



# Annual Report Summary 2016-17

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## About the Summary Annual Report

The full Annual Report provides information about our performance during the 2016/17 financial year. This document is a summary of that report intended to quickly provide an overview of the full report. If you wish to know more, then the full Annual Report is available on the Council's web site at:  
[www.hurunui.govt.nz](http://www.hurunui.govt.nz)

## From the Mayor and Chief Executive Officer

All it took was two minutes. Two minutes to change the people and the Hurunui landscape for ever. Two minutes to cost millions and millions of dollars. Two minutes caused by the magnitude 7.8 earthquake; the 2nd most powerful earthquake in New Zealand history.

The 14 November 2016 earthquake caused major damage to individual homes, communities and council property and infrastructure in the Hurunui district.

Despite the substantial disruption that the earthquake created, we have continued to deliver our services and most of our promised

projects. An important message that we do wish to convey, is that the Hurunui district is continuing to operate well – all towns and services are open; and the Council's financial situation is solid and robust. Our continued focus on sustainability and affordability has held us in good stead and enabled us to cope with this unexpected event.

Our commitment over the past year has still been to provide our communities with efficient and effective infrastructure, regulatory, and public services that represent the best value at the least cost to our ratepayers and residents.

This summary annual report provides an account of the past year. A summary of our main areas of business are included below.

### Financial Performance

A very brief overview of our financial position as the end of our financial year (30 June 2017).

- Comprehensive revenue and expenses income totalled a negative \$31.3 million. This takes into account the revaluation of the Council's land and buildings, an adjustment for the roading valuation and an assessment of the impairment to Council's property, plant and equipment.
- The net surplus after tax was \$2.9 million, which was \$3.6

million higher than the budgeted deficit of \$639,000.

- Operating revenue was \$64.4 million. This was \$26.8 million higher than budget due to \$19.7 million relating to work carried out by NZTA on Route 70 (Inland Road) and a further \$4.7 million of NZTA Subsidies received in relation to reinstatement work for Council's local roads.
- Operating expenditure was \$61.5 million. This was \$23.3 million higher than budgeted due to a total of \$21.6 of operating costs relating to the Earthquake Recovery.
- Capital expenditure was \$13.9 million. This was only \$400,000 greater than budget but includes \$5.6 million of capital relating to the Earthquake Recovery (mainly roading and water) which was not budgeted for. This has been offset by \$4.6 million of Sewer Capital expenditure that has been deferred.
- At the end of June 2017, the total assets for Council was \$433 million and total debt was \$24.0 million.

### **Water, Sewerage and Stormwater**

Due to the earthquake, we have had to overcome challenges relating to water in particular. Of significance was the severe damage to the Waiau Rural and Waiau Township water supplies. Temporary repairs have been done to restore water delivery, but major works are required to properly repair the damage. Our intent is to complete this in the 2017/18 year.

Several major water, sewerage and stormwater projects have been completed including water main installations and upgrades throughout the district, water main intake upgrades in Cheviot and Upper Waitohi.

### **Roads and Footpaths**

The renewal and maintenance of our district's roading network continues

to be an importance focus of our work programme. Repairing damage to roads and bridges as a result of the earthquakes disrupted our scheduled work programme.

We have experienced significant increased demands on our roads as a result of the earthquakes with the disruption to State Highway 1.

Work on repairing the Inland Road has been a major project following the earthquakes when it became a 'route of significance'. NZTA has spent \$19.8 million on repairs of this Council owned road. The final cost will not be known until the completion.

### **Public Services**

Public services covers a range of areas such as waste and recycling, libraries, tourism, property, reserves, parks and civil defence. Most plans for these areas have continued as usual with some exceptions.

The Waiau transfer station will be rebuilt due to earthquake damage. A number of council owned properties also sustained damage, such as the Scargill Hall. These are yet to be repaired and will involve public engagement to explore options.

### **Regulatory Services**

Again the earthquakes have impacted on the regulatory arm of the Council. Since November 2016 there has been a forty percent increase in building consents. These are predominantly repairs rather than new dwellings and rebuilds. It is anticipated that as more insurance claims are settled in the coming months, there will be an increase in the number of new dwelling consents.

Although our District Plan was made public (notified) in May 2015, it is not yet finalised. During the past year, a number of legal processes have taken place such as appeals and submissions and Environment Court hearings. The District Plan will become fully operative once the

Environment Court has issued orders for each of the appeals. This will become a significant milestone for the Council to finalise this work after several years.

### **Hanmer Springs Thermal Pools and Spa**

The thermal pools and spa has continued to be a popular tourist destination despite the challenges the district faced after the earthquakes. Remarkably, the complex received little damage and sustained its previous year's exceptional performance with over 500,000 visitors.

The thermal pools and spa continues to rate highly on Trip Advisor with a rating of 4.5. This is the highest ranked pool complex in Australasia. Its continued profitability during the year and the benefits this profit provides to the Hurunui district highlights its importance.

### **Conclusion**

Overall, we are pleased with what we have been able to achieve in what has been one of our most challenging years. We are grateful to the many individuals and organisations who gave their time willingly and freely to help us during our time of need. There is still much to be done to help some of our communities return to normal, but in some cases, they will be better than before.

We expect the next year to be a busy and prosperous one for our district.



*Winton Dalley*

Winton Dalley  
Mayor



*Hamish Dobbie*

Hamish Dobbie  
Chief Executive Officer

## 14 November 2016 Earthquake Impact

A magnitude 7.8 earthquake occurred at 12.02am on Monday 14 November 2016, centred approximately 15km northeast of Culverden. The Kaikoura township and its environs, together with the east coast SH 1 and rail network, were badly damaged.

Significant damage was experienced to buildings, land, water schemes, local roads and bridges. In addition SH1 and the east coast rail corridor were both severed in multiple places remaining out of action for the remainder of the 2016/17 year.

As soon as was practicable after the emergency was declared, council staff began implementing recovery arrangements. To enable the council to deliver its recovery commitments, a recovery structure with a dedicated team of people was established.

The Recovery Team was in place from January 2017 until 30 June 2017, and from July incorporated into Council's 'business as usual'.

Many ongoing aspects of recovery work will continue, but that work will either be absorbed into the 2017/2018 work programme and budgets, or only continue while external funding sources enable such work to continue.

The earthquake had a dramatic and immediate impact on the entire Council – Mayor, Councillors and staff. The Mayor and Chief Executive were immediately engaged with the public, assessing needs and advocating for assistance from government. All staff were involved in some way during the immediate response and many are still managing earthquake recovery work as well as 'business as usual'.

Approximately half of the council staff worked solidly in the field assessing and repairing damage. The remaining half were mainly working shifts in the Council's Emergency Operation Centre which was based in the Amberley library.

Throughout the earthquake disruption, our offices were all open during normal business hours, along with our after hours service, and customer service requests were being taken and recorded as usual. We suspect that many customers may have not called us during that time, knowing that staff were dealing with earthquake damage. That may have been true for non-earthquake related requests also, with our customers showing empathy for the situation at hand and not wanting to 'bother' us. It was an extreme situation and all efforts were put into restoring essential services as quickly as possible.

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## Performance overview

### Overview

We have arranged the services and activities that our Council provides into seven groups of activities:

### Water supply

We have continued with our focus on service delivery throughout the year, despite the interruption and damage the earthquake delivered. In addition to restoring water for those on the Waiau Township and Waiau Rural water schemes, water safety has been our primary concern. We have been unhappy with the number of 'boil water' notices we have continued to implement during the year.

Over the past year there have been a number of occasions where higher than permitted levels of E.coli have contaminated the water, with the potential to adversely impact residents' health. In July, a decision was made to chlorinate all of our water supplies on a permanent basis. Water will continue to receive our attention to ensure that the quality and supply remains reliable and meets New Zealand drinking water standards.

Our total capital spend on water for the year across the district was \$2,200,745. This was spent mainly on general reticulation, facility and pump renewals.

### Sewerage

During the year, our focus was mainly on business as usual and maintaining or improving our sewerage systems to reduce increased infiltration after wet-weather events and prevent discharging of sewage into the natural environment. The total capital spend for the year across the district was \$343,873, mainly for reticulation renewals.

As with our other infrastructure services, we have put more effort into improving our service delivery and response times to issues raised through customer service requests. Routine maintenance is another area where we have improved, rather than mainly tending to issues when faults occur. All in all, we received 62 complaints relating to sewer issues during the course of the year.

### Stormwater and drainage

We continue to boost our efforts

to provide good stormwater and drainage infrastructure in the district's targeted rate areas to mitigate the risks of potential flooding to habitable floors. The total capital spend for the year was \$261,906.

Over the year we received 19 complaints in total from across the district which compares with the 11 complaints received last year. None of the complaints related to homes being flooded.

Customer service has had an increased focus, particularly in responding and completing requests on time. Consistent with our delivery of other infrastructure services, we have improved our performance in this area.

### Roads and footpaths

We are responsible for most roads in the district (except State Highways). One of our roads, the Inland Road, became a critical route to and from Kaikoura after the November 2016 earthquake and the closure of State Highway 1 (SH1). Although extensively damaged, the traffic volumes have increased substantially because it became the most viable road between Kaikoura and

Christchurch.

The maintenance of our roads and footpaths is contracted to SICON Ltd.

Over the year, we received a total of 775 customer service requests about a wide variety of roading and footpath issues. Considering the severity of the earthquake, we managed to respond to most of them within our targeted time frames.

We have continued to focus on customer service requests (CSRs) so that we respond and complete requests more quickly. Although there was some interruption due to the earthquake, on the whole our performance did not drop too much.

### **Public services**

Given the events of the past year, most of our services have continued as normal. The main disruptions due to the earthquake were where property was damaged. For example, a number of community halls and transfer stations were damaged. Tourism was initially looking grim immediately after November but through intensive efforts and government funding, tourism is looking positive with good end of year results.

We made the decision not to undertake a resident satisfaction survey during the year on account of the earthquake.

Earthquake damage was caused at three of our transfer stations (Waiau, Hanmer Springs and Amberley) with the worst being Waiau. This will have to be completely rebuilt and plans are underway for this to take place in 2017/18. In the second half of the past year, an increase of demolition material has started to emerge as property owners settle their insurance claims and make decisions about their damaged property.

Civil defence was put to the test in the Hurunui during the November earthquake both locally, regionally and nationally. The severity of the earthquake and the extent of the damage over a huge geographical area presented many challenges and lessons in the handling of this event.

The Amberley library was utilised as the Emergency Operation Centre for the November earthquake over a period of four weeks. Despite this, the library remained open although at times another 100 or so workers were in there at the same time undertaking civil defence duties.

### **Regulatory services**

#### **Building**

Over the year we processed and issued 446 building consents compared with 379 the year before. Most of these were done within our target of 20 working days but the earthquake had a detrimental effect on our ability to meet our target for a few months after 14 November 2016.

#### **Public health/liquor**

We inspect all swimming pools on a 3 year cycle and aim to do one third each year. Despite the earthquake, we did manage to inspect more than a third of all known swimming pools.

At the end of the year, we had 137 registered food premises (slightly less than the 140 premises last year). All of those trading are inspected each year. This year 136 were inspected as one was not yet trading. No premises were closed due to health standards not being achieved.

Premises selling liquor are regulated according to the Sale and Supply of Alcohol Act 2012. We visited all 52 premises in the district which revealed some minor issues.

#### **Animal control**

There are nearly 5,500 dogs registered in the Hurunui district. Last year we received almost 600 complaints about dogs – mainly lost and found, but 32 were about aggressive dogs. We have a fast response to dogs causing a nuisance and consistently respond within 24 hours to complaints.

#### **Resource management**

The 154 resource consents process during the year was an increase from the 128 processed last year. All were processed within our target of 20 working days except for six as we could not meet the demand on time due to the disruption immediately after the earthquakes and for

approximately a month afterwards.

### **Hanmer Springs Thermal Pools and Spa**

Our total profit for the year was \$1,702,784 which, although it was 4% less than we had planned for, represented a surplus growth of 12%. The key factors producing this result were the revenue streams being reduced as a result of the November earthquakes; costs associated with the repair of facilities after the earthquakes; and a weakening of the Christchurch market noticeably caused following the earthquakes. Given these circumstances, we consider the financial result signifies a very positive and successful year.

Some damage was sustained to the thermal pools during the November 2016 earthquake but, fortunately, this was not as bad as it could have been. The thermal pools and spa was able to continue operating and the damage was able to be repaired without closing the complex. However, the severity of the earthquake and the extensive publicity afterwards gave a different impression of Hanmer Springs and business was noticeably slow in the following weeks.

Despite the earthquake impact, the thermal pools complex continued to attract over half a million customers; in fact slightly more than last year.

### **Conclusion**

Despite considerable additional workload and disruption as a result of the November 2016 earthquake, we managed to keep the majority of our services operational and achieved a good number of our pre-earthquake goals.

Overall we are very pleased with the way council staff, contractors, emergency services and our residents responded to a very difficult situation allowing us to maintain most of our business as usual services.

# Impact of the earthquake on the financial statements

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

## **Property plant and equipment Work in progress**

As at 30 June 2017, the Council has incurred \$5.56m capital expenditure replacing and restoring the following assets:

- \$5.13m on the repair and placement of roading assets,
- \$0.22m on the temporary reinstatement of water assets to enable the schemes to function in the short term, and
- \$0.20m on the replacement of other Council assets.

## **Impairment**

The earthquakes caused substantial damage to a significant number of Council's infrastructure assets and building assets. The value of the various asset classes has been impaired by a total of \$11.61m.

Impairment has been provided based on actual values where the extent of damage to an individual asset could be reliably identified. These specific impairments total \$1.34m. However, where the extent of damage has not yet been reliably determined, impairments have been made on the basis of general assessments, which reflect broadly based best estimates of the proportion of damage to each class of asset, or to assets within a particular location. These general impairments total \$10.74m. Further information is provided in note 30.

## **Expenses**

As a result of the earthquakes, the Council has recognised as operating expenditure, costs of \$22.26m incurred on:

- repairs of \$14.64 m to the inland road (State highway 70);
- repairs of \$4.5m on local roads and bridge repairs;
- repair costs of \$0.66m on 3 waters; and
- repairs to buildings \$0.09m;
- Additional wage costs, including the establishment of the recovery team and employment

of new staff with skills in specialist areas such as natural hazards, infrastructure rebuild and building regulation - \$0.66 m, and

- other miscellaneous items such as purchases, accommodation, food, flights, travel expenses, security etc.

## **Insurance recoveries**

The Council has received insurance advances totalling \$0.5m from the Local Authority Protection Programme (LAPP) for water and sewer rebuild.

Insurance recoveries are only recognised as revenue when there is virtual certainty of receiving the recovery. The Council is processing a claim for damage to the above ground water and sewer assets. It is estimated that the insurance claim will be \$1.02m. While an estimate of repair costs has been obtained by the Council and provided to the insurer, there are still significant uncertainties in the numbers and is still subject to discussion and agreement with the insurers. Therefore no further insurance revenues have been recognised. The Council has recognised the unreceived insurance funds as a contingent asset.

The Council has not recognised any future insurance proceeds from Central Government due to Council still assessing the damage and working through the claim process. The Government policy is to subsidise 60% of the recovery costs incurred by Council. The Council has recognised the unreceived insurance funds as a contingent asset. Further information is provided in note 23.

## **Grants and donations received**

The Council has received \$0.7m in the form of grants and subsidies from multiple organisations, agencies and donations in response to the earthquake. \$0.5m of these funds have been classified as revenue received in advance as conditions have not been met.

Further information is provided in note 19.

## **Rates remissions**

The Council has remitted rates totalling \$0.02m in relation to 28 properties.

## **Borrowings**

The Annual Plan budget anticipated that Council would hold debt of \$31 million as at 30 June 2017. The result was debt of only \$24 million. The key reason has been the fact that some key projects had been deferred, particularly in Sewer and Roothing, with the majority of the additional capital expenditure relating to the earthquake recovery being funded by subsidies.

## **Debtors and creditors**

There are no significant debtors and creditors included in the 30 June 2017 balance sheet related to the earthquake.

## **Statement of cash flows**

Operating activities includes NZTA funding for repairs to the roading network of \$24.43m. This matched by operational expenditure of \$20.05m and capital expenditure of \$5.13m classified in operating and investing activities.

Operating activities also includes LAPP insurance payment and the other earthquake expenditure mentioned above.

# End of year financial performance

## Overall performance

A summary of our financial position as the end of our financial year (30 June 2017).

- Comprehensive revenue and expenses income totalled a negative \$31.3 million – This takes into account of the revaluation of the Council's land and buildings, an adjustment for the roading valuation and an assessment of the impairment to Council's property, plant and buildings.
- The net surplus after tax was \$2.9 million, which was \$3.6 million higher than the budgeted deficit of \$639,000.
- Operating revenue was \$64.4 million. This was \$26.8 million higher than budget due to: \$19.7 million relating to work carried out by NZTA on Route 70 (Inland Road) and a further \$4.7 million of NZTA Subsidies received in relation to reinstatement work for Council's local roads.
- Operating expenditure was \$61.5 million. This was \$23.3 million higher than budgeted due to a total of \$21.6 of operating costs relating to the Earthquake Recovery
- Capital expenditure was \$13.9 million. This was only \$400,000 greater than budget but includes \$5.6 million of capital relating to the Earthquake Recovery (mainly roading and water) which was not budget for. This has been offset by \$4.6 million of Sewer Capital expenditure that has been deferred.
- At the end of June 2017, the total assets for Council was \$433 million and total debt was \$24.0 million.

## Water Supplies

Overall, an operating surplus of \$518,399 was recorded against a budgeted operating deficit of \$519,152. The key variances from budget have been:

- Other Income is up due to the recognition of the Ministry of Health subsidy for the Waiau Township Treatment.
- Vested Asset Income – A total of \$456,024 was recognised as assets vested in Council during the year. The budget allowed for only \$59,496.

## Sewerage

Overall, an operating deficit of \$123,283 was recorded against a budgeted operating deficit of \$309,812. The key variances from budget have been:

- Internal Interest Paid – due to key capital projects being deferred, the internal debt for Sewerage has been lower than anticipated and as a result, the internal interest cost is lower.

## Stormwater and drainage

Overall, an operating surplus of \$347,193 was recorded against a budgeted operating surplus of \$73,636. The key variances from budget have been:

- Vested Assets Income – The level of vested assets that were recognised in the 2016/2017 year was \$184,116, which was greater than the budget of \$98,169.
- Other Direct Expenditure – The budgeted contractors costs for the Amberley Beach Foreshore Protection work was carried out before the 2016/2017 year.

## Roads and footpaths

Overall, an operating deficit of \$1,190,504 was recorded against a budgeted operating surplus of \$414,935. The key variances from budget have been:

- NZTA Subsidies – the total subsidies recognised in 2016/2017 was \$2,924,653, which was \$854,167 lower than was budgeted for which was the result of refocusing on emergency reinstatement work following the earthquake.

- Other Direct Expenditure – The amount of other direct expenditure was down on budget by \$272,703 which greater focus placed on emergency reinstatement disclosed in the Earthquake Recovery activity.
- Depreciation – The result of last year's revaluation has meant the actual depreciation is higher than was allowed for in the budget which was approved well before the valuation process was completed.

## Public Services

Overall, an operating deficit of \$2,437,484 was recorded against a budgeted operating deficit of \$2,037,887. The key variances from budget have been:

- Other Income – the level of Other Income is up on budget by \$1,294,198.
- Other Operating Expenditure – the level in up on budget by \$1,281,197.

## Regulatory services

Overall, an operating surplus of \$42,771 was recorded against a budgeted operating deficit of \$40,341.

## Hanmer Springs Thermal Pools and Spa

Overall, an operating surplus of \$1,702,784 was recorded against a budgeted operating surplus of \$1,780,210.

## Note

This page only provides a brief overview of our financial performance. For a more complete treatment please refer to the full Annual Report which can be obtained from the council's web site at [www.hurunui.govt.nz](http://www.hurunui.govt.nz)

# Explanatory notes to the summary financial statements

The summary financial statements:

- Are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's).
- Were approved for issue by the Hurunui District Council on 15 December 2017. The specific disclosures included in the summary financial statements have been extracted from the full Annual Report.
- Cannot be expected to provide as complete an understanding as provided by the full Annual Report.
- In compliance with Financial Reporting Standard No43, Summary Financial Statements.

The full Annual Report was:

- Approved for issue on 23 November 2017. Section 98 of the Local Government Act 2002 requires that Council adopt its annual report within four months after the end of the financial year.
- Has been audited and an unqualified audit report was issued.
- This sentence needs to be changed to:
- Because the Council is unable to fully reflect the financial impact of earthquake damage to its assets, we are unable to fully comply with accounting standards. This has resulted in the Council receiving a qualified audit opinion.  
(This does not reflect on the Council's financial management or its ability to fund the rebuild of its infrastructure, it simply reflects the fundamental uncertainty around the actual value of earthquake damage.)  
The earthquake has also impacted the completeness of information recorded in the customer service request system. This has resulted in the Council receiving a qualified audit opinion on its customer service request system performance measures contained in the statement of service performance.

The full financial statements have been prepared in accordance with Tier 1, PBE accounting standards.

The Hurunui District Council is a public benefit entity.

## **Contingent Assets**

As at 30 June 2017, the Council had no outstanding contingent assets. (2016: \$Nil).

Contingent assets related to earthquake recovery

As a result of the earthquake on 14 November 2016, the Council has contingent assets in the form of funding avenues to assist in meeting the cost of damage caused by the earthquake.

The Council has a contingent asset for subsidies from central government relating to the restoration of infrastructural assets in the District. The Government policy is to subsidise 60% of the recovery costs incurred by Council. The Council is still determining the extent of the damage to the under ground water and sewer reticulation, so is not in a position to accurately assess the amount of this contingent asset.

The Council also has a contingent asset for insurance recoveries relating to damage on its insured infrastructural assets.

The Council has insurance to cover the 40% of the value of underground water, sewer and stormwater assets not covered by the government subsidy. Again, as the Council is still determining the extent of the damage, an accurate assessment of the contingent asset is not possible. The Council is processing a claim for damage to the above ground water and sewer assets. It is estimated that the insurance claim will be \$1.02 million.

## **Contingent Liabilities**

### **1) Local Government Funding Agency**

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Fitch Ratings and Standard and Poor's of AA+ and a foreign currency rating of AA.

As at 30 June 2017, the Council is one of 30 local authority shareholders and 14 local authority guarantors of the LGFA. In that regard, it has uncalled capital of \$1.0 million. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of the LGFA's borrowings. At 30 June 2017, the LGFA had borrowings totalling \$7.946 billion (2016: \$6.445 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value of the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital very low on the basis that:

- It is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

### **2) RiskPool**

RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The Trust Deed of RiskPool

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provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for the Fund year. The Council has been asked to make calls in the past for Fund years as a result of deficits incurred due to the “leaky building” issue. No calls have been made by the Board of New Zealand Mutual Liability RiskPool for the 2016/2017 year (2016: Nil). There may be further calls on any shortfalls on the mutual pool’s funds in the future,

but the full extent of these calls have yet to be ascertained.

The Council has assessed that the potential liability to Council arises from these claims is minimal.

### 3) Impairment of Buildings

Council has started a process of reviewing all of its buildings for earthquake strengths. Currently the Council’s policy is to ensure that buildings are at least 67% of New Building Standard (NBS), however, central government is in the process of reviewing this standard nationally. The Council has identified some

buildings that are less than 33% NBS, which is the level that the current valuation for buildings has been assumed. Council has had some indicative costings on certain buildings to bring them up to the new standard of 67% NBS, however, there is not enough reliability to determine what level of costs would be required to match the level that the buildings were previously valued at and as a result, no specific impairment assessment has been allowed for in this Annual Report.

## Statutory deadline

Section 98 of the Local Government Act 2002, requires that Council adopts its full 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 full annual report was not adopted until 23 November 2017.

## Statement of Comprehensive Revenue and expense

FOR THE YEAR ENDED 30 JUNE 2017

	Group			Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Budget 2017 \$000's	Actual 2016 \$000's
<b>Revenue</b>					
Rates, excluding targeted water supply rates	16,053	14,858	16,053	15,782	14,858
Targeted rates for water supply	710	682	710	668	682
Subsidies and grants	28,508	4,028	28,508	3,837	4,028
Development and financial contributions	234	537	234	561	537
Fees and charges, excluding those for water supplies	15,503	14,014	15,503	15,983	14,014
Fees and charges for water supplies	158	570	158	100	570
Interest revenue	12	49	12	0	49
Other revenue	3,260	5,277	3,260	651	5,277
	<b>64,438</b>	<b>40,014</b>	<b>64,438</b>	<b>37,582</b>	<b>40,014</b>
<b>Less Expenditure</b>					
Employee Benefits	12,550	11,136	12,550	11,541	11,136
Other Expenses	39,084	17,973	39,084	17,317	17,973
Finance Expenses	438	1,871	438	1,573	1,871
Depreciation, Amortisation and Loss on Disposal	9,381	8,593	9,381	7,790	8,593
<b>Total Operating Expenditure</b>	<b>61,453</b>	<b>39,574</b>	<b>61,453</b>	<b>38,221</b>	<b>39,574</b>
<b>Operating Surplus/(Deficit) before tax</b>	<b>2,985</b>	<b>440</b>	<b>2,985</b>	<b>(639)</b>	<b>440</b>
Share of associates surplus/(deficit)	25	(7)	0	0	0
<b>Net Surplus/(Deficit) before tax</b>	<b>3,010</b>	<b>433</b>	<b>2,985</b>	<b>(639)</b>	<b>440</b>
Tax Expense	0	0	0	0	0
<b>Net Surplus/(Deficit) after tax</b>	<b>3,010</b>	<b>433</b>	<b>2,985</b>	<b>(639)</b>	<b>440</b>
<b>Add Other Comprehensive Revenue and Expense</b>					
Gains/(Losses) on Asset Revaluation	(22,821)	64,130	(22,821)	0	64,130
Gains/(Losses) in Fair Value of Shares	85	26	85	0	26
Impairment to Property Plant and Equipment	(11,614)	0	(11,614)	0	0
	<b>(34,350)</b>	<b>64,156</b>	<b>(34,350)</b>	<b>0</b>	<b>64,156</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>(31,339)</b>	<b>64,589</b>	<b>(31,364)</b>	<b>(639)</b>	<b>64,596</b>



# Statement of Financial Position

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Group		Council		
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Budget 2017 \$000's	Actual 2016 \$000's
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	2,195	1,274	2,195	334	1,274
Trade and other receivables	3,887	1,850	3,887	3,149	1,850
Inventories	178	214	178	157	214
Non-current assets held for sale	241	305	241	305	305
Derivative financial instruments	0	0	0	0	0
<b>Total current assets</b>	<b>6,502</b>	<b>3,643</b>	<b>6,502</b>	<b>3,945</b>	<b>3,643</b>
<b>Non-current assets</b>					
Property, plant and equipment					
- Operational	48,728	47,425	48,728	46,829	47,425
- Restricted	39,663	37,489	39,663	39,032	37,489
- Infrastructure	335,686	369,007	335,686	312,588	369,007
Intangible assets	400	394	400	215	394
Forestry assets	414	502	414	552	502
Other financial assets	1,098	924	1,098	860	924
Investments in associates	225	200	0	0	0
Derivative financial instruments	50	0	50	0	0
<b>Total non-current assets</b>	<b>426,263</b>	<b>455,941</b>	<b>426,038</b>	<b>400,076</b>	<b>455,741</b>
<b>Total assets</b>	<b>432,765</b>	<b>459,584</b>	<b>432,540</b>	<b>404,021</b>	<b>459,384</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables and deferred revenue	6,379	6,040	6,379	6,071	6,040
Landfill aftercare provision	8	8	8	0	8
Employee entitlements	1,257	1,111	1,257	1,008	1,111
Current portion of term debt	2,000	0	2,000	0	0
Derivative financial instruments	27	21	27	0	21
<b>Total current liabilities</b>	<b>9,671</b>	<b>7,180</b>	<b>9,671</b>	<b>7,079</b>	<b>7,180</b>
<b>Non-current liabilities</b>					
Term debt	22,000	19,500	22,000	31,000	19,500
Landfill aftercare provision	112	102	112	0	102
Employee entitlements	72	50	72	0	50
Derivative financial instruments	994	1,639	994	999	1,639
<b>Total non-current liabilities</b>	<b>23,178</b>	<b>21,292</b>	<b>23,178</b>	<b>31,999</b>	<b>21,292</b>
<b>Total liabilities</b>	<b>32,848</b>	<b>28,472</b>	<b>32,848</b>	<b>39,078</b>	<b>28,472</b>
<b>Net assets</b>	<b>399,917</b>	<b>431,112</b>	<b>399,692</b>	<b>364,943</b>	<b>430,912</b>
<b>Equity</b>					
Asset revaluation reserve	239,845	274,560	239,845	210,893	274,560
AFS investments revaluation reserve	519	434	519	0	434
Special fund reserves	2,610	2,310	2,610	0	2,310
Rate reserve funds	(29,439)	(29,995)	(29,439)	(32,384)	(29,995)
Retained earnings	186,382	183,803	186,157	186,434	183,603
<b>Total Equity</b>	<b>399,917</b>	<b>431,112</b>	<b>399,692</b>	<b>364,943</b>	<b>430,912</b>

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Group		Council		
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Budget 2017 \$000's	Actual 2016 \$000's
<b>Equity at Start of Year</b>	<b>431,112</b>	<b>366,561</b>	<b>430,912</b>	<b>365,581</b>	<b>366,354</b>
Add Total Comprehensive Revenue and Expense for Year	(31,339)	64,589	(31,364)	(639)	64,596
Adjustment to opening balance of Revaluation Reserve	(265)	0	(265)	0	0
Adjustment to opening balance of Special Funds	(4)	0	(4)	0	0
Adjustment to opening balance of Rate Reserve Funds	229	(108)	229	0	(108)
Found Assets	184	70	184	0	70
<b>Equity at End of Year</b>	<b>399,917</b>	<b>431,112</b>	<b>399,692</b>	<b>364,942</b>	<b>430,912</b>

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2017	2016	2017	2017	2016
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Cash flows from operating activities</b>					
Revenue	61,553	37,000	61,553	36,930	37,000
Agency receipts	3,121	3,136	3,121	2,243	3,136
Interest received	12	49	12	0	49
Dividends received	276	172	276	150	172
Payments to suppliers and employees	(50,678)	(28,693)	(50,678)	(28,857)	(28,693)
Interest and other costs of finance paid	(1,109)	(997)	(1,109)	(1,573)	(997)
Agency payments	(3,121)	(3,136)	(3,121)	(2,243)	(3,136)
Net GST Movement	(116)	376	(116)	0	376
<b>Net cash from operating activities</b>	<b>9,938</b>	<b>7,907</b>	<b>9,938</b>	<b>6,650</b>	<b>7,907</b>
<b>Cash flows from investing activities</b>					
Payment on Loan	0	0	0	0	0
Proceeds from the sale of plant, property & equipment	399	0	399	0	0
Proceeds on sale of investments	0	0	0	0	0
Insurance recoveries	0	0	0	0	0
Payment for purchase of investments	(96)	(151)	(96)	0	(151)
Payment for plant, property & equipment	(13,820)	(10,556)	(13,820)	(13,013)	(10,556)
<b>Net cash from investing activities</b>	<b>(13,517)</b>	<b>(10,707)</b>	<b>(13,517)</b>	<b>(13,013)</b>	<b>(10,707)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of debt securities	5,200	5,000	5,200	6,500	5,000
Repayment of loans	(700)	(2,700)	(700)	0	(2,700)
<b>Net cash from financing activities</b>	<b>4,500</b>	<b>2,300</b>	<b>4,500</b>	<b>6,500</b>	<b>2,300</b>
<b>Increase/(decrease) in cash &amp; cash equivalents</b>	<b>921</b>	<b>(500)</b>	<b>921</b>	<b>137</b>	<b>(500)</b>
Cash and cash equivalents as 1 July	1,274	1,774	1,274	197	1,774
<b>Cash and cash equivalents as 30 June</b>	<b>2,195</b>	<b>1,274</b>	<b>2,195</b>	<b>334</b>	<b>1,274</b>

The GST (net) component of operating activities reflect the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Reconciliation of surplus for the period to net cash flows from operating activities</b>				
<b>Net Surplus/(Deficit) after tax</b>	<b>3,010</b>	<b>433</b>	<b>2,985</b>	<b>440</b>
<b>Non Cash Items</b>				
Impairment of property intended for sale				
Vested and Found assets	(1,029)	(3,345)	(1,029)	(3,345)
Movement in Derivatives			0	
Gain/Loss on Fair Value of Forestry	88	50	88	50
Movement in Non Current Employee Entitlements	22	(44)	22	(44)
Depreciation and amortisation	9,381	8,594	9,381	8,594
	<b>8,462</b>	<b>5,255</b>	<b>8,462</b>	<b>5,255</b>
<b>Items classified as investing or financing</b>				
(Gain)/loss on Sale of Assets	(64)	0	(64)	0
(Gain)/loss on fair value of NZ Emmissions Units	0	117	0	117
(Gain)/loss on fair value of financial assets	(691)	874	(691)	874
	<b>(755)</b>	<b>991</b>	<b>(755)</b>	<b>991</b>
<b>Movements in working capital</b>				
(Increase)/decrease in Inventory	36	(55)	36	(55)
(Increase)/decrease in Receivables	(2,037)	993	(2,037)	993
Increase/(decrease) in Payables	812	283	812	283
Increase/(decrease) in Current Employee Entitlements	0	0	0	0
Increase/(decrease) in Income in Advance	0	0	0	0
	<b>(1,189)</b>	<b>1,221</b>	<b>(1,189)</b>	<b>1,221</b>
<b>Other Movements</b>				
Share of associates (surplus)/deficit	(25)	7	0	0
Other Movements	435	0	435	0
Net GST	0	0	0	0
	<b>410</b>	<b>7</b>	<b>435</b>	<b>0</b>
<b>Net Cash Flow from Operating Activities</b> <b>(as per Statement of Cash Flows)</b>	<b>9,938</b>	<b>7,907</b>	<b>9,938</b>	<b>7,907</b>

## Independent Auditor's Report

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

The summary of the annual report was derived from the full annual report of the Hurunui District Council (the District Council) for the year ended 30 June 2017. We issued a qualified audit opinion in respect of the full annual report, in our report dated 23 November 2017.

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

The summary of the annual report comprises the following summary statements on pages 3 to 12:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include other explanatory information (Reported as End of year financial performance); and
- the Performance overview, which summarises the performance information in the *Council Activities Statements and Performance Measures*.

### Opinion

In our opinion, the summary annual report:

- represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- complies with PBE FRS-43: *Summary Financial Statements*.

However, we expressed a qualified opinion in our audit report issued on 23 November 2017 on the audited financial statements included in the full annual report, because our work was limited in scope. There is significant uncertainty over the extent of damage caused to the District Council's roading, stormwater, water supply, and sewerage assets.

The scope of our work was limited due to the difficulties in determining the full extent of damage and the appropriate classification between capital and operating expenditure for the repair work undertaken. These limitations in scope affect the Impairment of Property, Plant and Equipment, depreciations expenses and related totals in the summary statement of comprehensive revenue and expense, as well as the carrying value of Property, Plant and Equipment in the summary statement of financial position.

In addition, we expressed a qualified opinion in our report issued on 23 November 2017 on the audited statement of service provision (reported as Council Activities and Performance Measures), included in the full annual report.

The District Council relies on data from its Customer Request Management system for reporting several performance measures. The recording of complaints and service requests were interrupted for a period of time following the earthquake and therefore some of them may have been omitted from the District Council's reporting. There were no practical audit

procedures we could apply to obtain assurance that the reported performance about complaints and service requests received by the District Council is complete and accurate.

Without further modifying our opinion, we also drew attention in our audit report issued on 23 November 2017 to the disclosures included in the full annual report around the status of the Council's insurance claims and the uncertainties associated with the amounts of those claims. These contingent assets are described on page 6 of the summary annual report.

## **Summary of the annual report**

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

## **Council's responsibility for the summary of the annual report**

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

## **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out a limited assurance engagement in respect of the District Council's Debenture Trust Deed. This engagement is compatible with independence requirements.

Other than our capacity as auditor, and this other engagement, we have no relationship with or interests in the District Council or any of its subsidiaries.



Bede Kearney  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
18 December 2017



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