parties on commercial terms are exchange transactions. Revenue from these 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.

#### *Contributions*

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide the service.

#### *Vested or donated physical assets*

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

#### ***Infringement fees and fines***

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

#### ***Landfill fees***

Fees for disposing of waste are recognised as waste is disposed of by users.

### **Revenue from Exchange Transactions**

#### ***Sales of goods and services***

Revenue from the sale of goods and services is recognised when a product is sold or service provided to the customer.

#### ***Interest and dividends***

Interest revenue is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the interest rate applicable. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

#### ***Donated and bequeathed financial assets***

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 released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

#### ***Revenue from commission and booking fees***

Revenue from commission and booking fees from the sale of tours and accommodation is recognised when the booking is made by the customer, payment has been received and the voucher has been issued.

#### ***Rental revenue***

Rental revenue is recognised on a straight-line basis over the lease term.

### ***Critical judgements in applying accounting policies***

#### **Accounting for suspensory loan from Housing New Zealand**

The Council's view is the suspensory loan from Housing New Zealand is in substance a grant with conditions attached and is therefore accounted for under PBE IPSAS 23 Revenue from Non-Exchange Transactions. The Council considers that there are two possible accounting treatments for the grant under PBE IPSAS 23, either recognising the grant as revenue when all conditions are satisfied in 2028, or recognising the grant evenly over the 20-year condition period. The Council has elected to recognise the grant evenly over the 20-year period as that better reflects the substance of the arrangement. Further information about the suspensory loan is included in Note 25: *Contingencies*.

#### **Accounting for donated or vested land and buildings with use or return conditions**

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

*(i) Breakdown of rates and further information<sup>1</sup>*

	2017	2018
	Actual	Actual
	\$000's	\$000's
<b>General rates</b>	<b>2,827</b>	<b>3,091</b>
<b>Targeted rates attributable to activities</b>		
Governance and Corporate Services	26	31
Other water rates	1,012	1,221
Water Supplies: Targeted rates for metered water supply	0	0
Sewerage	571	602
Stormwater	101	197
Roading	1,163	1,159
Planning and Regulatory Services	168	0
Community and Towns	1,900	2,039
Commercial Activities	511	469
<b>TOTAL TARGETED RATES REQUIRED</b>	<b>5,452</b>	<b>5,718</b>
<i>Less Distribution of Investment Income</i>		
Budgeted contribution to rates from commercial activities	(32)	(32)
<b>Total rates struck</b>	<b>8,247</b>	<b>8,777</b>

*(ii) Breakdown of subsidies and grants*

	2017	2018
	Actual	Actual
	\$000's	\$000's
Grants	426	321
NZTA subsidies <sup>2</sup>	1,844	1,857
Petroleum tax	79	88
<b>Total subsidies and grants</b>	<b>2,349</b>	<b>2,266</b>

*(iii) Breakdown of interest revenue*

	2017	2018
	Actual	Actual
	\$000's	\$000's
Dividend	465	300
Interest revenue	239	264
<b>Total investment revenue</b>	<b>704</b>	<b>564</b>



(iv) Breakdown of other revenue

	2017	2018
	Actual	Actual
	\$000's	\$000's
Carbon credits	0	271
Gain on changes in fair value of forestry assets	527	479
Property, plant and equipment gains on disposal	690	2,312
Rental income	356	395
User fees and donations	1,631	1,906
Other	800	918
<b>Total other revenue</b>	<b>4,004</b>	<b>6,281</b>

### <sup>1</sup>Targeted Rates Revenue

Each significant activity's separate rates are stated at gross, excluding the distribution of investment revenue. Revenue from Council's investments is distributed to each community in the District; Fairlie, Lake Tekapo, Twizel and Rural. This distribution reduces the total Works and Services Rate to be levied over each community. The distribution of investment revenue is on the basis of each community's capital values. In order to fairly reflect the total external operations for the Council in the surplus or deficit, these transactions are eliminated.

### <sup>2</sup>NZTA Subsidies

The Council receives grants from the New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs of maintaining and constructing Mackenzie District's roading infrastructure. There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

### <sup>3</sup>Assets Vested

The Council has had vested to it certain infrastructural assets and land as part of the subdivisional process. Council recognises the value of these assets as revenue in the Statement of Comprehensive Revenue and Expense with an equivalent increase in property, plant and equipment in the Statement of Financial Position. There were infrastructural assets totalling \$2,890,311 vested in Council during 2018 (2017: nil).

Last year, the Tekapo footbridge totalling \$2,334,000 was vested to Council, but is not a part of this subdivisional process.

### Rates Remissions

The objective of rates remissions is to facilitate the continuing provision of non-commercial community services and recreational opportunities in the Mackenzie District. The different type of rates remissions and the specific objectives of each type of rates remission are set in accordance with the policy outlined in the Long-Term Plan.

	2017	2018
	Actual	Actual
	\$000's	\$000's
<b>Rates remissions are comprised of:</b>		
Community sporting and non-profit organisations	15	12
<b>TOTAL REMISSIONS</b>	<b>15</b>	<b>12</b>

Revenue is shown net of rates remissions and non-rateable land. Under the Local Government (Rating) Act 2002 a number of properties cannot be rated for general rates. In addition, under Council's Rate Remissions Policies which provide for rates to be remitted for sporting and community organisations, the Council committed itself at the start of the year to certain remissions which at year end totalled \$12,158.42 (2017: \$14,510).

### Non-rateable land

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens, and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. The non-rateable land does not constitute a remission under the Council's rates remission policy.

## Rating Base Information

30 June 2017

### Rating units within the district or region of the local authority at the end of the preceding financial year:

The number of rating units	4,453
The total land value of rating units	1,654,185,950
The total capital value of rating units	3,252,031,750

### Operating leases as a lessor

Mackenzie District Council leases several properties held for future strategic purposes under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2017	2018
	Actual \$000's	Actual \$000's
Not later than one year	125	176
Later than one year, not later than five years	450	480
Later than five years	1,437	1,603
<b>Total non-cancellable operating leases as lessor</b>	<b>2,012</b>	<b>2,259</b>

No contingent rents have been recognised during the year.

## NOTE 5 – Personnel Costs

### Accounting policy

#### Superannuation schemes

#### Defined contribution schemes

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

#### Defined benefit schemes

Council makes employer contributions 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 plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's prospective surplus or deficit will affect future contributions by individual employers, as there is no prescribed bases for allocation. The scheme is therefore accounted for as a defined contribution scheme.

#### (i) Breakdown of personnel costs and further information

During the year to 30 June 2018, the total remuneration and value of other non-financial benefits received by, or payable to the Mayor, other Councillors and Chief Executive of the Council were as follows:

##### Chief Executive (July 2017 to November 2017)

	2017	2018
	Actual \$000's	Actual \$000's
Salary	197	88
Vehicle (Market value)	17	6
Telephone	1	0
<b>Total remuneration package of the previous Chief Executive</b>	<b>215</b>	<b>94</b>

##### Chief Executive (November 2017 to June 2018)

	2017	2018
	Actual \$000's	Actual \$000's
Salary	0	108
Vehicle (Market value)	0	6
Telephone	0	0
<b>Total remuneration package of the previous Chief Executive</b>	<b>0</b>	<b>114</b>

### Elected Representatives

Elected representatives received the following remuneration:

	2017	2018
	Actual \$000's	Actual \$000's
<b>PRESENT COUNCIL</b>		
Mayor Graham Smith	39	59
Councillor Russel Armstrong	17	17
Councillor Stuart Barwood	15	21
Councillor Chris Clarke	12	17
Councillor Paul Hannagan	11	17
Councillor James Leslie	21	21
Councillor Anne Munro	14	21
	<b>129</b>	<b>173</b>
<b>PREVIOUS COUNCIL</b>		
Mayor Claire Barlow	17	0
Councillor Graham Smith	6	0
Councillor Evan Williams	6	0
Councillor Noel Jackson	6	0
Councillor Murray Cox	6	0
	<b>41</b>	<b>0</b>
<b>PRESENT COMMUNITY BOARDS</b>		
Fairlie Community Board Members	6	10
Tekapo Community Board Members	5	8
Twizel Community Board Members	8	10
	<b>19</b>	<b>28</b>
<b>PREVIOUS COMMUNITY BOARDS</b>		
Fairlie Community Board Members	3	0
Tekapo Community Board Members	3	0
Twizel Community Board Members	3	0
	<b>9</b>	<b>0</b>
<b>TOTAL REMUNERATION PAID TO ELECTED REPRESENTATIVES</b>	<b>198</b>	<b>201</b>

### Council Remuneration By Band

Total annual remuneration by band for employees as at 30 June 2018:

	2018
	Actual
<\$60,000	18
\$60,000-\$79,999	8
\$80,000-\$139,999	8
\$140,000-\$220,000	2
<b>Total employees</b>	<b>36</b>

Total annual remuneration by band for employees as at 30 June 2017:

	2017
<\$60,000	20
\$60,000-\$79,999	6
\$80,000-\$139,999	6
\$140,000-\$220,000	3
<b>Total employees</b>	<b>35</b>

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Council employed 33 (2017: 24) full-time employees, with the balance of staff representing 5 (2017: 8) full-time equivalent employees. A full-time employee is determined on a basis of a 37.5 hour working week.

#### Severance Agreements

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the employee's agreement to terminate his or her employment with Council, over and above the usual employee entitlements.

For the year ended 30 June 2018, Mackenzie District Council made no severance payments to employees (2017: nil).



## NOTE 6 – Other expenses

### Accounting Policy

#### 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 approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

#### 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. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term

#### (i) Breakdown of other expenses and further information

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
Audit fees		
- Fees to Audit New Zealand for audit of financial statements	91	100
- Fees to Audit New Zealand for audit of Long Term Plan <sup>4</sup>	0	67
Contractors	1,003	1,413
Consultants and legal fees	1,857	1,740
Donations and grants <sup>5</sup>	105	153
Impairment of trade receivables	1	19
Insurance	151	135
Repairs and maintenance	270	383
Roading	1,204	1,565
Subscriptions	41	57
Waste cartage and transport	770	707
Other operating expenses	2,743	2,937
<b>Total other operating expenses</b>	<b>8,236</b>	<b>9,276</b>

#### <sup>4</sup>Fees to Audit New Zealand for Other Services

The fees to Audit New Zealand for other services in the year ending 30 June 2018 were for the audit of the Council's 2018-2028 Consultation Document and Long-Term Plan.

#### <sup>5</sup>Donations and Grants

Donations and grants includes funding of \$275,000 from the Regional Mid-sized Tourism Facilities Grant Fund to upgrade the toilet facility at the Pines Campground, on Land Information New Zealand managed land adjacent to Lake Pukaki. The existing long drop facility has been replaced with 4 new fully accessible Permaloo Toilets. The purpose of the project was to better respond to the needs of increasing numbers of visitors in the region for such facilities.

### Operating leases as lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum contract payments under non-cancellable operating contracts are as follows:

	2017	2018
	Actual \$000's	Actual \$000's
Not later than one year	13	17
Later than one year, not later than two years	20	23
Later than two years, not later than five years	36	15
Later than five years	0	0
<b>Total non-cancellable operating contracts</b>	<b>69</b>	<b>55</b>

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

### Contractual commitments

These are commitments for which a formal contract has been entered at 30 June 2018

	2017	2018
	Actual \$000's	Actual \$000's
Utilities maintenance	503	43
Road maintenance	6,959	5,546
Refuse operations	2,536	1,975
information technology services	350	180
<b>Total non-cancellable operating contracts</b>	<b>10,348</b>	<b>7,744</b>

These commitments are based on the legal commitment outstanding under contracts. They do not take into account any additional work required due to emergency events or any adjustments to costs based on inflation.

### Joint Venture Operating Lease Commitments

There are no operating lease commitments associated with the joint venture, Downlands Water Supply, as at 30 June 2018 (2017:Nil).

## NOTE 7 – Depreciation and Amortisation

Depreciation and amortisation for each Group of Activities:

	2017	2018
	Actual \$000's	Actual \$000's
Governance and Corporate Services	190	196
Water supplies	601	610
Sewerage	304	314
Stormwater	48	54
Roading	2,046	2,138
Planning and Regulatory	56	5
Community and Township Services	361	378
Commercial Activities	63	72
<b>Total depreciation and amortisation expense</b>	<b>3,669</b>	<b>3,767</b>

## NOTE 8 – Reconciliation of Internal Revenue and Internal Expenses

Each significant activity is stated gross of internal revenue and expenditure. In order to fairly reflect the total external operations for the Council in the surplus or deficit, these transactions are eliminated as shown below:

### Internal expenses

Internal support and administration operations (support activities) have been allocated to each significant on the basis of various cost drivers relative to the usage of services.

	2017	2018
	Actual \$000's	Actual \$000's
<b>INTERNAL INCOME</b>		
Governance and Corporate Services	110	122
Water supplies	3	31
Sewerage	0	16
Stormwater	0	6
Roading	0	0
Planning and Regulatory	0	559
Community and Towns	0	0
Commercial activities	0	0
<b>Total Internal Income</b>	<b>113</b>	<b>734</b>
<b>INTERNAL EXPENSES</b>		
Governance and Corporate Services	52	55
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	19	21
Planning and Regulatory	35	42
Community and Towns	4	4
Commercial activities	0	609
<b>Total Internal Expenses</b>	<b>113</b>	<b>734</b>

## NOTE 9 – Internal Borrowing

Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
<b>Governance and Corporate Services Activity Group</b>					
Administration	43	2	0	41	0
<b>Water Supplies Activity Group</b>					
Allandale water	325	14	0	311	8
<b>Planning and Regulatory Activity Group</b>					
Animal control	23	17	0	6	0
Resource management	2,213	0	301	2,514	57
Rural Fire	0	0	0	0	0
<b>Community and Township Services Activity Group</b>					
Twizel township	422	81	0	341	10
Waste management operating reserve	672	313	0	359	31
<b>Total internal borrowing</b>	<b>3,698</b>	<b>427</b>	<b>301</b>	<b>3,572</b>	<b>106</b>

2017

Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
<b>Financial/upgrade contributions</b>					
Administration	45	2	0	43	0
<b>Contributions</b>					
Allandale water	344	19	0	325	11
<b>Financial/upgrade contributions</b>					
Animal control	6	0	17	23	0
Resource management	1,725	49	537	2,213	53
Rural Fire	27	27	0	0	0
<b>Financial/upgrade contributions</b>					
Twizel township	513	91	0	422	16
Waste management operating reserve	699	32	5	672	25
<b>Total internal borrowing</b>	<b>3,359</b>	<b>220</b>	<b>559</b>	<b>3,698</b>	<b>105</b>

## NOTE 10 – Equity

### Accounting policy

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 the following components.

- Operating reserves
- Capital reserves
- Asset revaluation reserve
- Other reserves & special funds reserves
- Accumulated general funds

### Operating reserves

Operating reserves consist of surpluses earned over time, and funds set aside for special purposes. These reserves represent funds available for the use in trading and operation of Council for special purposes. All special purpose funds and assets are separately accounted for and balanced with the cash resources retained by Council for special purposes.

### Capital reserves

Pursuant to the policy for funding of capital expenditure adopted by the Council as part of the long-term council community plan, a Capital Reserve has been created for all activities of Council that involve assets. The movements within the capital reserves involve all capital revenue received for the activity and any capital expenditure incurred within that activity.

The capital revenue includes depreciation funded from rates, financial contributions, upgrade contributions and grants. Depending on the movements in the capital reserve, the balance can be in funds or in deficit. An interest component is applied to the capital reserve depending on whether the particular reserve is in funds or deficit. The Council policy is to charge interest on deficit capital reserves at the average of Councils external bond investment rates and to pay interest for capital reserves with funds at a rate of 25 basis points less than the Official Cash Rate.

### Asset revaluation reserves

This reserve relates to:

- The revaluation of property, plant, and equipment to fair value including operational and infrastructural assets, and
- The revaluation of financial assets including shares and bond stock held. This reserve comprises of the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

### Other Reserves & Special Funds Reserves

#### Other reserves

Other reserves consist of funds which have been received over time by the Council, usually by way of a donation or bequest, the terms of which restrict the use of funds. Each amount has been set up as a trust fund to maintain a degree of independence from general Council funds. All such funds are separately accounted for and are not available for any other purpose.

#### Restricted reserves

Restricted reserves are those reserves 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

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

#### Accumulated General Funds

Accumulated General Funds consist of all other equity transactions not classified as operating reserves, capital reserves, asset revaluation reserves, other reserves or special reserves.

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
<b>Accumulated funds</b>		
Balance 1 July	104,743	112,206
Surplus/(deficit) for the year	4,237	7,586
Transfers from asset revaluation reserve on disposal	1,454	552
Transfers from special funds	0	0
Transfers to special funds	(137)	(1,114)
Transfers from other reserves	0	1
Transfers to other reserves	(1)	(4)
Transfers from restricted and Council created reserves	11,302	7,739
Transfers to restricted and Council created reserves	(9,392)	(11,530)
<b>Balance at 30 June</b>	<b>112,206</b>	<b>115,436</b>
<b>Special funds</b>		
Balance 1 July	5,770	5,907
Interest earned	2	3
Bequests received/(expenditure)	0	0
Transfers to accumulated funds	135	1,111
Transfers from accumulated funds	0	0
<b>Balance at 30 June</b>	<b>5,907</b>	<b>7,021</b>
<b>Other reserves</b>		
Balance 1 July	46	47
Interest earned	1	4
Expenditure	0	(1)
Transfers to accumulated funds	0	0
Transfers from accumulated funds	0	0
<b>Balance at 30 June</b>	<b>47</b>	<b>50</b>



	2017	2018
	Actual	Actual
	\$000's	\$000's
<b>Asset revaluation reserve</b>		
Balance 1 July	113,016	125,929
Transfer to accumulated funds on disposal of assets	(1,498)	(589)
Impairment	0	(3,675)
Revaluation gains/(losses) - financial assets	536	(9,895)
Revaluation gains/(losses) - property, plant and equipment	13,831	4,148
Other movements	44	37
<b>Balance at 30 June</b>	<b>125,929</b>	<b>115,955</b>

Asset revaluation reserves for each class of asset consist of:

	2017	2018
	Actual	Actual
	\$000's	\$000's
<b>Asset revaluation reserve</b>		
<b>Financial assets</b>		
Share revaluation reserve	16,087	6,214
Investment revaluation reserve	84	61
<b>Infrastructural assets revaluation reserves</b>		
Land	31,391	30,406
Water supplies	13,449	13,489
Wastewater schemes	7,349	7,365
Stormwater schemes	2,641	2,641
Roading	45,252	45,236
Plant	35	35
Buildings	9,641	10,508
<b>Balance at 30 June</b>	<b>125,929</b>	<b>115,955</b>

## Information about reserve funds held for a specific purpose

Equity	2017				2018			
	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's
<b>Capital reserves</b>								
Administration	(14)	2	(41)	(53)	(53)	3	0	(50)
Allandale water	(353)	34	(6)	(325)	(325)	35	(9)	(299)
Animal control	(18)	0	(5)	(23)	(23)	17	0	(6)
Ashwick/Opuha water	69	7	0	76	76	0	(5)	71
Asset management	0	0	0	0	0	0	0	0
Burkes Pass sewer	0	0	0	0	0	0	0	0
Burkes Pass water	0	0	0	0	0	0	0	0
CEO department	0	0	0	0	0	75	(75)	0
Civil defence	18	17	(3)	32	32	5	(28)	9
Community facilities	0	0	0	0	0	0	0	0
District Council	(3)	1	0	(2)	(2)	0	0	(2)
Council building: Fairlie	16	38	(59)	(5)	(5)	49	(76)	(32)
Council building: Twizel	8	18	(2)	24	24	31	(35)	20
District general	43	0	0	43	43	0	(37)	6
District wide roading	301	3,913	(5,227)	(1,013)	(1,013)	2,507	(3,062)	(1,568)
Downlands water	93	0	0	93	93	0	0	93
Eversley sewer	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie medical centre	19	5	0	24	24	4	0	28
Fairlie pensioner housing	98	8	0	106	106	9	0	115
Fairlie roading	0	0	0	0	0	0	0	0
Fairlie resource recovery park	0	0	0	0	0	0	0	0
Fairlie sewer	0	0	0	0	0	0	0	0
Fairlie stormwater	0	0	0	0	0	0	0	0
Fairlie township	0	0	0	0	0	0	0	0
Fairlie water	0	0	0	0	0	0	0	0
Forestry	4,789	581	0	5,370	5,370	930	0	6,300
Hardfill sites	0	0	0	0	0	0	0	0
Inspectorate	0	0	0	0	0	0	0	0
Information technology department	(55)	76	(73)	(52)	(52)	90	(79)	(41)
Kimbell water	17	2	0	19	19	1	0	20
Lake Tekapo community hall	(46)	5	(6)	(47)	(47)	6	(1)	(42)
Lake Tekapo roading	0	0	0	0	0	0	0	0
Lake Tekapo resource recovery park	0	0	0	0	0	0	0	0
Lake Tekapo sewer	0	0	0	0	0	0	0	0
Lake Tekapo stormwater	0	0	0	0	0	0	0	0
Lake Tekapo township	0	0	0	0	0	0	0	0
Lake Tekapo water	0	0	0	0	0	0	0	0
Mackenzie community centre	25	22	(8)	39	39	40	(4)	75
Manuka Terrace water	20	0	0	20	20	1	0	21
Plant account	108	58	(102)	64	64	69	(35)	98
Public Toilets	(133)	450	(854)	(537)	(537)	310	(649)	(876)
Pukaki airport board	(7)	0	7	0	0	0	0	0
Real estate	(2,298)	2,142	(1,563)	(1,719)	(1,719)	1,805	(8)	78
Resource planning	(1,725)	0	(488)	(2,213)	(2,213)	0	(301)	(2,514)
Roading professional business unit	(23)	4	0	(19)	(19)	4	(2)	(17)
Rural fire control	(51)	59	(8)	0	0	0	0	0
Rural roading	0	0	0	0	0	0	0	0
School Road water	13	3	0	16	16	0	4	20
Sherwood Downs hall	19	0	0	19	19	2	0	21
Sherwood Downs recreation reserve	37	0	0	37	37	0	0	37
Spur Road water	(3)	0	0	(3)	(3)	0	(1)	(4)
Swimming pool: Strathconan	(10)	16	0	6	6	20	0	26
Swimming pool: Twizel	1	5	(14)	(8)	(8)	4	(87)	(91)
Treatment of organic waste	0	0	0	0	0	0	0	0
Twizel community centre	170	56	(8)	218	218	52	0	270
Twizel medical centre	8	0	0	8	8	0	0	8
Twizel pensioner housing	31	5	(7)	29	29	6	0	35
Twizel roading	0	0	0	0	0	0	0	0
Twizel resource recovery park	0	0	0	0	0	0	0	0
Twizel sewer	0	0	0	0	0	0	0	0
Twizel stormwater	0	0	0	0	0	0	0	0
Twizel township	(513)	91	0	(422)	(422)	81	0	(341)
Twizel water	0	0	0	0	0	0	0	0
Urban sewerage	2,048	438	(446)	2,040	2,040	1,937	(648)	3,329
Urban stormwater	812	91	(343)	560	560	197	(5)	752
Urban water	(1,311)	650	(1,439)	(2,100)	(2,100)	2,337	(1,474)	(1,237)
Waste Management	(699)	32	(5)	(672)	(672)	313	(2)	(361)
<b>Total capital reserves</b>	<b>1,500</b>	<b>8,829</b>	<b>(10,700)</b>	<b>(371)</b>	<b>(371)</b>	<b>10,940</b>	<b>(6,619)</b>	<b>3,950</b>

## Information about the purpose of capital reserves

Equity	Activity to which the fund relates	Purpose
Administration	Governance and Corporate	To fund capital replacements of Administration Assets
Allandale water	Water	To Fund debt repayment of the Allandale Water Scheme construction and to fund its eventual replacement.
Animal control	Regulatory	To fund capital requirements of animal control
Ashwick/Opuha water	Water	To fund capital requirements of the Ashwick/Opuha Water scheme
Asset management	Governance and Corporate	To fund capital requirements of asset management
Burkes Pass sewer	Sewerage	To fund sewer capital works in Burkes Pass
Burkes Pass water	Water	To fund capital requirements of the Burkes Pass Water scheme
CEO department	Governance and Corporate	To fund capital requirements of the CEO department
Civil defence	Regulatory	To fund capital requirements of Civil Defence
Community facilities	Communities and Towns	To fund capital requirements of community facilities
District Council	Governance and Corporate	To fund capital requirements of the Governance Activity
Council building: Fairlie	Governance and Corporate	To fund replacement of Councils Administration Building in Fairlie
Council building: Twizel	Governance and Corporate	To fund replacement of Councils Administration Building in Twizel
District general	Communities and Towns	To fund capital requirements of the District
District wide roading	Roading	To fund roading capital works district wide.
Downlands water	Water	Councils share of a Joint Venture to fund the capital requirements of the Downlands Water Scheme
Eversley sewer	Sewerage	To fund capital requirements of the Eversley water scheme
Fairlie medical centre	Communities and Towns	To fund replacement of medical facilities in Fairlie
Fairlie pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Fairlie
Fairlie roading	Roading	To fund roading projects in Fairlie
Fairlie resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Fairlie Recovery Park
Fairlie sewer	Sewerage	To fund sewer capital works in Fairlie
Fairlie stormwater	Stormwater	To fund stormwater capital works in Fairlie
Fairlie township	Communities and Towns	To fund capital works in the Fairlie Township
Fairlie water	Water	To fund capital requirements of the Fairlie Water scheme
Forestry	Commercial	To fund the operations of Councils Forestry Assets
Hardfill sites	Communities and Towns	To fund costs arising from operations of the Councils Hardfill sites
Inspectorate	Regulatory	Fund the capital requirements of the inspectorate department
Information technology department	Governance and Corporate	To Fund capital replacement of Councils IT assets
Kimbell water	Water	To fund capital requirements of the Kimbell Water scheme
Lake Tekapo community hall	Communities and Towns	To fund replacement of the Tekapo Community Hall
Lake Tekapo roading	Roading	To fund roading projects in Tekapo
Lake Tekapo resource recovery park	Communities and Towns	To fund capital upgrades and replacements for Tekapo Recovery Park
Lake Tekapo sewer	Sewerage	To fund sewer capital works in Tekapo
Lake Tekapo stormwater	Stormwater	To fund stormwater capital works in Tekapo
Lake Tekapo township	Communities and Towns	To fund capital works in the Tekapo Township
Lake Tekapo water	Water	To fund water capital works in Tekapo
Mackenzie community centre	Communities and Towns	To fund the capital works at the Fairlie community centre
Manuka Terrace water	Water	To Fund investigation and construction of a new water supply for Manuka Terrace
Plant account	Governance and Corporate	To Fund capital replacement of Councils Motor Vehicle assets
Public Toilets	Communities and Towns	To fund replacement of Public Toilets within the district
Pukaki airport board	Commercial	To fund the operations of Councils Airport Assets
Real estate	Commercial	To fund subdivision of Councils real estate assets
Resource planning	Regulatory	To fund capital requirements of the Resource Planning Business unit
Roading professional business unit	Roading	To fund capital requirements of the Roothing Business unit
Rural fire control	Regulatory	To fund capital requirements of Rural fire
Rural roading	Roading	To fund roading projects in Rural area
School Road water	Water	To fund capital requirements of the School Road Water scheme
Sherwood Downs hall	Communities and Towns	To fund capital requirements of the Sherwood Downs Reserves
Sherwood Downs recreation reserve	Communities and Towns	To fund capital requirements of the Sherwood Downs Hall
Spur Road water	Water	To fund Spur Road capital debt
Swimming pool: Strathconan	Communities and Towns	To fund replacement of the Fairlie swimming pool
Swimming pool: Twizel	Communities and Towns	To fund replacement of the Twizel swimming pool
Treatment of organic waste	Communities and Towns	To fund treatment of organic waste
Twizel community centre	Communities and Towns	To fund replacement of the Twizel Events Centre
Twizel medical centre	Communities and Towns	To fund replacement of medical facilities in Twizel
Twizel pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Twizel
Twizel roading	Roading	To fund roading projects in Twizel
Twizel resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Twizel Recovery Park
Twizel sewer	Sewerage	To fund sewer capital works in Twizel
Twizel stormwater	Stormwater	To fund stormwater capital works in Twizel
Twizel township	Communities and Towns	To fund capital works in the Twizel Township
Twizel water	Water	To fund water capital works in Twizel
Urban sewerage	Sewerage	To fund District sewer capital works
Urban stormwater	Stormwater	To fund District stormwater capital works
Urban water	Water	To fund District water capital works
Waste Management	Communities and Towns	To fund District Solid Waste capital works

### Information about reserve funds held for a specific purpose

Equity	2017				2018			
	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's
<b>Operating reserves</b>								
Albury hall	14	3	0	17	17	2	0	19
Albury community refuse collection	3	0	0	3	3	0	0	3
Albury water supply	187	26	(28)	185	185	24	(13)	196
District general	(1,377)	272	(531)	(1,636)	(1,636)	246	(910)	(2,300)
Downlands water supply	55	27	0	82	82	47	0	129
Eversley/Punaroa water races	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie community refuse collection	11	0	0	11	11	0	0	11
Fairlie works and services	75	17	(2)	90	90	16	57	163
Lake Alexandrina refuse collection	1	0	0	1	1	0	0	1
Lake Tekapo community refuse collection	10	0	0	10	10	0	0	10
Lake Tekapo works and services	393	34	(2)	425	425	38	(297)	166
Other reserves	370	36	(70)	336	336	3	50	389
Pukaki airport board	(25)	0	492	467	467	104	78	649
Roading professional services business unit	(117)	0	(57)	(174)	(174)	0	(59)	(233)
Real estate	0	0	(69)	(69)	(69)	0	69	0
Resource management	0	0	0	0	0	0	0	0
Rural works and services	146	0	(224)	(78)	(78)	1	(16)	(93)
Tourism and development	(431)	92	0	(339)	(339)	88	(64)	(315)
Twizel community refuse collection	2	0	0	2	2	0	0	2
Twizel visitors centre	0	0	0	0	0	0	0	0
Twizel works and services	199	56	(111)	144	144	21	(14)	151
Waste management	0	0	0	0	0	0	0	0
<b>Total operating reserves</b>	<b>(485)</b>	<b>563</b>	<b>(602)</b>	<b>(524)</b>	<b>(524)</b>	<b>590</b>	<b>(1,119)</b>	<b>(1,053)</b>

### Information about the purpose of capital reserves

Equity	Activity to which the fund relates	Purpose
<b>Operating reserves</b>		
Albury hall	Communities and Towns	To fund operations at the Albury Hall
Albury community refuse collection	Communities and Towns	Council's refuse collection operations
Albury water supply	Water	Accumulate surpluses/deficits from General Rate funded operations
District general	Communities and Towns	Accumulate surpluses/deficits from General Rate funded operations
Downlands water supply	Water	Accumulate surpluses/deficits from General Rate funded operations
Eversley/Punaroa water races	Water	Accumulate surpluses/deficits to fund Eversley/Puneroa operating activities
Fairlie community refuse collection	Communities and Towns	Council's refuse collection operations
Fairlie works and services	Communities and Towns	Accumulate surpluses/deficits from Fairlie Works and Services Rate funded operations
Lake Alexandrina refuse collection	Communities and Towns	Council's refuse collection operations
Lake Tekapo community refuse collection	Communities and Towns	Council's refuse collection operations
Lake Tekapo works and services	Communities and Towns	Accumulate surpluses/deficits from Tekapo Works and Services Rate funded operations
Other reserves	Communities and Towns	Accumulate surpluses from Lake Alexandrina rental receipts
Pukaki airport board	Commercial	To fund the operations of Councils Airport Assets
Roading professional services business unit	Roading	Accumulate operating results of Councils Roading Business Unit
Real estate	Commercial	Holds returns from real estate transactions
Resource management	Regulatory	Deficit from Plan Change 13
Rural works and services	Communities and Towns	Accumulate surpluses/deficits from Rural Works and Services Rate funded operations
Tourism and development	Commercial	Accumulate operating results from ownership of the Pukaki Visitors Centre
Twizel community refuse collection	Communities and Towns	Councils refuse collection operations
Twizel visitors centre	Communities and Towns	Accumulate surpluses/deficits from Twizel visitor centre operations
Twizel works and services	Communities and Towns	Accumulate surpluses/deficits from Twizel Works and Services Rate funded operations
Waste management	Communities and Towns	Accumulate surpluses/(deficits) from Council's Solid Waste operation

## NOTE 11 – Cash and Cash Equivalents

### Accounting policy

Cash and cash equivalents include cash on 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.

### Breakdown of cash and cash equivalents and further information

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
Cash at bank and in hand	6,698	3,741
Short-term deposits maturing three months or less from date of acquisition	146	7,597
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>6,844</b>	<b>11,338</b>

### Fair Value

The carrying value of short term deposits with maturity dates of three months or less approximate fair value.

## NOTE 12 – Receivables

### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### Breakdown of receivables and further information

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
Rates	332	348
Dividend receivable	184	0
Interest receivable	23	52
Other taxes payable (e.g. GST and FBT)	204	96
Prepayments	51	92
Other receivables	1,576	2,293
	2,370	2,881
<b>Less: provision for uncollectability</b>	<b>(1)</b>	<b>(19)</b>
<b>Total receivables</b>	<b>2,369</b>	<b>2,862</b>

**Total receivables comprise:**

**Receivables and prepayments from non-exchange transactions -**

This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates

1,761 2,546

**Receivables and prepayments from exchange transactions -**

This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates

608 513

**Total receivables**

**2,369 3,059**

**Movements in the provision for uncollectability of receivables are as follows:**

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
Opening balance 1 July	(5)	(1)
Additional provisions made during the year	(1)	(18)
Receivables written-off during the period	5	0
Receivables recovered during the period	0	0
<b>Closing balance 30 June</b>	<b>(1)</b>	<b>(19)</b>

## NOTE 13 – Tax

Relationship between tax expense and accounting surplus:

	2017	2018
	Actual	Actual
	\$'000's	\$'000's
<b>SURPLUS/(DEFICT) BEFORE TAX</b>	<b>4,237</b>	<b>7,586</b>
Tax @28% (2016: 28%)	1,186	2,124
Taxation effect of permanent differences	0	0
Imputation credit adjustment	0	0
Non-taxable income/expenditure	(1,186)	(2,124)
<b>Tax expense</b>	<b>0</b>	<b>0</b>
<b>Components of tax expense:</b>		
Adjustments to current tax in prior years	0	0
Current taxation	0	0
Deferred taxation	0	0
<b>Tax expense</b>	<b>0</b>	<b>0</b>

The Council has unrecognised tax losses \$39,209 (2017: \$46,856), with the tax effect \$10,979 at 28% (2017: \$13,120) available for carryforward in offsetting assessable revenue in future years.



## NOTE 14 – Other Financial Assets

### *Accounting policy*

Financial assets (other than shares in subsidiaries) 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.

#### **Term deposits, loans to subsidiaries and associates, and community loans (loans and receivables)**

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits, loans to subsidiaries and associates, and community loans are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council and group 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 indicators that the asset is impaired.

If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

#### **Listed bonds (held-to-maturity)**

After initial recognition, listed bonds (designated as held to maturity) are measured at amortised cost using the effective interest method.

At year-end, they are assessed for indicators of impairment. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments is considered to be objective evidence of impairment.

Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

#### **Listed and unlisted shares, listed bonds (fair value through other comprehensive revenue and expense)**

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are designated at fair value through other comprehensive revenue and expense

After initial recognition, the shares and listed bonds 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. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment. For listed bonds, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments is considered to be objective evidence of impairment.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of listed bonds increases and the increase can be objectively related to an event after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit

## Breakdown of other financial assets and further information

	2017	2018
	Actual \$000's	Actual \$000's
Current	1,714	1,406
Non-current	21,488	11,573
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>23,202</b>	<b>12,979</b>
<i>Investments are comprised of:</i>		
<b>CURRENT PORTION</b>		
<b>Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months</b>		
Bonds	509	537
Strongly rated corporate bonds	504	0
Local authority stock	513	0
Eversley Sewerage Loan	8	9
Term deposits with maturities of 3 -12 months	180	860
<b>TOTAL CURRENT PORTION</b>	<b>1,714</b>	<b>1,406</b>
<b>NON-CURRENT PORTION</b>		
<i>Investment in CCOs and similar entities</i>		
Eversley Sewerage	128	119
Total investment in CCOs and similar entities	128	119
<i>Investment in other entities</i>		
Bonds	1,578	1,037
Strongly rated corporate bonds	282	789
Unlisted shares	19,500	9,628
Total investment in other entities	21,360	11,454
<b>TOTAL NON-CURRENT PORTION</b>	<b>21,488</b>	<b>11,573</b>
<b>Total other financial assets</b>	<b>23,202</b>	<b>12,979</b>

## Fair Value

### Term deposits

The carrying amount of short term deposits approximates their fair value.

### Bonds

The fair value of bonds is \$1,573,391 (2017: \$2,087,175). Fair value has been determined using discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rates range between 2.34% and 4.00% (2017 2.77% and 4.65%).

### Local authority stock

No local authority stock was held at balance date (2017: \$513,501). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rate used in 2017 was 2.26%.

### Strongly rated corporate bonds

The fair value of corporate bonds is \$789,231 (2017: \$784,891). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rates used are 3.49% and 3.82% (2017: 3.57% and 3.93%).

### Unlisted shares

Unlisted shares are recognised at fair value.

The Council holds \$2,049,870 fully paid shares (2017: \$2,049,870) of \$1 (2017: \$1) in Alpine Energy Limited. The shares are recognised at fair value as assessed by Ernst & Young for the year ending 31 March 2018.

The fair value of unlisted shares in Alpine Energy Limited has been determined using a valuation technique based on Discounted Cash flows (DCF). The primary valuation method applied is the Discounted Cash flow method (DCF) method for the regulated electricity business and the capitalisation of maintainable earnings (CME) for the other businesses except Infratec.

The DCF method involves:

- Estimating the EBITDA from FY19 to FY25 (when the fourth regulatory period ends) based on our analysis of the maximum allowable revenue (MAR) for the regulatory period.
- Deducting the capital expenditures and depreciation provided by AEL management to derive the cash flows.
- Deducting the net debt as of the valuation date and added the fibre network business and the market value of AEL's rental property as surplus assets.

The DCF method is based on the following estimates and assumptions:

- A DCF of the free cash flows until the end of the current regulatory period on the basis that income can be determined with a reasonable degree of certainty,
- Using an estimated EBITDA from FY19 to FY25 (when the fourth regulatory period ends) and applying the observed market multiples.
- The discounted cash flows use a nominal post-tax weighted average cost of capital (WACC) mid-point of 5.35% (2017: 6.23%), a rate based on the market risk premium 7.5% and beta of 0.63. This compares to the Commission's calculated 67th percentile post-tax WACC, in October 2014 of 7.14%.
- The computed implied EBITDA multiple of 9.9x (mid-point) falls within the range of multiples for comparable publicly listed companies.
- The risk-free rate for 31 March 2018 was 2.72% (2017: 3.27%).

As at 31 March 2018, Alpine Energy had net tangible assets per share of \$6.79 per share (2017: \$6.07) and the earnings per share were \$33.80 (2017: \$32.50) according to the annual report of the company.

### Impairment

#### Provision for loan write-down

On 12 June 2014, Council resolved to dissolve Mackenzie Tourism and Development Trust and write off the loan and an unsettled amount of \$28,000. The loans remain fully impaired in the current year (2017: Fully impaired).

### Alpine Energy Limited

Council's investment in Alpine Energy Limited is regarded as an equity investment held in another company. This is carried at fair value.

	2017		2018	
	Number of shares held	Value per share	Number of shares held	Value per share
Other financial assets	2,049,870	\$9.51	2,049,870	\$4.69

	2017	2018
	Actual \$'000's	Actual \$'000's
<b>Shares in Alpine Energy Ltd</b>		
Opening Balance	18,902	19,500
Plus revaluations	598	(9,872)
<b>CLOSING BALANCE</b>	<b>19,500</b>	<b>9,628</b>

This was the first year the valuation was undertaken by Ernst & Young. Ernst & Young applied a revised approach to the valuation. Ernst & Young valuation also included updated information on the future regulatory environment for Alpine Energy Ltd, and on the profitability of Alpine Energy Ltd's subsidiaries and associates.

### Interest Rates

The weighted average effective interest rates on investments were:

	2017	2018
Call accounts	0.00 - 1.00%	1.00 - 3.55%
Local authority stock	6.52%	0.00%
State owned enterprises and strongly rated corporates	4.26%	4.05%
Trading bank stock	5.41%	5.23%

## NOTE 15 – Inventory

### Accounting policy

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year 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.

#### Breakdown of inventory and further information

	2017	2018
	Actual \$000's	Actual \$000's
Current	5,280	45
Non-current	0	2,428
<b>TOTAL INVENTORIES</b>	<b>5,280</b>	<b>2,473</b>

#### Inventories are comprised of:

	2017	2018
	Actual \$000's	Actual \$000's
<b>CURRENT PORTION</b>		
Held for distribution or consumption:	49	45
Commercial inventory - land developed for sale <sup>4</sup>	5,231	0
<b>TOTAL CURRENT PORTION</b>	<b>5,280</b>	<b>45</b>
<b>NON-CURRENT PORTION</b>		
Held for distribution or consumption:	0	0
Commercial inventory - land developed for sale <sup>4</sup>	0	2,428
<b>TOTAL NON-CURRENT PORTION</b>	<b>0</b>	<b>2,428</b>
<b>TOTAL INVENTORIES</b>	<b>5,280</b>	<b>2,473</b>

No inventories are pledged as security for liabilities (2017: \$Nil).

#### Held for distribution inventory

Inventories held for distribution or consumption include:

- Retail stock for sale, and
- Excess parts in working condition that remain for emergency repairs. Council intends to hold these spare parts as inventory until they can be utilised in the future.

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2018 amounted to \$45,192 (2017: \$49,130).

The write-down of inventory held for distribution because of a loss in service potential amounted to \$Nil (2017: \$Nil). There have been no reversals of write-downs (2017 \$Nil).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

#### Commercial inventory

<sup>4</sup>The Council has developed land for future sale and associated development costs to date capitalized. These costs will be recovered upon the sale of land. During 2018, Council placed a moratorium on this activity. The commercial land has therefore been reclassified as non-current inventory until the moratorium is lifted. For further details; Refer to Note 23: *Surplus Property*.

The write-down of commercial inventory to net realisable value amounted to \$Nil (2017: \$Nil). There have been no reversals of write-downs (2017: \$Nil).

No inventory is pledged as security for liabilities (2017 \$Nil).

## NOTE 16 – Forestry

### Accounting policy

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

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

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

	2017	2018
	Actual \$000's	Actual \$000's
<b>Opening balance</b>	<b>4,905</b>	<b>5,432</b>
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	477	509
Gains arising from changes in fair value less estimated point of sale costs attributable to price changes	661	161
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributable to log cartage rate changes	(192)	0
Increase/(decrease) due to discount rate change	(470)	0
Increase due to remap	51	(193)
<b>CLOSING BALANCE</b>	<b>5,432</b>	<b>5,910</b>

During the financial period, no replanting or harvesting took place (2017: No replanting or harvesting took place).

### Valuation assumptions

Independent registered valuers, Terry O'Neill (Bachelor of Forestry Science) Forestry Consultant, with Ashburton District Council have valued forestry assets as at 30 June 2018 in accordance with PBE IPSAS 27: *Agriculture*.

This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- The Net Present Value method has been used which values mature stands with inventory information at their realisable ("immediate liquidation") value.
- a discount rate of 7.5% (2017: 7.5%) has been used in discounting the present value of expected future cash flows
- Land value is expressed as an annual rental and included in the annual overhead cost. Reserves vested to the Council by the crown that have been planted in trees (42% of the Council's plantations) have a nil land value. The remaining land has an average value of \$1,500/ha, the annual cost of this land has been set as a rental of 4% on this value that is \$60/ha/year,
- Gross log prices have increased by 0.8% (2017: increased by 5.9%),
- Costs include the following:
  - Log and load, cartage, management fees, and any tracking or roading required. Revenue includes the market value of logs delivered to the mill or wharf. The harvesting costs used for the valuation are derived from the current average cost for operations.
  - Logging costs for Council's plantations are reasonably high due to varied terrain and small stand size. All plantations are able to be harvested using conventional ground based systems.



- Logging, loading and roading: \$29.00/tonne (ground based) and \$38 (steep land)
- Log sale management commission has been Included in overheads
- Log cartage is well serviced in Canterbury. This year cartage rates remain unchanged with diesel prices of \$4.00 per tonne and the variable rate of \$0.22 per tonne/km. The average cartage distance for Downlands plantations is 90km and 120km for Mackenzie Basin plantation.
- Logging costs have not changed since last year.
- Point-of-sale costs: Commissions on assets of significant value can generally be discounted with a rate of 2% (2017: 2%). The sales agent commission could therefore cost between \$30,000 and \$55,000. For valuation purposes \$50,000 has been used. The Sales Memorandum for a scattered forest estate such as this one, would be complex and relatively expensive to put together, therefore a cost of \$15,000 has been allowed.

## NOTE 17 – Intangible Assets

### Accounting policy

#### Software acquisition and development

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

#### Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located.

Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangible Assets. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature, and having no active market for this particular asset type. There is also no recognised valuation methodology.

For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

#### Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

#### Resource Consents

It is difficult to determine the fair value of Resource Consents due to their specialised nature and having no active market to compare values against. For these reasons, Council holds resource consents at deemed cost and they are amortised over the life of the asset.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation values of major classes of intangible assets have been estimated as follows:

Intangible assets	Depreciation method	Life (years)
Computer software	Straight line	3

#### Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 18: *Property, plant and equipment*. The same approach applies to the impairment of intangible assets.

### Breakdown of intangible assets and further information

Movements in the carrying value for each class of intangible asset are as follows:

	1 July 2017				30 June 2018						30 June 2018	
	Cost	Accum. amortisation and impairment charges	Opening carrying amount	Current year revaluation	Accum. Amortisation reversed on revaluation	Current year additions and allocations	Current year disposals	Current year disposals	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	Accum. Amortisation and impairment
												\$000's
Computer software	239	191	48	0	0	62	0	0	0	35	75	226
Carbon emissions	0	0	0	9	0	261	0	0	0	0	270	0
Capital work in progress <sup>5</sup>	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL INTANGIBLE ASSETS</b>	<b>239</b>	<b>191</b>	<b>48</b>	<b>9</b>	<b>0</b>	<b>323</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>345</b>	<b>226</b>
												<b>345</b>

	1 July 2016				30 June 2017						30 June 2017	
	Cost	Accum. amortisation and impairment charges	Opening carrying amount	Current year revaluation	Accum. Amortisation reversed on revaluation	Current year additions and allocations	Current year disposals	Current year disposals	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	Accum. Amortisation and impairment
												\$000's
Computer software	387	274	113	0	0	32	180	115	0	32	48	239
Carbon emissions	2,118	81	2,037	0	0	275	2,312	0	0	0	0	0
Capital work in progress <sup>1</sup>	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL INTANGIBLE ASSETS</b>	<b>2,505</b>	<b>355</b>	<b>2,150</b>	<b>0</b>	<b>0</b>	<b>307</b>	<b>2,492</b>	<b>115</b>	<b>0</b>	<b>32</b>	<b>48</b>	<b>191</b>
												<b>48</b>

### Restrictions

<sup>5</sup> 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling nil in the current year (2017: \$Nil).

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

### Impairment

#### Carbon credits

The Council considers there is no impairment of carbon credits held as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

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.

Last year Council sold carbon credits to help fund roading projects. As a result of selling the carbon credits, Council did not need to borrow externally or service interest charges on borrowed funds.

## NOTE 18 – Property, Plant and Equipment

### Accounting policy

Property, plant and equipment consist of:

#### Operational assets

Operational assets are tangible assets that are able to be dealt with as part of the operating strategy. These include operational land, buildings and improvements, furniture and fittings, plant and equipment, computer hardware, motor vehicles, office equipment, resource recovery parks and heritage assets.

#### Restricted assets

Restricted assets are parks and reserves owned by Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. They include reserves vested under the Reserves Act, and endowments and other property held in trust for specific purposes.

#### Infrastructure assets

Infrastructure assets are the fixed utility systems owned by the Council and group. 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.

#### Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with Council.

Council does not recognise land under unformed paper roads in the financial statements because there little or no service potential from the majority of these paper roads.

Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

#### Revaluation

The carrying values of revalued items are assessed annually to ensure that their carrying amount does not differ materially from fair value and at least every three years. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis. The measurement base for each class of asset is described below.

Operational assets	Is the class revalued?	Valuation Basis
Buildings	Yes	Fair value
Computer hardware	No	Depreciated historical cost
Furniture and fittings	No	Depreciated historical cost
Heritage assets	No	Deemed cost
Land	Yes	Fair value
Motor vehicles	No	Depreciated historical cost
Office equipment	No	Depreciated historical cost
Plant and machinery	No	Depreciated historical cost
Resource recovery parks	No	Depreciated historical cost

Restricted assets	Is the class revalued?	Valuation Basis
Land	Yes	Fair value

Infrastructural assets	Is the class revalued?	Valuation Basis
Flood protection and control works	No	Not applicable
Landfills	No	Depreciated historical cost
Village projects	No	Depreciated historical cost
Alps 2 Ocean cycle-way	No	Deemed cost

Infrastructural assets	Is the class revalued?	Valuation Basis
Land under roads	No	Not applicable
Roads and footpaths	Yes	Optimised depreciated replacement cost
Resource consents	No	Depreciated historical cost
Stormwater	Yes	Optimised depreciated replacement cost
Sewerage	Yes	Optimised depreciated replacement cost
Water supplies	Yes	Optimised depreciated replacement cost

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that reverses 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 recognised in other comprehensive revenue and expense.

### 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 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 initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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 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.

Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process. The vested reserve land has been initially recognised at the most recent appropriately certified government valuation. Vested infrastructure assets have been valued based on the actual quantities of infrastructure.

### Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus/(deficit). When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### Depreciation

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

Operational assets	Depreciation method	Life (years)
Buildings	Straight line	25-80
Computer hardware	Straight line	3-10
Computer network cabling	Straight line	10
Furniture and fittings	Straight line	5-10
Heritage assets	Straight line	60-150
Land	Not depreciated	-
Motor vehicles	Straight line	5
Office equipment	Straight line	5-10
Light plant and machinery	Straight line	5-10
Plant and machinery	Straight line	5-10
Resource recovery parks	Straight line	2-10

Infrastructural assets	Depreciation method	Life (years)
Flood protection and control works	Not applicable	-
Landfills	Straight line	30-50
Village projects	Straight line	5-80
Alps 2 Ocean cycle-way	Straight line	50
Formation	Not depreciated	-
Surfacing	Straight line	0-17
Land under roads	Not depreciated	-
Roads and footpaths	Straight line	6-80
Formation	Not depreciated	-
Sub-base	Not depreciated	-
Base course	Straight line	75-100
Surfacing	Straight line	0-17
Kerb and channelling	Straight line	10-100
Street signs	Straight line	13
Street lighting	Straight line	20-40
Bridges	Straight line	80-100
Resource consents	Straight line	Over the life of the consent
Stormwater		
Lines	Straight line	100
Manholes	Straight line	100
Open drains	Not depreciated	-
Sewerage		
Mains	Straight line	60-80
Pumps	Straight line	15
Oxidation ponds	Not depreciated	-
Box culverts	Straight line	100
Manholes	Straight line	80
Water supplies		
Piping mains	Straight line	60-80
Pumps	Straight line	25
Service lines	Straight line	80-100
Hydrants	Straight line	80
Valves and air valves	Straight line	80
Meters	Straight line	25
Reservoirs	Straight line	80

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

#### **Impairment of property, plant, and equipment**

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or 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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as 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 other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. 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.

#### **Value in use for non-cash-generating assets**

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.



For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### **Value in use for cash-generating assets**

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

### **Critical accounting estimates and assumptions**

#### **Estimating the fair value of land, buildings, and infrastructure**

The most recent valuation of land and buildings was performed by an independent registered valuer, Gerald Morton FNZIV FPINZ FREINZ of Morton and Co Ltd. The valuation is effective as at 30 June 2018.

#### **Land (operational, restricted, and infrastructural) and Buildings**

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the restriction in use. Such land is valued based on rural land value plus a location adjustment to reflect different zoning, which are based on the valuer's judgement.

Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

#### **Buildings (operational and restricted)**

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions used in the 30 June 2018 valuation include:

The replacement costs of the specific assets are adjusted where appropriate for optimisation due to over-design or surplus capacity. There have been no optimisation adjustments for the most recent valuations.

The replacement cost is derived from recent construction contracts of modern equivalent assets and Property Institute of New Zealand cost information. Construction costs based on a modal rate of \$2,645 per square metre (includes an architectural and engineers fees component of 15%) plus a multiple range between 0.2 to 1.7, depending on the nature of the specific asset being valued.

Council has engaged independent structural engineers to estimate the costs to strengthen the Council's earthquake-prone buildings. The information was not available at the time of the annual report preparation and therefore has not been deducted off the depreciated replacement cost.

The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, obsolescence and experience with similar buildings.

Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential and office buildings) are valued at fair value using market-based evidence. Significant assumptions in the 30 June 2018 valuation do not include market rents and capitalisation rates.

#### **Infrastructural asset classes: wastewater, stormwater, water, solid waste and roads**

The most recent valuation of infrastructural assets was performed by an independent registered valuer, George Jason Smith BE(NSW) CPEng of AECOM Maunsell. The valuation is effective as at 1 July 2016.

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

Determination of quantities and sizes of assets are optimised to relate to those acquired for current service delivery and foreseeable demand with the constraint that both sizes and quantities may only be reduced to reflect restrictions in need. Expansions are matters to be considered in capital improvement budgets.

Estimating the replacement cost of the asset. The replacement cost of an asset is based on recent construction contracts in the region for modern engineering equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location. If recent contract cost information is considered out of date, it is indexed using

Statistics New Zealand's Capital Goods Price Index (based on the March 2017 quarter index) for civil constructions to convert them to current dollar value at the valuation date.

Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected 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 statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand 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 asset management planning activities, which provides further assurance over useful life estimates.

### *Critical judgements in applying accounting policies*

#### **Classification of property**

The Council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than as investment property.

	1 July 2017			30 June 2018							30 June 2018		
	Cost / Revaluation	Accum. dep and impairment charges	Carrying amount	Current year revaluation	Accum. Depn reversed on revaluation	Current year additions <sup>a</sup>	Current trfs within PPE	Current year disposals	Current year depreciation	Current year impairment charges	Net Book Value	Cost	Accum. Depn and impairment charges
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>OPERATIONAL ASSETS</b>													
Buil dings	15,969	18	15,951	567	350	323	0	27	0	0	16,819	16,832	13
Computer Hardware	343	301	42	0	0	15	0	0	0	0	24	358	334
Furniture and Fittings	518	449	69	0	0	19	0	0	0	0	75	537	462
Heritage Assets	30	15	15	0	0	0	0	0	0	0	14	30	16
Land	18,268	0	18,268	1,142	0	3	1,630	0	0	0	21,043	21,043	0
Motor Vehicles	330	154	176	0	0	53	0	56	49	0	165	327	162
Office Equipment	143	117	26	0	0	0	0	0	0	0	22	143	121
Plant and Machinery	639	422	217	0	0	143	0	0	0	0	324	782	458
Resource Recovery Parks	171	106	65	0	0	0	0	0	0	0	57	171	114
<b>Total Operational Assets</b>	<b>36,411</b>	<b>1,582</b>	<b>34,829</b>	<b>1,709</b>	<b>350</b>	<b>556</b>	<b>1,630</b>	<b>83</b>	<b>49</b>	<b>0</b>	<b>39,543</b>	<b>40,223</b>	<b>1,680</b>
<b>RESTRICTED ASSETS</b>													
Land	6,454	0	6,454	279	0	9	499	0	0	0	7,241	7,241	0
<b>Total Restricted Assets</b>	<b>6,454</b>	<b>0</b>	<b>6,454</b>	<b>279</b>	<b>0</b>	<b>9</b>	<b>499</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,241</b>	<b>7,241</b>	<b>0</b>
<b>INFRASTRUCTURAL ASSETS</b>													
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfills	136	69	67	0	0	0	0	0	0	0	63	136	73
Village Projects	2,401	855	1,546	0	0	502	0	0	0	0	1,960	2,903	943
Alps 2 Ocean Cycleway	740	54	686	0	0	0	0	0	0	0	671	740	69
Land Under Roads	5,901	0	5,901	0	0	4	19	0	0	0	5,924	5,924	0
Roads and Footpaths	100,502	2,083	98,419	0	0	3,248	0	0	0	0	99,533	103,600	4,067
Resource Consents	378	96	282	0	0	5	0	0	0	0	273	383	110
Stormwater: Drainage	5,475	47	5,428	0	0	996	0	0	0	0	6,371	6,471	100
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and facilities	1,481	50	1,431	0	0	440	0	0	0	0	1,825	1,921	96
Sewerage Schemes: Other assets	13,888	266	13,622	0	0	965	0	0	0	0	14,311	14,853	542
Water Supplies: Treatment plants and facilities	110	2	108	0	0	1,393	0	0	0	0	1,498	1,503	5
Water Supplies: Rural	1,431	313	1,118	0	0	140	0	0	0	0	1,223	1,571	348
Water Supplies: Other assets	23,567	552	23,015	0	0	997	0	0	0	0	23,450	24,564	1,114
<b>Total Infrastructural Assets</b>	<b>156,010</b>	<b>4,387</b>	<b>151,623</b>	<b>0</b>	<b>0</b>	<b>8,690</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>157,102</b>	<b>164,569</b>	<b>7,467</b>
Capital Work in Progress	3,234	0	3,234	0	0	262	(2,753)	0	0	0	743	743	0
Joint Venture Assets	760	214	547	0	0	6	(9)	0	0	0	544	775	232
Surplus Properties identified for Sale	7,168	0	7,168	0	0	300	(1,722)	515	0	0	5,231	5,231	0
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>210,037</b>	<b>6,183</b>	<b>203,855</b>	<b>1,988</b>	<b>350</b>	<b>9,823</b>	<b>(2,327)</b>	<b>589</b>	<b>49</b>	<b>0</b>	<b>209,404</b>	<b>218,782</b>	<b>9,379</b>

	1 July 2016		30 June 2017							30 June 2017			
	Cost / Revaluation	Accum.dep and impairment charges	Carrying amount	Current year revaluation	Accum. Depn reversed on revaluation	Current year additions <sup>7</sup>	Current year trfs to PPE intended for sale	Current year disposals	Current year depreciation	Net Book Value	Cost	Accum. Depn and impairment charges	Carrying amount
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
OPERATIONAL ASSETS													
Buildings	14,131	910	13,221	921	1,233	1,298	0	381	2	0	343	18	15,951
Computer Hardware	648	632	16	0	0	1	0	306	371	0	40	301	42
Furniture and Fittings	508	438	70	0	0	10	0	0	0	0	11	449	69
Heritage Assets	30	14	16	0	0	0	0	0	0	1	15	15	15
Land	15,654	0	15,654	2,759	0	341	(244)	242	0	0	0	18,268	0
Motor Vehicles	626	403	223	0	0	115	0	411	343	0	94	154	176
Office Equipment	216	182	34	0	0	2	0	75	71	0	6	143	26
Plant and Machinery	837	594	243	0	0	36	0	234	209	0	37	639	217
Resource Recovery Parks	171	98	73	0	0	0	0	0	0	0	8	106	65
Total Operational Assets	32,821	3,271	29,550	3,680	1,233	1,803	(244)	1,649	996	0	540	1,582	34,829
RESTRICTED ASSETS													
Land	5,497	0	5,497	952	0	5	0	0	0	0	0	0	6,454
Total Restricted Assets	5,497	0	5,497	952	0	5	0	0	0	0	0	0	6,454
INFRASTRUCTURAL ASSETS													
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill	136	65	71	0	0	0	0	0	0	4	67	69	67
Village Projects	2,399	785	1,614	0	0	2	0	0	0	70	1,546	855	1,546
Alps 2 Ocean Cycleway	692	40	652	0	0	48	0	0	0	14	686	54	686
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	0
Roads and Footpaths	94,597	5,924	88,673	1,423	5,733	4,632	0	0	0	2,042	98,419	2,083	98,419
Resource Consents	378	82	296	0	0	0	0	0	0	14	282	96	282
Stormwater Drainage	5,495	202	5,293	(28)	202	8	0	0	0	47	5,428	47	5,428
Stormwater Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and fac	2,579	147	2,432	(1,228)	137	130	0	0	0	40	1,431	50	1,431
Sewerage Schemes: Other assets	12,819	844	11,975	1,033	843	36	0	0	0	265	13,888	266	13,622
Water Supplies: Treatment plants and facilit	1,578	32	1,546	(1,531)	32	63	0	0	0	2	108	2	108
Water Supplies: Rural	1,380	280	1,100	0	0	51	0	0	0	33	1,118	313	1,118
Water Supplies: Other assets	22,626	1,254	21,372	88	1,249	853	0	0	0	547	23,015	552	23,015
Total Infrastructural Assets	150,580	9,655	140,926	(243)	8,196	5,823	0	0	0	3,078	151,623	4,387	151,623
Capital work in progress <sup>1</sup>	1,910	0	1,910	0	0	1,329	(5)	0	0	0	0	0	3,234
Joint venture assets	748	195	554	0	0	12	0	0	0	19	547	214	547
Surplus properties identified for sale	7,178	0	7,178	0	0	4	(9)	5	0	0	7,168	0	7,168
TOTAL PROPERTY, PLANT AND EQUIPMENT	198,734	13,121	185,616	4,389	9,429	8,976	(258)	1,654	996	0	3,637	6,183	203,855

## Valuation

### Operational assets

Buildings are measured at fair value less accumulated depreciation with subsequent additions recorded at cost. Buildings were revalued at 30 June 2018 by Morton & Co. Future revaluations will be carried out on a three yearly basis. Buildings have been valued using market values where a market value exists for that asset, or at depreciated replacement cost. Each building has also been componentised into:

- Structure,
- Services, and
- Internal fitout.

Land is valued at fair value. This is determined from market-based evidence by an independent valuer. The most recent valuation of land was performed by Morton & Co, and the valuation is effective as at 30 June 2018. Any subsequent additions from this date have been recorded at cost.

Plant and machinery have been valued at cost and less accumulated depreciated.

Heritage assets have been recorded at cost less accumulated depreciation.

Other assets are valued at the lower of cost less accumulated depreciation.

### Infrastructural assets

These are fixed utility systems, which are available for open and unrestricted use by the community. They provide a continuing service to the community and are not regarded as tradable.

Infrastructural assets include sewerage, stormwater, water supply, bridges and roading systems. Council's infrastructural assets, except rural water races, village projects and resource consents and Alps 2 Ocean Cycleway, have been included in this document at their 1 July 2016 valuations, plus additions at cost, less accumulated depreciation. The valuation of the infrastructural assets, conducted on a three yearly basis was conducted by a registered valuer, AECOM Maunsell, and these assets have been valued at depreciated replacement cost as at 1 July 2016. Subsequent additions have been valued at cost and depreciated.

Rural water races, landfills, village projects and Alps 2 Ocean Cycleway are stated at their cost or deemed cost less depreciation.

Costs incurred in obtaining any resource consents are capitalised and depreciated over the life of the resource consent. If a resource consent application is declined then all capitalised costs are written off.

Land under roads, includes land under formed roads and subsequent additions vested to Council. The value of land under roads is based on the average rateable value of the land in the associated ward as deemed by Quotable Value. These values have been adopted as deemed cost.

### Impairment

Impairment losses on developed land totalling \$117,716 have been recorded during the 2018 financial year in relation to property, plant and equipment (2017: \$Nil).

### Work In Progress

The total amount of property, plant and equipment in the course of construction is \$706,284 (2017: \$3,234,000). Assets under construction are not depreciated. The total cost of a completed project is transferred to the relevant asset class at balance date and depreciated from the following year.

### Restrictions

Land and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both.

This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

## Core Assets

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

	2018			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$'000's	\$'000's	\$'000's	\$'000's
<b>Water Supply</b>				
- treatment plants and facilities	1,490	1,393	0	1,553
- other assets	23,456	510	487	36,872
- rural	1,224	140	0	1,883
<b>Sewerage</b>				
- treatment plants and facilities	1,825	435	5	3,419
- other assets	14,311	193	772	23,594
<b>Stormwater drainage</b>	6,371	719	277	8,423
<b>Flood protection and control works</b>	0	0	0	0
<b>Roads and footpaths</b>	98,237	1,926	1,258	147,192
<b>TOTAL</b>	<b>146,914</b>	<b>5,316</b>	<b>2,799</b>	<b>222,936</b>

The replacement cost is based on the optimised replacement cost estimate amounts in the valuation as at 1 July 2016 plus additions during 2016/2017 and 2017/18 at cost. The closing book value of Roads and footpaths shown above excludes the value of street lighting, sumps, leads and other related assets totalling \$1,295,150 that are included in the value of Roading assets under infrastructural assets as disclosed in the previous page. Replacement cost for water supply does not include rural water schemes as they are stock water and as such are not considered core assets.

	2017			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$'000's	\$'000's	\$'000's	\$'000's
<b>Water Supply</b>				
- treatment plants and facilities	108	68	0	160
- other assets	23,015	853	0	35,875
	1,118	51	0	1,743
<b>Sewerage</b>				
- treatment plants and facilities	1,431	130	0	2,979
- other assets	13,622	36	0	22,629
<b>Stormwater drainage</b>	5,428	8	0	7,427
<b>Flood protection and control works</b>	0	0	0	0
<b>Roads and footpaths</b>	97,066	2,238	2,334	144,008
<b>TOTAL</b>	<b>141,788</b>	<b>3,384</b>	<b>2,334</b>	<b>214,821</b>



## NOTE 19 – Subsidiary

**Name of Entity:** Mackenzie Holdings Ltd and Mackenzie Tourism and Development Trust

**Balance date:** 30 June 2018

Council resolved on 12 June 2014 to dissolve the Mackenzie Tourism Development Trust. In 2013, Council ceased to operate in a Group as Council resolved 13 June 2013 to dissolve the Trust and also resolved to exempt the organisation under Section 7 of the Local Government Act 2002. The transactions for MTDT have been absorbed into Council. Consequently, no group financial transactions have been included in these results.

## NOTE 20 – Payables and deferred revenue

### Accounting policy

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

	2017	2018
	Actual \$000's	Actual \$000's
<b>CURRENT PORTION</b>		
<b>Payables and deferred revenue under exchange transactions</b>		
Trade payables and accrued expenses	2,783	2,466
Revenue in advance	118	403
Deposits on Land Sales	455	626
<b>Total</b>	<b>3,356</b>	<b>3,495</b>
<b>Payables and deferred revenue under non-exchange transactions</b>		
Other taxes payable (e.g. GST and FBT)	3	3
Grants payable	5	0
Rates in advance	151	117
<b>Total</b>	<b>159</b>	<b>120</b>
<b>TOTAL CURRENT PAYABLES AND DEFERRED REVENUE</b>	<b>3,515</b>	<b>3,615</b>

### Fair Value

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

## NOTE 21 – Employee Entitlements

### Accounting policy

#### Short-term employee entitlements

Employee benefits expected to be settled within 12 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.

#### Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement; and contractual entitlement information; and

The present value of estimated future cash flows.

#### Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

	2017	2018
	Actual \$'000's	Actual \$'000's
Current	239	257
Non-current	22	23
<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>261</b>	<b>280</b>
<b>Employee entitlements are comprised of:</b>		
<b>CURRENT PORTION</b>		
Accrued salaries and wages	136	126
Annual leave	103	131
<b>TOTAL CURRENT PORTION</b>	<b>239</b>	<b>257</b>
<b>NON-CURRENT PORTION</b>		
Retirement gratuities	22	23
<b>TOTAL NON-CURRENT PORTION</b>	<b>22</b>	<b>23</b>
<b>Total employee entitlements</b>	<b>261</b>	<b>280</b>

## NOTE 22 – Provisions

### *Accounting policy*

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event,
- it is probable that an outflow of future economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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 and is included in “finance costs”.

### *Critical accounting estimates and assumptions*

As the former owner of various closed landfills around the District, the Council has a legal obligation to ensure these sites are rehabilitated to a standard that minimises any negative impact on the environment.

The Council has obtained resource consents for the closure of the following landfills:

- Burkes Pass landfill - granted until 27 July 2031
- Fairlie landfill - granted until 27 July 2031
- Tekapo landfill - granted until 27 July 2031
- Twizel landfill - granted until 27 July 2031
- Haldon landfill - granted until 27 July 2031
- Albury landfill - granted until 27 July 2031

The cash outflows for landfill post-closure costs are expected to occur for up to 13 years. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The future cash outflows for the provision have been estimated taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$69,330 (2017: \$70,925).

The following significant assumptions have been made in estimating the provision:

The remaining capacity of the site is 0.5 million cubic metres (refuse, clean fill, and cover).

The estimated remaining life is 13 years, based on current projected waste volumes. Projected waste volumes have been estimated by using historical waste trend information.

An annual inflation factor of 3.05% (2017: 2.00%) has been applied in estimating the future cash outflows.

Discount rates of 3.05% (2017: 3.36%) has been used to discount the estimated future cash outflows. These rates have been determined using 30 June 2018 Treasury risk-free discount rate forecast.

The management of the landfill will influence the timing of recognition of some liabilities. For example, the current landfill will operate in two stages. A liability relating to stage two will be created only when this stage is commissioned and when refuse begins to accumulate in this stage. Estimates of the life and future expenditure are reviewed annually by Council.

	2017	2018
	Actual \$000's	Actual \$000's
Current	3	3
Non-current	58	55
<b>TOTAL PROVISIONS</b>	<b>61</b>	<b>58</b>
<b>CURRENT PORTION</b>		
Landfill aftercare liability	3	3
<b>TOTAL CURRENT PROVISIONS</b>	<b>3</b>	<b>3</b>
<b>NON-CURRENT PORTION</b>		
Landfill aftercare liability	57	55
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>57</b>	<b>55</b>
<b>Total provisions</b>	<b>60</b>	<b>58</b>
<i>Movements for each class of provision are as follows:</i>		
<b>LANDFILL AFTERCARE LIABILITY</b>		
Opening balance	61	60
Additional provisions made	0	3
Unused amounts reversed	(1)	(4)
Discount unwind (Note 6; <i>Other expenses</i> )	0	(1)
<b>Total landfill aftercare liability</b>	<b>60</b>	<b>58</b>

## NOTE 23 – Surplus Property

	2017	2018
	Actual \$000's	Actual \$000's
<b>LAND</b>		
<b>Opening Balance</b>	13,624	12,399
<b>Add/(less):</b>		
Transfer from operational land	0	(3,904)
Disposals/change in valuation	(1,225)	(836)
<b>CLOSING BALANCE</b>	<b>12,399</b>	<b>7,659</b>
<b>TOTAL SURPLUS PROPERTY</b>	<b>12,399</b>	<b>7,659</b>
<i>Total surplus properties are comprised of:</i>		
Inventory (Note 15)	5,231	2,428
Surplus property held for sale	7,168	5,231
<b>Total Surplus Properties</b>	<b>12,399</b>	<b>7,659</b>

## NOTE 24 – Related Party Transactions

Mackenzie District Council is the ultimate parent of the group and controls Mackenzie Holdings Limited and the Mackenzie Tourism and Development Trust.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and condition no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within Council (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties during the year ending 30 June 2018 (2017: Nil). No related party debts have been written off or forgiven during the period (2017: Nil).

### *Related party transactions required to be disclosed*

#### **Key management personnel compensation**

	2017	2018
	Actual	Actual
	\$000's	\$000's
<i><b>Councillors</b></i>		
Remuneration	170	173
Full-time equivalent members	7	7
<i><b>Senior Management Team, including the Chief Executive</b></i>		
Remuneration	847	860
Full-time equivalent members	6	6

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

Key Management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

1. There are close family members of key management personnel employed by the Council. The terms and conditions of those arrangements are no more favourable than the Council would have adopted if there were no relationship to key management personnel.

During the reporting period, total remuneration of \$46,722 (2017: \$19,540) was provided by Council to employees who are close family members of key management personnel.

An analysis of Councillor remuneration and further information on Chief Executive remuneration is provided in Note 5.

## NOTE 25 – Contingent Assets

2017	2018
Actual	Actual
\$000's	\$000's

Council is aware of the following contingent liabilities as at 30 June 2018:

### CONTINGENCIES:

Housing New Zealand contribution to Fairlie Pensioner Housing Units	516	516
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>516</b>	<b>516</b>

### Contingent Liabilities

#### Housing New Zealand Contribution

Council has recognised as a contingent liability for the amount Housing New Zealand contributed to the construction of the Pensioner Housing units in Fairlie. Council will be required to pay the loan back to Housing New Zealand if Council ceases to supply pensioner housing. This liability will cease on 12 June 2028.

### Contingent Assets

#### High Country Medical Trust

The future health care needs of the Mackenzie/Omarama Community has necessitated a larger purpose built facility. In support of the High Country Medical Trust's ("the Trust") aims and objectives, the Council resolved to advance an interest-free unsecured loan of \$330,000 towards the construction of the new medical centre. This loan has been shown as grant expenditure in the Statement of Financial Performance. Refer to Note 5: Expenditure. Also, the Trust and Council have entered into an agreement 29 July 2015 whereby the Council leases the land to the Trust on which the new Medical Centre has been built.

The Trust controls the use of the new medical facilities, however if the practical completion and code of compliance certificates are not issued within five years of the agreement, the Trust breaches the terms of the agreement or Council terminates the agreement then the assets will vest in Council and the loan shall become repayable with interest by the Trust to Council. Until one of these events occurs, the assets are not recognised as assets in the Statement of Financial Position.

As at 30 June 2018, the new medical facility has an approximate value of \$1,560,000. This estimate has been based on rating valuations for the area.

There are no other contingent assets (2017: \$Nil)



## NOTE 26 – Events after Balance Date

### Land Sales: Pukaki Airport Board

During the year, Pukaki Airport Board entered into four Sale and Purchase Agreements with third parties for the disposal of parcels of land held for a total cash consideration of \$604,905 (2017: \$1,147,740). The initial deposits received for the four properties was \$135,255, which are included in Note 20: *Payables and deferred revenue* as deposits on land sales as at the end of the financial year.

The disposals are expected to be completed by the end of the 2020/2021 financial year.

The remaining amounts receivable (including sales from previous years) prior to settlement are collectible as follows:

	2017	2018
	Actual	Actual
	\$000's	\$000's
Not later than one year	251,464	365,328
Later than one year, not later than two years	251,464	222,800
Later than two years, not later than five years	624,080	714,400 <sup>l</sup>
<b>Total receivable</b>	<b>1,127,008</b>	<b>1,302,528</b>

<sup>l</sup>In the "Later than two years, not later than five years" range is an amount of \$557,000 that Council considers doubtful. However, the sale and purchase agreement includes personal guarantees from the purchasers and therefore the amount is still included above.

### Land Sales: Mackenzie District Council

In the 2017/18 financial year, no further Tekapo properties were sold (2017: \$2,695,000).

No other post balance date events occurred up to the date of the report adoption that are known to have a material effect on the Financial Statements and Notes to the Financial Statements of Council (2017: Nil).

### New Contract Agreements

During the year Regional Mid-sized Tourism Facilities Grant Fund confirmed approval for the funding of the following two Council projects:

1. Lakeside Drive Tekapo: During the year, \$267,000 was approved for the construction of a Permaloo toilet adjacent to Lakeside Drive, Lake Tekapo and installation of an effluent dump station and installation of a rubbish compactor unit in Tekapo township;
2. Pukaki Lookout Toilet and Effluent Upgrade: An amount of \$100,000 was approved during 2017/2018 to upgrade the existing toilet and effluent disposal system adjacent to Lake Pukaki Lookout.

The purpose of these projects is to better respond to the needs of increasing numbers of visitors to the region for such facilities.

Currently, the projects are included as Work in Progress in *Note 18: Property, Plant and Equipment*. The asset and associated funding contribution from MBIE will be recognised after balance date in 2018/2019.

Mackenzie District Council and Waitaki District Council are working alongside DOC, NZTA and LINZ to address responsible camping initiatives for the peak season. The estimated cost of the work is \$548,000, which is being funded by MBIE Tourism Facilities Development Grant.

The Regional Mid-sized Tourism Facilities Grant Fund has approved a contribution of \$294,000 towards the Church of the Good Shepherd Bus Parking Project. The project work is estimated to cost \$420,000, which includes revised carparking, landscaping and fencing around the Church of the Good Shepherd.

Council has entered into a contract for \$500,000 to upgrade the Twizel swimming pool. The project will include lining the pool and modernising pipework, covers, infiltration plant and separation of the pools. The purpose is to improve the complex to a standard that is compliant with regulations.

### Alpine Energy Limited

The Directors of Alpine Energy Limited signed the solvency certificate for the final dividend of 9.5 cents per share, fully imputed on 26 July 2018. As the declaration for the final dividend was after balance date, Council has not included the revenue in 2017/2018. The revenue will be recognised in 2018/2019 financial year.

## NOTE 27 – Financial Instruments

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

	2017	2018
	Actual	Actual
	\$000's	\$000's
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	6,844	11,338
Receivables	2,114	2,674
Other financial assets		
Eversley Loan	136	128
Term deposits	180	860
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>9,274</b>	<b>15,000</b>
<b>Fair value through other comprehensive revenue and expense</b>		
Bonds	2,087	1,574
Strongly rated corporate bonds	786	789
Local authority stock	513	0
Unlisted shares	19,500	9,628
<b>TOTAL FAIR VALUE THROUGH COMPREHENSIVE REVENUE AND EQUITY</b>	<b>22,886</b>	<b>11,991</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Payables	3,512	3,612
<b>TOTAL FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>3,512</b>	<b>3,612</b>

## NOTE 28 – Explanation of Major Variances against Budget

Explanations for major variances from Mackenzie District Council's estimated figures in the 2017-2018 Annual Report are as follows:

### Statement of Comprehensive Revenue and Expense

Council's net comprehensive revenue and expense of \$(1,835,000) was \$3,264,000 less than the budgeted profit of \$1,429,000. This is due to the net effect of the following variances in revenue and in expenditure as detailed below.

#### Revenue (Refer to Note 4; Revenue)

Revenue was \$24,738,000, compared to the budgeted revenue of \$16,790,000.

<b>Subsidies and grants</b>	<p>Subsidies and grants were \$2,266,000 being \$421,000 above the budget of \$1,845,000. This was largely due to:</p> <ul style="list-style-type: none"> <li>A grant received from the Regional Mid-sized Tourism Facility Grant Fund of \$275,000 towards replacing the toilet facility at the Pines Camp Ground. The purpose of the project was to better respond to the needs of increasing visitor numbers in the region for such facilities. The grant was not forecast in the annual plan, and</li> <li>Petrol tax of \$88,000 was also received this year that had not been budgeted.</li> </ul>
<b>Real estate sales</b>	<p>Revenue from real estate sales of \$835,000 was received for two Pukaki Airport sections and the final section in the Lake Tekapo lakefront development being sold. Also, the final settlement was received for one Pukaki Airport property totalling \$160,000</p> <p>The budget for these real estate sales was included as Other Revenue in the Annual Plan.</p> <p>The cost of the land pertaining to these sales was \$531,000 showing in the expenditure section. During the year, Council placed a moratorium on future real estate sales.</p>
<b>Contributions</b>	<p>These contributions are generated as a result of developers giving effect to subdivision plans and have contributed \$3,125,000 (budget \$854,000) in revenue for the year. Contributions are \$2,271,000 higher than expected due to increased development in the District.</p>
<b>Other revenue</b>	<p>Other revenue totals \$6,281,000, which is \$3,277,000; more than the budget of \$3,005,000. This is largely due to:</p> <ul style="list-style-type: none"> <li>A gain of \$2,312,000 was realised upon the sale of two sections in Twizel and two lots in the Lakeside Drive development in Lake Tekapo. The budget for these sales were incorporated in real estate sales in the Annual Plan,</li> <li>Carbon credits worth \$271,000 were issued to Council during the year,</li> <li>The fair value of these carbon credits increased by \$8,700 between acquisition and the end of the financial year,</li> <li>A forestry revaluation gain of \$479,000, which is \$418,000 higher than anticipated, and</li> <li>Timber sales of \$297,000 were received which were unbudgeted.</li> </ul>
<b>Vested assets</b>	<p>Revenue from vested assets totalled \$2,890,000, which is \$1,245,000 higher than the estimated budget of \$1,645,000.</p> <p>Infrastructural assets vested in Council this year totalled \$1,545,000 from Tekapo and Twizel developers, including water assets \$487,000, sewer assets \$777,000, stormwater assets \$277,000 and roading assets \$1,349,000. Vested asset revenue is largely attributable to higher than anticipated amounts of vested assets provided to Council. Vested assets are mainly infrastructural assets received from developers once a subdivision is complete. This is a non cash item and is subject to the number of subdivisions that are completed.</p>
<b>Financial assets at fair value through other comprehensive revenue and expense</b>	<p>Council is showing a revaluation loss of \$9,895,000 on financial assets held. The revaluation of the Alpine Energy shares resulted in a loss of \$9,872,000. This loss in value is not a cash transaction. The unrealised loss represents the change in the market value of the shares for the year for accounting purposes only. The revaluation of shares is not budgeted for due to their nature and they have no impact on cash flow.</p> <p>Additionally, Council's investment stock has shown a small decrease in the value of \$22,000.</p>
<b>Property, plant and equipment revaluations</b>	<p>Council undertook the revaluation of its land and buildings again this year due to the continuing increasing values across the District. The resulting unrealised gain from the Land and Buildings revaluation was \$4,148,000. The revaluation was not budgeted due to the inherent difficulties in forecasting market conditions and changes in technology which affect fair value.</p> <p>The above revaluation gain has been partially offset by an impairment of \$3,674,000 for land re-designated from Inventory to Restricted Land and Land under Roads within Property, Plant and Equipment. The write-down reflects the intended change in use of the land.</p>

## Expenditure

Refer to Note 5; Personnel Costs and Note 6: Other expenses.

Expenditure was \$17,034,000, compared to the budgeted expenditure of \$15,361,000.

<b>Depreciation and amortisation</b>	<p>Depreciation of \$3,767,000, being \$149,000 lower than budgeted in the Annual Plan by \$3,916,000. This is due to:</p> <ul style="list-style-type: none"> <li>• Depreciation had been planned on fire response assets that were transferred to Fire and Emergency New Zealand (FENZ) on 30 June 2017.</li> <li>• Depreciation on Stormwater and Sewerage assets is less than planned as capital projects that were expected to have been completed this year have not been started.</li> </ul>
<b>Real estate cost of sales</b>	<p>Real Estate cost of sales totalled \$531,000 and was not budgeted. This relates to the land costs including development and realisation of revaluation reserves associated with the sections sold.</p>
<b>Other expenses</b>	<p>Costs for the year are \$9,276,000; \$1,406,000 more than the budgeted cost of \$7,870,000. The main reasons for this are:</p> <ul style="list-style-type: none"> <li>• The operational and maintenance costs for the Twizel water supply and Tekapo reservoir were higher than budget by \$154,000.</li> <li>• Work in progress costs incurred on water exploration of \$103,000 in Twizel and Manuka Terrace have been expensed as work in this area will not continue.</li> <li>• \$163,000 additional expenditure on contractors to repair aging sewer pipes, mainly in Twizel.</li> <li>• Outsourcing the processing of resource consent applications \$326,000 and building consent applications \$213,000.</li> <li>• Additional legal fees were incurred towards land sales.</li> <li>• Forestry operational and maintenance costs were \$100,000 higher than expected.</li> <li>• Waste disposal and cartage fees were \$176,000 less than anticipated because increased public awareness has resulted in reduced land fill waste.</li> <li>• Roothing costs were \$345,000 higher than the planned expenditure of \$1,220,000. Council incurred this unbudgeted expenditure due to flood remediation arising from the July 2017 floods.</li> <li>• An extra \$97,000 of costs were incurred from the health and liquor licencing contract outsourced.</li> </ul> <p>An explanation for this and other operating expenditure variances are reported in detail by significant activity in the cost of service statements in the Group Activities section.</p>

## NOTE 29 – Insurance Contracts

### Insurance of Assets

The following information relates to the insurance of Council assets as at 30 June 2017.

	2017	2018
	Actual \$000's	Actual \$000's
The total value of all Council assets covered by insurance contracts	203,855	209,404
The maximum amount to which insured assets are insured	40,680	46,362
The total value of all Council assets covered by financial risk sharing arrangements	0	0
Maximum amount available to the Council under financial risk sharing arrangements	0	0
Total value of assets that are self-insured	143,141	146,988
The value of funds maintained for self-insurance	3,000	3,000

The maximum amount to which assets are insured under Council insurance policies are calculated at cost to reinstate the asset.

In addition to Council's insurance, in the event of natural disaster it is expected that Central Government will contribute up to 60% towards the restoration of water, drainage and sewerage assets and provide a subsidy of 55-75% towards the restoration of roads.

An insurance reserve of \$200,000 (2017: \$200,000) exists to meet the costs of claims that fell below deductible levels under Council insurance policies. Refer to Note 10: Equity

## 4.8 Annual Report Disclosure Statement for Year Ending 30 June 2018

### *What is the Purpose of this Statement?*

The purpose of this statement is to disclose the Council's planned 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 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

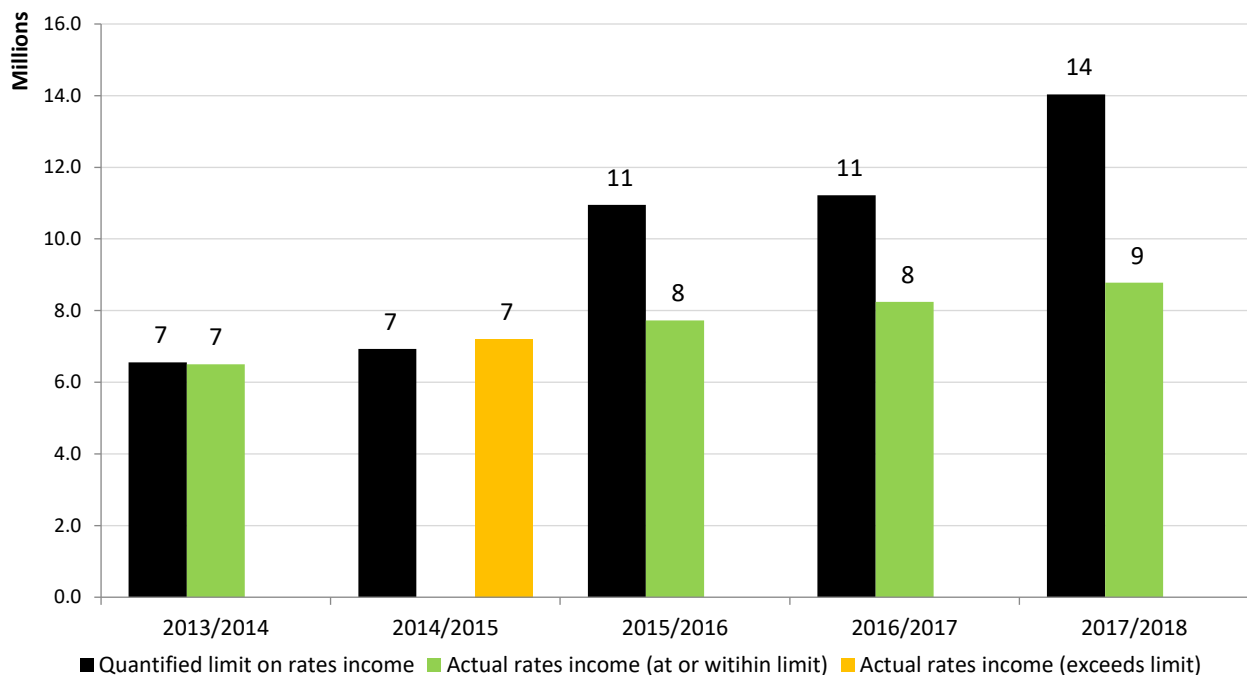
### *Rates Affordability Benchmark*

The Council meets the rates affordability benchmark if—

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

### *Rates (Revenue) Affordability*

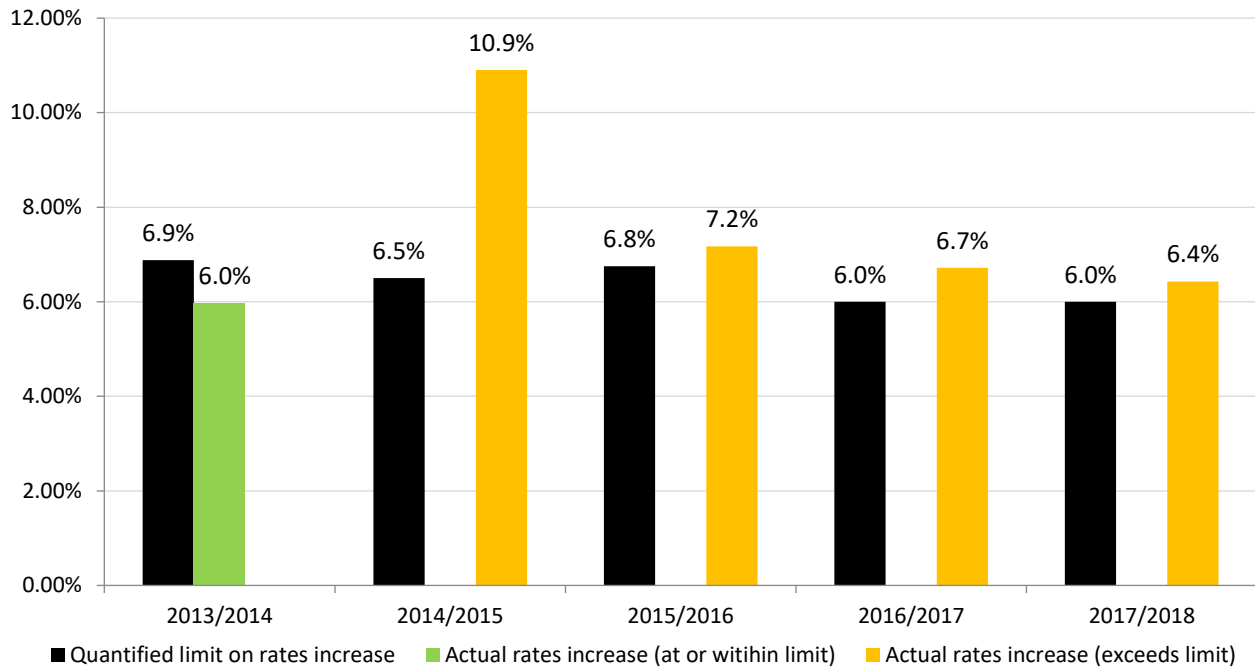
The following graph compares the Council's actual rates revenue with a quantified limit on rates contained in the financial strategy included in the Council's Long-Term Plan. The quantified limit is \$14,033,819.



The methodology in the 2015-2025 Long-Term Plan financial changed to take into account growth in rating base.

### Rates (Increases) Affordability

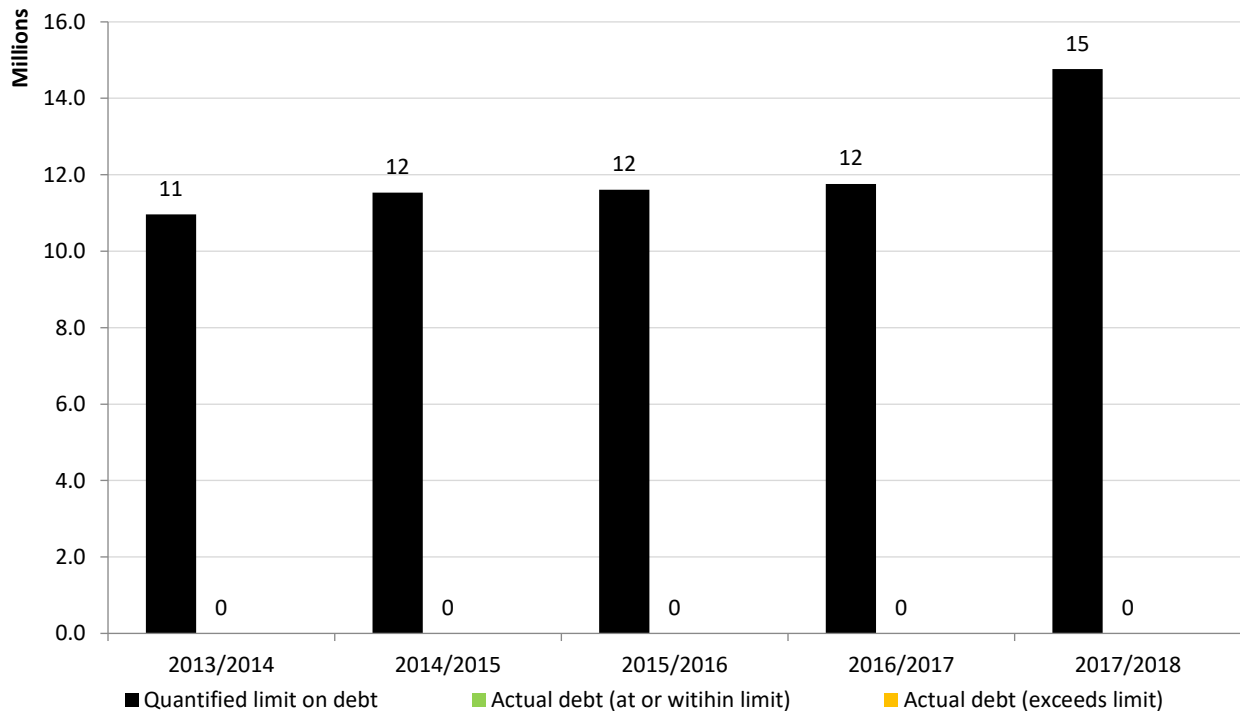
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long-Term Plan. The quantified limit is that rates increases to existing ratepayers will not exceed 6.00%.



The Council breached its quantified limit on rates increase due to increased growth in capital value between when the rates were budgeted and the rates strike.

### Debt Affordability Benchmark

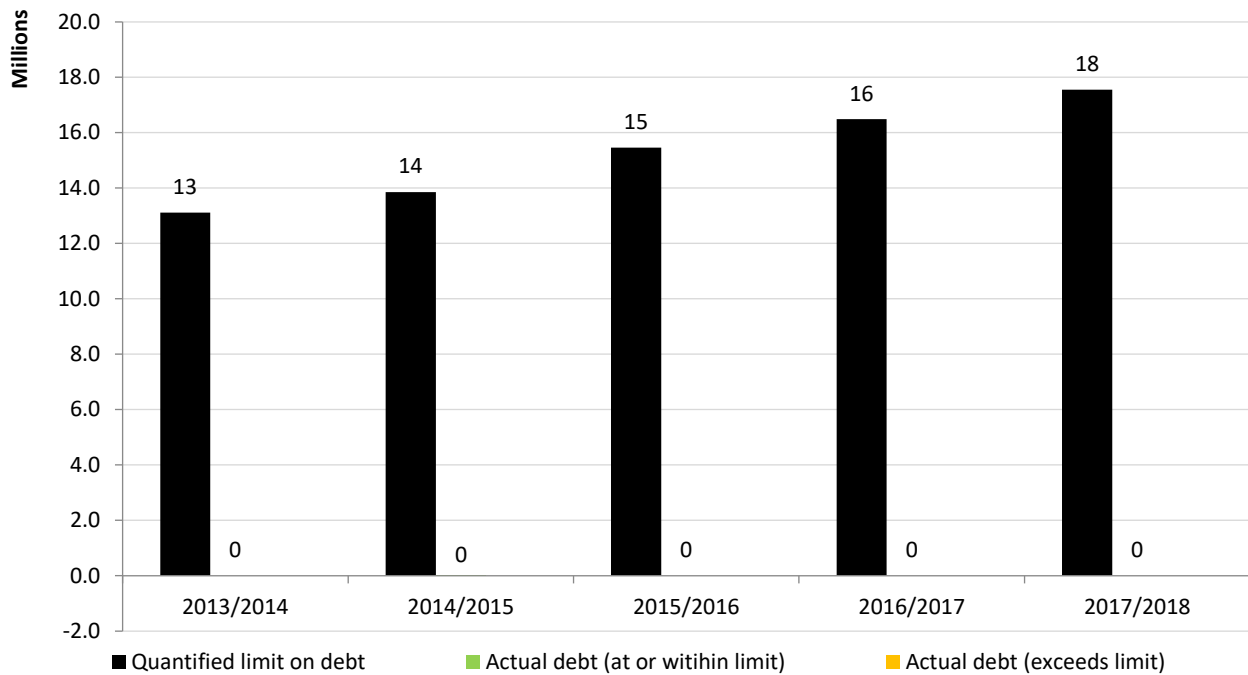
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-Term Plan. The quantified limit is that the maximum debt level is \$14,762,000.





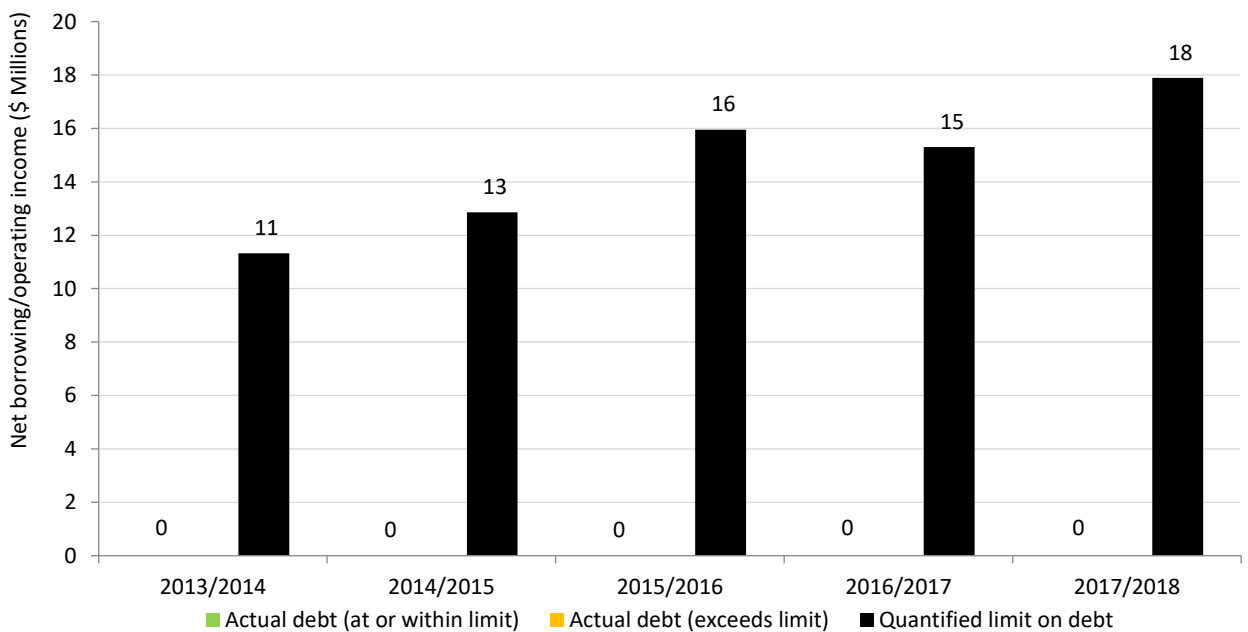
### Net Borrowing as a Percentage of Rates Revenue

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long-Term Plan. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, will not exceed two times annual rates revenue.



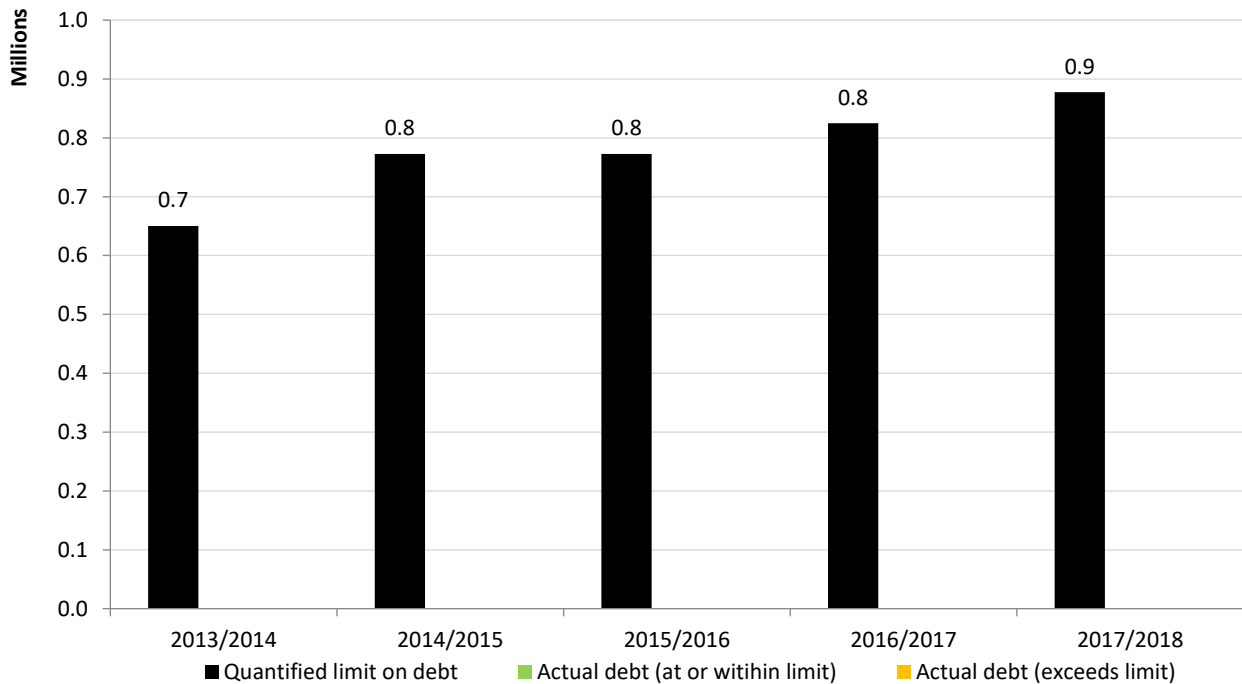
### Net Borrowing as a Percentage of Operating Revenue

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long-Term Plan. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 100% of operating revenue. For this measure revenue is defined as total revenue less real estate sales, vested assets and capital contributions revenue.



### Financing Costs as a Percentage of Rates Revenue

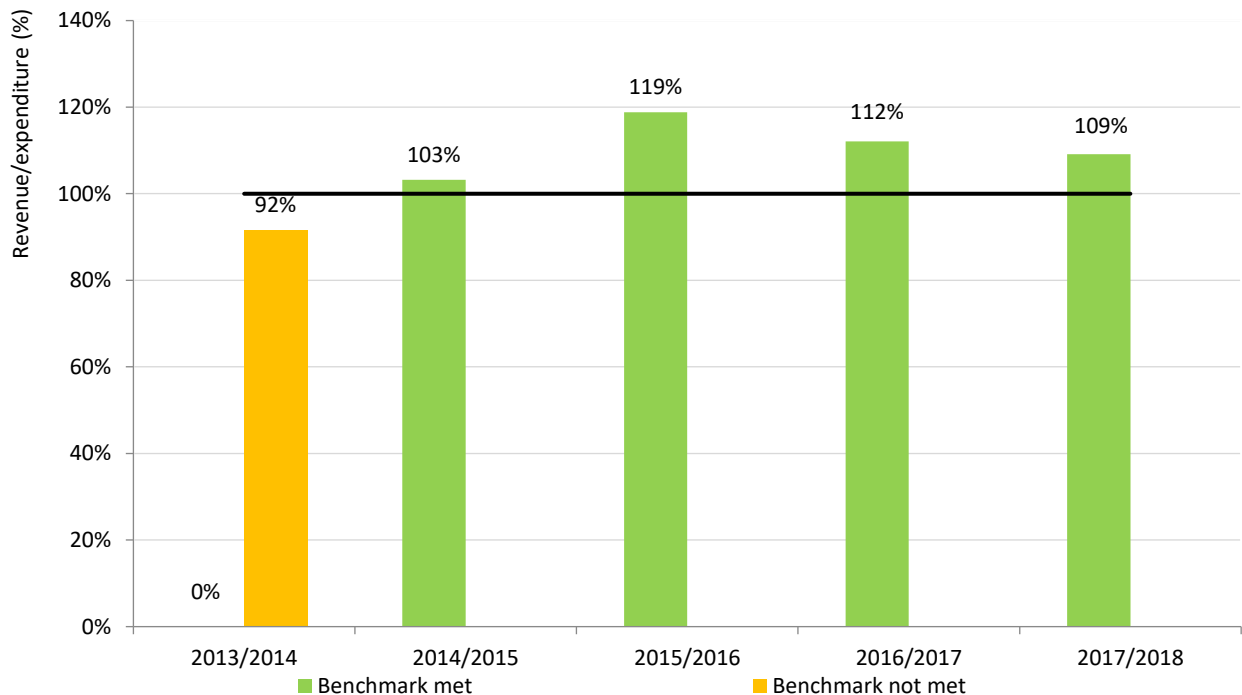
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long-Term Plan. The quantified limit is net interest, as defined as interest expense less interest revenue, being less than or equal to 10% of annual rates revenue.



### 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, or equipment).

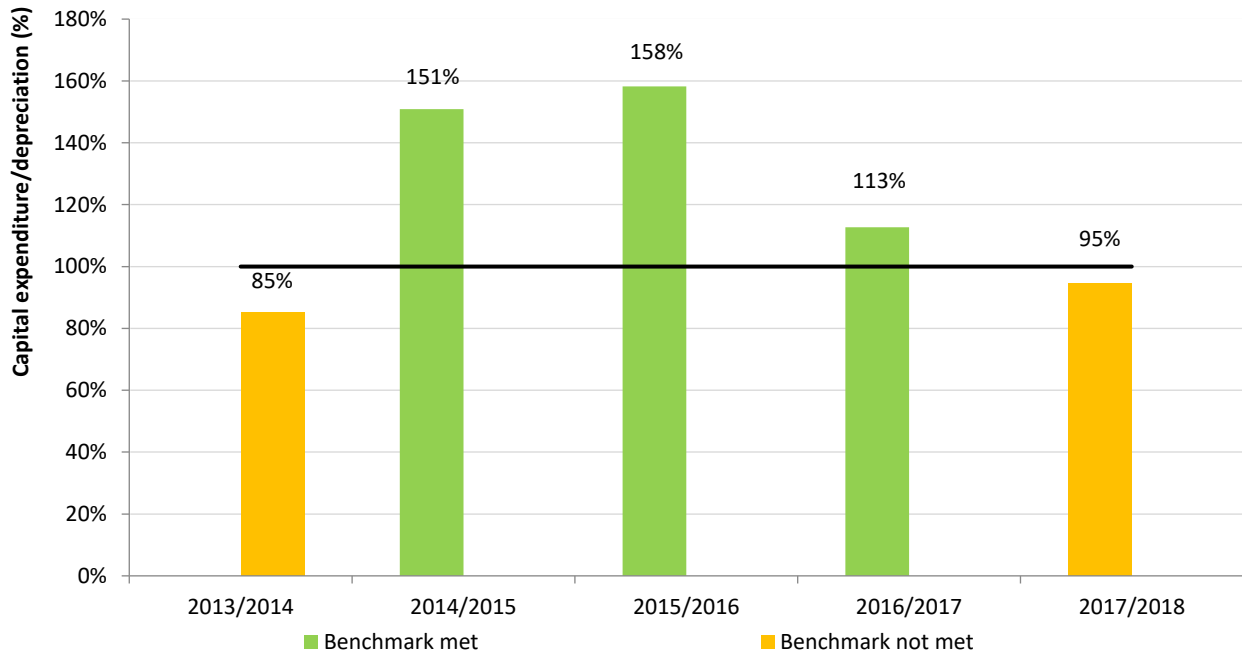
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



### Essential Services Benchmark

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

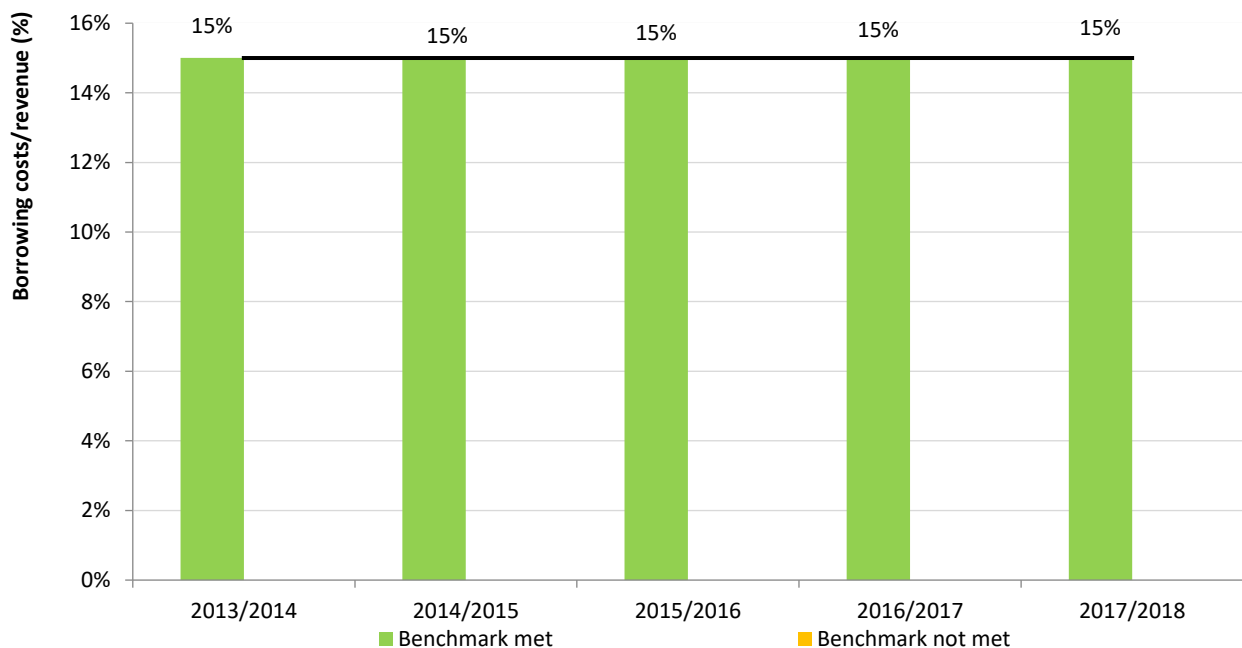
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Debt Servicing Benchmark

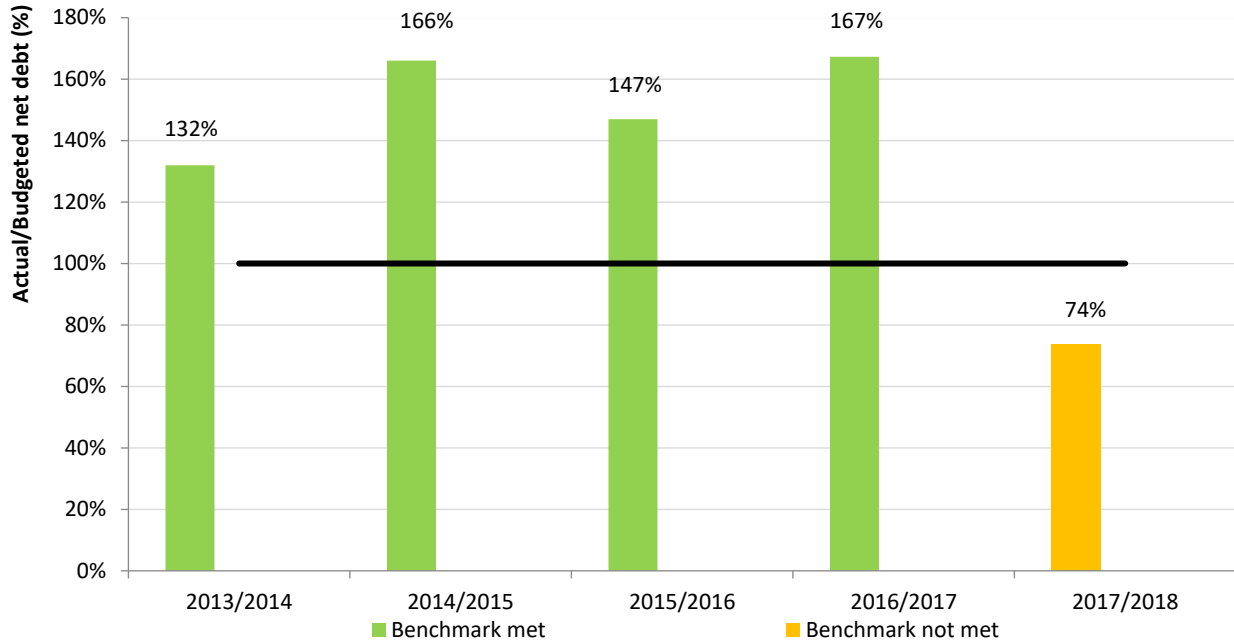
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council's population will grow [as fast as, or faster than,/more slowly than] the national population growth rate, it meets the debt servicing benchmark if its borrowing 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 less financial assets (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.

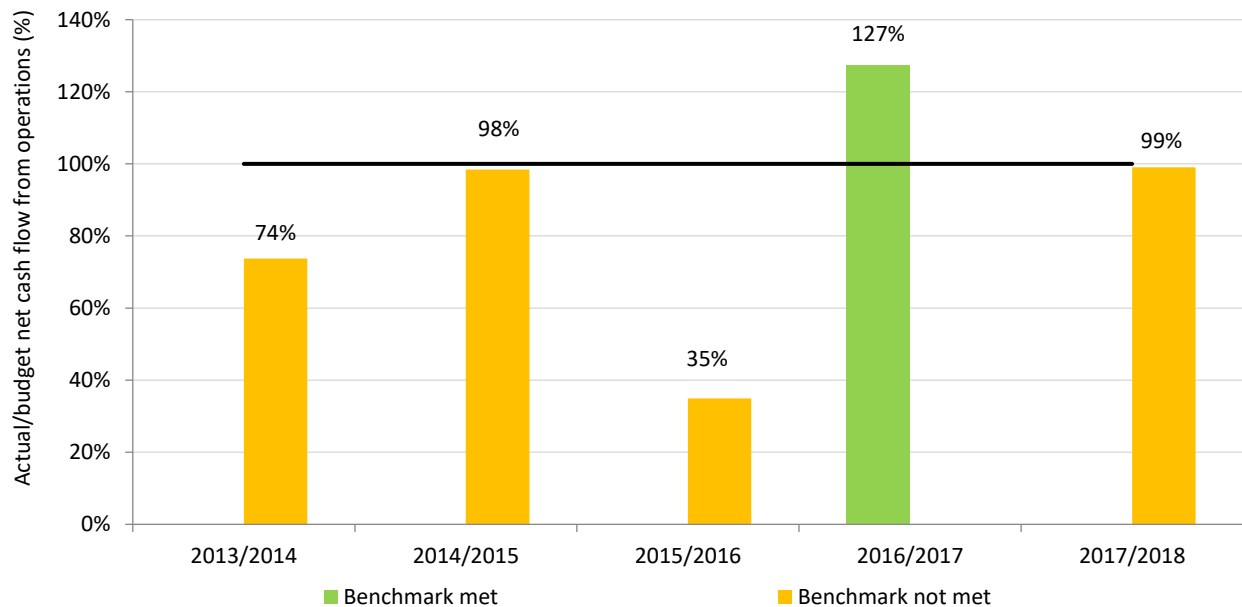


Mathematically, the results shown in the graph above are correct. The graph shows “benchmark met” whenever the Council is better off (either less indebted or with greater net assets) than planned. In this case, there is no net debt, so figures are comparing actual net assets against budgeted net assets.

### 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.







## 5. Other information



## 5.1 Audit report

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### Independent Auditor's Report

#### To the readers of Mackenzie District Council's annual report for the year ended 30 June 2018

The Auditor-General is the auditor of Mackenzie District Council (the District Council). The Auditor-General has appointed me, John Mackey, 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.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2018. This is the date on which we give our report.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 111 to 116, and 118 to 171:
  - present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2018;
    - the results of its 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 Reporting Standards Reduced Disclosure Regime; and
- the funding impact statement on page 117, 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 of service provision on pages 28 to 109;
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2018, including:



- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 28 to 109, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and
- the funding impact statement for each group of activities on pages 28 to 109, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

## Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 172 to 177, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

## Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## 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 or there is no realistic alternative but to do so.

## Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan.

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'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 statement of service provision, 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'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 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 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.

## Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 26 and 183 to 190, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the District Council 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.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2018-28 long term plan, and performed a limited assurance engagement related to the District Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the District Council.



John Mackey  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

## 5.2 Council controlled organisations

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The Mackenzie District Council has two Council Controlled Organisations, Mackenzie Holding Limited and Mackenzie Tourism and Development Trust.

### *Mackenzie Holdings Limited*

The Mackenzie District Council holds 100% ownership of Mackenzie Holdings Limited.

Mackenzie Holdings Limited is now a dormant company from the perspectives of the Inland Revenue Department and Companies Office. Council resolved, on 20 July 2017, to exempt the Company under section 7 of the Local Government Act 2002 from the requirements of that Act in relation to Mackenzie Holdings Limited status as a Council Controlled Organisation. Mackenzie Holdings Limited will be wound up at some time in the future.

### *Mackenzie Tourism and Development Trust*

The Mackenzie District Council holds 100% ownership of Mackenzie Tourism and Development Trust.

Mackenzie Tourism and Development Trust is now a dormant company from the perspective of the Inland Revenue Department. Council is in the process of dissolving the Trust. Council resolved, on 13 June 2016, to exempt the Company under section 7 of the Local Government Act 2002 from the requirements of that Act in relation to Mackenzie Tourism and Development Trust status as a Council Controlled Organisation. Mackenzie Tourism and Development Trust will be wound up at some time in the future.

## 5.3 Development of Māori capacity to contribute to decision making processes

Section 81 of the Local Government Act 2002 requires all local authorities to establish and maintain processes to provide opportunities for Māori to contribute to Council's decision-making processes.

The Act also requires Councils to consider ways to foster the development of Māori capacity to contribute to these processes and to provide Māori with relevant information about the above.

### *Ngā papatipu rūnanga*

Three papatipu rūnanga have their rōhe within the Mackenzie District: Te Rūnanga o Arowhenua based at Arowhenua, Temuka; Te Rūnanga o Waihao based to the north of the Waitaki River, South Canterbury; and Te Rūnanga o Moeraki based at Moeraki, North Otago. The Council considers it important to further develop relationships with the papatipu rūnanga who have interests in the district, as the fostering of these relationships is key to assisting the contribution of Māori to decision-making processes. The Council will endeavour to extend and promote opportunities for involvement as far as practicable, and as available resources allow.

Council provides copies of all plans, including the long term plans and annual plans, providing opportunities for papatipu rūnanga to make submissions on any issues deemed appropriate. Early consultation on resource management plans and policies is also undertaken, and opportunities considered for appointments on planning and resource consent hearing committees. Council will continue to work with ngā papatipu rūnanga where processes and decisions will involve or are relevant to mana whenua.

To maintain good working relationships, Council seeks to meet with papatipu rūnanga a minimum of twice a year to discuss matters of common interest. Council's Senior Management Team are also available to meet with local Māori on an as required basis.

### *Te Rūnanga o Ngāi Tahu*

Te Rūnanga o Ngāi Tahu is the governing tribal council of Ngāi Tahu, with their offices based in Christchurch. Currently Council engages with Te Rūnanga o Ngāi Tahu on a case by case basis, on individual matters, recognising that local matters should be addressed through fostering relationships and collaboration with papatipu rūnanga. Council is working to ensure that closer liaison with Te Rūnanga o Ngāi Tahu is sought when appropriate, to maintain an ongoing and active relationship.

### *Result for the year*

During the 2017/18 year, Council has continued to engage with ngā papatipu rūnanga and Te Rūnanga o Ngāi Tahu as appropriate, seeking opportunities to foster these relationships. Council has met once with Te Rūnanga o Waihao and once with staff from Te Rūnanga o Ngāi Tahu during the year.

Council has provided ngā papatipu rūnanga, through their agencies, copies of Plan Changes 17 and 18, contributing to ongoing work on the District Plan. No mana whenua appointments to hearing panels were made during the year. Invitations to engage on developing the Long Term Plan 2018-28 were offered with copies of the documents provided to rūnanga.

In 2017, Council signed a Service Level Agreement with Aoraki Environmental Consultancy Limited, a consultant organisation working on behalf of Te Rūnanga o Arowhenua. This has enabled Council to establish a process for efficient and effective engagement, with staff continuing to directly consult and liaise with papatipu rūnanga where decisions involve and are relevant to Māori.

Discussions have also been held with Te Rūnanga o Waihao, initiating work on establishing a Service Level Agreement between Mackenzie District Council, Te Rūnanga o Waihao and Aukaha (1997) Ltd being the environmental entity of Te Rūnanga o Waihao. It is anticipated that this agreement will be progressed in the coming financial year.



## 5.4 Council structure

### *Governance, Management and Employees*

#### Role of the Council

The Council has overall responsibility and accountability for the proper direction and control of the District's activities. This responsibility includes areas of stewardship such as:

- Formulating the District's strategic direction
- Managing principle risks facing Mackenzie District
- Administering various regulations and upholding the law
- Ensuring the integrity of management control systems
- Safeguarding the public interest
- Ensuring effective succession of elected members
- Reporting to ratepayers.

#### Structure of the Council

Following a review of its representation and subsequent determinations by the Local Government Commission, the Council has, since 2004 been made up of a Mayor and six Councillors elected from two wards.

Council has five committees of the whole: Finance, Assets and Services, Planning and Regulation, Audit and Risk, and Strategy; and three committees with independent members.

The following are appointed to chair the meetings:

- Chair of Finance – Mayor Smith
- Chair of Asset and Services – Councillor Barwood
- Chair of Planning and Regulation – Councillor Munro
- Chair of Strategy – Councillor Leslie
- Chair of Audit and Risk – Councillor Leslie
- Chair of Mackenzie Forestry Board Committee – Mayor Smith
- Chair of Pukaki Airport Committee – Derek Kirke

Full Council meets on a six weekly basis. Committees generally meet on a six weekly basis with some committees meeting less frequently.

Council had one sub-committee – the Tekapo Property Group which consisted of three Councillors and two outside appointments. This sub-committee of the Finance Committee was disestablished 10 April 2018 having completed its mandated work. The chair of the Tekapo Property Group was Ms Stella Sweney.

#### Council Operations

The Council has appointed a Chief Executive Officer to be in charge of Council operations and delegated certain powers of management to the Chief Executive Officer as required under Section 119c(1)(a) of the Local Government Act 1974. The Chief Executive has in turn appointed senior managers and support staff to manage each of the Council's significant activities.

#### Community Boards

Community boards service the communities of Fairlie, Lake Tekapo, and Twizel, and make recommendations to Council regarding the management of township services. Each community board meets six weekly, with additional meetings held as required.

## 5.5 Division of responsibility between Council & management

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### *Governance Framework*

#### **Independent Election**

Council believes that its democratic election by the Mackenzie District residents and ratepayers ensures that it is able to operate in the best interests of the District and to function independently of management.

#### **Legislative Compliance**

As a regulatory body, Council administers various regulations and laws. As such, it is vital that it complies with all relevant legislation. The Council makes use of external lawyers and consultants as appropriate to ensure it does comply with all legislative requirements.

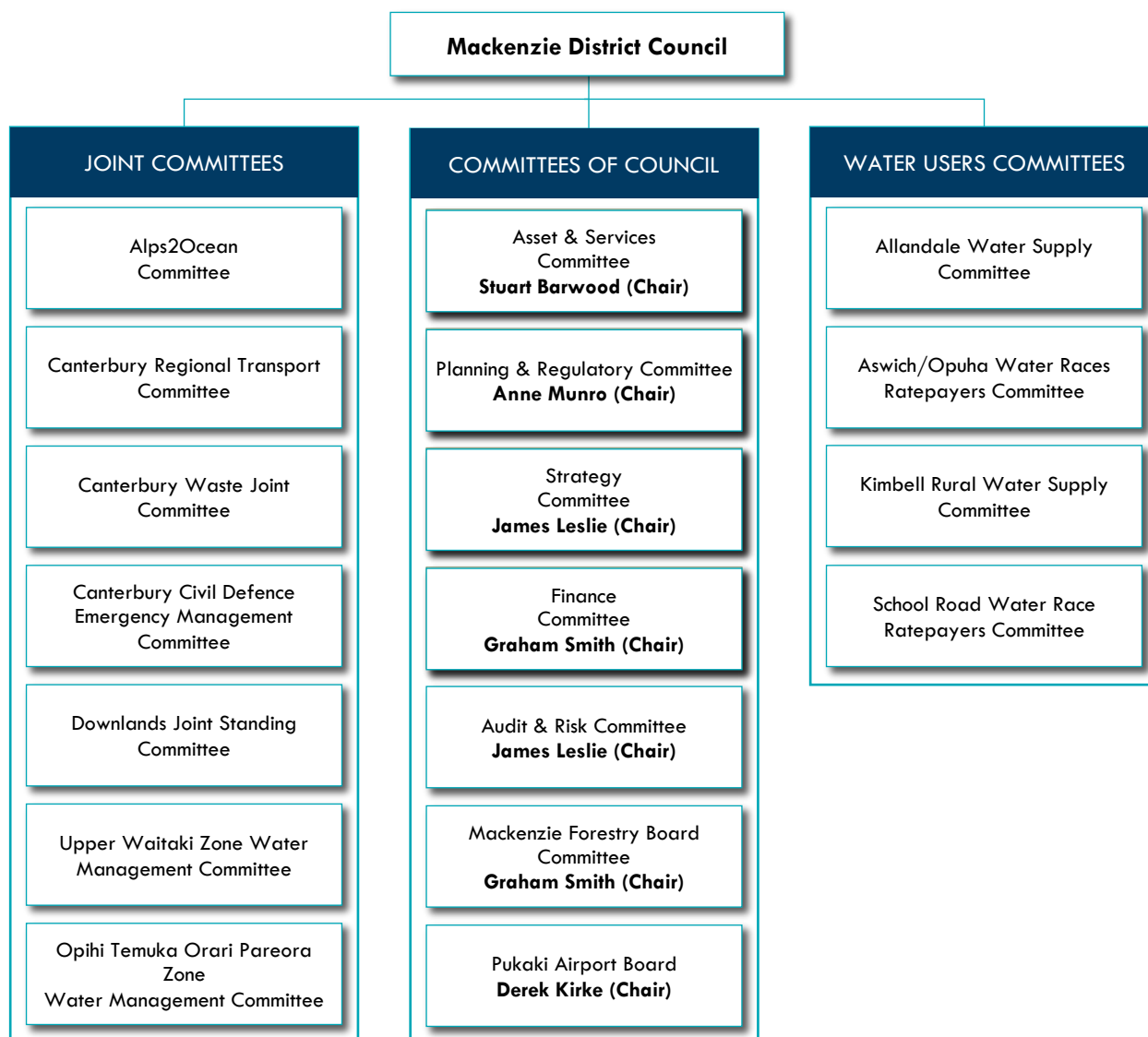
#### **Communication/Reporting**

Council holds regular meetings to ensure that the affairs of the authority are being conducted in accordance with its legislative mandate and Council objectives. The Council also monitors through its Chief Executive Officer, whether staff adhere to the principles of “good citizenship” and high standards of ethical behaviour. A key to the efficient running of Council is to maintain a clear division between the role of the elected representatives and that of management. The Council of the Mackenzie District concentrates on setting policy and strategy, and then reviews progress. Management is concerned with implementing these policies and strategies.

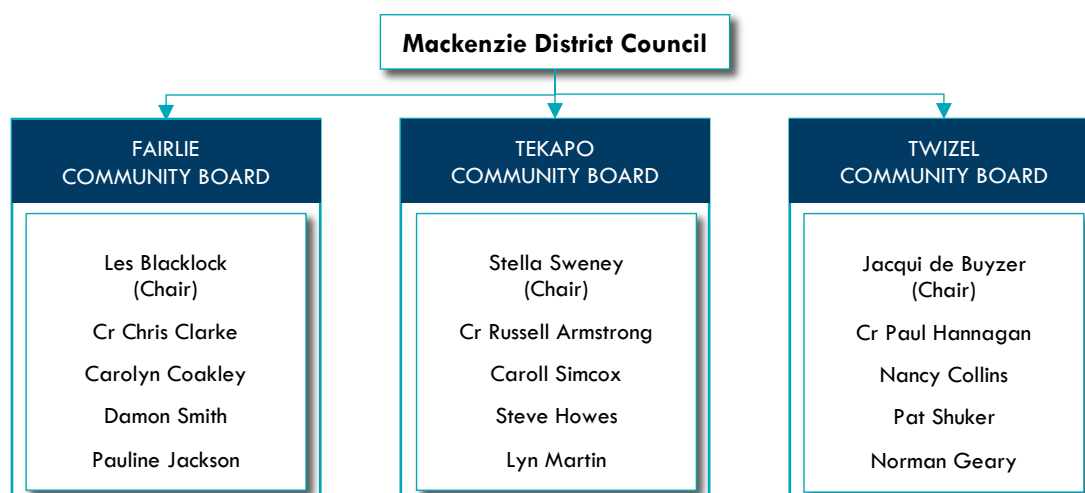
While many of the Council’s functions have been delegated, the overall responsibility for achieving the vision and goals of the District ultimately rests with the Council. The Council helps discharge this responsibility by maintaining effective systems of internal control. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved.



## 5.6 Council committee structure



## 5.7 Community board structure



## 5.8 Organisation chart



### Loss of Greg Hormann

We acknowledge the sad loss of Greg Hormann, a valued staff member and colleague, in December 2017. Greg had been employed as a part time Freedom Camping Enforcement Officer and was also our Health and Safety Coordinator. He brought a high level of skill, expertise and energy to both his roles here at the Council and our thoughts remain with Greg's family and friends.

## 5.9 Glossary

<b>Activity</b>	services provided by Council
<b>Annual Plan</b>	a document produced annually by Council to inform stakeholders or our intended activities, performance, income and expenditure for one financial year
<b>Annual Report</b>	a document produced annually that reports performance against the Annual Plan or Long Term Plan, including significant differences from what was planned
<b>Asset</b>	an item of value, usually of physical nature, that Council owns on behalf of the people of the Mackenzie – that has a useful life of more than 12 months and creates future economic benefits over a period of time, such as roads, drains, parks and buildings
<b>Activity Management Plan (AMP)</b>	A plan developed for the management of each of Council's groups of activities
<b>Capital expenditure</b>	what we spend on capital projects
<b>Debt</b>	the value of outstanding obligations owed by Council to external third parties
<b>Depreciation</b>	assets lose their value over time as a result of wear and tear, age, or obsolescence (in other words, they depreciate), and must be replaced once the end of their useful life is reached. Depreciation is an accounting method to spread the replacement cost of items over their useful lives
<b>District Plan</b>	a plan under the Resource Management Plan 1991 that manages, through objectives, policies and rules, the adverse impact of land uses on the environment of the district. The Mackenzie District Plan became operative in May 2004.
<b>Environment Canterbury Regional Council (ECAN)</b>	the authority responsible for protecting the Canterbury region's air, soil and water resources from pollution and ensuring their sustainable use
<b>Expenditure</b>	the outflow of resources (usually cash) in return for goods and/or services
<b>Fees and charges</b>	what a user pays for a service (eg pool entrance fee)
<b>Financial contributions</b>	contributions from developers collected under the district plan for developing public facilities. Contributions might be in cash or in the form of land
<b>General rate</b>	a levy by Council to fund its general services, but not services funded by targeted rates, fees or charges
<b>Interest</b>	interest payable on bank overdrafts and debt
<b>Local Government Act (LGA) 2002</b>	the primary legislation governing Council's operations and actions
<b>Long Term Plan (LTP)</b>	a ten-year plan which sets out what Council will do over the ensuing decade, how it will be funded and what level of service the community can expect to receive
<b>Operating expenditure</b>	expenditure through Council's activities on such items as salaries, materials, and electricity
<b>Operating revenue</b>	money earned through activities in return for a service provided, or by way of a grant or subsidy to ensure particular services or goods are provided. Examples include NZTA subsidies, rental income, permits and fees.
<b>Operating surplus (deficit)</b>	accounting terms meaning the excess of income over expenditure and the excess of expenditure over income (deficit). It includes non-cash items such as income and expenditure owing by not paid (debtors and creditors) and depreciation.
<b>Rates</b>	a property tax to fund local government activities. The amount of rates varies between properties because of difference in capital values and differences in services provided. Property valuation changes, which Council has no control over, will also affect the rates paid.
<b>Revenue</b>	income received by the council to fund its services. Sources include rates, fees and charges, and grants and subsidies.
<b>Subcommittee</b>	formed by the elected council or standing committee as needs arise, such as for major projects
<b>Targeted rate</b>	paid by a specific group who receive a specific service
<b>To improve levels of service</b>	capital projects that upgrade existing assets (eg upgrading pipes to perform better)
<b>To meet additional demands</b>	capital projects that are predominantly to enable new growth (eg a new reservoir)
<b>To replace existing assets</b>	capital projects that replace an asset with a like-for-like item

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