

Mackenzie District Council

Annual Report
2016 – 2017

“Fostering Our Community”

Photo Credit: Pla Parichart

Council Directory

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As at June 2017

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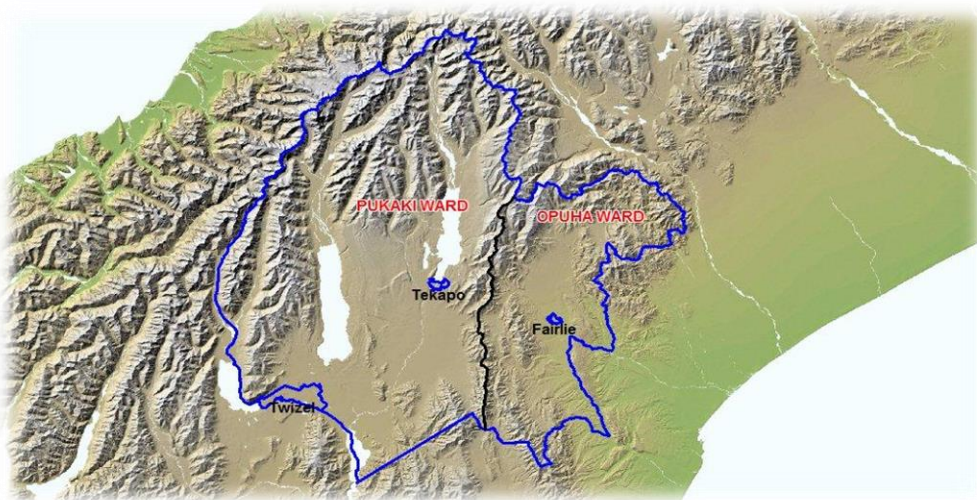
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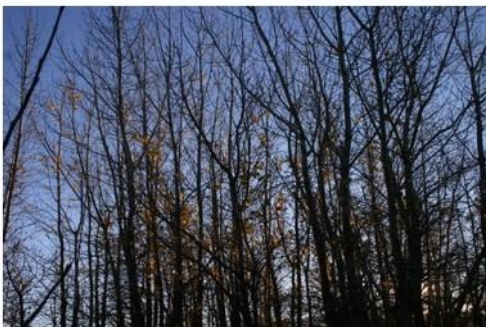
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INTRODUCTION

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Chief Executive Officer

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Introduction from the Mayor and Chief Executive Officer

We are pleased to introduce the Annual Report for the Mackenzie District Council for 2016/17. It has been another very busy year. Economic activity has been strong across the district and this has translated through many Council activities.

The local authority elections heralded a significant change around the Council table. The new Council has been keen to understand all aspects of Council business and to set their own strategy agenda. Great progress has been made in defining a clear strategy and formulating a work plan to achieve it.

A key theme for the year was our relationship with central government. The most visible example of this was in relation to our successful MBIE funding applications which enabled the completion of two new toilet blocks at Tekapo. We have also actively worked behind the scenes to build relationships at political and executive levels to enable us to advance our district objectives at a national level.

Building and Resource Consents activity is continuing at a very strong level. We have needed to increase our internal capacity to accommodate this “new normal”. The activity in both Building and Resource Consents has increased in volume and complexity and is showing no sign of abating.

Significant progress has been made through the year in the low profile but important maintenance and replacement works. Our combined road reseal contract with Timaru and Waimate Councils has been highly beneficial. The favourable pricing achieved has allowed all overdue maintenance to be completed. Further progress has also been made on the replacement of asbestos cement water mains at Twizel.

The opening of the Tekapo Four Square supermarket signals achievement of the first part of the ultimate development of the Tekapo Village Centre land. We are aware of advanced planning work being undertaken on the Earth and Sky and

YHA sites so we look forward to construction occurring on these properties soon.

One of the most satisfying aspects about being involved in Council activities is the diversity of our work. The examples noted above illustrate some of the year’s highlights but there are many more areas where our staff and elected members have toiled hard to ensure that the critical day to day Council responsibilities are met. We would like to extend a very big thank you to staff and Councillors for their tireless efforts.



Mayor
Graham Smith

A handwritten signature in blue ink, appearing to read "G. B. Smith".



Chief Executive Officer
Wayne Barnett

A handwritten signature in blue ink, appearing to read "W. Barnett".

Statement of Compliance and Responsibility

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 judgments 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 ended 30 June 2017 fairly reflect the financial position, financial performance and service achievements of the Mackenzie District Council.



Graham Smith
Mayor

12 December 2017



Suzette van Aswegen
Chief Executive Officer

12 December 2017

Audit Report



Independent Auditor's Report

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

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 12 December 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 73 to 128:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2017;
 - 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;
- the funding impact statement on page 78, 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 19 to 67:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2017, 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 19 to 67 presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council’s annual plan; and
- the funding impact statement for each group of activities on pages 19 to 67, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council’s 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 129 to 135, 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 from 1 to 9, from 14 to 18, from 68 to 69 and from 136 to 142, 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 and our report on the disclosure requirements, we have carried out an engagement to audit an amendment to 2015-2025 Long Term Plan, which is compatible with those independence requirements.

Other than the audit and our report on the disclosure requirements, 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

Community Outcomes

This Annual Report provides a 'point in time' review of Council's progress towards its overall objectives. As such, it is helpful to reflect upon the wider content of this performance as well as the specific measures.

Council has identified six community outcomes that will assist in ensuring that the Mackenzie District remains a thriving area. These can be defined as goals the community, rather than Council, considers essential for the district to thrive. The outcomes and Council's role in achieving them are tabled below:

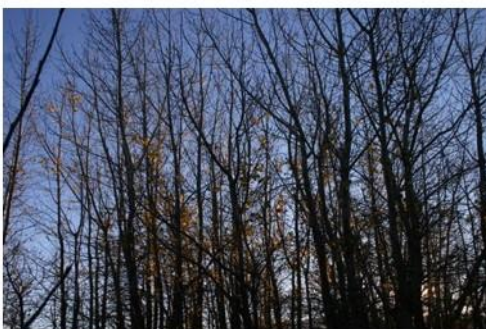
Outcome	Council Role
An attractive and highly valued natural environment The outcome desired by the community is to have the outstanding natural features of the district preserved, enhanced, accessible, and promoted	<ul style="list-style-type: none"> • Regulator through its District Plan. • Provider and funder of local reserves. • Advocate for environmental issues. • Promoter through tourism and economic development support.
A thriving economy The outcome desired by the community is to have a well-balanced economy, providing employment and investment opportunities for all ages, and sustaining a full range of support services	<ul style="list-style-type: none"> • Essentially a support role. • Council will provide some limited funding of business advice from 2015/16 through a contractual agreement with Chamber of Commerce South Canterbury. As a regulatory instrument, the Council's District Plan is seen as enabling, not putting barriers in the way of economic development.
A democracy which upholds the rights of the individual The outcome desired by the community is to have a Council which champions the rights of the individual and represents its community	<ul style="list-style-type: none"> • Advocate on behalf of the District and groups within it.
A fit and healthy community The outcome desired by the community is to have a variety of sporting, recreational, cultural, spiritual, health, welfare and educational resources available to sustain and enrich the lives of its people.	<ul style="list-style-type: none"> • Provider and funder of a range of recreational activities. • Supporter of the provision of medical and other social services. • Advocate where required.
Safe, effective and sustainable infrastructure The outcome desired by the community is to have safe, effective and sustainable water, waste, communication, energy and transport systems in place when required, through sound long term planning and funding.	<ul style="list-style-type: none"> • The prime provider and funder of roading, water supplies, sewerage, stormwater and solid waste services.
A supportive and contributing community The outcome desired by the community is to foster the unique attributes and strong sense of community that makes the Mackenzie District special, and to encourage people to use their skills and talents for the benefit of the community.	<ul style="list-style-type: none"> • Council plays a supportive role, providing advocacy where needed.

The framework through which Council operates has changed with the amendment of the Local Government Act in December 2012. The purpose of the act no longer includes promotion of economic, social, cultural and environmental well-being. It now directs Council 'to meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.'

Council has reviewed all activities that it undertakes to confirm compliance with the amended Act. All new decisions will be taken within the new purpose. Council's view is that the community outcomes fall within the scope of the new purpose and remain legitimate Council objectives. It is expected that Council's role in implementing community goals will be essentially unaltered.

The Mackenzie District has a strong tradition of prudent management and community representation. This has enabled the Council to build a high level of financial security and achieve very close relationships within the community.

Councils must retain this focus going forward but also promote the value proposition implicit within the services offered and decisions taken.



GROUPS OF ACTIVITIES

Overview

Introduction to Group Activities

Introduction to Funding Impact Statements

Governance and Corporate Services

Water Supplies

Sewerage

Stormwater

Roading

Planning & Regulatory

Community & Township Services

Tourism, Economic Development and
Commercial Activities

Overview

GOVERNANCE & CORPORATE SERVICES				
District Council Community Boards Elections Corporate Services Plant From page 19				
WATER SUPPLIES	SEWERAGE	STORMWATER	ROADING	PLANNING & REGULATORY
Fairlie Tekapo Twizel Rural From page 25	Fairlie Tekapo Twizel Burkes Pass From page 33	Fairlie Tekapo Twizel From page 39	Fairlie Tekapo Twizel Rural Business Unit From page 44	Civil Defence Animal Control Rural Fire Control Health & Liquor Licensing From page 50
COMMUNITY & TOWNSHIP SERVICES			TOURISM, ECONOMIC DEVELOPMENT AND COMMERCIAL	COUNCIL CONTROLLED ORGANISATIONS
Pensioner Housing Medical Centres Cemeteries Public Toilets Community Grants Parks, Reserves & Township Maintenance From page 56			Swimming Pools Community Halls Libraries Solid Waste From page 56	Investments Forestry Rental Properties Real Estate Tourism From page 62
				From page 68

Introduction to Group Activities

We group our many services into activities and groups of activities. This section sets out:

- What each group of activities includes
- How that group of activities contributed to our community outcomes
- How we delivered on what we said we'd deliver
- Commentary about major projects and budget variances

How to read this section

The Annual Report is best read in conjunction with our 2015-2025 Long Term Plan.

At the start of each Group of Activities section you can find:

Background

A brief description of what the activity group is and why we provide it and the individual activities that make up this group.

Community Outcomes to which these Activities Contribute

Why we are involved in this activity group and how we measured whether we made a contribution to our Council outcomes.

Statement of Service Provision

How each of the activities within this activity group performed compared to the Long-Term Plan.

GOVERNANCE AND CORPORATE SERVICES

Background

Governance involves the operation of the District Council and the three Community Boards and the function of elections. Corporate Services provides the administration and accommodation support for all other activities of Council.

Rationale for Council's Involvement

The governance activity is prescribed by statute. The Council and Community Boards are provided for under the Local Government Act 2002 and the elections function is provided for under the Local Electoral Act 2001.

Corporate services provide managerial and administrative support for all other activities undertaken by the Council. It is generally not practical for a particular activity within Council to solely manage and administer its affairs; therefore, it is appropriate that this work is carried out by the Corporate Services Department.

Community Outcomes to which these Activities Contribute

Community Outcome	How the Governance Activity Contributes
<i>A democracy which upholds the rights of the individual</i>	It does this by the democratic election and operation of the Council and Community Boards and through Council's advocacy on behalf of the community at regional and national level.
<i>A supportive and contributing community</i>	It does this through its support and encouragement of local voluntary community initiatives and through its regular communication and interaction with the community.

Because the activity of Corporate Services provides support to all the other activities undertaken by Council, by necessity, it indirectly contributes to all six community outcomes:

- An attractive and highly valued natural environment
- A thriving economy
- A democracy which upholds the rights of the individual
- A fit and healthy community
- Safe, effective and sustainable infrastructure.
- A supportive and contributing community.

Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
Council meets in accordance with predetermined schedule and in compliance with the Local Government (Official Information and Meetings) Act 1987.	Council and its committees generally meet every six weeks.	At least nine meetings of Council held during the year, and 20 meetings of Council committees.	Achieved Council continued to meet on a 6 weekly cycle. In 2013/14 there were 14 meetings of the full Council and 25 meetings of Council Committees. A total of 39 for the year.	Achieved Council continued to meet on a 6 weekly cycle. In 2012/13 there were 13 meetings of the full Council and 23 meetings of Council Committees. A total of 36 for the year.
	Meetings comply with the Local Government (Official Information and Meetings) Act 1987.	No identified breaches of the Local Government (Official Information and Meetings) Act 1987.	Achieved: There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.	Achieved: There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.

Introduction to Funding Impact Statements

The Funding Impact Statements ("FIS") have been prepared in accordance with the Local Government (Financial Reporting) Regulations 2011, which came into effect 11 July 2011. This is a reporting requirement unique to Local Government and the disclosures contained within and the presentation of these statements is not prepared in accordance with generally accepted accounting practices ("GAAP"). This is the first year that Council has included the Funding Impact Statement in the Annual Report.

The purpose of these statements is to report the net cost of services for significant groups of activities ("GOA") of the Council, and are represented by the revenue that can be attributed to these activities less the costs of providing the service. They contain all the funding sources for these activities and all the applications of this funding by these activities. The GOA FIS include internal transactions between activities such as internal overheads and charges applied and or recovered and internal borrowings. These GOA FIS are contained in the "Group of Activities" section of this report.

The FIS is also prepared at the whole of Council level summarising the transactions contained within the GOA FIS, eliminating internal transactions, and adding in other transactions not reporting in the GOA statements.

These statements are based on cash transactions prepared on an accrual basis and as such do not include non-cash accounting transactions that are included with the Statement of Comprehensive Revenue and Expense as required under GAAP. These items include but are not limited to Council's depreciation, gain and/or losses on revaluation and vested assets.

They also depart from GAAP as funding sources are disclosed within the FIS as being either for operational or capital purposes. Revenue such as subsidies received for capital projects, financial contributions and proceeds from the sale of assets are recorded as capital funding sources. Under GAAP these are treated as revenue in the Statement of Comprehensive Revenue and Expense.

Funding Impact Statement			
Governance and Corporate Services Activity Group			
For the year ended 30 June 2014			
Notes	2013	2014	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	1,923	1,929	2,222
Targeted rates	29	30	30
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	107	111	102
Local authorities fuel tax, fines, infringement fees, and other receipts	102	136	141
TOTAL OPERATING FUNDING (A)	2,161	2,206	2,495
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,028	2,050	2,351
Finance costs	0	0	0
Internal charges and overheads applied	56	66	63
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,084	2,116	2,414
Surplus (deficit) of operating funding (A-B)	77	90	81
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
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	
- To improve the level of service	19	0	18
- To replace existing assets	218	141	173
Increase (decrease) in reserves	(160)	(51)	(110)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	77	90	81
Surplus (deficit) of capital funding (C-D)	(77)	(90)	(81)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0
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 can not be used to fund operating expenditure.			

Governance and Corporate Services

What We Do

The Governance and Corporate Services activity supports all activities carried out by the Mackenzie District Council. The activity enables the Council to function and provide transparent, effective, efficient and accountable local governance to the District.

The activity includes all work associated with the elected Council, and Community Boards in Twizel, Tekapo and Fairlie. Elected members, being the community's representatives, make decisions within the framework of the Local Government Act 2002 (LGA) on behalf of the community. Council and Community Boards are elected every three years.

Every six years Council undertakes review of its representation, and this was carried out in the 2015/16 year.

The Council's Corporate Services arm manages the commercial activities of the Council and provides accounting, secretarial and administrative support to all other activities of Council.

Rationale for Council's Involvement

The governance activities are prescribed by statute. The Council and Community Boards are provided for under the Local Government Act 2002 and the Local Electoral Act 2001. The election function is provided for under the Local Electoral Act 2001.

Corporate Services provide managerial and administrative support for all activities undertaken by the Council. It is generally not practical for a particular activity within the Council to solely manage and administer its affairs, therefore it is appropriate that this work is carried out by the Corporate Services Department.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
Either directly or indirectly the Governance and Corporate Services activity contribute to the following community outcomes.				
<ol style="list-style-type: none"> 1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. A supportive and contributing community 5. An attractive and highly valued natural environment 6. A democracy which upholds the rights of the individual 				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Prepare key accountability documents in accordance with good practice.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.	Achieved The Annual Report for the 2016 financial year was adopted on 31 Oct 2016. The Audit Opinion was unmodified.	Achieved The Annual Report for the 2015 financial year was adopted on 30 Oct 2015. The Audit Opinion was unmodified.
	The annual plan is prepared within statutory timeframes and with an unmodified audit opinion.	The annual plan is prepared within statutory timeframes and with an unmodified audit opinion.	Achieved The Annual Plan for the 2017/18 year was adopted by Council on 27 June 2017. Annual plans are not required to be audited, therefore no Audit Opinion was issued.	Achieved The Annual Plan for the 2016/17 year was adopted by Council on 10 May 2016. Annual plans are not required to be audited, therefore no Audit Opinion was issued.
Represent and govern the district on behalf of the community	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.	60% or above	Achieved 86% were satisfied or somewhat satisfied with the performance of Councillors and the Mayor. The result is showing an upward trend.	Achieved 82% were satisfied or somewhat satisfied with the performance of Councillors and the Mayor. The result is showing an upward trend.
Build strong iwi relationships and encourage Māori to contribute to the decision-making process	Number of face-to-face meetings held each year between Council representatives and Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu.	2 or more	Achieved Council met 4 times with Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu during the year	Achieved Council met 6 times with Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu during the year

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Provide opportunities for the community to engage with elected members	Number of public forums held each year with communities and groups	40 or more*	Achieved The community boards, committees and Council met 73 times during the year. The Council met 14 times with committees meeting 35 times and the community boards met 24 times.	Achieved The community boards, committees and Council met 66 times during the year. The Council met 14 times with committees meeting 29 times and the community boards met 23 times.

*Note: this includes both formal and informal meetings, workshops and drop-in sessions.

Identified Effects on the Community

The Council believes that the Governance activity affects the social, economic, environmental and cultural wellbeing of the community. Effective policy decisions will enhance the community and make the Mackenzie a more desirable place to live.

Cost of Service Statement

Governance and Corporate Services Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
General rates		2,583	2,884	2,853
Targeted rates		25	26	26
Other revenue	1	261	126	200
Gain on sale of assets		0	50	0
Internal interest income		3	1	1
Internal income		123	117	110
TOTAL REVENUE		2,995	3,204	3,190
EXPENDITURE				
Personnel costs	2	1,444	1,511	1,607
Member expenses	3	310	330	387
Consultancy expenses	4	274	277	324
Administration		424	456	423
Operational and maintenance	5	312	366	439
Interest on capital reserves		7	6	14
Internal expenses		69	58	52
Loss on sale of intangible assets		0	0	2
Depreciation	6	164	156	190
TOTAL EXPENDITURE		3,004	3,160	3,438
OPERATING SURPLUS/(DEFICIT)		(9)	44	(248)

Commentary on Governance and Corporate Services Financial Summary

Surplus/(deficit)

The deficit for the year was \$248,000, \$292,000 less than the budgeted surplus of \$44,000.

Revenue

Total revenue for the year was \$3,190,000, \$14,000 less than budgeted revenue of \$3,204,000.

The key variances from budget were:

1. Other revenue was higher than budget by \$74,000. This was mainly due to higher than anticipated cost recoveries from Environment Canterbury and South Canterbury District Health Board for election processing (\$19,000), higher than anticipated rate penalty collections (\$21,500) along with recovery of costs in IT associated with the new shared service contract with Hurunui District Council (\$27,000).

Direct Expenditure

The total direct expenditure for the year was \$3,438,000; 278,000 more than the budgeted direct expenditure of \$3,160,000.

The key variances from budget were:

2. Personnel costs were \$96,000 more than budgeted mainly due to higher than anticipated recruitment costs (\$70,000).
3. Member expenses were \$57,000 more than budget due to higher than expected cost, by year end, for elections (\$35,000) along with \$15,000 higher than anticipated costs associated with new Councillor training.
4. Consultancy expenses were \$47,000 more than budgeted due to higher than anticipated valuation fees to revalue land and buildings for inclusion in the Annual Report (\$50,000).
5. Operational and maintenance costs are more than budget by \$73,000. The variance is due to the transition to shared service arrangement for IT services with Hurunui District Council (\$160,000). This has been offset by lower than anticipated site support costs (\$47,000) due to the expertise now being provided by Hurunui also lower than anticipated operational costs associated with Council vehicle fleet (\$38,000) has also contributed to reducing the variance.
6. Depreciation is \$34,000 more than budget mainly due to higher than anticipated depreciation costs on building assets (\$10,000) in Fairlie coupled with higher depreciation cost on IT equipment (\$6,000) and plant (\$17,000).

Funding Impact Statement

Governance and Corporate Services Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	2,616	2,682	2,907
Targeted rates	25	26	26
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	124	135	111
Local authorities fuel tax, fines, infringement fees, and other receipts	117	122	146
TOTAL OPERATING FUNDING (A)	2,883	2,965	3,190
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,638	2,695	3,184
Finance costs	0	0	0
Internal charges and overheads applied	77	82	66
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,715	2,777	3,250
Surplus (deficit) of operating funding (A-B)	167	188	(60)
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
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	28	0	0
- To replace existing assets	84	176	191
Increase (decrease) in reserves	55	13	(251)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	167	189	(60)
Surplus (deficit) of capital funding (C-D)	(167)	(189)	60
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	(60)
Add back:	
Doubtful debts recovered	4
Less:	
Depreciation	190
Loss on sale of intangible assets	2
	192
OPERATING SURPLUS/(DEFICIT)	(248)

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 can not be used to fund operating expenditure.

Capital Expenditure

Governance and Corporate Services Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
IMPROVE LEVEL OF SERVICE				
Corporate Services				
Information Technology				
Web site development	1	0	18	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		0	18	0
REPLACE EXISTING ASSETS				
Corporate Services				
Information Technology				
information management program	1	0	10	0
Virtual Server		21	0	0
Software	1	26	0	31
GIS aerials		14	0	0
Communications equipment		0	0	4
Plant & Equipment				
Motor vehicles	2	38	135	102
Fairlie Building				
Building - other		0	62	41
Furniture & Fittings - admin		10	3	8
Furniture & Fittings - other		4	0	4
Twizel Building				
Furniture & Fittings - other		1	2	1
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		114	212	191
TOTAL CAPITAL EXPENDITURE		114	230	191

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.

Results for the 2016/17 year

The total capital expenditure for the year was budgeted at \$230,000. Actual expenditure was \$191,000.

The key variances from budget were:

1. Council did not undertake a redevelopment of its website during the year as planned. This has created a favourable \$18,000 variance. This, along with not spending the budget allocated for the information management program is offset against software that results in an overall \$3,000 unfavourable variance
2. Motor vehicle replacement cost totalled \$102,000, which is \$33,000 less than budget of \$135,000 due to a motor vehicle purchased in 2016 was budgeted in 2017.

Water Supplies

What We Do

The Water Supplies activity aims to provide for the safe and effective treatment, storage and distribution of water to urban and rural parts of the district.

There are community water supplies in the townships of Twizel, Tekapo, Fairlie and Burkes Pass, a small stand-alone water supply 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 and collectively they have a value of \$35.7million.

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, for which Council holds resource consent to take water, is carried out by the consumers.

There are two public stock water race systems in the District. They are Ashwick Opuha and School Road.

The water supply asset includes all Council owned pipelines, valves, hydrants, treatment facilities, and related infrastructure.



Rationale for the Council's Involvement

Safe and reliable drinking water is essential for the health and well-being of communities. The Council's water treatment facilities and the reticulated network contribute to that by providing the treatment and delivery of safe drinking water to communities served by Council-administered systems. Water supply is one of the Council's core functions, as provided by statute.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Water supplies are available and reliable	The percentage of real water loss from the networked reticulation system.* ¹	Estimated target: <25%	Achieved 23.5% approx. 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 used this information to calculate the leakage result. This result is higher than 2015/16 due to a more accurate method of calculating the water loss.	Achieved 12% approx. Bulk water meters were read at midnight and then at 6:00am. It is assumed that this flow recorded during this time is mostly leakage.

¹ There are 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.

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
	<p>The median response times to attend a call-out in response to a fault or unplanned interruption to the network reticulation system:</p> <p>a) Attendance for urgent call-outs: from the time that the Council receives notification to the time that the service personnel reach the site,</p>	2 hours	Achieved The median response time from the time Council received the call to when personnel arrived on site was 0.66 hour.	Not achieved The total call outs for the period was 41. Council collected data for 21. For those 21 the median response time from the time Council received the call to when personnel arrived on site was one hour.
	<p>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,</p> <p>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</p> <p>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.*</p>	<p>12 hours</p> <p>72 hours</p> <p>120 hours</p>	<p>Achieved The median response time from the time the call was received until the time the fault was resolved was 2.83 hours.</p> <p>Achieved The median time for attendance of non-urgent call outs from the time the call was received to attendance on site was 59.50 hours.</p> <p>Not achieved The median time for resolution of the fault from the time the call was received was 135.42 hours.</p>	<p>Not achieved The Council collected data for 21 of the 41 call outs. For the 21 collected the median response time from the time the call was received until the time the fault was resolved was 7 hours.</p> <p>Not achieved The total call outs for the period was 228. Of those, Council collected data for 171. The median time for attendance of non-urgent call outs from the time the call was received to attendance on site was 116.11 hours.</p> <p>Not achieved The total call out for the period totalled 228. Of those, Council collected data for 171. The median time for resolution of the fault from the time the call was received was 289.48 hours.</p>
	The average consumption of drinking water per day per resident within the District.*	<1.3m ³ per person per day within urban schemes.	Not Achieved 2.41m ³	Not achieved 2.27m ³
Water is safe to drink	<p>The extent to which the drinking water supplies comply with the drinking water standards for protozoal compliance.*</p> <p>The extent to which the drinking water supplies comply with the drinking water standards for bacteria compliance*</p>	<p>2 of 4 supplies comply</p> <p>Twizel upgrade completed in 2015/16</p> <p>≥95% compliance for all 4 supplies</p>	<p>Not Achieved Twizel and Tekapo water supplies have been upgraded to meet drinking water standards, they do not technically comply as the Ministry of Health has not formally recognised these upgrades yet. The other two supplies do not currently comply.</p> <p>Achieved 95.5% – 9 transgressions from 201 samples.</p>	<p>Achieved 2 of 4 supplies comply</p> <p>Achieved 98% – 6 transgressions from 312 samples.</p>

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Residents are satisfied with the water supply provided	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. *	Less than 5 complaints per 1000 connections within urban Schemes	Achieved 1 complaint received per 1,000 properties connected. This covers 4 water supplies with 2,542 properties connected and only 1 complaint was received.	Achieved 2.8 complaints received per 1,000 properties connected. This covers 4 water supplies with 2,814 properties connected and only 10 complaints were received.
	% of ratepayers satisfied with the water supply service.	80%	Achieved 90%	Achieved 81%

* Mandatory Performance Measure

Definitions: *Urgent* – no water, major mains break or water leak with potential to effect 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.

Notes

- The time for reinstatement of service is defined as the length there is a break in service. To be less than six hours during working hours and less than nine hours outside working hours.
- Water Quality is maintained and improved is defined as customer requests for service due to low pressure and or flow.
- The Albury supply is managed separately by the committee and is not subject to these performance measures.
- Council achieved 2 out of the 3 median response time in the current year, while not achieving any of the measures in 2016. The satisfaction with Council water schemes has increased to 90% (2016: 81%). This indicates that Councils ratepayers are mostly satisfied with the levels of service being provided and the additional costs to achieve all of the mandatory targets would not achieve an increase in satisfaction with levels of service and may reduce such satisfaction.
- Water is safe to drink.
Whilst Council met the performance requirements regarding the extent to which water supplies comply, none of the community water supplies were fully compliant with the Drinking Water Standards due to either, less than the required number of samples taken or the interval between sampling being greater than required. (See table below).

Summary of E.coli sampling results

Plant name	Required number of samples	Number of samples collected	Number of transgressions	Compliance
Fairlie	104	54	1	Non-compliant
Burkes Pass	52	52	0	Compliant
Tekapo	52	51	0	Compliant
Twizel	104	96	1	Non-compliant on interval and number of samples
Albury	52	0	Not applicable	Non-compliant
Allandale	52	52	0	Compliant
Kimbell	12	12	0	Compliant

- The number of samples taken in relation to bacterial compliance.
 - In Fairlie, there were less than the required samples as a genuine error by Council in assessing the requirements.
 - In Twizel, Council contractors missed the sampling times required and due to the tight testing regime were unable to catch up.
 - Burkes Pass is not included in the performance standards above as it is a small restricted supply serving approximately 20 people.
 - Albury took no samples and therefore is non-compliant.
- Council is non-compliant with the drinking water standards in relation to protozoa. The upgraded plants in Tekapo and Twizel are technically compliant but have not been signed off by the drinking water assessor.
- Council did not achieve the average consumption of drinking water measure due to the drier climate in the District. Ratepayers within the District use more water maintaining their properties than other urban areas.

Identified Effects on the Community

The Water Supplies activity provides for the sustainable supply of safe, clean water as needed by the community to support a good quality of life and physical and mental wellbeing. The provision of a reliable water supply also supports local businesses to enable them to continue their operation - knowing water is available to them as they require it.

Cost of Service Statement

Water Supplies Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		916	984	1,012
Interest revenue		6	2	5
Other revenue	1	188	161	212
Contributions	2	149	0	131
Other gains		0	0	2
Internal interest income		6	2	4
Internal income		3	3	3
Assets vested	3	156	91	0
TOTAL REVENUE		1,424	1,243	1,369
EXPENDITURE				
Personnel costs	4	17	11	25
Consultancy expenses	5	0	14	35
Administration		75	83	79
Operational and maintenance	6	656	475	626
Interest on capital reserves		48	62	97
Internal expenses		3	3	3
Finance costs		0	11	0
Depreciation	7	490	515	601
TOTAL EXPENDITURE		1,289	1,174	1,466
OPERATING SURPLUS/(DEFICIT)		135	69	(97)

Commentary on Water Supplies Financial Summary

Surplus/(deficit)

The deficit for the year was \$97,000, which is expenditure of \$166,000 over the budgeted surplus of \$69,000.

Revenue

Total revenue for the year was \$1,369,000, \$126,000 more than budgeted revenue of \$1,243,000.

The key variances from budget were:

1. Other revenue is \$51,000 higher than budget due to the higher than anticipated water meter revenue of \$146,000. The budget was \$90,000.
2. Financial/upgrade contributions are \$131,000 above budget due to higher than anticipated section development within the district. These contributions are driven by developer activity.
3. Assets vested were \$91,000 less than budget. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *Changes in accounting policies*.

Direct expenditure

The total direct expenditure for the year was \$1,466,000; \$292,000 more than the budgeted direct expenditure of \$1,174,000.

The key variances from budget were:

4. Personnel costs were \$14,000 above budget. The costs relate to the Albury Water Supply for which Council does not prepare a budget as this is administered by a separate committee.
5. Consultancy costs were \$21,000 more than budget due to costs associated with initial fluoridation costings (\$4,000) and water supply upgrades (\$15,000).
6. Operational and maintenance expenses were \$151,000 more than budget mainly due to higher than anticipated costs associated with the Allandale Scheme which was \$17,000 above budget due to costs associated with clearing a blocked intake and numerous leaks throughout the Scheme. Coupled with this is additional electricity costs of \$48,000 for the Twizel portion of the scheme and higher than anticipated maintenance costs \$89,000 due to repainting of the Tekapo Reservoir and additional work in Twizel treatment shed due to rodent infestation.
7. Depreciation expenses were \$86,000 more than the budget due mainly to revaluation changes.

Funding Impact Statement

Water Supplies Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	912	982	1,012
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	6	6	7
Local authorities fuel tax, fines, infringement fees, and other receipts	160	163	217
TOTAL OPERATING FUNDING (A)	1,078	1,152	1,236
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	509	531	765
Finance costs	3	11	0
Internal charges and overheads applied	58	108	100
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	571	650	865
Surplus (deficit) of operating funding (A-B)	507	502	371
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	131
Increase (decrease) in debt	105	116	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)	105	116	131
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	1,451	411	593
- To replace existing assets	0	10	377
Increase (decrease) in reserves	(838)	197	(468)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	612	618	502
Surplus (deficit) of capital funding (C-D)	(507)	(502)	(371)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding of cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	371
Add back:	
Other gains	2
Financial contributions	131
Vested Assets	0
	133
Less:	
Depreciation	601
OPERATING SURPLUS/(DEFICIT)	(97)

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 can not be used to fund operating expenditure.

Capital Expenditure

Water Supplies Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Urban Water				
Vested assets	2	156	91	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		156	91	0
IMPROVE LEVEL OF SERVICE				
Urban Water				
Town Reticulation - renewal	1	502	975	532
Head Works - renewal		37	0	0
Treatment - new		886	0	61
Allandale - Reticulation extension		0	10	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		1,425	985	593
REPLACE EXISTING ASSETS				
Urban Water				
Town Reticulation - renewal		347	0	299
Reticulation		0	0	1
Service connections		57	60	51
Plant		0	0	5
Treatment - renewal		528	0	11
Plant		0	33	10
Fire hydrant markers		2	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		934	93	377
TOTAL CAPITAL EXPENDITURE		2,515	1,169	970

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 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.

Results for 2016/17 year

Total capital for the year was budgeted at \$1,169,000. Actual expenditure was \$1,230,000 which produced a \$61,000 unfavourable variance.

The key variances from budget were:

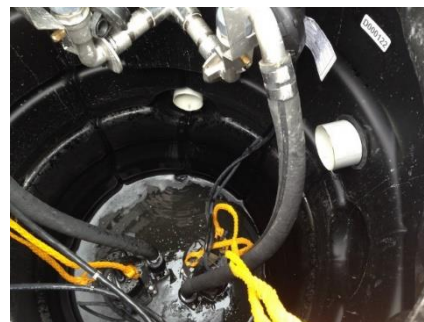
1. Council spent \$299,000 on replacement of part of the main line from Fairlie to Kimbell. The budget is held in the improved level of service. Overall Council achieved all its project targets for the year at a considerably lower cost achieving overall savings against budget of \$144,000.
2. Council expected \$91,000 of vested assets during the financial year in question. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *changes in accounting policies*.
- 3.

Sewerage

What We Do

The Council is responsible for the management of wastewater (sewage) collection, treatment and disposal services for its urban communities worth \$25.4million. Sewerage services are provided to support the development of the district and to protect the physical environment and the health of the community.

There are community sewerage systems in the townships of Fairlie, Burkes Pass, Tekapo and Twizel. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground. The sewerage asset includes all Council-owned pipelines, manholes, treatment facilities and related infrastructure. Sewerage from the Pukaki Airport is pumped to the Twizel treatment facility.



Rationale for Council's Involvement

Appropriate collection and treatment of wastewater is essential for the health and well-being of 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. Wastewater is one of the core functions of Council, as provided by statute.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
1. Safe, effective and sustainable infrastructure 2. A fit and healthy community 3. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Sewage is managed without risk to public health	The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system.*	≤5	Achieved There were 0 dry weather sewerage overflows.	Not Achieved 7.2 per 1,000 properties connected. This equates to 18 overflows from the 2,489 properties connected.
Safe discharge of wastewater	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 those resource consents.*	Nil Nil Nil Nil	Nil Nil Nil Nil	Nil Nil Nil Nil
Sewage is able to be disposed of without significant disruption	Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response times measured: a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site, and 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.*	≤1 hour ≤4 hours	Achieved There were no call-outs for the year. Achieved There were no call-outs for the year	Not achieved The median attendance time from notification to arriving onsite was 4.5 hours. There were 18 call-outs for the year. Not achieved The median resolution time from notification to resolution was 8.5 hrs. There were 18 call-outs for the year
Sewage is able to be disposed of without significant disruption	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.*	≤50	Achieved 2.7 per 1,000 properties connected. This covers 4 sewerage schemes with 2,566 properties connected and only 7 complaints were received.	Achieved 7.6 per 1,000 properties connected. This covers 4 sewerage schemes with 2,489 properties connected and only 19 complaints were received.
Sewage is managed without risk to public health	Percentage of ratepayers satisfied with the sewage treatment and disposal service.	85%	Achieved 98%	Achieved 100%

* Mandatory Performance Measure

Definitions: *Urgent* – sewerage overflow, sewerage pump failure and blocked drains.
Non-urgent – odours and all other reports.
Complaint – second report to Council or its contractors by the same party about the same issue.

Identified Effects on the Community

This activity ensures the sanitary collection and safe treatment and disposal of wastewater to cater for basic human needs for a safe standard of living across the District. The provision of services within the Sewerage activity area assists in enabling communities to function in a healthy environment, with appropriate mechanisms in place to dispose of wastewater in an environmentally appropriate way.

Cost of Service Statement

Sewerage Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		445	562	571
Other revenue		6	6	11
Contributions	1	185	0	110
Internal interest income		86	35	39
Assets vested	2	200	149	0
TOTAL REVENUE		922	752	731
EXPENDITURE				
Consultancy expenses		11	10	16
Administration		38	41	36
Operational and maintenance		178	199	231
Interest on capital reserves		4	6	6
Depreciation		325	344	304
TOTAL EXPENDITURE		556	600	593
OPERATING SURPLUS/(DEFICIT)		366	152	138

Commentary on Sewerage Financial Summary

Surplus/(deficit)

The surplus for the year was \$138,000, \$14,000 less than the budgeted surplus of \$152,000.

Revenue

Total revenue for the year was \$731,000, \$21,000 less than the budget of \$752,000.

The key variances from budget were:

1. Financial/Upgrade contributions for the year were \$110,000 more than allowed for in the budget of nil. This is driven by developer activity and is difficult to accurately determine.
2. There were no assets vested for the year which is \$149,000 less than budget. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *Changes in accounting policies*.

Funding Impact Statement

Sewerage Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	443	578	571
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	46	28	39
Local authorities fuel tax, fines, infringement fees, and other receipts	6	6	11
TOTAL OPERATING FUNDING (A)	495	612	621
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	157	237	282
Finance costs	0	0	0
Internal charges and overheads applied	6	6	6
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	163	243	288
Surplus (deficit) of operating funding (A-B)	332	369	333
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	110
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	110
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	902	31	183
- To replace existing assets	0	0	0
Increase (decrease) in reserves	(570)	338	260
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	332	369	443
Surplus (deficit) of capital funding (C-D)	(332)	(369)	(333)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	333
Add back:	
Financial contributions	110
Vested Assets	0
	110
Less:	
Depreciation	304
OPERATING SURPLUS/(DEFICIT)	138

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 can not be used to fund operating expenditure.

Capital Expenditure

Sewerage Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Urban Sewer				
Vested assets	2	200	149	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		200	149	0
IMPROVE LEVEL OF SERVICE				
Urban Sewer				
Sewer Reticulation - new		0	0	18
Sewer Treatment - new	1	312	1,000	165
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		312	1,000	183
REPLACE EXISTING ASSETS				
Urban Sewer				
Sewer Reticulation - renewal		10	0	0
Sewer Treatment - new		0	11	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		10	11	0
TOTAL CAPITAL EXPENDITURE		522	1,160	183

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 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.

Results for 2016/17 year

Total capital expenditure for the year was \$183,000; \$977,000 less than the budget of \$1,160,000.

Key variances from budget were:

1. Council planned to upgrade the Twizel disposal/treatment field. This has been delayed due to issues in securing the necessary land.
2. Council received no vested assets but had budgeted to receive vested asset revenue of \$149,000. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *changes in accounting policies*.

Stormwater

Background

Council is responsible for the management of \$7.4 million worth of stormwater assets. The stormwater network provides drainage away from the road corridor and homes to minimise the incidence of flooding.

There are simple networks in Fairlie, Tekapo and Twizel only. They discharge to ground or to water after flowing through some form of treatment facility such as a swale or larger vegetated treatment area.

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 of less than 3.4 m² cross sectional area. These are included in roading assets.



Rationale for Council's Involvement

Council provides a safe, effective and sustainable stormwater system to:

- Provide and maintain adequate stormwater systems that protect public health and property.
- Ensure there is no detrimental impact on the environment from the disposal of stormwater in Twizel, Tekapo and Fairlie.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
1. Safe, effective and sustainable infrastructure 2. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
System adequacy – the stormwater system is adequately sized and maintained.	The number of flooding events that occur in the district.*	Less than or equal to 2 flooding events.	Achieved 1 event on 16/11/16 in Fairlie	Achieved Nil – no flooding events occurred during 2015/16
	For each flooding event, the number of habitable floors affected (per 1000 properties connected to the Council's stormwater system)*	Less than or equal to 2 per flooding event, per 1000 properties connected to the stormwater system.	Achieved 1 habitable floor effected per 1000 properties.	Achieved Nil – no reports of flood water entering houses
Discharge compliance – the stormwater system is managed in accordance with consent conditions.	Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders, and convictions*	Nil abatement or infringement notices	Achieved No abatement or infringement notices issued for the period	Achieved No abatement or infringement notices issued for the period
		Nil enforcement orders or convictions	Achieved No enforcement orders or convictions issued for the period	Achieved No enforcement orders or convictions issued for the period
Response times – flooding events from the stormwater system are promptly attended to.	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.*	2 hours, including travel time to remote parts of the district.	Achieved Whitestone attended the event on the 16/11/16 prior to any properties being effected	Achieved No flooding events occurred during 2015/16
Customer satisfaction – the stormwater system is managed to an appropriate quality of service.	The number of complaints received by the Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system.*	Less than 5 complaints per 1000 properties connected to the stormwater system.	Achieved 0.6 per 1,000 properties connected.	Achieved No complaints received

* Mandatory Performance Measure

Definitions: *Urgent* – imminent risk to property.
Non-urgent – all other issues.

Note: This service provision relates to the stormwater network that is independent of the road drainage system

Identified Effects on the Community

The Stormwater activity helps ensure the protection of people's lives and property in times of rainfall, by ensuring runoff is efficiently and effectively dealt with, to assist in achieving social and commercial certainty and avoiding the risk of flooding. It also assists in preserving the community's environment from degradation in terms of soil and water quality.

Cost of Service Statement

Stormwater Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		79	99	101
Contributions		3	0	10
Internal interest income	1	21	12	28
Assets vested	2	202	232	0
TOTAL REVENUE		305	343	139
EXPENDITURE				
Consultancy expenses		0	6	8
Administration		10	10	9
Operational and maintenance		18	29	30
Depreciation		63	67	48
TOTAL EXPENDITURE		91	112	95
OPERATING SURPLUS/(DEFICIT)		214	231	44

Commentary on Stormwater Financial Summary

Surplus/(deficit)

The surplus for the year was \$44,000, \$187,000 less than the budgeted surplus of \$231,000.

Revenue

Total revenue for the year was \$139,000, \$204,000 less than budgeted revenue of \$343,000.

The key variances from budget were:

1. Internal interest revenue received on Capital Reserves is ahead of budget due to higher levels of reserves held than forecast.
2. Vested Assets of \$232,000 were budgeted but no vested assets were received this year. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *Changes in accounting policies*.

Funding Impact Statement

Stormwater Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	79	85	101
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	8	10	28
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0
TOTAL OPERATING FUNDING (A)	88	95	129
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	26	29	47
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)	26	29	47
Surplus (deficit) of operating funding (A-B)	62	66	82
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	10
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	10
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	8
- To replace existing assets	0	0	0
Increase (decrease) in reserves	62	66	84
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	62	66	92
Surplus (deficit) of capital funding (C-D)	(62)	(66)	(82)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	82
Add back:	
Financial contributions	10
Vested Assets	0
	10
Less:	
Depreciation	48
OPERATING SURPLUS/(DEFICIT)	44

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 can not be used to fund operating expenditure.

Capital Expenditure

Stormwater Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>Urban Stormwater</i>				
Vested assets	1	202	232	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		202	232	0
IMPROVE LEVEL OF SERVICE				
<i>Urban Stormwater</i>				
S/water structure - new	2	0	0	8
Resource consent costs		2	0	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		2	0	8
TOTAL CAPITAL EXPENDITURE		204	232	

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 significant capital expenditure were as follows:

- Assets vested in Council are the result of development.

Results for the 2016/17 year

Total capital expenditure was \$8,000; \$224,000 less than the budget of \$232,000.

The key variances from budget were:

- No vested assets were received this year but Council had expected vested assets totalling \$232,000. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *Changes in accounting policies*.
- \$8,000 was spent on the outfall at Twizel to lower the incidence of bank scouring on the Twizel River.

Roading

What We Do

The Council owns and maintains 732 kilometres of local roads within the district, made up of 213 km sealed and 519 km of unsealed roads. That is all the roads in the district except for state highways which are managed by the New Zealand Transport Agency (NZTA), and roading in Mt Cook Village which is administered by the Department of Conservation. Rural roads make up 92% of the network.

The roading 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 replacement cost for Council's roading assets is \$94.7 million (July 2016 valuation).

Rationale for Council's Involvement

The roading network links areas, connects people with each other and essential services, underpins the District's iconic tourism economy, enables businesses to access resources/markets and provides people with social, cultural, recreational and employment opportunities. The Council plans to continue to own, control and manage the district's entire roading network as one of its core activities. As a result our first priority is to maintain, operate and protect the existing roading network.



Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Council provides safe, smooth, quality sealed roads in order to reduce travel times and vehicle wear.	The average quality of ride on a sealed local road network, measured by smooth travel exposure.*	90% for rural and 75% for urban roads.	Achieved 98.7% for rural and 96.6% for urban roads.	Achieved 98% for rural and 96% for urban roads.
	The percentage of the sealed local road network that is resurfaced.*	≥4%	Achieved 10.3% (22km resurfaced)	Achieved 10% (21.6km resurfaced)
	The percentage of the unsealed road network renewed using wearing course and stabilisation techniques.	≥2%	Achieved 8.8% (45.6km wearing course)	Achieved 11% (57km wearing course)
	The percentage of road users satisfied with the roading network.	≥80%	Achieved 92%	Achieved 87%
Council provides a safe and efficient roading network.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network caused by road conditions, expressed as a number.*	Change from previous financial year = 0 (equates to a total target of ≤2 fatality and serious injury crashes).	Achieved Unchanged	Achieved Unchanged
	The percentage of customer service requests relating to roads and footpaths to which Council responds within the timeframe specified in the LTP.*	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.	Achieved 100% – 7 service requests were received. All were responded to within the required timeframes	Achieved 75% – 8 service requests were received and 6 were responded to within the required timeframes
Footpaths are maintained in good condition and are fit for purpose	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.*	≥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.	Achieved 95%	Achieved 86%

*Mandatory Performance Measure

Note:

- * National Association of Australian State Road Authorities (NAASRA) counts are generated utilising a laser profile meter fitted to a vehicle travelling at speed on the Districts sealed roads, which records the road profile and converts the results into a roughness count/kilometre. The higher the roughness count/kilometre, the rougher the road surface which may lead to reconstruction of the surface.
- ** This measure is specifically for identifying trip hazards, meaning areas are to be “made safe” within 48 hours.
- *** As there have been no significant changes in traffic mix or use and regular maintenance has been undertaken, it is reasonable to assume that the level of service has not changed significantly
- **** Smooth travel exposure is the quantity of vehicle kilometres travelled on the local road network, which is considered to be smooth. Whilst traffic volumes both actual and estimates, have a bearing on the result, the actual roughness rating, measures bi-annually, has the greatest impact. Traffic count data from the current year has not been used.

Identified Effects on the Community

The Roding activity area focuses primarily on the provision of a safe and reliable local roading network. The network performs a number of important functions including linking areas and connecting people with each other and essential services. It underpins the District’s iconic tourism economy, enables businesses to access resources/markets, and provides people with social, cultural, recreational and employment opportunities. This in turn contributes to the District’s economic vitality and social wellbeing.

Cost of Service statement**Roding Activity Group**

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		959	1,154	1,163
Subsidies and grants	1	1,871	1,553	1,923
Other revenue		38	26	48
Assets vested	2	431	2,673	2,334
TOTAL REVENUE		3,299	5,406	5,468
EXPENDITURE				
Personnel costs	3	178	172	164
Consultancy expenses	4	118	100	187
Administration		13	3	3
Roothing expenses		1,185	1,193	1,204
Interest on capital reserves		16	20	30
Internal expenses		12	19	19
Finance costs		0	36	0
Depreciation	5	2,015	1,995	2,046
TOTAL EXPENDITURE		3,537	3,538	3,653
OPERATING SURPLUS/(DEFICIT)		(238)	1,868	1,815

Commentary on Roding Financial Summary**Surplus/(deficit)**

The surplus for the year was \$1,815,000, \$53,000 less than the budgeted surplus of \$1,868,000.

Revenue

Total revenue for the year was \$5,468,000; \$62,000 higher than budgeted revenue of \$5,406,000.

The key variances from budget were:

1. Subsidies and grants of \$1,923,000; \$370,000 more than the budget of \$1,553,000 due to additional funding from NZTA to cover the additional capital spends. \$79,000 of petrol tax was received which wasn't budget for
2. The Lake Tekapo Footbridge costing \$2,334,000 was vested with Council during the year. Council had planned to receive a further \$339,000 of vested asset revenue but these are dependent upon the completion of subdivisions. Additionally, the timing of recognition of the vested assets has resulted in no infrastructural vested assets being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *Changes in accounting policies*.
- 3.

Direct expenditure

The total direct expenditure for the year was \$3,653,000; \$115,000 higher than the budgeted direct expenditure of \$538,000.

The key variances from budget were:

4. Personnel costs are \$164,000, \$8,000 lower than budget of \$172,000. This is due to a period where Council had no roading manager due to staff changes.
5. Consultancy expenses are \$187,000, \$87,000 higher than the budgeted consultancy expenses of \$100,000. This is due to unbudgeted but Council approved costs associated with district wide transportation strategy of \$77,000. Costs were also incurred in relation to roading collaboration with Councils neighbours.
6. Depreciation is \$2,046,000, \$51,000 more than the budget of \$1,995,000. This is due to increases in asset values due to revaluations and higher than anticipated vested assets.

Funding Impact Statement

Roading Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	952	1,160	1,163
Subsidies and grants for operating purposes	988	960	768
Fees and charges	0	0	0
Internal charges and overheads recovered	6	13	0
Local authorities fuel tax, fines, infringement fees, and other receipts	43	43	127
TOTAL OPERATING FUNDING (A)	1,989	2,176	2,058
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	1,448	1,472	1,558
Finance costs	0	31	0
Internal charges and overheads applied	15	16	49
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,463	1,519	1,607
Surplus (deficit) of operating funding (A-B)	526	656	451
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	596	595	1,076
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	738	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)	596	1,333	1,076
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	188
- To replace existing assets	1,871	2,004	2,030
Increase (decrease) in reserves	(749)	(14)	(691)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	1,122	1,990	1,527
Surplus (deficit) of capital funding (C-D)	(526)	(656)	(451)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	451
Add back:	
Financial contributions	0
Capital Subsidies and Grants	1,076
Vested Assets	2,334
	3,410
Less:	
Depreciation	2,046
OPERATING SURPLUS/(DEFICIT)	1,815

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 can not be used to fund operating expenditure.

Capital Expenditure

Roading Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>District Roding</i>				
Vested assets	1	431	2,673	2,334
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		431	2,673	2,334
IMPROVE LEVEL OF SERVICE				
<i>District Roding</i>				
Footpaths - surfacing		18	242	188
<i>Professional Roding Business Unit</i>				
Computers		2	0	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		20	242	188
REPLACE EXISTING ASSETS				
<i>District Roding</i>				
Unsealed road metalling		596	596	663
Sealed road resurfacing		671	684	770
Drainage renewal		110	105	107
Plant and equipment		0	5	0
Sealed road pavement rehabilitation		210	176	64
Structures component replacements bridges		0	20	75
Structures component replacements cattlestops		0	6	0
Traffic services renewals		41	40	55
Minor improvements		249	250	296
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		1,877	1,882	2,030
TOTAL CAPITAL EXPENDITURE		2,328	4,797	4,552

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 significant capital expenditure were as follows:

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

Results for 2016/17 year

Total capital expenditure for the year was \$2,218,000; \$2,579,000 less than the budget of \$4,797,000. The key variances from budget were:

7. Council budgeted to receive \$2,673,000 of vested assets during the year however none were received. The timing of recognition of the vested assets has resulted in no revenue being recognised this financial year. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: *changes in accounting policies*.
1. The overall capital spend is \$94,000 more than budgeted. This will be covered by the increase in NZTA funding received.

Planning and Regulatory Services

What We Do

The Regulatory Services group of activities includes environmental and planning functions, building control, public health and liquor licensing, rural fire, civil defence and animal control.

The Council is responsible for town planning and resource management under the provisions of the Resource Management Act 1991. The Council's key document for this is its District Plan, which outlines the issues facing the District and then details the objectives, policies and rules for ensuring sustainable management of its natural and physical resources.



The Council's building control service administers the Building Act 2004. It processes building consent applications, checks plans and conducts site inspections to ensure buildings are constructed in accordance with the approved plans. The Council is an accredited Building Consent Authority under the Building Act 2004, which is required for it to continue its consenting functions under that Act.

The Council's functions of licencing and monitoring premises under the Food Act 2014 is managed through a contract with Timaru District Council. Council's contract with Timaru District Council also extends to supporting Council's functions under the Sale and Supply of Alcohol Act 2012 working with the Mackenzie District Licencing Committee.

Council employs a part time Civil Defence Officer to co-ordinate its responsibilities under the Civil Defence and Emergency Management Act 2002. This includes liaising with a network of volunteers in the District, and contributing to the Canterbury Civil Defence Group.

Council contracts out animal control services in the District to respond to animal nuisance complaints (dogs and wandering stock).

The Council is part of the Mid-South Canterbury Rural Fire Authority, a joint venture of Mackenzie, Timaru, Waimate and Ashburton District Councils, the Department of Conservation, the New Zealand Fire Service and a Forest Owners Group. The costs of administering the rural fire authority are split evenly amongst the four Councils, Department of Conservation, and the forest owners group.

Rationale for Council's Involvement

The Council's Regulatory Services roles are prescribed by a number of statutes, including:

- Resource Management Act 1991
- Civil Defence and Emergency Management Act 2002
- Dog Control Act 1996
- Health Act 1956
- Sale and Supply of Alcohol Act 2012
- Food Act 2014
- Forest and Rural Fires Act 1977
- Gambling Act 2003

These regulatory activities seek to enhance the safety and amenity of those who live in and visit the Mackenzie District.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute <ol style="list-style-type: none"> 1. A thriving economy. 2. Safe, effective and sustainable infrastructure. 3. A fit and healthy community. 4. An attractive and highly valued natural environment. 				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
To effectively manage environmental issues within the District.	The percentage of those surveyed that are satisfied by the belief that the Council are adequately managing resource management issues in the District.	≥80% positive feedback to a customer survey.	Not Achieved CINTA Survey 2017 showed 63% satisfaction.	Achieved CINTA Survey 2016 showed 82% satisfaction.
To provide a customer focused service for processing resource consents while achieving our obligations under the Resource Management Act 1991.	Non-notified consents are processed within the statutory timeframe of 20 working days.	≥95% compliance.	Not Achieved 85% of consents were processed within the timeframe.	Not Achieved 74% of consents were processed within the timeframe.
	The percentage of applicants for resource consents that are satisfied with the quality of the service they receive.	80% positive feedback to a customer survey.	Not Achieved Research First Survey July 2017 showed 61% satisfaction.	Not Achieved Research First Survey 2016 showed 62% satisfaction.
To provide a customer focussed building control service that achieves our obligations under the Building Act 2004.	Building consents are processed within the statutory timeframe of 20 working days.	95% compliance	Not Achieved 91% of consents were processed within the timeframe.	Not Achieved 85% of consents were processed within the timeframe.
	The percentage of applicants for building consents that are satisfied with the quality of the service they receive.	≥80% positive feedback to a customer survey.	Not Achieved Research First Survey July 2017 showed 61% satisfaction.	Not Achieved Research First Survey 2016 showed 62% satisfaction.
To provide a safe environment for dogs and the public to co-exist.	The percentage of those surveyed that believe the Council is adequately managing dog control issues in the District.	≥80% positive feedback to a customer survey.	Achieved CINTA Survey 2017 showed 93% satisfaction.	Achieved CINTA Survey 2016 showed 84% satisfaction.
For the Council to be prepared to respond to a civil defence emergency.	Council staff and volunteers are familiar with their roles and are adequately trained.	Training is attended as required, and the Council will participate in one training exercise per year.	Achieved Council staff participated in Emergency Operations Centre training in November 2016.	Achieved Council staff participated in Emergency Operations Centre training in April 2016.
For the public to be adequately prepared for a civil defence emergency.	The percentage of the community surveyed that believe they are adequately prepared for a civil defence emergency.	≥80% favourable response from a customer survey.	Achieved Community survey 2017 showed 82% satisfaction.	Achieved Community survey 2016 showed 89% satisfaction.

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
To manage fire risk and to be able to provide a ready and capable response to rural fires. **	The Council has capable rural fire response teams across the Mackenzie District.	All volunteer rural fire teams are trained to industry standards.	Achieved Volunteers were successfully trained to industry standards.	Achieved Volunteers were successfully trained to industry standards.
	The percentage of the community surveyed that believe the Council is adequately prepared to respond to rural fires.	≥80% favourable response from a customer survey	Achieved CINTA Survey 2017 showed 86% satisfaction.	Achieved CINTA survey showed 92% satisfaction.

** Fire Emergency New Zealand (FENZ) will take over the operations of Rural Fire across New Zealand from 1st July 2017, thus this is the last time this measure will be reported on.

Identified Effects on the Community

The Regulatory Services group of activities assists the Council in the improvement of local communities through the regulation of building work, the control of social issues via bylaws, and the protection of lifestyles and the environment enjoyed by residents, making a safer District for all. Many mechanisms of the Regulatory Services group are mandatory or legislatively required, but the underlying theme is the protection and safety of our communities and an increase in social and economic wellbeing.

Cost of Service Statement

Planning and Regulatory Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
General rates		421	448	448
Targeted rates		165	168	168
Other revenue	1	848	720	1,240
Gain on sale of assets		10	0	5
Contributions		250	120	135
Internal interest income		1	0	0
TOTAL REVENUE		1,695	1,456	1,996
EXPENDITURE				
Personnel costs	2	625	675	714
Consultancy expenses	3	548	505	1,002
Administration		49	79	82
Operational and maintenance	4	198	348	261
Interest on capital reserves		72	73	56
Internal expenses		36	33	34
Loss on sale and assets written off	5	0	0	221
Depreciation		55	44	56
TOTAL EXPENDITURE		1,583	1,757	2,426
OPERATING SURPLUS/(DEFICIT)		112	(301)	(430)

Commentary on Planning & Regulatory Financial Summary**Surplus/(deficit)**

The deficit for the year was \$430,000; \$129,000 higher than the estimated deficit of \$301,000.

Revenue

Total revenue for the year was \$1,996,000; \$540,000 more than budgeted revenue of \$1,456,000.

The key variances from budget were:

1. Other revenue was \$1,240,000; \$520,000 more than budgeted revenue of \$720,000. The main reason is due to higher revenue from Resource Management (\$263,000) for consents due to significant economic activity within the district coupled with higher revenue from Building Inspectorate (\$180,000) due to significant building activity in the District.

Direct expenditure

The total direct expenditure for the year was \$2,426,000; \$669,000 higher than the budgeted direct expenditure of \$1,757,000.

The key variances from budget were:

2. Personnel costs were \$714,000; \$39,000 more than the budget of \$675,000. This is due to recruitment of additional staff in Planning and Building Control to cope with additional workloads.
3. Consultancy expenses were \$1,002,000; \$497,000 higher than budgeted expenses of \$505,000. This is made up of an additional \$265,000 relating to outsourcing resource consent applications with an additional \$90,000 relating to the District Plan Review and Plan Change 13. Building consultancy services are \$116,000 more than budget due to outsourcing building consent processing.
4. Operational and maintenance costs are \$261,000, \$87,000 lower than budget of \$348,000. This is made up of lower than anticipated costs of contractors in the building activity (\$25,000) coupled with lower than expected costs associated with health and liquor licencing services (\$46,000)
5. Council's loss on sale of assets was \$221,000; \$221,000 more than the budget of \$nil. This is due to the transfer of all rural fire assets previously owned by Council to Fire and Emergency New Zealand (FENZ).

Funding Impact Statement

Planning and Regulatory Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	421	424	448
Targeted rates	165	173	168
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	1	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	625	640	1,240
TOTAL OPERATING FUNDING (A)	1,211	1,237	1,856
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	1,463	1,444	2,058
Finance costs	0	0	0
Internal charges and overheads applied	97	102	90
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,560	1,545	2,148
Surplus (deficit) of operating funding (A-B)	(348)	(308)	(292)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	120	120	135
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)	120	120	135
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	86	8	3
Increase (decrease) in reserves	(314)	(196)	(160)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(228)	(188)	(157)
Surplus (deficit) of capital funding (C-D)	348	308	292
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	(292)
Add back:	
Financial contributions	135
Gain on Sale Assets	5
	140
Less:	
Depreciation	56
Loss on Sale and Assets Written Off	221
	277
OPERATING SURPLUS/(DEFICIT)	(430)

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 can not be used to fund operating expenditure.

Capital Expenditure

Planning and Regulatory Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
REPLACE EXISTING ASSETS				
Regulatory Services				
Rural Fire				
Plant & equipment		7	8	3
Vehicles		45	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		52	8	3
TOTAL CAPITAL EXPENDITURE		52	8	3

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.

Results for 2016/17 year

Total capital expenditure for the year was \$8,000; equal to the budget of \$8,000.

Community and Township Services

What We Do

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

It also provides a range of services including pensioner housing, cemeteries, medical centres, public toilets and grants to the Resource Centres in Fairlie and Twizel. Council also administers and distributes grants from Sport New Zealand and Creative New Zealand.

The Council has historically provided solid waste collection services and operated a number of landfills. All landfills in the district have now been closed. The kerbside collection and operation of the three Resource Recovery Parks are managed by contractors.



Rationale for Council's Involvement

The Council supports a range of community services in the Mackenzie District that would not otherwise be viable. In order to support the health and welfare of the community it provides or contributes to medical centres, pensioner housing, and social and community support and information. Council also makes grants to various community organisations.

There is a statutory requirement for councils to provide cemeteries and we have been providing these for over a century. Public toilets are provided because of public expectation or demand and for public health and safety reasons. Council at this point is the only economic provider of these facilities.

Council provides recreational facilities as it believes that they contribute to several positive community outcomes as listed below. This is coupled with the community's expectation that these assets will continue to be provided as they always have been. Some of the facilities were originally built by the community and then gifted to Council in the expectation that they would be maintained.

Effective solid waste management benefits the community through protecting public health and the environment from solid waste. The Council currently provides a kerbside collection to the main townships and limited rural areas, and operates Resource Recovery Parks and clean fill sites in Fairlie, Tekapo and Twizel to enable the appropriate disposal of waste.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
<ol style="list-style-type: none"> 1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. A supportive and contributing community 5. An attractive and highly valued natural environment 				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Township services and facilities are provided and maintained to an acceptable level	Average customer satisfaction rating for township services and facilities.	84% or above	Achieved 88.71% of those surveyed were satisfied with township services & facilities; the average was down by satisfaction with public toilets. Despite significant ongoing investment in Public toilets. The ratepayer satisfaction level continues to decline. Perhaps this reflects the ratepayer's reluctance to fund services primarily for visitors.	Achieved 90.66% of those surveyed were satisfied with township services & facilities; the averaged was pulled down by satisfaction with public toilets. In both Tekapo & Twizel Council is responding by making changes at Twizel & bought forward replacement toilets in Tekapo

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Engage the community to achieve waste reduction	The percentage of solid waste from the district resource recovery diverted from landfills.	>37%	Achieved 39.6%	Achieved 38.2%
Waste is handled hygienically	Compliance with resource consent conditions.	100% compliance	Not Achieved 95% compliant A minor non-compliance was received for the Twizel Clean fill site where a fire box was disposed in the site that did not comply with resource consent conditions, this item was removed and the compliance issue was resolved.	Achieved 100% compliant

Identified Effects on the Community

The provision of services within the Community and Township Services group of activities primarily focuses on improving the social and cultural wellbeing of the community. Effective solid waste management benefits the community through protecting public health and the environment from solid waste. Recreational facilities, such as parks and reserves, have a positive impact in the community and relate to aspects of life that are important for a person's happiness, quality of life and welfare. Libraries also service the educational and cultural needs of the community, at a low cost to the user, making historical, cultural, and educational resources accessible for all. Other facilities such as pensioner housing give people in the community the opportunity to have access to basic housing needs in an affordable way, creating a positive impact in the lives of those who utilise these facilities.

Cost of Service Statement

Community and Township Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
General rates		624	534	459
Targeted rates	1	1,970	1,866	1,900
Subsidies and grants		19	18	426
Other revenue	2	622	446	501
Gain on sale of assets		6	0	0
Internal interest income		13	11	11
TOTAL REVENUE		3,254	2,875	3,297
EXPENDITURE				
Personnel costs		127	145	123
Consultancy expenses		21	32	32
Administration		253	221	229
Operational and maintenance		2,466	2,170	2,215
Interest on capital reserves		91	75	64
Internal expenses		6	8	4
Depreciation	3	332	346	361
TOTAL EXPENDITURE		3,296	2,997	3,028
OPERATING SURPLUS/(DEFICIT)		(42)	(122)	269

Commentary on Community and Township Summary

Surplus/(deficit)

The surplus for the year was \$269,000; \$391,000 more than the budgeted deficit of \$122,000.

Revenue

Total revenue for the year was \$3,297,000; \$422,000 higher than budgeted revenue of \$2,875,000.

The key variances from budget were:

1. Subsidies and grants is \$426,000; \$408,000 higher than the budget of \$18,000. This is due to receipt of subsidy from the Ministry of Business, Innovation and Employment for tourist related infrastructure projects.
2. Other revenue of \$501,000, \$55,000 higher than the budget of \$446,000. This is due to unbudgeted receipt of income from Lake Alexandrina rentals (\$73,000) along with grant money received from generators (\$10,000) and monies received from Tekapo Footbridge Society for work carried out by Council on the bridge approaches offset by lower than anticipated income from Solid Waste services recoverable services (\$25,000).
3. Depreciation for the year is \$361,000: \$15,000 more than the budget of \$346,000. This was due to the Council revaluing the buildings on 1 July 2016 along with the depreciation of the unbudgeted toilet funded by way of grant has led to increased depreciation.

Direct expenditure

The total direct expenditure for the year was \$3,028,000; \$31,000 more than the budgeted direct expenditure of \$2,997,000.

Funding Impact Statement

Community and Township Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	628	677	459
Targeted rates	1,874	1,863	1,900
Subsidies and grants for operating purposes	18	18	19
Fees and charges	0	0	0
Internal charges and overheads recovered	12	16	11
Local authorities fuel tax, fines, infringement fees, and other receipts	479	496	501
TOTAL OPERATING FUNDING (A)	3,011	3,069	2,890
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,637	2,660	2,599
Finance costs	0	0	0
Internal charges and overheads applied	95	115	68
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,733	2,774	2,667
Surplus (deficit) of operating funding (A-B)	278	295	223
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	407
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
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	407
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	68
- To replace existing assets	465	51	897
Increase (decrease) in reserves	(187)	244	(335)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	278	295	630
Surplus (deficit) of capital funding (C-D)	(278)	(295)	(223)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	223
Add back:	
Capital Subsidies and Grants	407
	407
Less:	
Depreciation	361
OPERATING SURPLUS/(DEFICIT)	269

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 can not be used to fund operating expenditure.

Capital Expenditure

Community and Township Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Community Services				
Cemeteries				
Land	2	0	200	5
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	200	5
IMPROVE LEVEL OF SERVICE				
Recreational Facilities				
Fairlie Township				
Comm Asset - public amenities		20	0	0
Other Reserves				
Land		0	0	68
Fairlie Pool				
Plant & equipment		3	0	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		23	0	68
REPLACE EXISTING ASSETS				
Community Services				
Fairlie Pensioner Housing				
Plant & equipment		0	22	0
Twizel Pensioner Housing				
Plant & equipment		2	9	7
Public Toilets				
Buildings	1	34	400	854
Recreational Facilities				
Mackenzie Community Centre				
Plant & equipment		0	0	2
Buildings		0	0	6
Fairlie Domain				
Furniture & fittings		6	0	0
Twizel Township and Twizel Reserves				
Projects		0	20	20
Twizel Community Centre				
Plant & equipment		3	0	8
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		45	451	897
TOTAL CAPITAL EXPENDITURE		68	651	970

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

Results for 2016/17 year

Total Capital Expenditure for the year was \$970,000; \$319,000 more than the budget of \$651,000.

The major variances were:

1. Council budgeted and spent \$400,000 for the replacement of the Lake Tekapo toilets. However, Council utilising the Tourism Infrastructure Fund, spent a further \$453,000 on a second block of toilets at Lake Tekapo. This has created a \$453,000 deficit.
2. Council budgeted \$200,000 to purchase additional land to extend the Fairlie Cemetery. Council chose not to spend the money instead removing trees to extend the life of the existing cemetery by some years.

Tourism, Economic Development and Commercial Activities

What We Do

The Council's tourism and economic development activity consists of:

- Promotion of the Mackenzie District as a tourist destination.
- Economic development services including business support, training and events; promotion of education opportunities; website and visitor/attraction promotion.
- Employing Tourism Waitaki to operate and manage the Alps 2 Ocean cycle trail tourism business and operations (in conjunction with the Waitaki District Council).

The Council's commercial activities are:

- Cash & Equity Investments
- Forestry Investments
- Real Estate including Tekapo Lakefront Development
- Rental Properties
- Pukaki Airport



Rationale for Council's Involvement

The Council is involved in tourism and economic development because it considers the economic wellbeing of the district to be of fundamental importance. The Council has a role in promoting sustainable development for tourism and business. Economic growth creates employment and assists business prosperity. This in turn allows a wider range of social, cultural and recreational facilities, and spreads the rating requirement across a wider base.

The Council is involved in commercial activities to ensure maximum commercial returns are generated for the benefit of Mackenzie's ratepayers and residents. These returns are used to minimise rates and to provide a catalyst for growth and economic development.

Levels of Service, Performance Measures and Results for 2016/17

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure				
Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
Investments – The community expects the investments of the Council to be managed wisely.	Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio.	Council's cash investment portfolio independently reviewed each quarter and investments outperform the Bancorp Ltd benchmark portfolio.	Not Achieved The Council's investment portfolio outperformed the Bancorp Ltd benchmark in three of the four quarters.	Achieved The Council's investment portfolio outperformed the Bancorp Ltd benchmark in all four quarters.
Real Estate	Council to undertake a review of its real estate and surplus land, including the Tekapo Lakefront Development. This was a new measure in 2013/14 with a review to be completed by 2017/18.	N/A	N/A	N/A

Levels of Service	Performance Measure	Targets 2016/17	Results 2016/17	Results 2015/16
To foster the economic development of the district as a whole.	Percentage of ratepayers satisfied with the Council's tourism promotion and economic development	≥80%	Achieved 86% of respondents were either satisfied or somewhat satisfied with Council's performance. The results of the survey in relation to Economic Development seem to have driven the increase in satisfaction.	Achieved 83% of respondents were either satisfied or somewhat satisfied with Council's performance. The results of the survey in relation to Economic Development seem to have driven the decrease in satisfaction.

Identified Effects on the Community

Council invests in economic development and works where possible with key partners such as central government, the community and industry, ultimately to improve people's standard of living with better employment opportunities, amenities, facilities and improved wellbeing.

Cost of Service Statement

Tourism, Economic Development and Commercial Activity Group

For the year ended 30 June 2017

		2016	2017	
	Notes	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
REVENUE				
Targeted rates		373	362	479
Dividend	1	425	769	466
Interest revenue	2	235	0	233
Other revenue	3	953	212	605
Other gains	4	2,092	1,449	1,434
Asset revaluation		639	0	0
Real estate sales	5	3,273	0	2,825
Internal interest income	6	388	204	399
		8,378	2,995	6,441
Less used to offset rates		(831)	(964)	(964)
TOTAL REVENUE		7,547	2,032	5,477
EXPENDITURE				
Personnel costs		51	44	100
Member expenses		20	20	31
Consultancy expenses	7	185	79	110
Administration		131	109	115
Operational and maintenance	8	519	477	542
Real estate cost of sales		1,999	0	1,339
Interest on capital reserves	9	279	26	211
Loss on sale of intangible assets		190	74	215
Depreciation		87	84	63
TOTAL EXPENDITURE		3,461	913	2,726
OPERATING SURPLUS/(DEFICIT)		4,086	1,119	2,751

Commentary on Commercial Activities Summary

Surplus/(deficit)

The surplus for the year was \$2,751,000; \$1,632,000 more than the budgeted surplus of \$1,119,000.

Revenue

Total revenue for the year was \$5,477,000, \$3,445,000 more than budgeted revenue of \$2,032,000.

The key variances from budget were:

- Dividends received this year totalled \$466,000, this was \$50,000 more than the budget of \$416,000. Dividend payments are dependent on third party decisions. The budget of \$769,000 incorporates both dividends of \$416,000 and interest revenue of \$353,000 that Council estimated to receive in the 2016-2017 Annual Plan.
- External interest revenue of \$233,000 was \$120,000 less than the budget of \$353,000. This is due to lower than anticipated cash balances due to unbudgeted development expenditure being undertaken ahead of land sale receipts and lower than anticipated interest rates. As noted in point 1, the budget of \$769,000 shown for dividends incorporates both dividend revenue of \$416,000 and interest income of \$353,000 that Council estimated to receive in the 2016-2017 Annual Plan.
- Other revenue totals \$605,000, which is \$393,000 more than the budget of \$212,000 due to the inclusion of carbon credits received for the year of \$274,000, and an increase in real estate rentals of \$72,000. Council also increased its revenue due to taking on the NZ Postal Agency which coupled with other Twizel Information Centre revenue contributed \$62,000.
- Other gains is \$15,000 less than the budget of \$1,449,000. This is due to a lower than expected increase in the valuation of the forestry assets largely offset by gains realised on real estate sales for 5 residential sections in Twizel.

5. Real estate sales of \$2,825,000 were achieved this year from two lake front sections in Lake Tekapo. The cost of the land pertaining to these sales was \$1,339,000 showing in the expenditure section.
6. Internal interest revenue was \$399,000, \$195,000 more than the budget of \$204,000. This is due to higher levels of forestry interest charged on the real estate activity which was not budgeted (\$39,000) and higher levels of capital reserve balances than anticipated attracting more interest.

Direct expenditure

The total direct expenditure for the year was \$2,866,000, \$1,953,000 more than the budgeted direct expenditure of \$913,000.

The key variances from budget were:

7. Consultancy expenses are \$110,000, \$31,000 more than the budget of \$79,000. This is mainly due to legal fees associated with the Lake Tekapo development and the land sales in Twizel mentioned above.
8. Operational and maintenance costs are \$542,000, \$65,000 more than the budget of \$477,000 mainly due to higher than expected costs for forestry operations (\$22,000) and unbudgeted expenditure at Pukaki Airport (\$22,000).
9. Interest on capital reserves was \$211,000 being \$185,000 over the budget of \$26,000. This was due to higher in funds capital reserve funds mainly in sewerage which resulted in more internal interest being paid to that activity.
10. Loss on sale of intangible assets for \$215,000 relates to the loss made when selling Councils carbon credit holdings.

Funding Impact Statement

Tourism, Economic Development and Commercial Activity Group

For the year ended 30 June 2017

	2016	2017	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	(863)	(944)	(932)
Targeted rates	432	442	447
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	949	1,126	399
Local authorities fuel tax, fines, infringement fees, and other receipts	859	865	1,304
TOTAL OPERATING FUNDING (A)	1,377	1,489	1,218
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	729	714	898
Finance costs	0	0	0
Internal charges and overheads applied	95	90	211
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	824	804	1,109
Surplus (deficit) of operating funding (A-B)	554	685	109
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	3,880	1,628	3,368
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	3,880	1,628	3,368
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	6
- To improve the level of service	0	0	0
- To replace existing assets	0	0	1,826
Increase (decrease) in reserves	4,434	2,314	1,645
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	4,434	2,314	3,477
Surplus (deficit) of operating funding (A-B)	(554)	(686)	(109)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	109
Add back:	
Financial contributions	0
Gain on Sale Assets	0
Other Gains/Losses	1,434
Asset Revaluation	0
Real Estate sales	2,825
	4,259
Less:	
Depreciation	63
Loss on sale of intangible assets	215
Real Estate cost of sales	1,339
	1,617
OPERATING SURPLUS/(DEFICIT)	2,751

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 can not be used to fund operating expenditure.

Capital Expenditure

Tourism, Economic Development and Commercial Activity Group

For the year ended 30 June 2017

Projects	Notes	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>Commercial</i>				
Alps 2 Ocean Cycleway		0	0	6
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	0	6
IMPROVE LEVEL OF SERVICE				
REPLACE EXISTING ASSETS				
<i>Pukaki Airport Board</i>				
Hanger		0	0	379
<i>Real Estate</i>				
Development costs	1	2,595	0	1,447
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		2,595	0	1,826
TOTAL CAPITAL EXPENDITURE		2,595	0	1,832

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.

Results for the 2016/2017 year

Total capital expenditure for the year was \$1,832,000 which had not been budgeted for.

The key variance from budget was:

- \$1,832,000 was spent to complete the Tekapo lakefront development.
- \$379,000 was approved by Council to be spent on a new hangar at Pukaki Airport. This amount was unbudgeted.

Council Controlled Organisations

Mackenzie Holdings Limited

The Mackenzie District Council holds 100% ownership of Mackenzie Holdings Limited.

Mackenzie Holdings Limited is now a dormant company from the Inland Revenue Department and Companies Office perspectives. Council resolved on 20 July 2017 to exempt the Company under Sec 7 of the Local Government Act 2002 from the requirements of that Act in relation to Mackenzie Holdings Ltd's status as a Council Controlled Organisation.

Mackenzie Tourism and Development Trust

The Mackenzie District Council holds 100% ownership of Mackenzie Tourism & Development Trust.

Mackenzie Tourism & Development Trust is now a dormant organisation from the Inland Revenue Department. Council is in the process of dissolving the Trust. Council resolved on 13 June 2013 to exempt the Company under Sec 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.

Processes to Provide Opportunities for Māori to Contribute to Decision-Making Processes

Local Government Act 2002

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.

It 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.

Papatipu Rūnanga

There are three Papatipu Rūnanga that have an interest in the Mackenzie District: Te Rūnanga o Arowhenua based at Arowhenua, Temuka, Te Rūnanga o Waihao based just north of the Waitaki River, South Canterbury, and Te Rūnanga O Moeraki based at Moeraki. The Council considers it important to better establish relationships with these Rūnanga, as these are seen as key relationships in terms of the contribution of Māori to the decision-making process. The Council will endeavour to extend and promote opportunities for involvement as far as practicable, and as available resources allow.

Council's policy is to provide copies of all plans, including the long term plans and annual plans, with opportunities for the 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 as they arise. Council staff will continue to directly consult and liaise with Māori where decisions involve and are relevant to Māori.

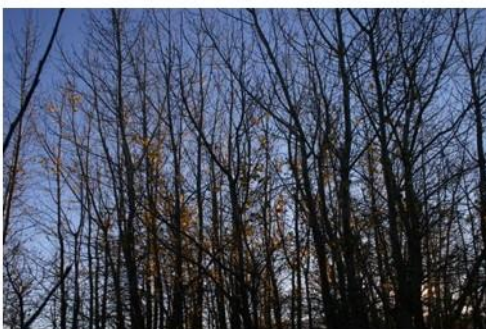
The Council will seek to meet with the Rūnanga at least twice a year to discuss matters of common interest.

Result for the year

During the 2016/2017 year, the Council met four times with Papatipu Rūnanga or Te Rūnanga O Ngai Tahu. During that year consultation was on-going with Te Rūnanga o Arowhenua and Te Rūnanga o Waihao on the review of the District Plan. No Rūnanga appointments were made to hearings panels during this time.

Also during the 2016/2017 year discussions were held between Mackenzie District Council and Te Rūnanga o Arowhenua to initiate work on a Master Services Agreement between Aoraki Environmental Consultancy Limited and Mackenzie District Council, to facilitate consultation and input on strategic planning, district planning and consents.

During the 2015/16 year, Council provided Te Runaka O Arowhenua with copies of its 2015-2025 Long Term Plan and encouraged comment. Last year, Council also met six times with Papatipu Rūnanga or Te Rūnanga O Ngai Tahu. Additionally, consultation was initiated with the three Papatipu Rūnanga and Te Rūnanga O Ngai Tahu on the review of the District Plan, and during bylaw and policy development processes. There were no planning or resource consent hearings in the period, so no opportunities arose for Rūnanga appointments to hearings panels.



FINANCIAL STATEMENTS

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Statement of Comprehensive Revenue
and Expense

Statement of Changes in Equity

Statement of Financial Position

Statement of Cash Flows

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A Guide to Financial Statements

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 2017. 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 2017. 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.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2017

		2016	2017	
	Notes to Accounts	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
Rates	4	7,728	8,123	8,247
Subsidies and Grants	4	1,891	1,571	2,349
Investment Revenue	4	666	771	704
Real Estate Sales		3,273	0	2,825
Contributions		587	120	386
Other Revenue	4	5,662	3,196	4,004
Assets Vested	4	989	3,145	2,334
TOTAL REVENUE		20,796	16,926	20,849
EXPENSES				
Personnel Costs		2,442	2,558	2,734
Member Expenses		330	350	418
Finance Costs		0	47	0
Depreciation and Amortisation	7	3,533	3,551	3,669
Real Estate Cost of Sales		1,999	0	1,339
Loss on sale of intangible assets		0	74	217
Other Expenses	6	7,869	7,282	8,236
TOTAL EXPENSES		16,173	13,862	16,613
Surplus/(Deficit) Before Taxation		4,623	3,064	4,237
Income tax expense	13	0	0	0
Surplus/(Deficit) After Taxation		4,623	3,064	4,237
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Items that could be reclassified to surplus/(deficit)				
Financial assets at fair value through other comprehensive revenue and expense		1,058	0	536
Items that will not be reclassified to surplus/(deficit)				
Property, plant, and equipment revaluations		0	0	13,831
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		5,681	3,064	18,604

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.

Statement of Changes in Equity

For the year ended 30 June 2017

	Notes to Accounts	2016	2017	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
EQUITY AT START OF THE YEAR	30	218,909	211,781	224,590
Gains/(losses) on financial assets valuation		1,058	0	536
Gains/(losses) on property valuation		0	0	13,831
Net income/(expense) recognised directly in equity		1,058	0	14,367
Net comprehensive revenue and expense		4,623	3,064	4,237
Total recognised revenue for the year		5,681	3,064	18,604
TOTAL EQUITY AT END OF THE YEAR	10	224,590	214,845	243,194

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

Statement of Financial Position

As at 30 June 2017

		2016	2017	
	Notes to Accounts	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
ASSETS				
Current Assets				
Cash and cash equivalents	11	3,270	6,785	6,844
Receivables	12	2,410	1,656	2,369
Inventory	15	6,482	3,419	5,280
Other Financial assets	14	148	1,035	1,714
TOTAL CURRENT ASSETS		12,310	12,895	16,207
Non-current Assets				
Other Financial assets	14	22,482	11,271	21,488
Intangible assets	17	2,150	440	48
Forestry assets	16	4,905	2,347	5,432
Property, plant and equipment	18	185,616	191,119	203,855
TOTAL NON-CURRENT ASSETS		215,153	205,177	230,823
Total Assets		227,463	218,072	247,030
LIABILITIES				
Current Liabilities				
Payables and deferred revenue	20	2,596	1,926	3,515
Employee entitlements	21	197	159	239
Provisions	22	3	0	3
TOTAL CURRENT LIABILITIES		2,796	2,085	3,757
Non-current Liabilities				
Employee entitlements	21	19	0	22
Provisions	22	58	63	57
Borrowings and other financial liabilities		0	1,079	0
TOTAL NON-CURRENT LIABILITIES		77	1,142	79
Total Liabilities		2,873	3,227	3,836
NET ASSETS		224,590	214,845	243,194
EQUITY				
Accumulated Funds	10	104,743	107,885	112,206
Reserves	10	119,847	106,960	130,988
TOTAL EQUITY		224,590	214,845	243,194

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

Statement of Cash Flows

For the year ended 30 June 2017

Notes to Accounts	2016	2017	
	Actual \$000's	Annual Plan \$000's	Actual \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from rates revenue	7,702	8,123	8,201
Receipts from other revenue	2,969	1,817	4,116
Subsidies and grants received	1,891	1,571	2,349
Interest received	254	771	264
Dividends received	415	0	449
Property sales	0	4,103	0
	13,231	16,385	15,379
Cash was applied to:			
Payments to suppliers	8,771	12,699	8,055
Payments to employees	2,401	0	2,689
Interest paid	0	47	0
	11,172	12,746	10,744
Net cashflow from operating activities	2,059	3,639	4,635
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Receipts from sale of property, plant and equipment	2,713	0	4,261
Receipts from sale of intangible assets	0	0	2,097
Receipts from sale of investments	0	0	0
	2,713	0	6,358
Cash was applied to:			
Purchase of property, plant and equipment	7,462	5,102	7,419
Purchase of investments	1,326	0	0
	8,788	5,102	7,419
Net cashflow from investing activities	(6,075)	(5,102)	(1,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings	0	1,079	0
	0	1,079	0
Cash was applied to:			
Repayment of borrowings	0	0	0
	0	0	0
Net cashflow from financing activities	0	1,079	0
Net Cashflows from operating activities	2,059	3,639	4,635
Net Cashflows from Investing Activities	(6,075)	(5,102)	(1,061)
Net Cashflows from Financing Activities	0	1,079	0
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(4,016)	(384)	3,574
Cash, cash equivalents and bank overdrafts at the beginning of the year	7,286	7,169	3,270
Cash, cash equivalents and bank overdrafts at the end of the year	3,270	6,785	6,844

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

Funding Impact Statement for Whole of Council

For the year ended 30 June 2017

	2016		2017	
	Annual Plan	Actual	Annual Plan	Actual
	\$000's	\$000's	\$000's	\$000's
Sources of Operating Funding				
General rates, uniform annual general charges, rates pen	2,802	2,847	2,902	2,882
Targeted rates (other than a targeted rate for water suppl	4,883	4,932	5,221	5,388
Subsidies and grants for operating purposes	1,006	805	715	787
Fees, charges, and targeted rates for water supply	0	0	0	0
Interest and dividends from investments	634	666	385	704
Local authorities fuel tax, fines, infringement fees, and ot	1,655	2,895	2,468	2,842
TOTAL OPERATING FUNDING (A)	10,980	12,145	11,691	12,603
Application of Operating Funding				
Payments to staff and suppliers	9,608	10,452	10,190	11,393
Finance costs	3	0	47	0
Other operating funding applications	444	0	389	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	10,055	10,452	10,626	11,393
Surplus (deficit) of operating funding (A-B)	925	1,693	1,065	1,210
Sources of Capital Funding				
Subsidies and grants for capital expenditure	596	1,015	855	1,483
Development and financial contributions	120	587	120	386
Increase (decrease) in debt	105	0	738	0
Gross proceeds from sale of assets	3,880	3,283	4,103	3,368
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	4,701	4,885	5,816	5,237
Application of Capital Funding				
Capital expenditure				
- To meet additional demand	0	0	232	6
- To improve the level of service	2,381	1,782	3,113	1,040
- To replace existing assets	2,506	5,627	2,096	5,324
Increase (decrease) in reserves	739	(831)	1,440	77
Increase (decrease) of investments	0	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	5,626	6,578	6,881	6,447
Surplus (deficit) of capital funding (C-D)	(925)	(1,693)	(1,065)	(1,210)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0	0

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For the year ended 30 June 2017

Surplus (deficit) of operating funding	925	1,693	1,065	1,210
Add back:				
Contributions	120	587	120	386
Gain on Sale Assets	0	0	50	5
Doubtful debts recovered	0	41	0	4
Real Estate Sales	0	3,273	0	2,825
Other Gains/Losses	1,234	2,747	1,449	1,436
Increase/(decrease) revaluation	0	1,058	0	14,367
Subsidies treated as Capital	596	1,015	855	1,483
Vested Assets	0	989	3,145	2,334
	1,950	9,710	5,619	22,840
Less:				
Depreciation	3,089	3,533	3,551	3,669
Loss on Sale and Assets Written off	0	190	74	438
Real Estate Cost of Sales	0	1,999	0	1,339
	3,089	5,722	3,625	5,446
Net Comprehensive Revenue and Expense	(213)	5,681	3,064	18,604

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 2017. The financial statements were authorised for issue by Council on 12 December 2017.

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 except for a change in the application of the accounting policy for vested assets. Details of this change and the impact of the change are detailed in Note 30: *Changes in accounting policies*.

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 2016/17 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 Councils 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

	2016	2017
	Actual	Actual
	\$000's	\$000's
INCOME		
Governance and Corporate Services	2,995	3,190
Water supplies	1,424	1,369
Sewerage	922	731
Stormwater	305	139
Roading	3,299	5,468
Planning and Regulatory	1,695	1,996
Community and Towns	3,254	3,297
Commercial activities	7,547	5,477
	21,441	21,667
Less interest on capital reserves	(517)	(482)
Less internal income	(126)	(113)
Total revenue	20,798	21,071
EXPENDITURE		
Governance and Corporate Services	3,004	3,438
Water supplies	1,289	1,466
Sewerage	556	593
Stormwater	91	95
Roading	3,537	3,653
Planning and Regulatory	1,583	2,426
Community and Towns	3,296	3,028
Commercial activities	3,461	2,726
	16,817	17,425
Less interest on capital reserves	(517)	(478)
Less internal expenditure	(126)	(112)
Total expenditure	16,174	16,834
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	4,623	4,237

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

	2016	2017	
	Actual	Annual Plan	Actual
	\$000's	\$000's	\$000's
Revenue from non-exchange transactions			
<i>Revenue from rates</i>			
General	2,796	3,029	2,827
Targeted	4,931	5,094	5,420
Penalties	50	33	54
Total revenue from rates	7,777	8,156	8,301
<i>Revenue from transfers</i>			
Vested assets	989	3,145	2,334
Fines and infringements	1	1	1
Consents, licences and permits	638	548	800
Contributions	587	120	386
Operating grants	805	715	787
Capital grants	1,015	855	1,076
Other transfer revenue	71	0	79
Other non-exchange revenue	2,136	859	312
	6,242	6,243	5,775
Total revenue from non-exchange transactions	14,019	14,399	14,076
Revenue from exchange transactions			
Water and wastewater	94	90	146
Sales of goods and services	2,373	1,411	2,063
Interest revenue	241	355	239
Dividend revenue	425	416	465
Rental revenue	361	255	345
Property, plant and equipment gains on disposal	10	0	690
Provision of goods and services	3,273	0	2,825
Total revenue from exchange transactions	6,777	2,527	6,773
Total revenue	20,796	16,926	20,849

Revenue is classified as exchange or non-exchange based on the funding of the underlying activity which generates the revenue. As a result revenue from the sale of goods and services and other revenue can be categorised as exchange or non-exchange based on the funding of the underlying activity which generates the revenue.

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, land subdivision reserve and financial contributions are recognised when the relevant development receives sign-off from the Council in terms of the Resource Management Act 1991.

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 information¹

	2016	2017
	Actual	Actual
	\$000's	\$000's
General rates	2,797	2,827
Targeted rates attributable to activities		
Governance and Corporate Services	25	26
Other water rates	916	1,012
Water Supplies: Targeted rates for metered water supply	0	0
Sewerage	445	571
Stormwater	79	101
Roading	959	1,163
Planning and Regulatory Services	165	168
Community and Towns	1,970	1,900
Commercial Activities	405	511
TOTAL TARGETED RATES REQUIRED	4,964	5,452
<i>Less Distribution of Investment Income</i>		
Budgeted contribution to rates from commercial activities	(32)	(32)
Total rates struck	7,729	8,247

(ii) Breakdown of subsidies and grants

	2016	2017
	Actual	Actual
	\$000's	\$000's
Grants	19	426
NZTA subsidies ²	1,801	1,844
Petroleum tax	71	79
Total subsidies and grants	1,891	2,349

(iii) Breakdown of interest revenue

	2016	2017
	Actual	Actual
	\$000's	\$000's
Dividend	425	465
Interest revenue	241	239
Total investment revenue	666	704

(iv) Breakdown of other revenue

	2016	2017
	Actual	Actual
	\$000's	\$000's
Carbon credits	639	0
Gain on changes in fair value of forestry assets	2,092	527
Property, plant and equipment gains on disposal	16	690
Rental income	361	356
User fees and donations	1,289	1,631
Other	1,265	800
Total other revenue	5,662	4,004

¹Targeted 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.

²NZTA Subsidies

¹The 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.

³Assets 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 no infrastructural assets vested in Council during 2017 (2016: \$989,392). Refer to Note 30: *Changes in accounting policies* for further details.

The Tekapo footbridge totalling \$2,334,000 was vested to council in April 2017, 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.

	2016 Actual \$000's	2017 Actual \$000's
Rates remission are comprised of:		
Community sporting and non-profit organisations	13	15
Rates remissions	13	15

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 \$14,509 (2016: \$12,761).

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

Rating units within the district or region of the local authority at the end of the preceding financial year:	30 June 2016
The number of rating units	4,421
The total land value of rating units	\$1,645,798,950
The total capital value of rating units	\$3,206,288,850

Operating leases as a lessor

Mackenzie District Council leases several properties held for future strategic purposes under operating leases. One lease is non-cancellable and expired in August 2016. The Lake Alexandrina leases run for thirty three years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2016 Actual \$000's	2017 Actual \$000's
Not later than one year	137	125
Later than one year, not later than five years	475	450
Later than five years	1,530	1,437
Total non-cancellable operating leases as lessor	2,142	2,012

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 2017, 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

The annual remuneration package for the current Chief Executive position is disclosed below:

	2016	2017
	Actual	Actual
	\$000's	\$000's
Salary	180	197
Vehicle (Market value)	18	17
Telephone	1	1
Total remuneration package of the current Chief Executive	199	215

Elected Representatives

Elected representatives received the following remuneration:

	2016	2017
	Actual	Actual
	\$000's	\$000's
PRESENT COUNCIL		
Mayor Graham Smith	0	39
Councillor Russel Armstrong	17	17
Councillor Stuart Barwood	0	15
Councillor Chris Clarke	0	12
Councillor Paul Hannagan	0	11
Councillor James Leslie	21	21
Councillor Anne Munro	0	14
	38	129
PREVIOUS COUNCIL		
Mayor Claire Barlow	57	17
Councillor Graham Smith	21	6
Councillor Evan Williams	21	6
Councillor Noel Jackson	17	6
Councillor Murray Cox	22	6
	138	41
PRESENT COMMUNITY BOARDS		
Fairlie Community Board Members	0	6
Tekapo Community Board Members	0	5
Twizel Community Board Members	0	8
	0	19
PREVIOUS COMMUNITY BOARDS		
Fairlie Community Board Members	9	3
Tekapo Community Board Members	9	3
Twizel Community Board Members	12	3
	30	9
TOTAL REMUNERATION PAID TO ELECTED REPRESENTATIVES	206	198

Council Remuneration By Band

Total annual remuneration by band for employees as at 30 June 2017:

	2017
	Actual
<\$60,000	20
\$60,000-\$79,999	6
\$80,000-\$139,999	6
\$140,000-\$220,000	3
Total employees	35

Total annual remuneration by band for employees as at 30 June 2016:

	2016
<\$60,000	23
\$60,000-\$99,999	5
\$100,000-\$169,999	5
Total employees	33

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Council employed 24 (2016: 22) full-time employees, with the balance of staff representing 10 (2016: 6) 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 2017, Mackenzie District Council made no severance payments to employees (2016: 1 severance payment of \$27,130).

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

	2016	2017
	Actual	Actual
	\$000's	\$000's
Audit fees		
Fees to Audit New Zealand for audit of financial statements	85	91
Fees to Audit New Zealand for audit of Long Term Plan ⁴	13	0
Contractors	967	1,003
Consultants and legal fees	1,159	1,857
Donations and grants ⁵	461	105
Impairment of trade receivables	(5)	1
Insurance	159	151
Subscriptions	53	41
Waste cartage and transport	820	770
Other operating expenses	4,157	4,217
Total other operating expenses	7,869	8,236

⁴Fees to Audit New Zealand for Other Services

In 2016, the fees to Audit New Zealand for other services were for the audit of the Council's 2015-2025 Consultation Document and Long-Term Plan.

5Donations and Grants

Last year donations and grants included a contribution to High Country Medical Trust of \$330,000 towards the construction of a larger purpose-built medical facility for the Mackenzie/Omarama Community.

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:

	2016	2017
	Actual	Actual
	\$000's	\$000's
Not later than one year	6	13
Later than one year, not later than two years	19	20
Later than two years, not later than five years	0	36
Later than five years	0	0
Total non-cancellable operating contracts	25	69

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 2017

	2016	2017
	Actual	Actual
	\$000's	\$000's
Utilities maintenance	991	503
Road maintenance	13,055	6,959
Refuse operations	3,084	2,536
information technology services	0	350
Total non-cancellable operating contracts	17,130	10,348

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 2017 (2016:Nil).

NOTE 7 – Depreciation and Amortisation

Depreciation and amortisation for each Group of Activities:

	2016	2017
	Actual	Actual
	\$000's	\$000's
Governance and Corporate Services	166	190
Water supplies	490	601
Sewerage	325	304
Stormwater	63	48
Roading	2,015	2,046
Planning and Regulatory	55	56
Community and Township Services	332	361
Commercial Activities	87	63
Total depreciation and amortisation expense	3,533	3,669

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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
INTERNAL INCOME		
Governance and Corporate Services	123	110
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	0	0
Planning and Regulatory	0	0
Community and Towns	0	0
Commercial activities	0	0
Total Internal Income	126	113
INTERNAL EXPENSES		
Governance and Corporate Services	69	52
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	12	19
Planning and Regulatory	36	35
Community and Towns	6	4
Commercial activities	0	0
Total Internal Expenses	126	113

NOTE 9 – Internal Borrowing

2017					
Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
Governance and Corporate Services Activity Group					
Administration	45	2	0	43	2
Water Supplies Activity Group					
Allandale water	344	19	0	325	11
Planning and Regulatory Activity Group					
Animal control	6	0	17	23	0
Resource management	1,725	49	537	2,213	53
Rural Fire	27	27	0	0	0
Community and Township Services Activity Group					
Twizel township	513	91	0	422	16
Waste management operating reserve	699	32	5	672	25
Total internal borrowing	3,359	220	559	3,698	107

2016					
Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
Financial/upgrade contributions					
Administration	47	(2)	0	45	2
Contributions					
Allandale water	357	(13)	0	344	13
Financial/upgrade contributions					
Animal control	6	0	0	6	0
Resource management	1,433	(45)	337	1,725	67
Rural Fire	28	(1)	0	27	1
Financial/upgrade contributions					
Twizel township	604	(91)	0	513	31
Waste management operating reserve	272	(15)	442	699	10
Total internal borrowing	2,747	(167)	779	3,359	124

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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
Accumulated funds		
Balance 1 July	101,514	104,743
Surplus/(deficit) for the year	4,623	4,237
Transfers from asset revaluation reserve on disposal	1,828	1,454
Transfers from special funds	359	0
Transfers to special funds	(15)	(137)
Transfers from other reserves		
Transfers to other reserves	(2)	(1)
Transfers from restricted and Council created reserves	16,996	11,302
Transfers to restricted and Council created reserves	(20,559)	(9,392)
Balance at 30 June	104,743	112,206

	2016	2017
	Actual	Actual
	\$000's	\$000's
Special funds		
Balance 1 July	6,114	5,770
Interest earned	2	2
Bequests received/(expenditure)	13	0
Transfers to accumulated funds	0	135
Transfers from accumulated funds	(359)	0
Balance at 30 June	5,770	5,907

Other reserves		
Balance 1 July	44	46
Interest earned	2	1
Expenditure		
Transfers to accumulated funds		
Transfers from accumulated funds		
Balance at 30 June	46	47

	2016	2017
	Actual	Actual
	\$000's	\$000's
Asset revaluation reserve		
Balance 1 July	113,786	113,016
Transfer to accumulated funds on disposal of assets	(1,828)	(1,498)
Impairment	0	0
Revaluation gains/(losses) - financial assets	1,058	536
Revaluation gains/(losses) - property, plant and equipment	0	13,831
Other movements	0	44
Balance at 30 June	113,016	125,929

Asset revaluation reserves for each class of asset consist of:

	2016	2017
	Actual	Actual
	\$000's	\$000's
Asset revaluation reserve		
Financial assets		
Share revaluation reserve	15,489	16,087
Investment revaluation reserve	145	84
Infrastructural assets revaluation reserves		
Land	28,854	31,391
Water supplies	13,610	13,449
Wastewater schemes	6,564	7,349
Stormwater schemes	2,467	2,641
Roading	38,095	45,252
Plant	35	35
Buildings	7,757	9,641
Balance at 30 June	113,016	125,929

Information about reserve funds held for a specific purpose is provided below:

Equity	2016				2017			
	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
Capital reserves								
Administration	(57)	43	0	(14)	(14)	2	(41)	(53)
Allandale water	(366)	38	(25)	(353)	(353)	34	(6)	(325)
Animal control	(14)	0	(4)	(18)	(18)	0	(5)	(23)
Ashwick/Opuha water	61	0	8	69	69	7	0	76
Asset management	0	0	0	0	0	0	0	0
Burkes Pass sewer	5	0	(5)	0	0	0	0	0
Burkes Pass water	(4)	4	0	0	0	0	0	0
CEO department	0	0	0	0	0	0	0	0
Civil defence	18	5	(5)	18	18	17	(3)	32
Community facilities	0	0	0	0	0	0	0	0
District Council	(4)	1	0	(3)	(3)	1	0	(2)
Council building: Fairlie	(11)	40	(13)	16	16	38	(59)	(5)
Council building: Twizel	(5)	17	(4)	8	8	18	(2)	24
District general	43	0	0	43	43	0	0	43
District wide roading	9	2,931	(2,639)	301	301	3,913	(5,227)	(1,013)
Downlands water	93	0	0	93	93	0	0	93
Eversley sewer	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie medical centre	15	4	0	19	19	5	0	24
Fairlie pensioner housing	90	8	0	98	98	8	0	106
Fairlie roading	0	0	0	0	0	0	0	0
Fairlie resource recovery park	(63)	63	0	0	0	0	0	0
Fairlie sewer	(94)	94	0	0	0	0	0	0
Fairlie stormwater	37	0	(37)	0	0	0	0	0
Fairlie township	0	0	0	0	0	0	0	0
Fairlie water	(979)	979	0	0	0	0	0	0
Forestry	1,353	3,436	0	4,789	4,789	581	0	5,370
Hardfill sites	0	0	0	0	0	0	0	0
Inspectorate	0	0	0	0	0	0	0	0
Information technology department	(94)	100	(61)	(55)	(55)	76	(73)	(52)
Kimbell water	16	1	0	17	17	2	0	19
Lake Tekapo community hall	(45)	5	(6)	(46)	(46)	5	(6)	(47)
Lake Tekapo roading	0	0	0	0	0	0	0	0
Lake Tekapo resource recovery park	(98)	98	0	0	0	0	0	0
Lake Tekapo sewer	425	0	(425)	0	0	0	0	0
Lake Tekapo stormwater	238	0	(238)	0	0	0	0	0
Lake Tekapo township	0	0	0	0	0	0	0	0
Lake Tekapo water	1,019	0	(1,019)	0	0	0	0	0
Mackenzie community centre	6	19	0	25	25	22	(8)	39
Manuka Terrace water	12	8	0	20	20	0	0	20
Plant account	75	71	(38)	108	108	58	(102)	64
Public Toilets	(442)	342	(33)	(133)	(133)	450	(854)	(537)
Pukaki airport board	(617)	610	0	(7)	(7)	0	7	0
Real estate	(2,062)	2,360	(2,596)	(2,298)	(2,298)	2,142	(1,563)	(1,719)
Resource planning	0	45	(1,770)	(1,725)	(1,725)	0	(488)	(2,213)
Roading professional business unit	(25)	4	(2)	(23)	(23)	4	0	(19)
Rural fire control	(56)	59	(54)	(51)	(51)	59	(8)	0
Rural roading	413	0	(413)	0	0	0	0	0
School Road water	10	0	3	13	13	3	0	16
Sherwood Downs hall	19	0	0	19	19	0	0	19
Sherwood Downs recreation reserve	37	0	0	37	37	0	0	37
Spur Road water	(2)	0	(1)	(3)	(3)	0	0	(3)
Swimming pool: Strathconan	(15)	8	(3)	(10)	(10)	16	0	6
Swimming pool: Twizel	5	5	(9)	1	1	5	(14)	(8)
Treatment of organic waste	(170)	0	170	0	0	0	0	0
Twizel community centre	84	89	(3)	170	170	56	(8)	218
Twizel medical centre	5	3	0	8	8	0	0	8
Twizel pensioner housing	27	5	(1)	31	31	5	(7)	29
Twizel roading	0	0	0	0	0	0	0	0
Twizel resource recovery park	(102)	0	102	0	0	0	0	0
Twizel sewer	1,350	0	(1,350)	0	0	0	0	0
Twizel stormwater	261	0	(261)	0	0	0	0	0
Twizel township	(604)	91	0	(513)	(513)	91	0	(422)
Twizel water	482	0	(482)	0	0	0	0	0
Urban sewerage	0	2,523	(475)	2,048	2,048	438	(446)	2,040
Urban stormwater	0	842	(30)	812	812	91	(343)	560
Urban water	0	2,249	(3,560)	(1,311)	(1,311)	650	(1,439)	(2,100)
Waste Management	0	15	(714)	(699)	(699)	32	(5)	(672)
Total capital reserves	278	17,215	(15,993)	1,500	1,500	8,829	(10,700)	(371)

Information about the purpose of the capital reserves

Equity	Activity to which the fund relates	Purpose
Capital reserves		
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	To 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 Rooding 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

Equity	2016				2017			
	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance
	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's
Operating reserves								
Albury hall	14	2	(2)	14	14	3	0	17
Albury community refuse collection	3	0	0	3	3	0	0	3
Albury water supply	168	26	(7)	187	187	26	(28)	185
District general	(1,221)	280	(436)	(1,377)	(1,377)	272	(531)	(1,636)
Downlands water supply	36	19	0	55	55	27	0	82
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	70	12	(7)	75	75	17	(2)	90
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	306	22	65	393	393	34	(2)	425
Other reserves	330	40	0	370	370	36	(70)	336
Pukaki airport board	0	49	(74)	(25)	(25)	0	492	467
Roading professional services business unit	(112)	6	(11)	(117)	(117)	0	(57)	(174)
Real estate	0	0	0	0	0	0	(69)	(69)
Resource management	(1,433)	1,812	(379)	0	0	0	0	0
Rural works and services	92	54	0	146	146	0	(224)	(78)
Tourism and development	(398)	58	(91)	(431)	(431)	92	0	(339)
Twizel community refuse collection	2	0	0	2	2	0	0	2
Twizel visitors centre	0	12	(12)	0	0	0	0	0
Twizel works and services	124	72	3	199	199	56	(111)	144
Waste management	(272)	324	(52)	0	0	0	0	0
Total operating reserves	(2,270)	2,788	(1,003)	(485)	(485)	563	(602)	(524)

Information about the purpose of the operating reserves

Equity	Activity to which the fund relates	Purpose
Operating reserves		
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/Punaroa 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 Roding 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

	2016	2017
	Actual	Actual
	\$000's	\$000's
Cash at bank and in hand	625	1,100
Short-term deposits maturing three months or less from date of acquisition	2,645	5,744
TOTAL CASH AND CASH EQUIVALENTS	3,270	6,844

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

	2016	2017
	Actual	Actual
	\$000's	\$000's
Rates	286	332
Dividend receivable	168	184
Interest receivable	23	23
Other taxes payable (e.g. GST and FBT)	267	204
Prepayments	165	51
Other receivables	1,506	1,576
	2,415	2,370
Less: provision for uncollectability	(5)	(1)
Total receivables	2,410	2,369

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

1,776 1,761

Receivables and prepayments from exchange transactions -

This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates

634 608

Total receivables

2,410 2,369

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

	2016	2017
	Actual	Actual
	\$000's	\$000's
Opening balance 1 July	(46)	(5)
Additional provisions made during the year	0	(1)
Receivables written-off during the period	0	5
Receivables recovered during the period	41	0
Closing balance 30 June	(5)	(1)

NOTE 13 – Tax

Relationship between tax expense and accounting surplus:

	2016	2017
	Actual	Actual
	\$000's	\$000's
SURPLUS/(DEFICT) BEFORE TAX	4,623	4,237
Tax @28% (2016: 28%)	1,294	1,186
Taxation effect of permanent differences	0	0
Imputation credit adjustment	0	0
Non-taxable income/expenditure	(1,294)	(1,186)
Tax expense	0	0
Components of tax expense:		
Adjustments to current tax in prior years	0	0
Current taxation	0	0
Deferred taxation	0	0
Tax expense	0	0

The Council has unrecognised tax losses \$27,523 (2016: \$36,515), with the tax effect \$7,706 at 28% (2016: \$10,224) 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

	2016	2017
	Actual	Actual
	\$000's	\$000's
Current	148	1,714
Non-current	22,482	21,488
TOTAL OTHER FINANCIAL ASSETS	22,630	23,202
Investments are comprised of:		
CURRENT PORTION		
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months		
Bonds	0	509
Strongly rated corporate bonds	0	504
Local authority stock	0	513
Eversley Sewerage Loan	8	8
Term deposits with maturities of 3 -12 months	140	180
TOTAL CURRENT PORTION	148	1,714
NON-CURRENT PORTION		
Investment in CCOs and similar entities		
Eversley Sewerage	132	128
Mackenzie Tourism and Development Trust	0	0
Less impairment	0	0
Total investment in CCOs and similar entities	132	128
Investment in other entities		
Bonds	2,123	1,578
Strongly rated corporate bonds	792	282
Local authority stock	532	0
Unlisted shares	18,903	19,500
Total investment in other entities	22,350	21,360
TOTAL NON-CURRENT PORTION	22,482	21,488
Total other financial assets	22,630	23,202

Fair Value

Term deposits

The carrying amount of short term deposits approximates their fair value.

Bonds

The fair value of bonds is \$2,087,175 (2016: \$2,122,874). 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 2.77% and 4.65% (2016 3.09% and 4.99%).

Local authority stock

The fair value of local authority stock is \$513,501 (2016: \$532,001). 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 is 2.26% (2016: 2.63%).

Strongly rated corporate bonds

The fair value of corporate bonds is \$784,891 (2016: \$792,121). 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 3.57% and 3.93% (2016: 3.58% and 3.76%).

Unlisted shares

Unlisted shares are recognised at fair value.

The Council holds 2,049,870 fully paid shares (2016: 2,049,870) of \$1 (2016: \$1) in Alpine Energy Limited. The shares are recognised at fair value as assessed by Deloitte for the year ending 31 March 2017.

The fair value of unlisted shares in Alpine Energy Limited has been determined using a valuation technique based on Discounted Cash flows (DCF). Discounted cash flows involve determining the value of an investment on the basis of the value of future free cash flows arising from an investment, discounted at the investor's required rate of return. In prior valuations A Discounted Cash Flow (Income Approach) model was used to value the shares. The methodology has been amended to a hybrid model that combines two methods to determine the valuation. The methods are:

- 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, and
- an EBITDA exit multiple following this period using the FY20 EBITDA and applying the observed market multiples. This is discounted back to a present value and represents the terminal value.

The discounted cash flows use a nominal post-tax weighted average cost of capital (WACC) mid-point of 6.23%, a rate based on the market interest rate and the risk premium specific to the unlisted shares (2016: 6.55%). This compares to the Commission's calculated 67th percentile post-tax WACC, in October 2014 of 7.14%.

The exit multiple based on observed transactions in the industry provided a range of 9-13.4 times EBITDA. The upper end of the range is largely influenced by the purchase of the majority stake in OtagoNet by the company. A median multiple of 10.4 has been used.

The 10 year Government stock forms the basis for the risk-free rate. The annualised 10-year rate for 31 March 2017 was 3.27%.

Cash flows have been forecast using an estimated growth rate of 10%, which has been determined by reference to the long term growth expected (2016: 2%).

As at 31 March 2017, Alpine Energy had net tangible assets per share of \$6.07 per share (2016: \$.34) and the earnings per share were \$32.50 (2016: \$41.30) 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 (2016: 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.

	2016		2017	
	Number of shares held	Value per share	Number of shares held	Value per share
Other financial assets	2,049,870	\$ 9.22	2,049,870	\$ 9.51

	2016	2017
	Actual \$000's	Actual \$000's
Shares in Alpine Energy Ltd		
Opening Balance	17,856	18,902
Plus revaluations	1,046	598
CLOSING BALANCE	18,902	19,500

Interest Rates

The weighted average effective interest rates on investments were:

	2016	2017
Call accounts	0.50 - 1.00%	0.00 - 1.00%
Local authority stock	6.52%	6.52%
State owned enterprises and strongly rated corporates	4.25%	4.26%
Trading bank stock	5.70%	5.41%

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

	2016	2017
	Actual \$000's	Actual \$000's
Held for distribution or consumption:	36	49
Commercial inventory - land developed for sale ⁴	6,446	5,231
TOTAL INVENTORY	6,482	5,280

No inventories are pledged as security for liabilities (2016: \$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 2017 amounted to \$49,130 (\$2016: \$35,498).

The write-down of inventory held for distribution because of a loss in service potential amounted to \$Nil (2016: \$Nil). There have been no reversals of write-downs (2016 \$Nil).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

Commercial inventory

⁴The Council has developed land for future sale and costs capitalised to date, which are not expected to be recovered until after 30 June 2017 in line with the expected business operating cycle for this activity. For further details; Refer to Note 23; *Surplus Property*.

The write-down of commercial inventory to net realisable value amounted to \$Nil (2016: \$Nil). There have been no reversals of write-downs (2016: \$Nil).

No inventory is pledged as security for liabilities (2016 \$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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
Opening balance	2,813	4,905
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	347	477
Gains arising from changes in fair value less estimated point of sale costs attributable to price changes	684	661
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributable to log cartage rate changes	264	(192)
Increase/(decrease) due to discount rate change	796	(470)
Increase due to remap	0	51
CLOSING BALANCE	4,905	5,432

During the financial period, no replanting or harvesting took place (2016: Nil).

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 2017 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% (2016: 7.0%) 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 5.9% (2016: increased by 10.8%),
- 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) (2016: \$27.50) and \$38 (steepland)
 - 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% (2016: 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 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 amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment	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	\$000's
Computer software	387	274	113	0	0	32	180	115	0	32	48	239	187	52
Carbon emissions	2,118	81	2,037	0	0	275	2,312	0	0	0	0	0	0	0
Capital work in progress ⁵	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	2,505	355	2,150	0	0	307	2,492	115	0	32	48	239	187	52

	1 July 2015			30 June 2016								30 June 2016		
	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 amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment	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	\$000's
Computer software	359	239	120	0	0	26	2	2	0	33	113	387	274	113
Carbon emissions	740	81	659	639	0	739	0	0	0	0	2,037	2,118	81	2,037
Capital work in progress ¹	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	1,099	320	780	639	0	765	2	2	0	33	2,150	2,505	355	2,150

Restrictions

⁵ 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling nil in the current year (2016: \$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.

Carbon credits were sold during the year to 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
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

Infrastructural assets	Depreciation method	Life (years)
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 FFINZ of Morton and Co Ltd. The valuation is effective as at 30 June 2017.

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 2017 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 2017 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.

NOTE 18 – Property, Plant and Equipment continued....

	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 ⁶	Current year trfs within PPE	Current year disposals	Current year disposals depreciation	Current year impairment charges	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	\$000's	\$000's
OPERATIONAL ASSETS															
Buildings	14,131	910	13,221	921	1,233	1,298	0	381	2	0	343	15,951	15,969	18	15,951
Computer Hardware	648	632	16	0	0	1	0	306	371	0	40	42	343	301	42
Furniture and Fittings	508	438	70	0	0	10	0	0	0	0	11	69	518	449	69
Heritage Assets	30	14	16	0	0	0	0	0	0	0	1	15	30	15	15
Land	15,654	0	15,654	2,759	0	341	(244)	242	0	0	0	18,268	18,268	0	18,268
Motor Vehicles	626	403	223	0	0	115	0	411	343	0	94	176	330	154	176
Office Equipment	216	182	34	0	0	2	0	75	71	0	6	26	143	117	26
Plant and Machinery	837	594	243	0	0	36	0	234	209	0	37	217	639	422	217
Resource Recovery Parks	171	98	73	0	0	0	0	0	0	0	8	65	171	106	65
Total Operational Assets	32,821	3,271	29,550	3,680	1,233	1,803	(244)	1,649	996	0	540	34,829	36,411	1,582	34,829
RESTRICTED ASSETS															
Land	5,497	0	5,497	952	0	5	0	0	0	0	0	6,454	6,454	0	6,454
Total Restricted Assets	5,497	0	5,497	952	0	5	0	0	0	0	0	6,454	6,454	0	6,454
INFRASTRUCTURAL ASSETS															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfills	136	65	71	0	0	0	0	0	0	0	4	67	136	69	67
Village Projects	2,399	785	1,614	0	0	2	0	0	0	0	70	1,546	2,401	855	1,546
Alps 2 Ocean Cycleway	692	40	652	0	0	48	0	0	0	0	14	686	740	54	686
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	94,597	5,924	88,673	1,423	5,733	4,632	0	0	0	0	2,042	98,419	100,502	2,083	98,419
Resource Consents	378	82	296	0	0	0	0	0	0	0	14	282	378	96	282
Stormwater: Drainage	5,495	202	5,293	(28)	202	8	0	0	0	0	47	5,428	5,475	47	5,428
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and facilities	2,579	147	2,432	(1,228)	137	130	0	0	0	0	40	1,431	1,481	50	1,431
Sewerage Schemes: Other assets	12,819	844	11,975	1,033	843	36	0	0	0	0	265	13,622	13,888	266	13,622
Water Supplies: Treatment plants and facilities	1,578	32	1,546	(1,531)	32	63	0	0	0	0	2	108	110	2	108
Water Supplies: Other assets	24,006	1,534	22,472	88	1,249	904	0	0	0	0	580	24,133	24,998	865	24,133
Total Infrastructural Assets	150,580	9,655	140,926	(243)	8,196	5,823	0	0	0	0	3,078	151,623	156,010	4,387	151,623
Capital Work in Progress	1,910	0	1,910	0	0	1,329	(5)	0	0	0	0	3,234	3,234	0	3,234
Joint Venture Assets	748	195	554	0	0	12	0	0	0	0	19	547	760	214	547
Surplus Properties Identified for Sale	7,178	0	7,178	0	0	4	(9)	5	0	0	0	7,168	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	203,855	210,037	6,183	203,855

NOTE 18 – Property, Plant and Equipment continued....

	1 July 2015			30 June 2016									30 June 2016		
	Cost /	Accum.dep	Carrying	Current	Accum.	Current	Current year	Current	Current year	Current	Current	Net Book	Cost	Accum. Depn	Carrying
	Revaluation	and impairment charges	amount	year revaluation	Depn reversed on	year additions ⁷	trfs to PPE intended for sale	year disposals	disposals depreciation	year impairment charges	year depreciation	Value		and impairment charges	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	\$000's	\$000's
OPERATIONAL ASSETS															
Buildings	14,293	615	13,679	0	0	34	0	197	10	0	305	13,221	14,131	910	13,221
Computer Hardware	613	592	21	0	0	35	0	0	0	0	40	16	648	632	16
Furniture and Fittings	491	427	64	0	0	17	0	0	0	0	11	70	508	438	70
Heritage Assets	30	13	17	0	0	0	0	0	0	0	1	16	30	14	16
Land	17,593	0	17,593	0	0	491	(1,901)	529	0	0	0	15,654	15,654	0	15,654
Motor Vehicles	593	380	213	0	0	89	0	56	56	0	79	223	626	403	223
Office Equipment	216	176	40	0	0	0	0	0	0	0	6	34	216	182	34
Plant and Machinery	814	558	257	0	0	22	0	0	0	0	36	243	837	594	243
Resource Recovery Parks	171	89	82	0	0	0	0	0	0	0	9	73	171	98	73
Total Operational Assets	34,814	2,850	31,966	0	0	688	(1,901)	782	66	0	487	29,550	32,821	3,271	29,550
RESTRICTED ASSETS															
Land	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
Total Restricted Assets	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
INFRASTRUCTURAL ASSETS															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill	136	61	75	0	0	0	0	0	0	0	4	71	136	65	71
Village Projects	2,355	716	1,640	0	0	42	1	0	0	0	69	1,614	2,399	785	1,614
Alps 2 Ocean Cycleway	642	27	615	0	0	50	0	0	0	0	13	652	692	40	652
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	90,780	3,888	86,892	0	0	3,026	791	0	0	0	2,036	88,673	94,597	5,924	88,673
Resource Consents	376	69	307	0	0	2	0	0	0	0	13	296	378	82	296
Stormwater: Drainage	4,353	136	4,217	0	0	1,142	0	0	0	0	66	5,293	5,495	202	5,293
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and facilities	2,575	106	2,470	0	0	3	0	0	0	0	41	2,432	2,579	147	2,432
Sewerage Schemes: Other assets	12,419	560	11,859	0	0	400	0	0	0	0	284	11,975	12,819	844	11,975
Water Supplies: Treatment plants and facilities	164	18	146	0	0	1,414	0	0	0	0	14	1,546	1,578	32	1,546
Water Supplies: Other assets	22,749	1,079	21,670	0	0	1,256	1	0	0	0	455	22,472	24,006	1,534	22,472
Total Infrastructural Assets	142,451	6,660	135,793	0	0	7,335	793	0	0	0	2,995	140,926	150,581	9,655	140,926
Capital work in progress ¹	2,448	0	2,448	0	0	304	(842)	0	0	0	0	1,910	1,910	0	1,910
Joint venture assets	736	177	560	0	0	12	0	0	0	0	18	554	748	195	554
Surplus properties identified for sale	7,233	0	7,233	0	0	4	0	59	0	0	0	7,178	7,178	0	7,178
TOTAL PROPERTY, PLANT AND EQUIPMENT	193,181	9,687	183,498	0	0	8,343	(1,950)	841	66	0	3,500	185,616	198,737	13,121	185,616

Valuation

Operational assets

Buildings are measured at fair value less accumulated depreciation with subsequent additions recorded at cost. Buildings were revalued at 30 June 2017 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 2017. 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

No impairment losses have been recorded during the 2017 financial year in relation to property, plant and equipment (2016: \$Nil).

Work In Progress

The total amount of property, plant and equipment in the course of construction is \$3,234,000 (2016: \$1,910,000). 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:

	2017			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$000's	\$000's	\$000's	\$000's
Water Supply				
- treatment plants and facilities	108	63	0	160
- other assets	24,133	904	0	37,618
Sewerage				
- treatment plants and facilities	1,431	130	0	2,979
- other assets	13,622	36	0	22,629
Stormwater drainage	5,428	8	0	7,427
Flood protection and control works	0	0	0	0
Roads and footpaths	97,066	2,238	2,334	144,008
TOTAL	141,788	3,379	2,334	214,821

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 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 \$3,742,322 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.

	2016			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$000's	\$000's	\$000's	\$000's
Water Supply				
- treatment plants and facilities	1,546	1,414	0	3,588
- other assets	22,465	1,104	156	31,409
Sewerage				
- treatment plants and facilities	2,432	3	0	3,491
- other assets	11,807	200	200	20,789
Stormwater drainage	5,122	941	202	7,136
Flood protection and control works	0	0	0	0
Roads and footpaths	87,732	3,340	399	87,374
TOTAL	131,104	7,002	957	153,787

NOTE 19 – Subsidiary

Name of Entity: Mackenzie Holdings Ltd and Mackenzie Tourism and Development Trust

Balance date: 30 June 2017

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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
CURRENT PORTION		
Payables and deferred revenue under exchange transactions		
Trade payables and accrued expenses	2,121	2,783
Revenue in advance	73	118
Deposits on Land Sales	245	455
Total	2,439	3,356
Payables and deferred revenue under non-exchange transactions		
Other taxes payable (e.g. GST and FBT)	2	3
Grants payable	57	5
Rates in advance	98	151
Total	157	159
TOTAL CURRENT PAYABLES AND DEFERRED REVENUE	2,596	3,515

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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
Current	197	239
Non-current	19	22
TOTAL EMPLOYEE ENTITLEMENTS	216	261

Employee entitlements are comprised of:

CURRENT PORTION

Accrued salaries and wages	96	136
Annual leave	101	103
TOTAL CURRENT PORTION	197	239

NON-CURRENT PORTION

Retirement gratuities	19	22
TOTAL NON-CURRENT PORTION	19	22

Total employee entitlements	216	261
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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 14 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 \$70,925 (2016: \$72,000).

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 14 years, based on current projected waste volumes. Projected waste volumes have been estimated by using historical waste trend information.
- An annual inflation factor of 2.00% (2016: 2.00%) has been applied in estimating the future cash outflows.
- Discount rates of 3.36% (2016: 2.68%) has been used to discount the estimated future cash outflows. These rates have been determined using 30 June 2017 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.

	2016	2017
	Actual	Actual
	\$000's	\$000's
Current	3	3
Non-current	58	57
TOTAL PROVISIONS	61	60
CURRENT PORTION		
Landfill aftercare liability	3	3
TOTAL CURRENT PROVISIONS	3	3
NON-CURRENT PORTION		
Landfill aftercare liability	58	57
TOTAL NON-CURRENT PROVISIONS	58	57
Total provisions	61	60

Movements for each class of provision are as follows:

LANDFILL AFTERCARE LIABILITY

Opening balance	59	61
Unused amounts reversed	(3)	(1)
Discount unwind (Note 6; <i>Other expenses</i>)	5	0
Total landfill aftercare liability	61	60

NOTE 23 – Surplus Property

	2016	2017
	Actual	Actual
	\$000's	\$000's
LAND		
Opening Balance	12,886	13,624
Add/(less):		
Transfer from operational land	2,142	0
Disposals/change in valuation	(1,404)	(1,225)
CLOSING BALANCE	13,624	12,399
TOTAL SURPLUS PROPERTY	13,624	12,399
<i>Total surplus properties are comprised of:</i>		
Inventory (Note 15)	6,446	5,231
Surplus property held for sale	7,178	7,168
Total Surplus Properties	13,624	12,399

NOTE 24 – Related Party Transactions

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 and group would have adopted in dealing with the party at arm's length in the same circumstances.

Further transactions with entities within the Council group (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 group 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 2017 (2016: Nil). No related party debts have been written off or forgiven during the period (2016: Nil).

Related party transactions required to be disclosed

Key management personnel compensation

	2016	2017
	Actual	Actual
	\$000's	\$000's
Councillors		
Remuneration	206	198
Full-time equivalent members	7	7
Senior Management Team, including the Chief Executive		
Remuneration	792	847
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 \$19,540 (2016: \$128,469) 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 – Contingencies

2016	2017
Actual	Actual
\$000's	\$000's

Council is aware of the following contingent liabilities as at 30 June 2016:

CONTINGENCIES:

Housing New Zealand contribution to Fairlie Pensioner Housing Units	516	516
TOTAL CONTINGENT LIABILITIES	516	516

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 expense in the Statement of Comprehensive Revenue and Expense. Refer to Note 6: *Other expenses*. Also, the Trust and Council have entered into an agreement 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 2017, 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 (2016: \$Nil).

NOTE 26 – Events after Balance Date

Land Sales: Pukaki Airport Board

During the year, Pukaki Airport Board entered into five new Sale and Purchase Agreements with a third parties for the disposal of parcels of land held for a total cash consideration of \$1,147,740 (2016:\$1,050,390). The initial deposits received for three of the properties totalled \$69,680, which are included in Note 20: *Payables and deferred revenue* as deposits on land sales as at the end of the financial year. The disposal is 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:

	2016	2017
	Actual	Actual
	\$000's	\$000's
Not later than one year	329,281	251,464
Later than one year, not later than two years	274,771	251,464
Later than two years, not later than five years	274,771	624,080
Total receivable	878,823	1,127,008

Land Sales: Mackenzie District Council

During the year, Council entered into one Sale and Purchase Agreement with a third party for the disposal of a parcel of its land on Lakeside Drive, Tekapo for a cash consideration of \$2,695,000 (2016: \$892,000). The deposit received of \$206,500 is held in escrow until settlement. Settlement is to be within 20 days of the title being issued, which is expected to be completed during the 2017/2018 financial year. The balance of \$1,630,000 for Lot 2 is payable within 25 months of the settlement date of Lot 1. The land sold is currently classified within land in property, plant and equipment with a book value totalling \$409,956. (2016: \$1,350,000).

There have not been any further Twizel properties sold during the financial year with a settlement after the balance sheet date. (2016: \$892,000)

Plan Change 13

On 7 September 2017, the Environment Court released the 12th decision relating to Plan Change 13, which has clarified matters that had been challenged relating to grassland boundaries, pastoral intensification, sub-divisional fencing and ecological aspects of the landscape. There are two matters outstanding matters before the Court that are likely to be finalised by the Environment Court before the end of the year.

New Contract Agreements

On 31 July 2017, Council entered into a contract with Timaru District Council and Waimate District Council for road resurfacing work over the next two years. Mackenzie District Councils share totals \$500,000 for the first year with a similar spend expected in the second year however is subject to change.

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 (2016: \$Nil)

NOTE 27 – Financial Instruments

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

	2016	2017
	Actual	Actual
	\$000's	\$000's
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	3,270	6,844
Receivables	1,978	2,114
Other financial assets		
Eversley Loan	140	136
Term deposits	140	180
TOTAL LOANS AND RECEIVABLES	5,528	9,274
Fair value through other comprehensive revenue and expense		
Bonds	2,123	2,087
Strongly rated corporate bonds	792	786
Local authority stock	532	513
Unlisted shares	18,903	19,500
TOTAL FAIR VALUE THROUGH COMPREHENSIVE REVENUE AND EQUITY	22,350	22,886
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Payables	2,594	3,512
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	2,594	3,512

NOTE 28 – Explanation of Major Variances against Budget

Explanations for major variances from Mackenzie District Council's estimated figures in the 2016-2017 Annual Report are as follows:

Statement of Comprehensive Revenue and Expense

Council's net comprehensive revenue and expense of \$18,604,000 was \$15,540,000 more than the budgeted profit of \$3,064,000. 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 \$20,849,000, compared to the budgeted revenue of \$16,926,000.

Subsidies and grants	<p>Subsidies and grants were \$2,349,000 being \$778,000 above the budget of \$1,571,000.</p> <p>This is partly due to an extra \$292,000 of NZTA monies received. Subsidies are directly related to the amount of money the Council spends on the Roding activity, whether capital expenditure or operating expenditure. \$79,000 of petrol tax was also received this year and was not budgeted for.</p> <p>Funding was received from the Ministry of Business, Innovation and Employment of \$405,000 for the construction of two public toilets in Tekapo. The grant was not forecast in the annual plan.</p>
Real estate sales	<p>Revenue from real estate sales was \$2,825,000. This resulted from two Tekapo lakefront lots sold and a further sale in Fairlie. Final settlement was received for four Pukaki Airport properties totalling \$657,000. However, one property sold in a prior year was purchased back.</p>
Contributions	<p>These contributions are generated as a result of developers giving effect to subdivision plans and have contributed \$386,000 (budget \$120,000) in revenue for the year. Contributions are \$266,000 higher than expected due to increased development in the District.</p>
Other revenue	<p>Other revenue is \$4,004,000; \$808,000 more than the budget of \$3,196,000. This is largely due to:</p> <ul style="list-style-type: none"> the gain realised on 5 residential sections sold in Twizel, carbon credits worth \$275,000 issued to Council during the year, and the forestry revaluation gain of \$527,000, which is \$27,000 higher than anticipated. <p>Offset against these gains is the loss on disposal value of \$221,000 of the fire response assets. Council transferred ownership of its fire response assets on 30 June 2017 for the formation of Fire and Emergency New Zealand (FENZ).</p>
Vested assets	<p>Revenue from vested assets totalled \$2,334,000, which is \$811,000 less than the estimated budget of \$3,145,000.</p> <p>Infrastructural assets vested in Council this year totalled \$1,545,000 from Tekapo developers, including water assets \$261,000, sewer assets \$263,000, stormwater assets \$288,000 and roading assets \$733,000. However, a change in the timing of recognition of these vested assets has resulted in no revenue being recognised this financial year for these infrastructural vested assets. The restatement has reallocated the revenue into prior financial years. For further details refer to Note 30: <i>Changes in accounting policies</i>.</p> <p>Furthermore, the amount of 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> <p>The Lake Tekapo footbridge was vested to Council during the year \$2,333,540.</p>
Financial assets at fair value through other comprehensive revenue and expense	<p>The movement for the year was a gain of \$536,000. \$597,000 of this gain relates to the revaluation of the Alpine Energy shares. This gain in value is not a cash transaction. The unrealised gain represents the change in the market value of the shares for the year for accounting purposes only. This gain has been offset by a small decrease in the value of investment stock held totalling \$61,000.</p>
Property, plant and equipment revaluations	<p>Council undertook the revaluation of its land and buildings and infrastructural assets. The resulting unrealised gain on property, plant and equipment revaluations was \$13,831,000. The revaluation was not budgeted due to the inherent difficulties in forecasting market conditions and changes in technology which affect fair value.</p>

Expenditure

Refer to Note 5; Personnel Costs and Note 6: Other expenses.

Expenditure was \$16,613,000, compared to the budgeted expenditure of \$13,862,000.

Personnel costs	<p>Personnel costs were \$2,734,000; being \$176,000 more than the budget of \$2,558,000 due to recruitment costs being higher than expected by \$70,000.</p>
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Depreciation and amortisation	Depreciation of \$3,669,000, being \$118,000 higher than the budget of \$3,551,000. This is due to a higher depreciation charge over the last financial year as a result of the revaluation of Councils infrastructure assets.
Real estate cost of sales	Real Estate cost of sales was \$1,339,000 was unbudgeted. This relates to the land costs and realisation of revaluation reserves associated with the sections sold.
Loss on sale of intangible assets	Carbon credits were sold and realised at a value lower than the fair value assessed at the end of the last financial year. This resulted in a loss on sale of the carbon credits for \$215,000.
Other expenses	Costs for the year are \$8,236,000; \$954,000 more than the budgeted cost of \$7,282,000. The main reasons for this are: <ul style="list-style-type: none"> • The operational and maintenance costs for the Twizel water supply and Tekapo reservoir were higher than budget by \$154,000. 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, • Unbudgeted outsourcing of Information technology services \$178,000, • Consultancy costs in the planning activity are \$90,000 above budget relating to Plan Change 13 and District Plan review, and • Outsourcing the processing of resource consent applications \$265,000 and building consent applications \$116,000.

NOTE 29 – Insurance Contracts

Insurance of Assets

The following information relates to the insurance of Council assets as at 30 June 2017.

	2016	2017
	Actual	Actual
	\$000's	\$000's
The total value of all Council assets covered by insurance contracts	185,616	203,855
The maximum amount to which insured assets are insured	37,260	40,680
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	130,851	143,141
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 (2016: \$200,000) exists to meet the costs of claims that fell below deductible levels under Council insurance policies. Refer to Note 10: *Equity*

NOTE 30 – Changes in accounting policies

During 2017, Council changed its accounting policy in relation to the timing of recognition of vested assets, therefore vested assets are now recognised in the year that the relevant s224 certificate is issued so the application is more consistent with the sector and better reflects when control of the asset is obtained by Council.

The change in accounting policy adjusted the 2017 financial results as depicted below.

Statement of comprehensive revenue and expense

2017 vested assets before adjustments	3,879
Reallocation of vested assets from income to 2016 vested assets revenue	-989
Transfer vested assets from 2017 vested assets revenue to 2016 opening equity	-556
Net adjustments	-1,545
2017 adjusted vested asset revenue	2,334

Revenue

Vested assets

Non-current Assets

Property, plant and equipment

Equity

Equity

Breakdown shown below:

Statement of changes in equity

Equity at start of the year

Net comprehensive revenue and expense

Total equity at end of the year

NOTE 18: Property, plant and equipment

Total property, plant and equipment 1 July 2016

2017 additions

Total property, plant and equipment 30 June 2017

Detail of 2016 adjustments

Statement of comprehensive revenue and expense

2016 vested assets before adjustments

Reallocation of vested assets from revenue to 2016 opening equity

Recognition of 2016 Vested assets reallocated from 2017 year

Net adjustments

2016 adjusted vested asset revenue

Statement of changes in equity

Equity at start of the year

Reallocation of vested assets from 2016 income to 2016 opening equity

Reallocation of vested assets from 2017 income to 2016 opening equity

Net adjustments

2016 Equity at start of the year

Statement of changes in equity

Equity at start of the year

Net income recognised directly in equity

Net comprehensive revenue and expense

Total equity at end of the year

NOTE 18: Property, plant and equipment

Total property, plant and equipment 1 July 2015

2016 additions

Total property, plant and equipment 30 June 2016

NOTE 31 – Statutory deadline

Section 98 of the Local Government Act 2002 requires that Council adopts its annual report within four months after the end of the financial year. Council was not able to comply with this requirement for the year ended 30 June 2017 and the annual report was not adopted until 12 December 2017.

Annual Report Disclosure Statement for Year Ending 30 June 2017

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.

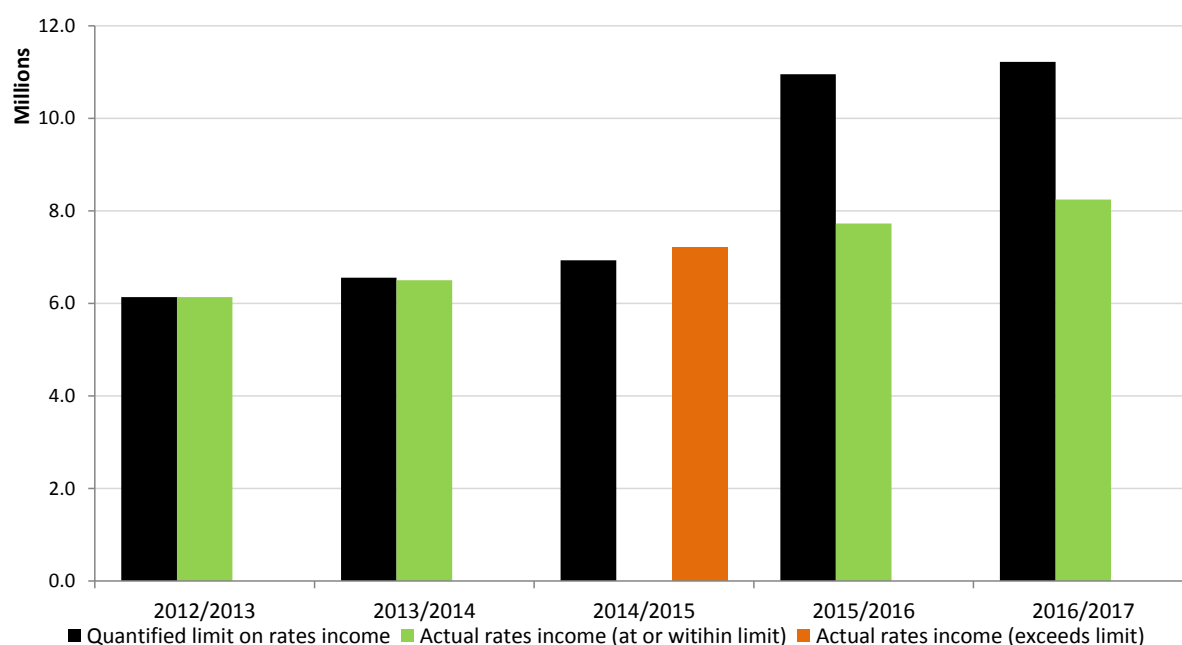
Rates Affordability Benchmark

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

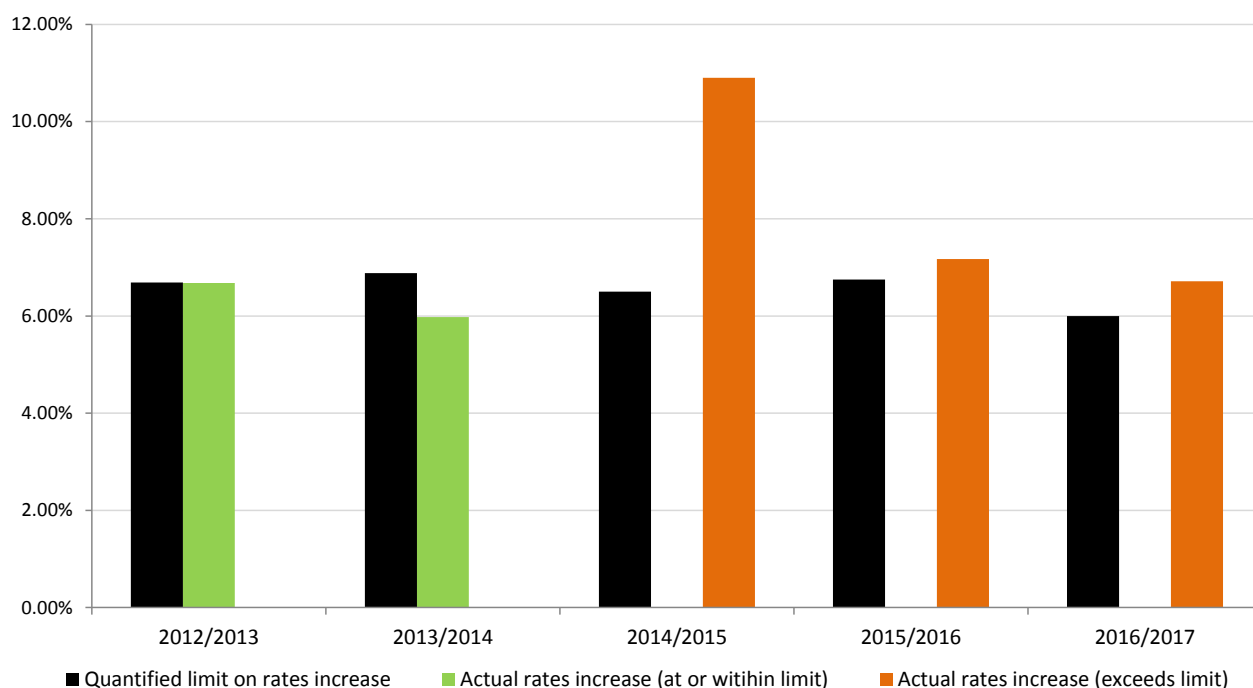
The following graph compares the Council's actual rates revenue with a quantified limit on rates contained in the financial strategy included in the Council's Long-Term Plan. The quantified limit is \$11,222,000.



The methodology in the 2015-2025 Long-Term Plan financial changed to take into account growth in rating base

Rates (Increases) Affordability

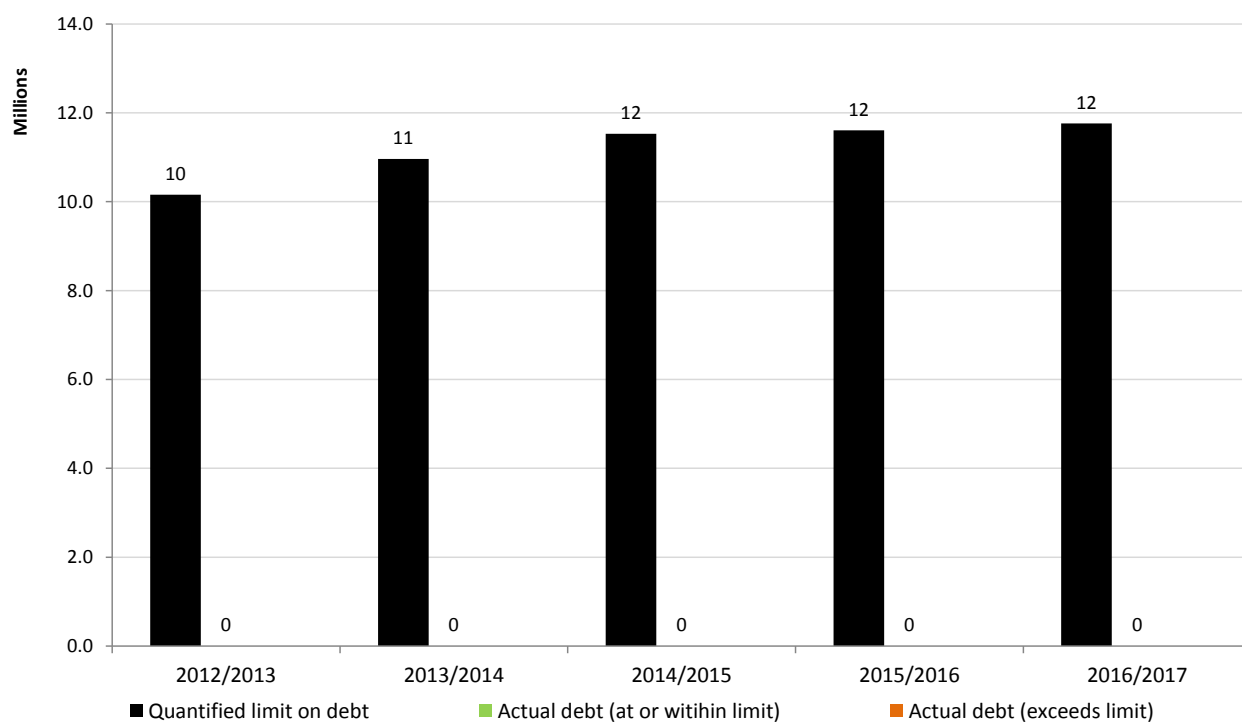
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long-Term Plan. The quantified limit is that rates increases to existing ratepayers will not exceed 6.00%.



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.

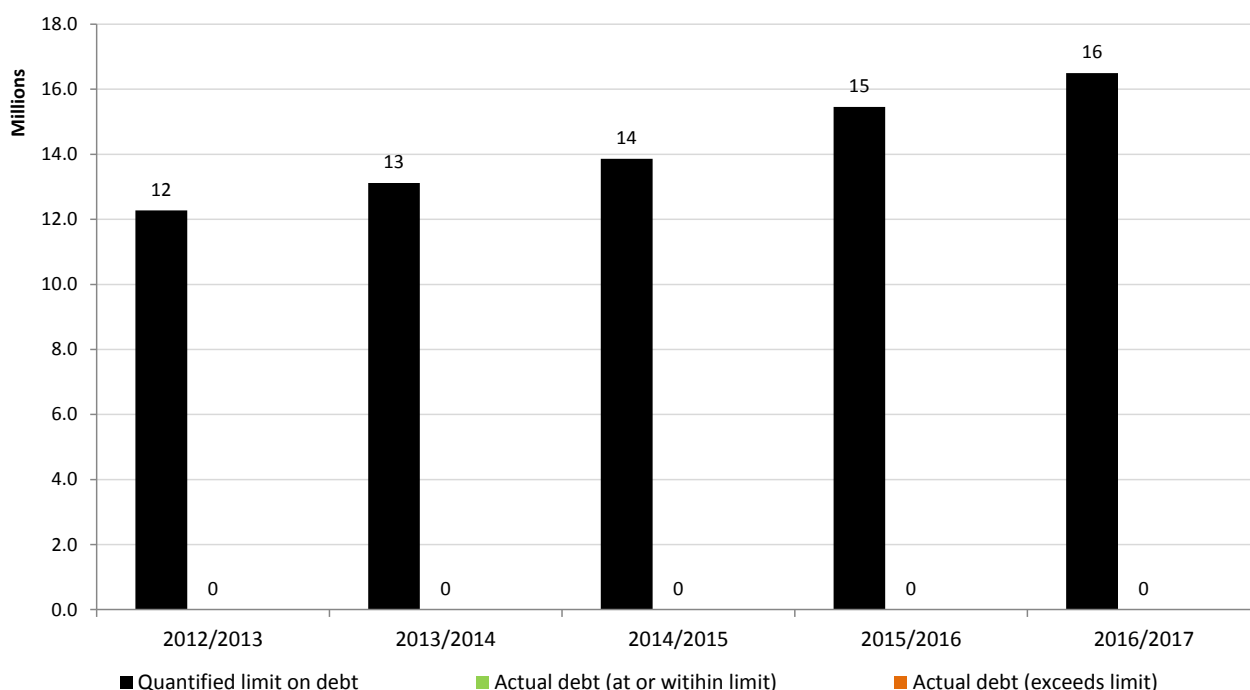
Debt Affordability Benchmark

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 \$11,763,000.



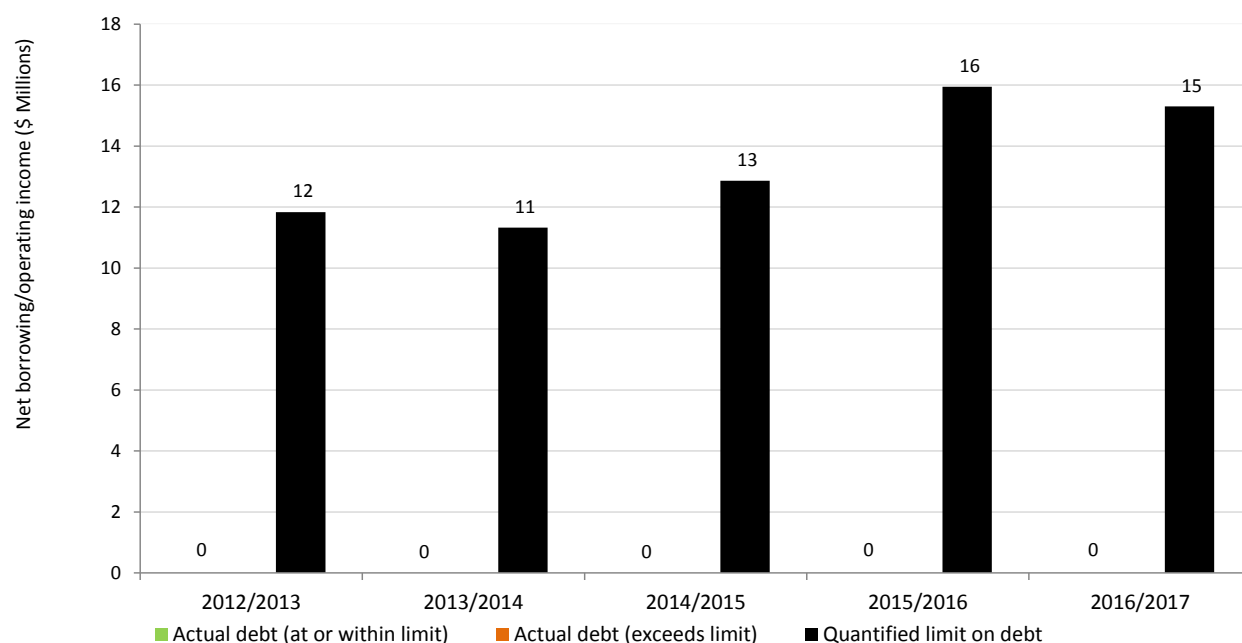
Net Borrowing as a Percentage of Rates Revenue

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.



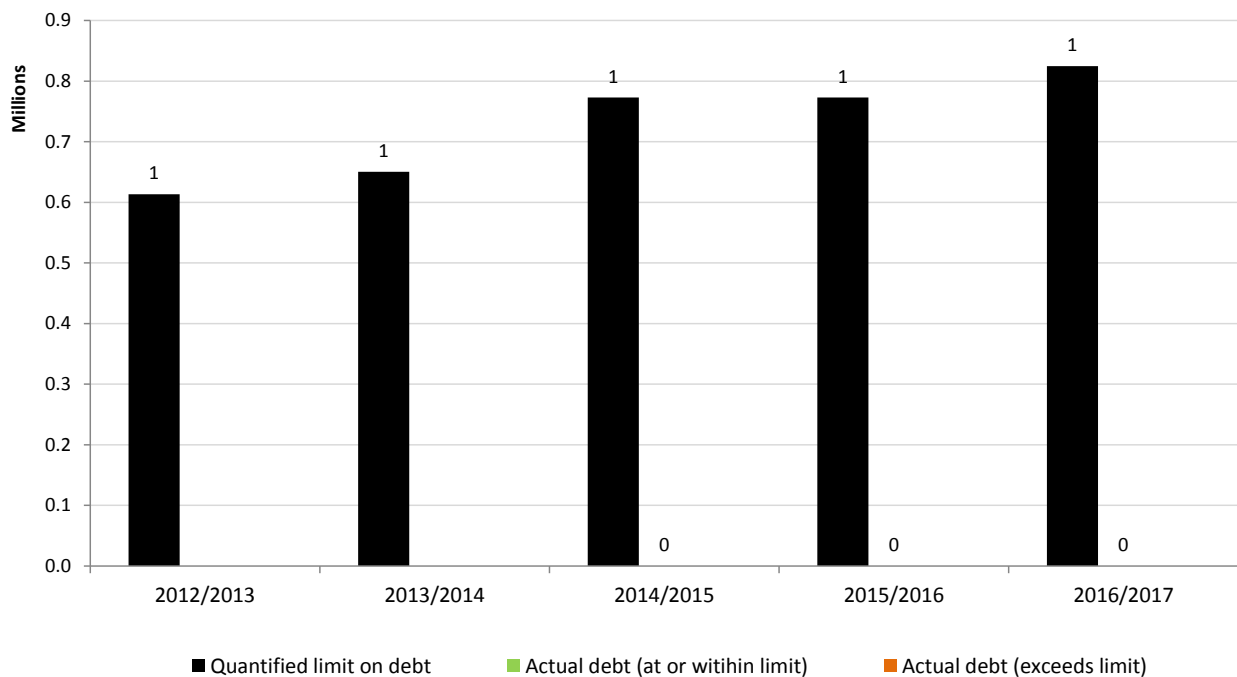
Net Borrowing as a Percentage of Operating Revenue

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

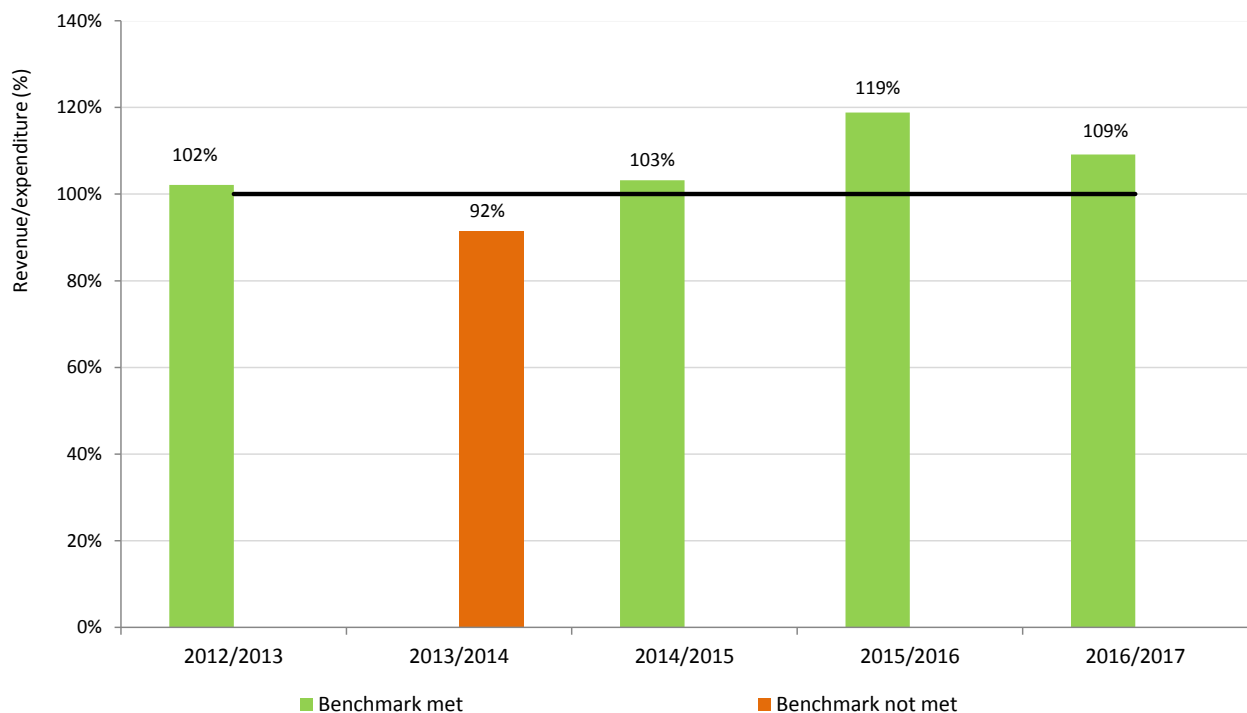
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long-Term Plan. The quantified limit is net interest, as defined as interest expense less interest revenue, being less than or equal to 10% of annual 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).

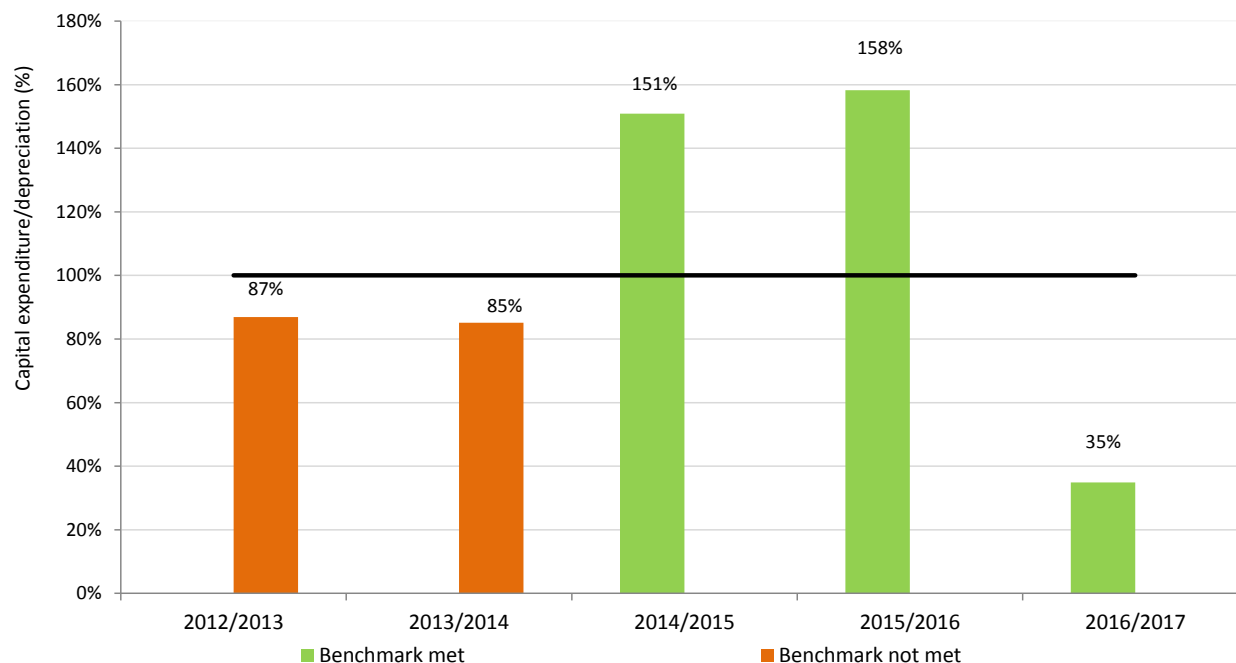
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential Services Benchmark

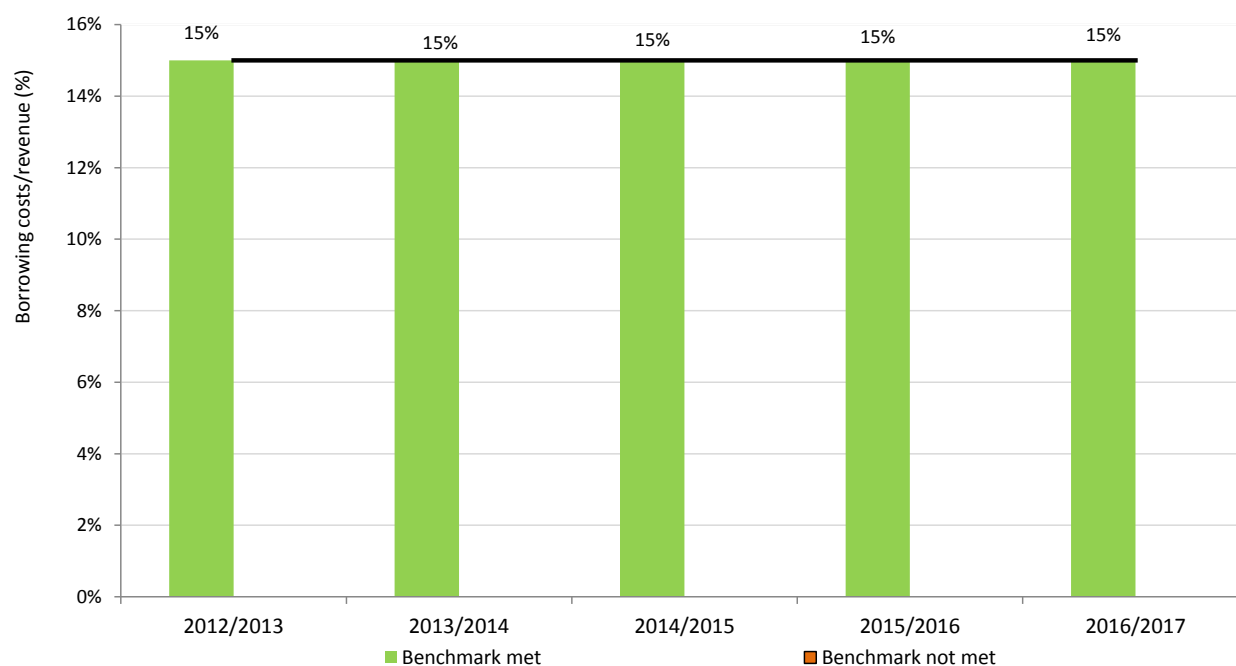
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

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).

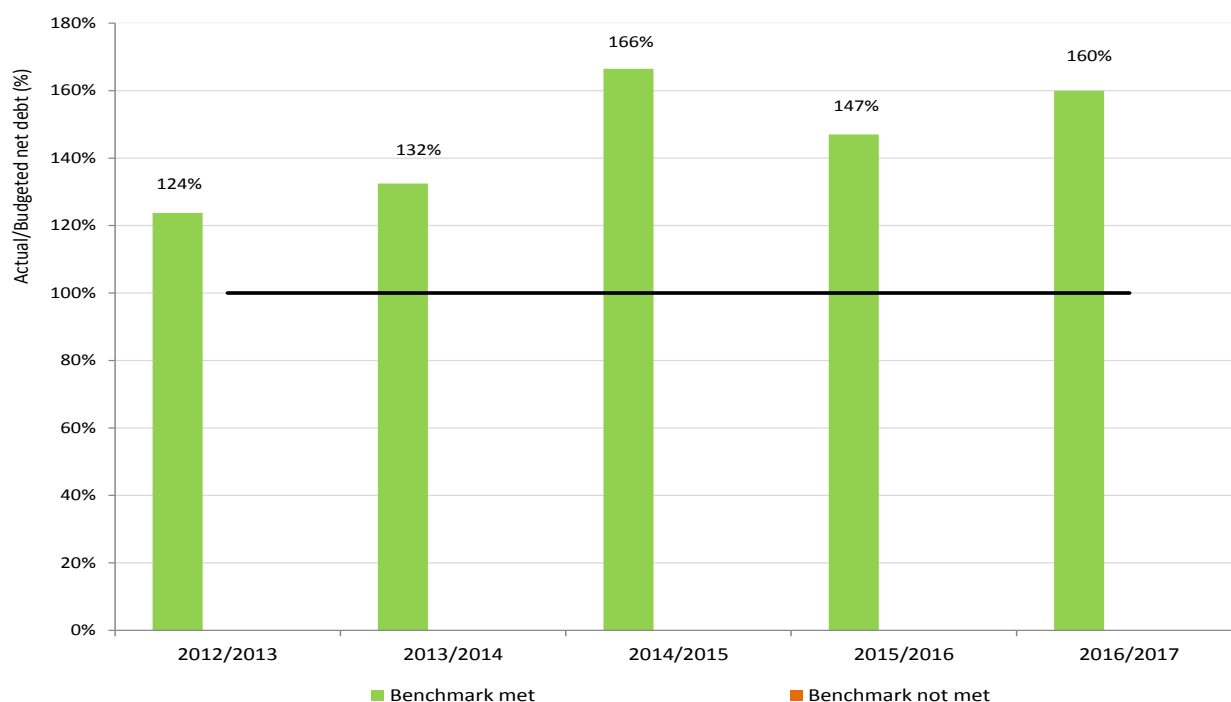
Because Statistics New Zealand projects the Council's population will grow [as fast as, or faster than,/more slowly than] the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



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.

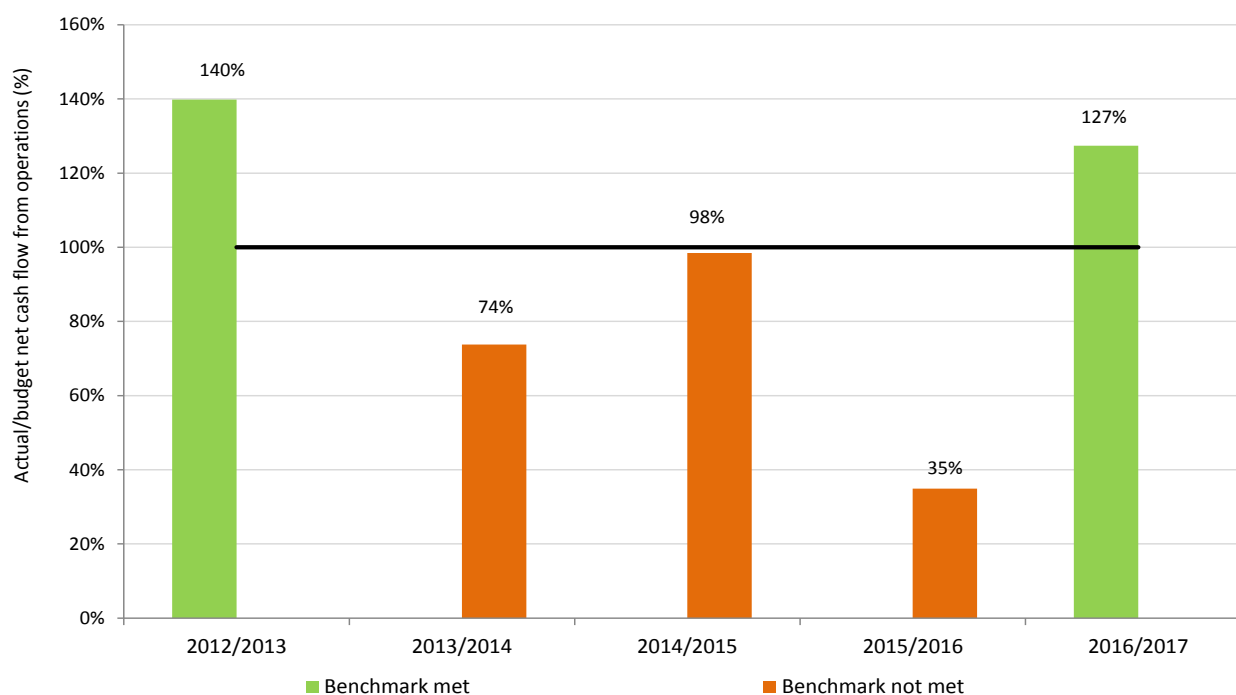


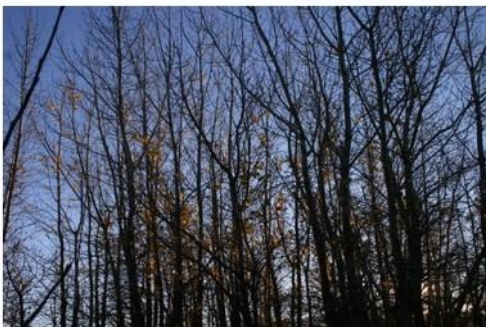
Mathematically, the results shown in the graph above are correct. The graph shows “benchmark met” whenever the Council is better off (either less indebted or with greater net assets) than planned. In this case, there is no net debt, so figures are comparing actual net assets against budgeted net assets.

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.





COUNCIL STRUCTURE

Council Structure

Division of Responsibility between
Council and Management

Council Committee Structure

Community Board Structure

Organisation Chart

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 – Finance, Asset and Services, Planning and Regulation, Audit and Risk, and Strategy. All Councillors are members of each committee with the following Councillors appointed to chair the meeting:

- 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
- Each Committee and the full Council meets on a six weekly basis.

Council has one sub-committee –the Tekapo Property Group. The Tekapo Property Group consists of three Councillors and two outside appointments. This is also a sub-committee of the Finance Committee. The chair of the Tekapo Property Group is Ms Stella Sweeney.

Council Operations

The Council has appointed a Chief Executive Officer to be in charge of Council operations and delegated certain powers of management to him 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.

Appointed Boards of Council

At 30 June 2017 there were two Boards of Council; the Forestry Board and the Pukaki Airport Board.

- The Mackenzie Forestry Board is made up of four Councillors.
- The Pukaki Airport Board consists of independent business people and one Councillor.
- The Forestry Board and the Pukaki Airport Board all meet regularly.

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.

Division of Responsibility Between Council and Management

Governance Framework

Independent Election

The Council believes that its democratic election by the Mackenzie District citizens ensures that it is able to operate in the best interests of the District and to function independently of management.

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.

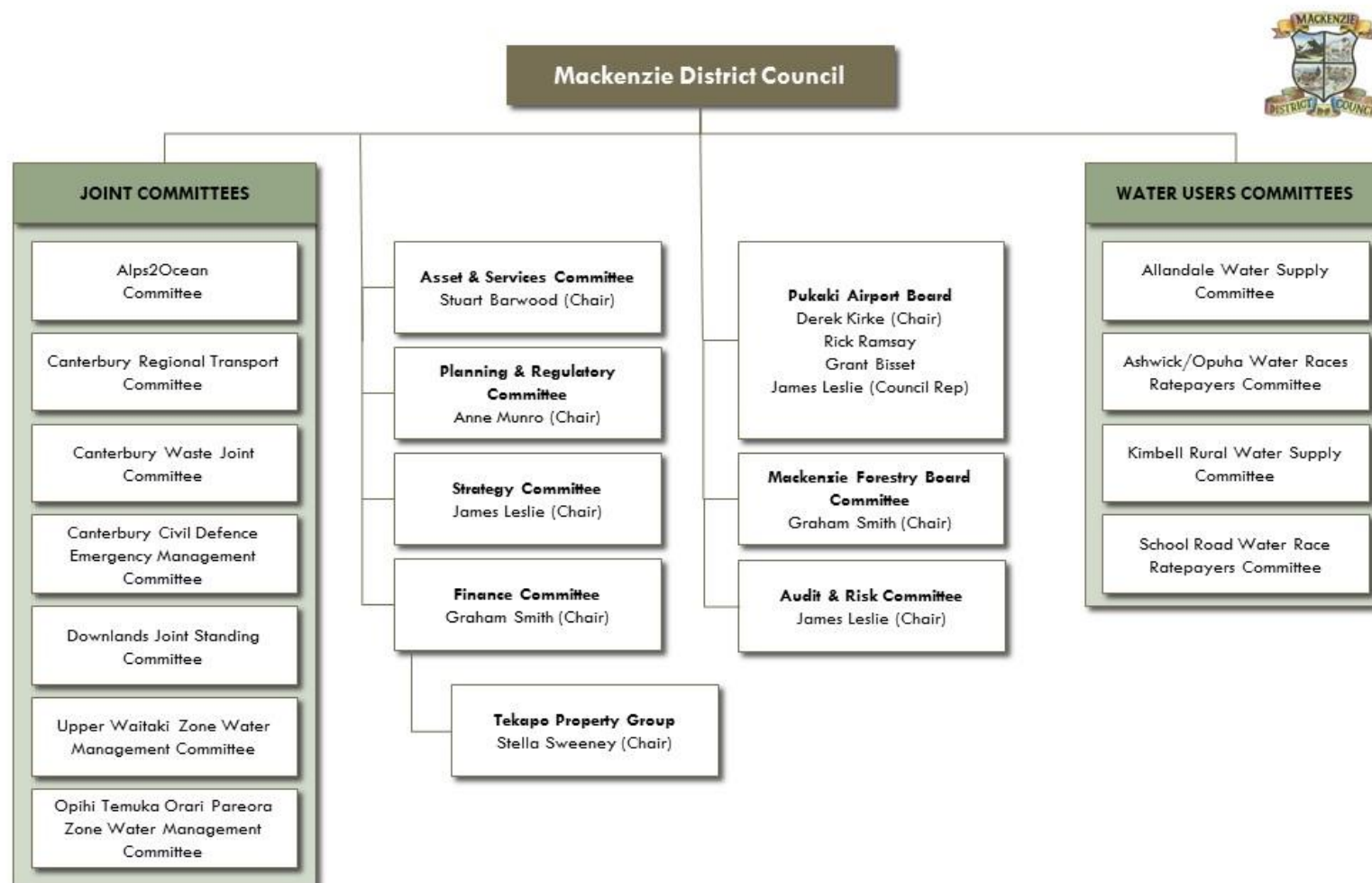
While many of the Council’s functions have been delegated, the overall responsibility for achieving the vision and goals of the District ultimately rests with the Council. The Council helps discharge this responsibility by maintaining effective systems of internal control. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved.

Legislative Compliance

As a regulatory body, the 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.

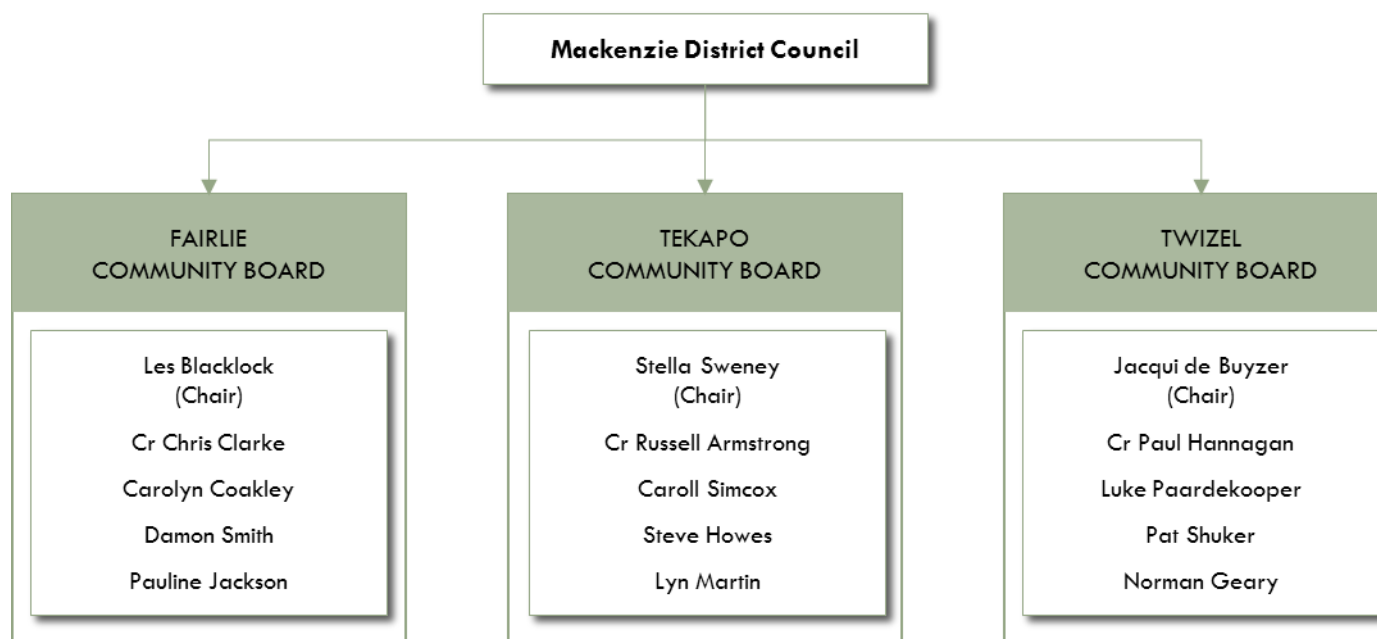
Council Committee Structure

As at 30 June 2017



Community Board Structure

As at 30 June 2017



Organisation Chart

As at 30 June 2017

