



# Annual Report 2016-17





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# Introduction

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# Introduction 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 frightening, life threatening, damaging minutes caused by the magnitude 7.8 earthquake rupturing 21 fault lines; the most complex and the 2nd most powerful earthquake in known New Zealand history.

The 14 November 2016 earthquake caused major damage to individual homes, communities and council property and infrastructure in the Hurunui district. Our sincere thanks goes to the many people who helped out in the aftermath. Your generosity, compassion and action helped our communities immensely. The care that was given to people displaced and distressed has been overwhelming. We are grateful to all of you who contributed.

We acknowledge the ongoing stress and disruption to the lives and businesses of many members of our community and we want to reassure you that Council will endeavour to continue to give whatever support we are able.

Despite the substantial disruption that the earthquake created, we have continued to deliver our services and most of our promised projects, despite the dramatic increase to our work programme. This annual report will go into further detail about this and the impact the earthquake has had.

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. We are confident that the resulting unexpected debt due to the earthquake, will be managed without causing undue additional burden to our ratepayers. Our continued focus on sustainability and affordability into the future 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. We have been very mindful that the earthquake has added another layer of stress and financial burden to those of you already affected by the years of drought, and to the many others who suffered damage to their homes and businesses.

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

## Financial Performance

Here is 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 of the revaluation of the Council's land and building, an adjustment for the roading valuation and impairment to 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.

## Resident Satisfaction

We have undertaken an annual resident satisfaction survey every year since 2007 to help us understand how our residents view our services and where to improve. This year was an exception and we did not carry out a satisfaction survey due to the earthquake. Given the circumstances, it did not seem appropriate to trouble our residents so soon after the earthquake. It is likely that we will continue to survey our residents about our services, but need to review how we go about this.

## 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.

Water supply and safety will continue to be a crucial focus. Our aim is to provide sustainable water supplies that meet our current and future needs (for people and animals), and that complies with New Zealand drinking water standards.

## 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 demand 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. Traffic volumes have jumped from 300 to 1,000 per day despite major works still continuing to be done on the road. This is expected to continue for some months yet. The final cost will not be known until the completion.

Routine road and footpath renewals and maintenance has still continued, as well as kerb and channel work.

## 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.

The new Leithfield 'Coppard' and Amberley 'Eastern' Reserves, each with their own development plans have been added to the districts parks.

A new tourism focus for the district was developed during the year with the new Hurunui Tourism Strategy 2017 -2022 and increased marketing of our 'Visit Hurunui' brand name. This is aimed at ensuring the Hurunui district maximises the opportunities New Zealand's rapidly growing tourism industry presents.

## Regulatory Services

Again the earthquakes have impacted on our 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

dwelling 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 look forward to the permanent reopening of State Highway 1 to enable full economic recovery to business owners who have been severely impacted through the closure. We expect the next year to be a busy and prosperous one for our district.



Mayor Winton Dalley



CEO Hamish Dobbie



# Statement of compliance and responsibility

## Compliance

The council and management of the Hurunui District Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, other than the exception noted below.

Section 111 of the Local Government Act requires the Council to prepare information in accordance with generally accepted accounting practice. Generally accepted accounting practice for Council means Public Benefit Entity International Public Sector accounting standards (PBE IPSAS). In respect of the uncertainty over the full extent of the damage to the Council's assets and the Council being unable to reliably determine the appropriate classification of earthquake event expenditure between capital and operating expenditure, it has not been possible to comply with this requirement.

## Responsibility

The Council and management of Hurunui District Council accept responsibility for the preparation of the Annual Financial Statements and the judgements used in them.

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

In the opinion of the Council and management of Hurunui District Council, the Annual Report for the year ended 30 June 2017 fairly reflects the financial position and operations of Hurunui District Council.

Dated 23 November 2017.



Mayor  
Winton Dalley



Chief Executive Officer  
Hamish Dobbie



Manager Support Services  
Jason Beck



# Council activities

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# 14 November 2016 Earthquake Impact

## Introduction

The first four and a half months of this financial year were business as usual, with council projects and services being delivered according our work programme. That changed dramatically half way through November, immediately after Canterbury's anniversary day and long weekend. The damage to half of the district meant an immediate refocus of resources, while the other half of the district remained intact and relatively unaffected.

Some businesses lost customers immediately with the closure of State Highway 1, other businesses quickly benefited with the diverted State Highway 1 (SH1) traffic and rail freight having to use State Highway 7.

## Context

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.

Kaikoura was completely cut off with infrastructure damage north, south, and west including SH1 on both sides and the Inland Road (SH70).

Accordingly, media attention focused on the Kaikoura township and the many people trapped in that area. The public focus on Kaikoura tended to obscure recognition of the large and widespread scale of damage outside of Kaikoura, especially in the Hurunui. The reality is that the earthquake was centred deep in the Hurunui. It activated many old fault lines and created a large number of new fault lines, all of which spread north and north east towards Hanmer Springs, Mt Lyford, Waiau, Cheviot, Greta Valley and Scargill.

It is now known that a total of 21 faults ruptured during the earthquake. Scientists estimate that there has been about 180km of surface fault rupture. The earthquake produced the strongest ground shaking ever produced in New Zealand. An instrument located at Waiau recorded a vertical acceleration of about 3G, or three times the acceleration due to gravity. Until then the greatest ground acceleration recorded was the 2.2G recorded in the magnitude 6.3 Christchurch earthquake of February 2011. It is challenging to comprehend the scale of damage in Hurunui due to the geographic spread and widely dispersed communities.

## Known damage

**Property:** Building assessments in the Hurunui district identified the extent of damage to homes and businesses and classified 72 residential/commercial properties as 'red' (the highest level of damage) and 242 residential / commercial properties as 'yellow' (the next level meaning properties can be occupied but with risk).

**Land:** The scale of land damage was also very serious. Within the northern part of the Hurunui district, widespread fault ruptures and land movement occurred, severely affecting farms. Up to 20% of the land has been affected in this manner. Farm infrastructures (such as farm tracks, water tanks, wool sheds etc) were significantly affected.

As knowledge of the new fault lines locations grows, there is a realisation that replacement or repaired infrastructure may have to be relocated away from the risks associated with the new fault lines. Other land damage included multiple landslides and damage to waterways, including temporary or semi-permanent dams.

**Water Schemes:** A number of water schemes sustained damage:

- Waiau Township Water Scheme
- Waiau Rural Water Scheme - which supplies stock water to a large number of farms on the north side of the Waiau River
- Hurunui 1 Rural Water Scheme (includes Motunau Beach, Scargill, Greta Valley, Omihi, Glenmark, Blythe and Nape Nape)
- Cheviot Rural Water Scheme (includes Cheviot, Gore Bay, Hurunui Mouth, Parnassus, Domett, Manuka Bay, Kaiwara and Blythe)

Where it was obvious that the earthquake had damaged pipes these were temporarily reinstated. This temporary work enabled the schemes to function in the short term. However, it is likely that the long term configuration and use of the water schemes will need to be reviewed. As the damage is predominantly underground, the problems are often difficult to quantify. Increased maintenance and replacements will be required over an extended period.

The following graph (Fig.1) shows the increase in repairs to water services infrastructure arising from the earthquake, compared with non-earthquake repair volumes.

**Fig. 1 - Water Services repair volumes by month**



**Stormwater and sewerage systems:** Fortunately, there appears to have been little damage to sewer and stormwater systems after the earthquake.

**Local Roads:** The district’s total local roading network comprises 601 km of sealed roads and 853 km of unsealed roads. Approximately 10% of these roads were affected by the earthquake. Major rural feeder roads such as the Leslie Hills Road, the Leader Road, and the Conway Flat Road were badly damaged.

Repair work commenced immediately after the earthquake and all roads could be navigated within hours. Temporary repairs enabled access to all properties to be quickly restored along all council roads.

**Local Bridges:** There are 278 bridges within the local roading network. 48% of those bridges suffered some damage during the earthquakes, although only the Cloudy Range Bridge received major damage. This bridge remains restricted to light vehicles only. Restrictions also apply to the use of Ferniehurst and Ngaroma bridges.

**Nationally Strategic Routes:** The Inland Road (formerly SH70) was closed initially but re-opened when NZTA completed some remedial work. Once reopened (with some restrictions) the highway provided the only road access to Kaikoura for quite some time.

SH 1 remains closed at a point just north of Kaikoura, but has reopened to the south – with over-night restrictions and ongoing close out periods for further repairs, on the section south of Kaikoura to Cheviot. The main rail

link between Picton and Christchurch has only reopened to freight recently. As a consequence of the closures, normal traffic patterns altered, with significantly increased volume passing through Culverden using the “alternate highway” SH7 (Lewis Pass) diversion, while substantially reduced volumes using SH1 north of the Waipara turn-off.

**Financial Assistance:** Immediately after the earthquake Civil Defence payments were provided to affected individuals who had immediate needs for food, clothing, and bedding or who required accommodation, compensation for loss of livelihood, or reimbursement for hosting evacuees. A wide range of other funding became available including:

- Ministry of Social Development (MSD) provided a range of assistance measures to cover medical costs, food, rent, power bills, and repair or replacement of damaged appliances.
- A Rural Assistance programme funded by MSD was made available to those working in a primary industry to assist with essential living costs. The Rural Support Trust assisted with the application process and payments.
- Post-earthquake the Ministry for Primary Industries announced the establishment of a \$4m Primary Industries Earthquake Relief Fund to help towards repair costs for uninsurable infrastructure repairs. The Government, in conjunction with Federated Farmers and Agstaff, also put in place a scheme to provide skilled workers and volunteers to provide more hands on-farm.



- An Enhanced Taskforce Green scheme was announced and made available.
- A Mayoral Assistance Fund was established to help with hardship.
- The Red Cross made a hardship fund available to assist those with immediate essential needs and/or those displaced or without services.
- The Rata Foundation made \$1.1m available across the three regions.
- The Lottery Grants Board initially set up a Lottery Hurunui / Kaikoura / Marlborough Earthquake Relief Fund with a grant of \$2.7m. Subsequently a further grant of \$2.71m lifted the fund to \$5.41m available to organisations helping to improve the wellbeing of people living in the earthquake affected communities.

**Business Assistance:** Enterprise North Canterbury (ENC), the Council's economic development arm, was involved in assisting local businesses through lobbying to government agencies for assistance for affected business owners and providing practical measures to help business owners get through the aftermath of the earthquake.

For example, ENC lobbied for the extension of the Earthquake Support Subsidy to cover all earthquake affected businesses in the Hurunui and applied for funding for growing Hurunui Tourism's ability to attract people to the district.

**Welfare/Social Assistance:** Numerous agencies provided initial assistance across a range of welfare and social issues. As a consequence of the prolonged drought and its effects on the farming communities, the Rural Support Trust was well positioned to offer immediate assistance. The Rural Support Trust canvassed the rural sector, providing help and directing relevant agencies as needs were identified.

In the townships local communities rallied and supported one another in conjunction with agencies such as the Police, Red Cross, MSD, Child Youth and Family, CDHB, Civil Defence and the Hurunui District Council.

## Earthquake Recovery

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.

This recovery team sat parallel to council's existing structure. The focus was on identifying what needed to

be done to either reinstate the status quo, or to take the opportunity to do things differently and better.

The recovery process set goals intended to ensure that:

1. Hardship is minimised and well-being is enhanced for individuals and communities that have suffered losses or damage as a result of the earthquake.
2. Local, national and international confidence is maintained in the district as a place to live, work, visit, invest and do business.
3. Recovery actions are affordable now and in the future for the Hurunui community.
4. Given the relatively high risk of future earthquake activity, recovery actions improve the resilience of communities and infrastructure into the future.
5. The recovery plan provides for ongoing recovery actions beyond 30 June 2017 to be incorporated into the new "business as usual" for the Hurunui District Council and its future Long Term Planning.

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

At the beginning of the recovery process a deliberate decision was made to create a separate recovery team that would deal with the immediate and medium term aspects of the recovery. This team would then cease as a separate entity having produced a formal hand over document that would allow the council to continue the longer term recovery as part of a "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.

All recovery work will proceed under the authority of the Council's Chief Executive. This decision was made in recognition that complete recovery for the district will take some years and the need for recovery plans to be incorporated into the council's established planning processes (Annual Plan and Long Term Plan). Incorporating long term recovery measures within the existing frame work is seen as being the most efficient and effective approach.

## Earthquake Recovery-Infrastructure

Although there has been a significant amount of damage to the Council's roading and water infrastructure, business as usual maintenance has continued. The budget carry-forward funds were mostly resurfacing and pavement treatment renewals through 2016/2017.

All budgeted funds associated with proposed works on Route 70 have been passed onto North Canterbury Transport Infrastructure Recovery (NCTIR), a division of New Zealand Transport Authority (NZTA). However as this road is a Council asset, now under NZTA control (as Route 70), these co-investment NZTA funds set aside are monies that will have a good return for our asset. The carry over funds are not lost to the Council but will be spent through the final year of the National Land and Transport Programme (NLTP) 2015-2018 where required.

**Utility Infrastructure Assets:** Following extensive inspections and assessments, it has been estimated that damage to 21 (above ground) utility infrastructure assets will require approximately \$1.2million to replace, with insurance cover calculated at \$840,000.

Our (below ground) utility asset damage is a lot more difficult to assess. These assets are being monitored to detect leaks and get a better understanding of damage to pipelines. This will enable us to develop a comprehensive replacement / repair strategy and provide this to our insurers. This work is on-going with a targeted date of January 2018 for a final insurance claim submission.

**Bridges:** Opus have been engaged to investigate and scope the repair / replacement options. Each option will have an associated benefit or risk statement relating to the cost and future expectations of each bridge so that decisions can be made about them. Approximately 50% of these assessments were completed by the end of the year. Damage and options reporting is underway.

**Culverts:** Approximately 75% have been inspected and the most serious failures have been replaced. A full programme of lesser repair or renewal works is in progress. The original estimate was \$900k for all culvert work, however with 25% still to be inspected and a works programme for that to still be finalised the final figure is still to be determined.

#### **NZTA Roads and Highways – Local Business Impact:**

The three NZTA roads that have been impacted by the earthquake are:

1. SH1 - expected to reopen by the end of 2017. In order to achieve this the open / closed schedule includes several closures (some up to five days) to allow work to be completed. There have also been a large number of unplanned closures due to slips. The diversion of SH1 has caused 'dead' roads and resulted in a significant reduction in custom for our local tourism and travel reliant business such as

Cheviot and Greta Valley which have been severely impacted.

2. SH 7 - with SH1 closed, the "alternate route" re-routes traffic from Picton to Christchurch via SH7 (Lewis Pass). Combined with the closure of rail, this has resulted in significantly increased traffic volumes, particularly heavy traffic. Ministry of Business, Innovation and Employment (MBIE) showed that for the year ended 31 July 2017, visitors spent a total of \$164 million in the district – an increase of nearly 9.9% on the previous 12 months.

The growth is quite an achievement given the sharp downturn experienced after the November earthquake, and is evidence that MBIE's tourism support fund has been effective. MBIE established a \$350,000 support package for Hurunui after the earthquake, which enabled Hurunui Tourism to increase its marketing of the district and employ extra staff to assist operators most affected by the earthquake.

Culverden, Waiau and Waikari have benefited most with the re-routing. This has brought about an increased demand for council services such as rubbish, recycling, public toilets, parks and parking, etc.

3. Route 70 / Inland Road - this road has been under the Council's jurisdiction since 1991 until shortly after the 14 November earthquake. Then NZTA took back control, reclassifying and prioritising it as an emergency access route for Kaikoura. Formerly a state highway (SH70), it continues to serve as an alternative inland route when SH1 is closed near the South Kaikoura coast.

#### **Impact on the Council's Work Programme**

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.

While the emergency duties were being carried out over the next 4 weeks, there were very few staff left to work on normal business. However those who were still undertaking normal activities, were still recording our

customer service requests and putting them through for service. Some of our targets setting out our normal response and resolution times were not met during that time, but all in all, we did remarkably well to achieve what we did.

After the earthquake, we received a substantial amount of help from other local authorities from throughout the country. We also increased our ability to both respond and to repair by increasing our teams on a temporary basis and our contractors did the same. Some of our temporary staff are still working with us for a few months longer. We will need to continually reassess as the months go by to determine need.

### Impact on our Performance for the Year

Our end of year performance as told through our performance measures (appended at the end of the annual report) does not clearly demonstrate how the earthquake impacted on our performance. It is not a straightforward situation.

Up until the earthquake, our performance expectations were tracking mainly as we had predicted. Immediately after the earthquake struck, all of our staff and contractors who deliver our infrastructure services (roads, footpaths, water, sewerage and building inspections) were working mostly in the field to ascertain damage and reinstate services as quickly as possible. During this time and up to around Christmas, the larger the damage, the less likely that it was to have been recorded into our customer service request system.

Most of that damage would not have been reported by our customers, but 'found' as our staff and contractors inspected our infrastructure looking for damage. During the time our people were continually out in the field it is likely that any damage reports which were passed

directly to them, were not recorded in the customer service request system.

Throughout the earthquake disruption, our offices were all open during normal business hours, along with our afterhours 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. In the appendix we have asterisked the performance measures that use information from the customer service request system report against the measures.

### Council Activities – a note

Because the earthquake impacted on business across our range of activities, it was efficient to tell the earthquake story in this section. The Council Activities described in the following pages will not repeat this information again but the context is relevant to some degree across all activities.

### Financial Commentary

The Earthquake Recovery activity recorded an operating surplus of \$3,283,049 for the year. This is mainly driven through the assessment of capital expenditure on the Inland Road being funded directly by NZTA and recorded as operating income.

After deducting the capital expenditure from the operating surplus, a cash deficit of \$2,275,807 has been incurred for the year, which represents the current level of debt Council has as a result of the event.

**Table 1 - Group Activity - Earthquake Recovery**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	(19,002)	0	0
Other Income	25,542,285	0	0
<b>Total Operating Revenue</b>	<b>25,523,284</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	659,093	0	0
Other Direct Expenditure	21,581,142	0	0
<b>Total Operating Expenditure</b>	<b>22,240,235</b>	<b>0</b>	<b>0</b>
<b>Operating Surplus (Deficit)</b>	<b>3,283,049</b>	<b>0</b>	<b>0</b>
<b>CAPITAL EXPENDITURE</b>			
Community Assets - Recovery	8,820	0	0
Roading - Recovery	5,130,963	0	0
Water Supplies - Recovery	221,519	0	0
Council Assets - Recovery	197,554	0	0
<b>Total Capital Expenditure</b>	<b>5,558,856</b>	<b>0</b>	<b>0</b>



# Water supply

## Overview

The Water Supply group of activities includes the various functions of rural and township water supplies.

## Aim

Our aim is to provide a sustainable supply of water that meets the needs of present and future domestic and agricultural consumers and complies with Drinking Water Standards New Zealand.

## Community Outcomes

A place with essential infrastructure:

- ◇ We have a strong emphasis on service delivery across all infrastructure including roading, water (for drinking and development), waste water, stormwater and solid waste

## Summary

We have continued with our focus on service delivery throughout the year, despite the interruption and damage the earthquake delivered. (Refer to the Earthquake Impact story.) 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.

Chlorine/MIOX is the best method of disinfecting the water supply pipelines (reticulation). Treating water at its source deals with any contaminants prior to entering the reticulation yet it does not deal with any contaminants that enter the reticulation. Typically, they can enter through poorly performing infrastructure, damage or above ground storage assets.

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. We were very concerned that if a contamination outbreak occurred in the Hurunui district, it would be extremely damaging, not just to local residents but also to visitors and tourists.

Of the 21 sources, Racecourse, Leithfield Beach (feeding the Beach and Ashley scheme), Hanmer Springs, Hawarden/Waikari and Culverden were not receive any permanent chlorine treatment. Aside from the five (5) sources referred to above, chlorine was introduced to some of the secure supplies and UV treated supplies in recent times to manage the risk to the reticulation because events have transpired giving cause for concern to its integrity.

Our water supply service includes 80 pump stations and over 2,000 kilometres of pipes. Of our 21 water sources, several of our water supplies (Amberley township, Amberley Beach, Leithfield Beach and Hanmer Springs) had been temporarily chlorinated since early 2017. A number of water supplies were already treated with MIOX, a water disinfectant similar to chlorine and no change was necessary to these water supplies. In July, a decision was made to chlorinate all of our water supplies on a permanent basis. During the next year from September 2017, Leithfield Village and other residents connected to the Leithfield supply, along with Culverden, Hawarden/Waikari and residents connected to the Racecourse bore will have their water supply chlorinated.

Water will continue to receive our attention to ensure that the quality and supply remains reliable and meets New Zealand drinking water standards.

We have continued our focus on capital expenditure to meet the needs of the district for improved basic infrastructure. 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, but notable projects included:

- Upgrade pipes to bring compliant drinking water to the Ashley Rural Scheme from the new Leithfield Beach bore (Stages 3 and 4) - \$0.5m
- Parnassus raw water rising main - \$0.08m
- Devaar pump station upgrade - \$0.16m

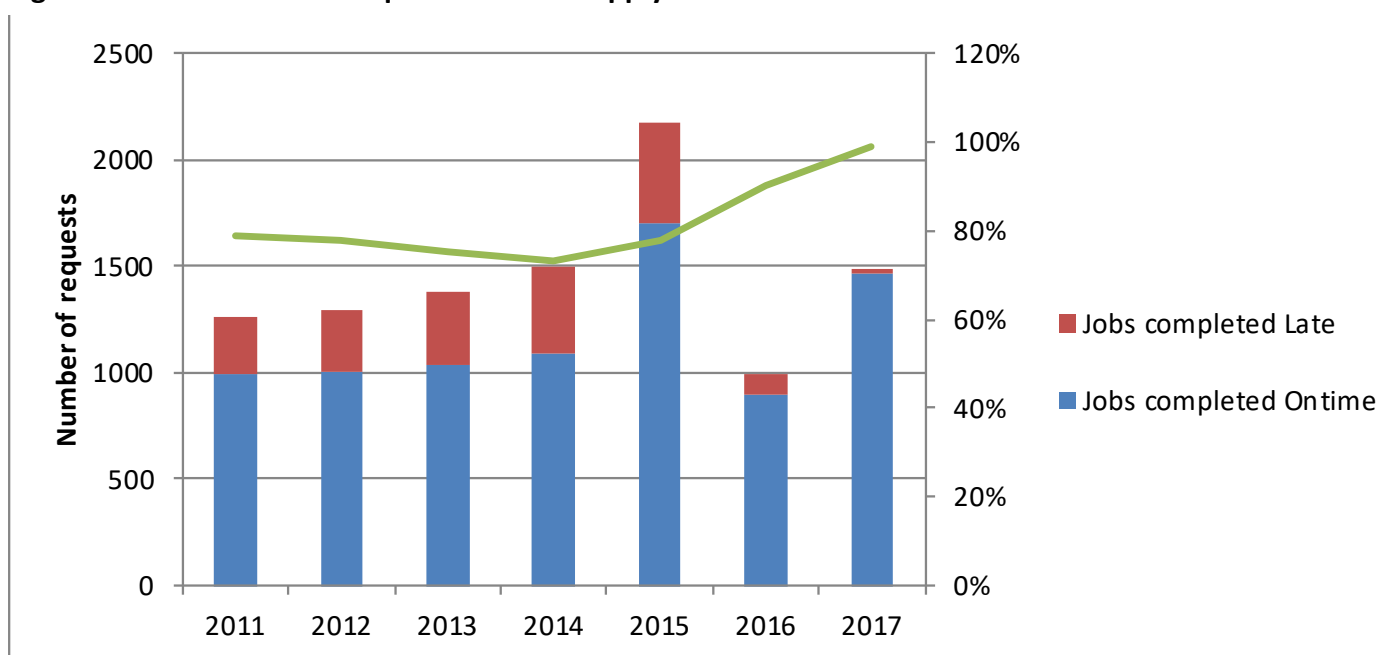
## Customer Service

All in all, we are making progress on improving our response times to customer requests and complaints. Responding quickly and then identifying the issue before resolving it, can be a complex affair. A couple of our main challenges relate to the rural nature of our district and that properties or the site where there is a problem, is often many kilometres from one of our utilities officers (often an hour or more to reach a destination). The time of day can also be challenging. For example, water flows day and night, seven days a week. Faults occurring in the night will only be tended to if the fault is classified as urgent. Working in the dark presents problems for our workers including risk to personal safety and difficulty identifying problems in the dark and / or icy conditions. For example, rural water schemes cross different properties and to find a fault means following the pipelines, typically having to drive on and off properties looking for faults. At night time, this is particularly difficult and adds to the time to respond.

We had 146 urgent customer requests concerning water and our median time to respond to urgent faults was 5.1 hours over an entire 24/7 week. In the urban areas, it was only 1.85 hours as the workers can usually reach the destination more quickly, whereas the median time for our rural areas is almost 6 hours.

We had just under 1,500 non-urgent customer requests with the median time to respond being 21 hours. This is well short of our courageous target of no customer requests, but we have done better than last year when our median response was 26.5 hours. Another noticeable improvement on last year was the number of customer complaints about no water. Only 138 cases this year compared with 411 the previous year. We have improved our maintenance plan and the results are beginning to show.

**Fig. 2 - Customer Service Requests - Water Supply**



### Performance measures

See the Appendices section of this Annual Report for performance measures and data.

### Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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.

### Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year’s operating surplus of \$518,399 was \$184,476 greater than the operating surplus recorded for the 2015/2016 year of \$333,923.

- Rates – as flagged in the 2016/2017 Annual Plan, rates have increased for all supplies resulting in an increase of \$384,304 from last year. This increase was required to stage in the funding of depreciation.
- Vested Asset Income – The level of development in the 2015/2016 was higher than the current year and as result, the Vested Assets income for the 2016/2017 is \$347,804 lower than the previous year.

### Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Water Supplies was \$7,210,041.

- Cash surpluses recorded by the individual Water Supplies totalling \$1,993,819 were used to offset the borrowings, with a further \$1,869,292 of Capital Expenditure (excluding \$109,935 of Found Assets) incurred resulting in the balance of the internal borrowings for Water supplies sitting at \$7,085,514 as at the end of the year – an overall decrease of \$124,527.
- The amount of Internal Interest charged to the Water Supplies for the year was \$426,167, with those that held funds (rather than being in debt) receiving an amount of internal interest totalling \$9,863.

**Table 2 - Group Activity - Water Supplies**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	5,527,143	5,436,019	5,142,839
Other Income	589,366	100,400	520,683
Internal Interest Received	9,863	0	8,211
Vested Assets	456,024	59,496	803,828
Development Contributions	121,017	287,546	71,749
<b>Total Operating Revenue</b>	<b>6,703,413</b>	<b>5,883,461</b>	<b>6,547,308</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	598,190	642,884	705,696
Other Direct Expenditure	2,659,029	2,586,818	2,583,652
Internal Interest Paid	426,167	588,468	396,426
Council Overheads	997,325	997,327	934,065
Depreciation	1,489,065	1,587,116	1,593,547
Loss on Disposal of Assets	15,238	0	0
<b>Total Operating Expenditure</b>	<b>6,185,014</b>	<b>6,402,613</b>	<b>6,213,386</b>
<b>Operating Surplus (Deficit)</b>	<b>518,399</b>	<b>(519,152)</b>	<b>333,923</b>
<b>CAPITAL EXPENDITURE</b>			
District Wide Water	625,059	59,496	865,793
Amberley	36,326	256,450	287,852
Leithfield Beach	42,321	177,556	27,422
Ashley Rural	646,740	98,419	1,770,939
Culverden	39,786	0	32,778
Waiau Town	0	76,888	237,338
Amuri Plains	22,807	32,623	6,153
Balmoral	(2,464)	61,380	16,144
Waiau Rural	0	31,833	14,258
Cheviot	99,805	371,135	18,081
Waipara	39,545	47,849	0
Hanmer Springs	44,367	49,519	17,739
Hawarden - Waikari	3,558	30,690	42,161
Hurunui Rural	381,379	211,790	89,631
<b>Total Capital Expenditure</b>	<b>1,979,227</b>	<b>1,505,628</b>	<b>3,426,289</b>



# Sewerage

## Overview

The Sewerage group of activities includes the various functions of the seven sewerage schemes in the District.

## Our Aim

Our Aim is to provide to proficient, cost effective sewage disposal schemes relevant to the needs of the community.

## Community Outcomes

1. A desirable and safe place to live:
  - ◇ We have attractive well designed townships
  - ◇ Communities have access to adequate health and emergency services and systems and resources are available to meet civil defence emergencies
  - ◇ Risks to public health are identified and appropriately managed
2. A place that demonstrates environmental responsibility:
  - ◇ We protect our environment while preserving people’s property rights
  - ◇ We minimise solid waste to the fullest extent, and manage the rest in a sustainable way
3. A place with essential infrastructure:
  - ◇ We have a strong emphasis on service delivery across all infrastructure including roading, water (for drinking and development), waste water, stormwater and solid waste

## Summary

During the year, our focus was mainly on business as usual and maintaining or improving our sewerage systems to reduce increased infiltration after wet-

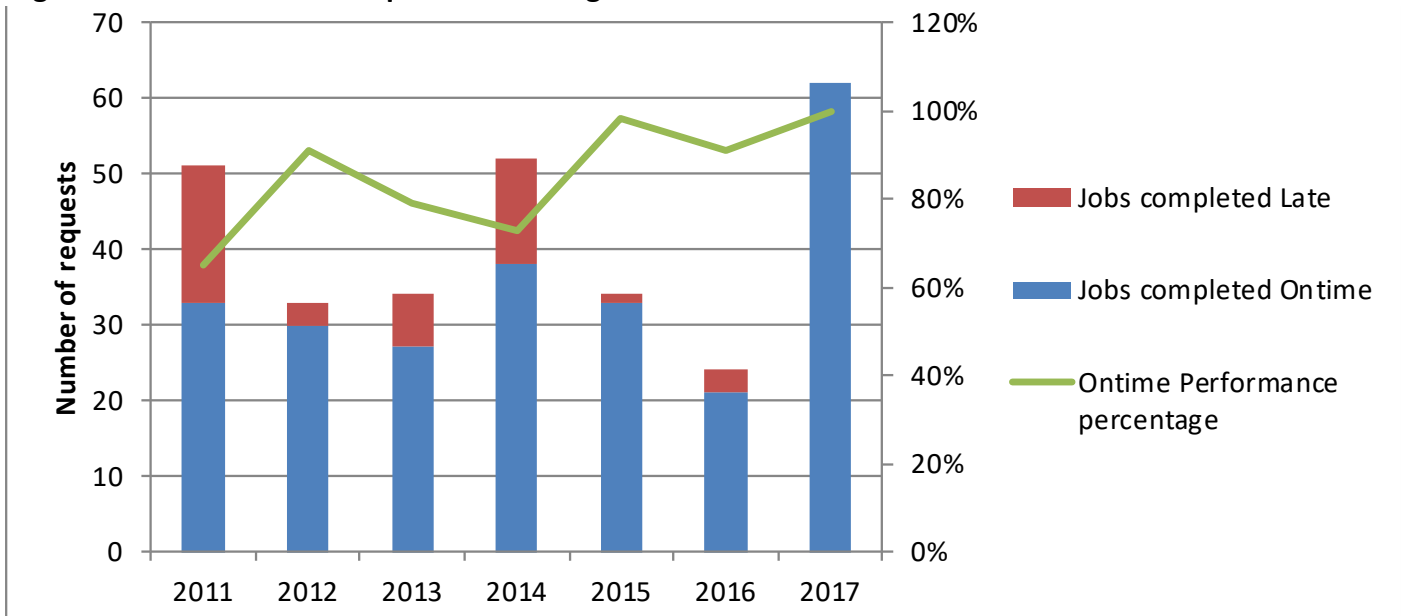
weather events and prevent discharging of sewage into the natural environment. The total capital spend for the year across the district was \$343,873, mainly for reticulation renewals. Notable projects included:

- Hanmer Springs WWTP disposal to land investigations, designs and resource consents - \$0.14m
- Waikari WWTP disposal to land investigations, designs and resource consents - \$0.07m
- Cheviot WWTP riparian planting to improve discharge water quality - \$0.03m
- Amberley WWTP upgrades to improve discharge to land - \$0.02m

Most of our townships have a council operated sewerage supply (waste water), but not all. Our rural communities are mainly self-sufficient with septic tanks. 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.

We aim to respond to customer requests within 12 hours and resolve any issues within 12 hours. Over the year, the median time to respond was slightly over 1 hour and less than 2 hours to fix. We received a higher number of customer complaints about sewer blockages – 19 compared to 12 last year. The main problem was caused through our own maintenance routines which caused temporary blockages, but the result should be less issues in future. Routine maintenance is an 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. Although our target is to receive no complaints, we are working toward this goal.

**Fig. 3 - Customer Service Requests - Sewerage**



## Performance Measure

See the Appendices section of this Annual Report for performance measures and data.

## Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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.

## Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating deficit of \$123,283 was \$131,875 lower than the operating surplus recorded for the 2015/2016 year of \$8,592.

- Rates – as flagged in the 2016/2017 Annual Plan, rates have increased by \$168,466 from last year to stage in the funding of depreciation.

- Vested Asset Income – the level of assets vested in the Council for the in the 2016/2017 year was \$318,788 lower than last year.
- Other Direct Expenditure – this is lower than last year by \$133,249 due to higher costs incurred in 2015/2016 relating to repair work to the Sewer Ponds in Cheviot.

## Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Sewerage was \$5,773,567.
- Cash operating surpluses of \$316,429 were recorded to offset the borrowings with a further \$309,897 of Capital Expenditure (excluding \$33,975 of Found Assets). This has resulted in the balance of the internal borrowings for Sewerage sitting at \$5,767,125 as at the end of the year – an overall decrease of \$6,532.
- The amount of Internal Interest charged to the Water Supplies for the year was \$384,299, with those that held funds (rather than being in debt) receiving an amount of internal interest totalling \$11,720.

**Table 3 - Group Activity - Sewerage**

	2016/2017 Actual	2016/2017 Budget	2015/2016 Actual
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	1,339,986	1,275,515	1,171,520
Other Income	8	0	348
Internal Interest Received	11,720	0	8,619
Vested Assets	66,571	98,169	385,359
Development Contributions	18,035	72,294	130,864
<b>Total Operating Revenue</b>	<b>1,436,319</b>	<b>1,445,978</b>	<b>1,696,711</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	58,411	80,465	62,587
Other Direct Expenditure	499,975	497,229	633,224
Internal Interest Paid	384,299	523,525	381,771
Council Overheads	147,451	147,441	138,106
Depreciation	469,466	507,130	472,431
Loss on Disposal of Assets	0	0	0
<b>Total Operating Expenditure</b>	<b>1,559,602</b>	<b>1,755,790</b>	<b>1,688,119</b>
<b>Operating Surplus (Deficit)</b>	<b>(123,283)</b>	<b>(309,812)</b>	<b>8,592</b>
<b>CAPITAL EXPENDITURE</b>			
District Wide Sewerage	100,547	98,169	391,404
Amberley	15,162	78,499	186,681
Cheviot	38,137	35,903	2,911
Greta Valley	(3,987)	0	0
Motunau Beach	11,626	11,040	0
Hanmer Springs	109,229	4,043,218	119,095
Hawarden	(1,246)	0	2,776
Waikari	74,404	657,538	19,115
<b>Total Capital Expenditure</b>	<b>343,873</b>	<b>4,924,367</b>	<b>721,982</b>

# Stormwater & drainage

## Overview

The Stormwater and Drainage activity includes the various functions of the land drainage schemes and resultant flood protection.

## Our Aim

Our Aim is to prevent or minimise the adverse effects of surface flooding and stormwater discharge.

## Community Outcomes

1. A desirable and safe place to live:
  - ◇ We have attractive, well designed townships
  - ◇ Communities have access to adequate health and emergency services, and systems and resources are available to meet civil defence emergencies
  - ◇ Risks to public health are identified and appropriately managed
2. A place with essential infrastructure:
  - ◇ We have a strong emphasis on service delivery across all infrastructure, including roading, water (for drinking and development), waste water, stormwater and solid waste

## Summary

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. Notable projects included:

- Motunau Beach Stormwater drain improvement project - \$0.05m

- Amberley and Hanmer Stormwater improvement project investigations, designs and resource consents - \$0.06m

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. The majority of complaints related to potential blockages in open drainage channels and surface flooding during heavy rain. More emphasis is being given to managing our stormwater systems proactively in recent years than previously. We expect to still receive complaints in coming years, but for them to progressively reduce depending the severity and frequency of rain.

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 as can be seen in fig 1.

## Performance Measure

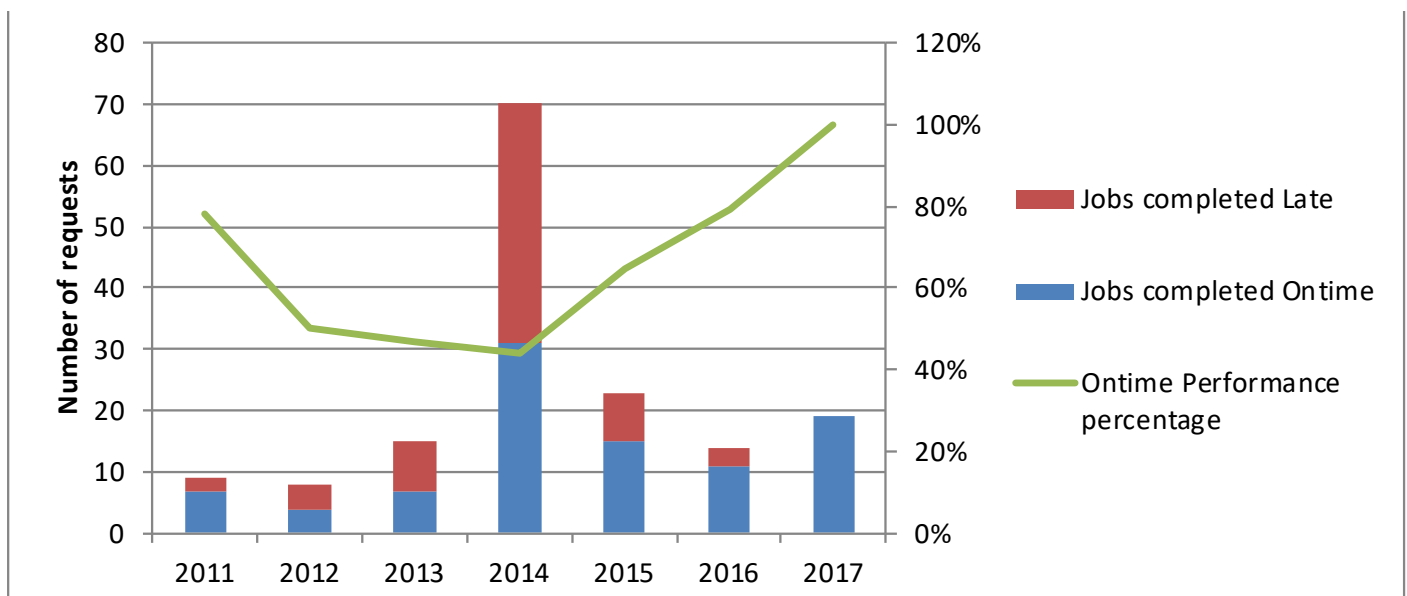
See the Appendices section of this Annual Report for performance measures and data.

## Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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

Fig. 4 - Customer Service Requests - Stormwater / Drainage



\$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.

### Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating surplus of \$347,193 was \$113,704 greater than the operating surplus recorded for the 2015/2016 year of \$233,489.

- Vested Assets Income – The level of vested assets that were recognised in the 2015/2016 year was \$320,588, which was 136,472 higher than recognised this year.
- Other Direct Expenditure – in 2015/2016, a significant amount of contractors costs were incurred for Amberley Stormwater, with the level not being required to be spent in the 2016/2017 year.

### Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Stormwater was \$1,580,574.
- Cash operating surpluses of \$196,466 and with a further \$37,582 of Capital Expenditure (excluding Vested and Found Assets) incurred has resulted resulting in the balance of the internal borrowings for Stormwater sitting at \$1,421,690 as at the end of the year – an overall decrease in borrowing of \$158,884.
- The amount of Internal Interest charged to Stormwater for the year was \$109,065, with those that held funds (rather than being in debt) receiving an amount of internal interest totalling \$5,855.

**Table 4 - Group Activity - Stormwater**

	2016/2017 Actual	2016/2017 Budget	2015/2016 Actual
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	527,531	521,750	467,497
Internal Interest Received	5,855	3,618	5,624
Vested Assets	184,116	98,169	320,588
Development Contributions	3,253	14,189	38,680
<b>Total Operating Revenue</b>	<b>720,755</b>	<b>637,727</b>	<b>832,388</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	55	25,672	16,670
Other Direct Expenditure	154,080	281,653	390,061
Internal Interest Paid	109,065	142,837	87,046
Council Overheads	12,773	12,773	11,952
Depreciation	97,588	101,155	93,169
<b>Total Operating Expenditure</b>	<b>373,562</b>	<b>564,091</b>	<b>598,899</b>
<b>Operating Surplus (Deficit)</b>	<b>347,193</b>	<b>73,636</b>	<b>233,489</b>
<b>CAPITAL EXPENDITURE</b>			
District Wide Stormwater	224,324	98,169	322,383
Amberley Stormwater	(748)	87,193	(87,676)
Motunau Beach Stormwater	54,982	0	0
Hanmer Springs Stormwater	(16,652)	43,032	45,623
Hawarden Stormwater	0	0	61,087
Waikari Stormwater	0	25,645	0
<b>Total Capital Expenditure</b>	<b>261,906</b>	<b>254,039</b>	<b>341,417</b>



# Roads & footpaths

## Overview

- The roads and footpaths activity includes the various functions of street lighting, bridges and road safety as well as all local roads and township footpaths (not state highways).

## Our Aim

- Our aim is to provide a transport network that is safe, affordable and accessible for all people throughout the district.

## Community Outcomes

- A desirable and safe place to live
  - We have attractive well designed townships
  - Communities have access to adequate health and emergency services and systems and resources are available to meet civil defence emergencies
  - Risks to public health are identified and appropriately managed
- A place with essential infrastructure:
  - We have a strong emphasis on service delivery across all infrastructure including roading, water (for drinking and development), waste water, stormwater and solid waste

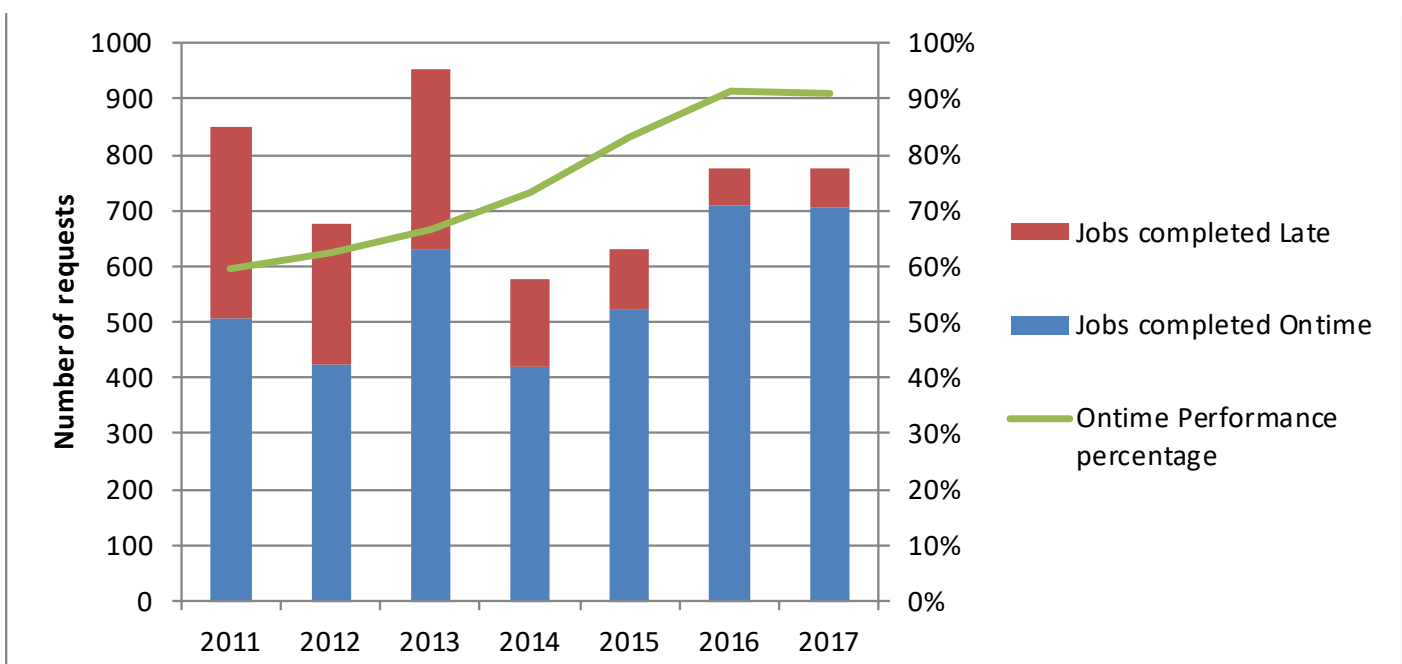
## Summary

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. This has continued throughout the rest of the year with SH1 often being closed or partially closed south of Kaikoura. The Inland Road is undergoing repairs and being managed by New Zealand Transport Agency (NZTA) since late November 2016. The repair bill is in the \$millions to date and the full extent won't be known for some time. The Road will be returned to the Hurunui District Council to manage once it has been fully repaired. The long term ownership may change due to the critical nature of this road and the cost to maintain in the future. It may become a state highway.

The maintenance of our roads and footpaths is contracted to SICON Ltd. This is a substantial contract for the Council as funding our road network is our biggest single expenditure. This is an activity our residents are very interested in from a safety and comfort point of view. 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. Our contractors pulled in more resources to cope with the additional workload so that we could continue with our usual maintenance and at the same time, focus on the new and unexpected damage. (Refer to the Earthquake Impact story at the beginning of the Council Activities section of this report.)

**Fig. 5 - Customer Service Requests - Roads and Footpaths**



For the first time this year, we now have a good set of information relating to the footpaths in the District. We undertook a survey in 2016 which assessed the condition of all footpaths. This has enabled a maintenance plan to be developed with the associated cost. The benefit of doing this exercise will enable us to plan better for the future and be more realistic about the cost of maintaining our footpaths and how this balances with the need for new footpaths and where. Each ward in the district has either a Ward Committee or a Community Board. Each Committee or Board decides where they want new footpaths and also contributes to deciding priorities for footpath maintenance and repair. With this new information, we will be able to do our maintenance in a coordinated manner rather than the previous ad-hoc method.

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. We are continuing to have less overdue requests.

Fig 5 on the previous page shows the volume and 'delivered on time' performance improvements. 2015 and 2016 shows a marked increase in the number of CSRs being completed within the time frames set in our performance targets.

## Roads

Every month an audit of 40 kilometres is carried out in random places across the district looking at equal portions of sealed and unsealed roads. The intention of this audit is to check the quality of the maintenance work being carried out. Working with SICON Ltd, we have seen consistently high results, which is evidence of the solid working relationship we have established.

Road safety is a key factor in road maintenance, particularly the quality of the road surface. One of the main reasons for road deterioration is water being retained on the road. Over the past couple of years, we have improved the shape to our unsealed roads to help water drain off, and have been improving the drainage ability on roads in general to help keep the roads in good condition. After years of having no fatalities on our local roads, sadly 2 deaths occurred in the past year post the earthquake. One on the Inland Road and the other on the Hawkswood Road in the Cheviot Ward.

Across New Zealand, sealed roads are rated according to several measures. One of them is the 'smoothness'

of roads. Our target is to make sure we have a better score than the rural roads national average. The national average is around 95%. Hurunui roads consistently score better than this with 98% in the most recent result. This is the best measure we have to show we are providing a good driving surface for road users.

Unsealed roads require regular maintenance and the regularity of that maintenance depends on several factors such as the:

- location of the road and the local environment
- numbers of vehicles using it
- types of vehicles using it
- the way it was constructed

Among others, the main items that get checked are those that affect the driving experience of road users, namely potholes and corrugations.

Over the year, we resealed 32 kilometres of road which equates to 3.5% of the 609 kilometres of sealed roads we have in the district. We aim to reseal 5% each year which might seem small but at around \$34,000 per kilometre, this is expensive work. This rate of resealing will not keep up with the demand over time but will be reviewed during the next long term plan review in 2018.

The number of CSRs relating to the condition of our unsealed roads has significantly decreased during the year compared to previous years. This indicates that the roads are in good condition as well as being confirmed through our audits and that there were no reported potholes or corrugations larger than our contract conditions (larger than 70mm in depth and 300mm in diameter). Fig 3 shows the number of CSRs relating to potholes and corrugations since 2012 and that they have reduced substantially over the past year.

## Footpaths

A Footpath Condition Assessment was commissioned to identify the state of our footpaths across the district. The assessment will be used to evaluate and cost a forward works programme for renewals and maintenance over the district in the coming years. As well as identifying the condition of the footpaths, all safety issues have been identified and plans established to remedy them.

Traditionally, footpath programmes have been established ward by ward but this has resulted in some areas having better or worse footpaths than others. Going forward we are aiming to have fit for purpose

footpaths across the district, while still maintaining the local character of each township.

## Capital Spend

The total capital spend for roading and footpaths across the district was \$8,113,285 (compared to \$3,795,627 last year). More than \$5 million was due to fixing earthquake damage and funded from NZTA). The notable projects are shown in the following table:

Project	Cost
Unsealed road metalling	\$474,000
Sealed Road resurfacing	\$680,000
Drainage (culvert) renewals	\$245,000
Pavement rehabilitation	\$323,000
Traffic services renewals	\$148,000
Safety improvements	\$476,000
Waipara footpath renewal	\$21,000
Hanmer Springs footpath renewal	\$14,000
Vested assets	\$323,000
Earthquake repairs (from NZTA)	\$5.13 million

## Performance measures

See the Appendices section of this Annual Report for performance measures and data.

## Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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.

## Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year’s operating deficit of \$1,190,504 was \$2,113,914 lower than the operating surplus recorded for the 2015/2016 year of \$880,375.

- Rates – there has been an increase of \$302,816 in rates as was flagged in the Annual Plan.
- NZTA Subsidies – Due to focus on emergency reinstatement work, the amount of NZTA subsidies received for roading was \$1,052,359 lower than last year.
- Vested Assets Income – The total amount of assets vested in Council during the year amounted to only \$322,716 whereas a total of \$1,834,760 was recognised in the 2015/2016 year.
- Operating Expenditure – The amount of other direct expenditure was down on last year by \$993,427 which greater focus placed on emergency reinstatement disclosed in the Earthquake Recovery activity.

## Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Roading and Footpaths was \$43,865.
- Cash operating surpluses of \$220,413 and with a further \$37,278 of Capital Expenditure for footpaths incurred has resulted in the balance of \$139,270 of funds on hand Roading as at the end of the year – an overall decrease in borrowing of \$183,135.
- The amount of Internal Interest charged to Roading for the year was \$12,438, with those that held funds (rather than being in debt) receiving an amount of internal interest totalling \$8,054.

**Table 5 - Group Activity - Roads and footpaths**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	3,881,768	3,870,137	3,578,952
Other Income	3,039,464	3,937,313	4,154,536
Internal Interest Received	8,054	65	6,820
Vested Assets	322,716	245,423	1,834,760
<b>Total Operating Revenue</b>	<b>7,252,002</b>	<b>8,052,938</b>	<b>9,575,069</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	387	0	914
Other Direct Expenditure	2,815,807	3,088,510	3,809,234
Internal Interest Paid	12,438	17,548	15,612
Council Overheads	604,974	604,974	592,427
Depreciation	5,008,900	3,926,972	4,276,507
<b>Total Operating Expenditure</b>	<b>8,442,506</b>	<b>7,638,003</b>	<b>8,694,694</b>
<b>Operating Surplus (Deficit)</b>	<b>(1,190,504)</b>	<b>414,935</b>	<b>880,375</b>
<b>CAPITAL EXPENDITURE</b>			
Roading	2,945,044	4,145,256	5,384,495
Roadside Construction	37,278	238,366	291,578
<b>Total Capital Expenditure</b>	<b>2,982,322</b>	<b>4,383,622</b>	<b>5,676,074</b>



# Public Services

## Overview

The public services group of activities includes library, waste and recycling, rural fire, civil defence, tourism, reserves and property. 'Property' encompasses public toilets, halls, social housing, swimming pools, medical centres and township maintenance, such as gardening and lawn mowing.

## Aim

Our aim is to provide services that support the community to lead healthy and fulfilled lives which meet and extend their recreational and cultural needs.

## Community Outcomes

1. A desirable and safe place to live:
  - ◇ We have attractive well designed townships
  - ◇ Communities have access to adequate health and emergency services and systems and resources are available to meet civil defence emergencies
  - ◇ Risks to public health are identified and appropriately managed
2. A place where our traditional rural values and heritage make Hurunui unique:
  - ◇ People have a range of opportunities to participate in leisure and culture activities
  - ◇ Our historic and cultural heritage is protected for future generations
3. A place that demonstrates environmental responsibility
  - ◇ We protect our environment while preserving people's property rights
  - ◇ We minimise solid waste to the fullest extent, and manage the rest in a sustainable way

## Summary

Public services are those that typically individuals and organisations could not afford to provide.

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. Most of our performance measures concerning public services are measured through

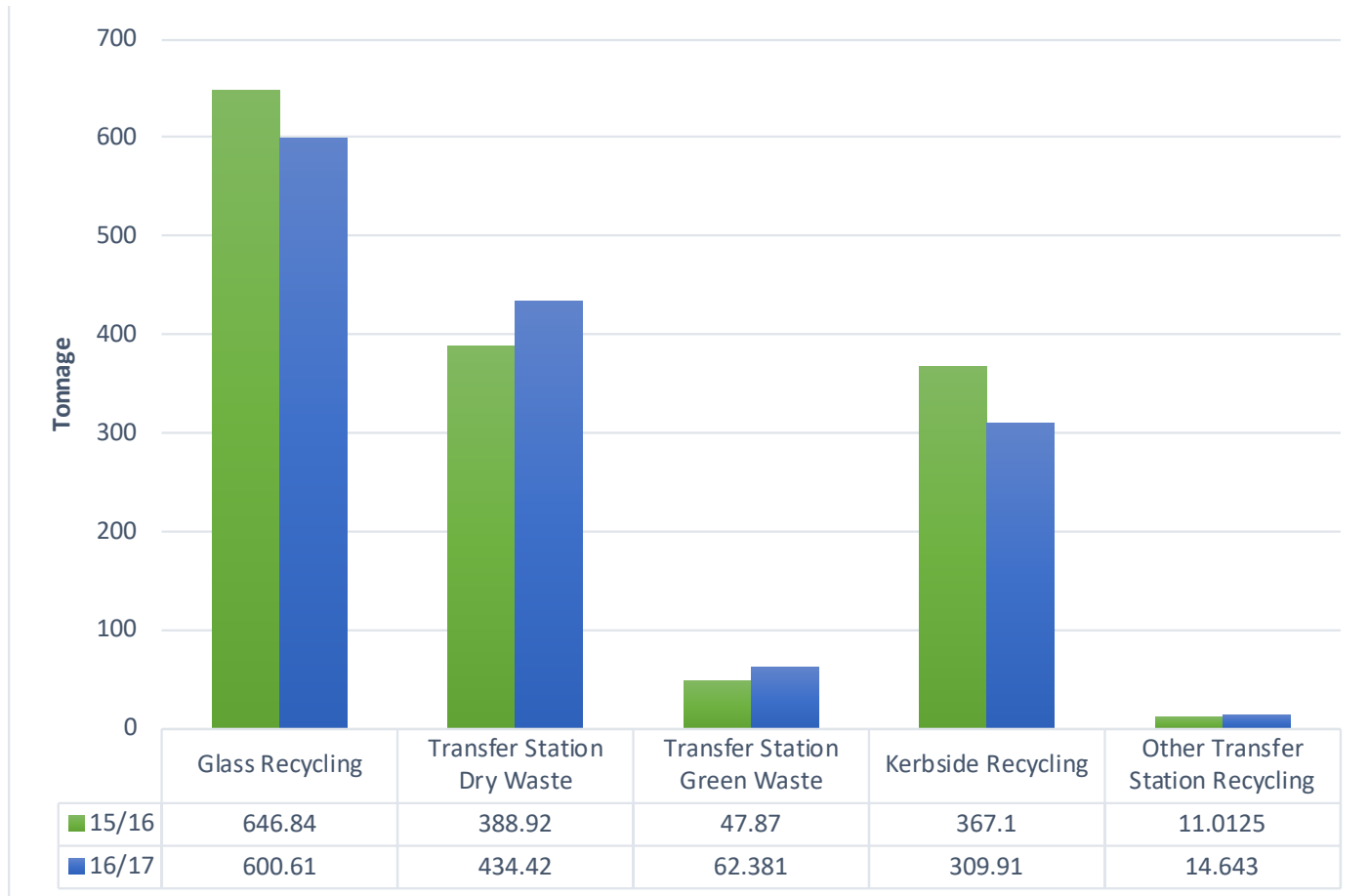
people's levels of satisfaction for some of our services such as library, waste (rubbish and recycling), halls, public toilets, reserves, cemeteries and emergency services (rural fire and civil defence). There were two main reasons for not running our annual survey. 1. We decided to put the cost toward delivering our services given the extent of the damage incurred during the earthquake and subsequent aftershocks. 2. Our residents, staff and contractors were focused on assessing and repairing damage. We felt the survey could have been an intrusion given the circumstances and that missing one year would not cause any real issues.

## Waste/recycling

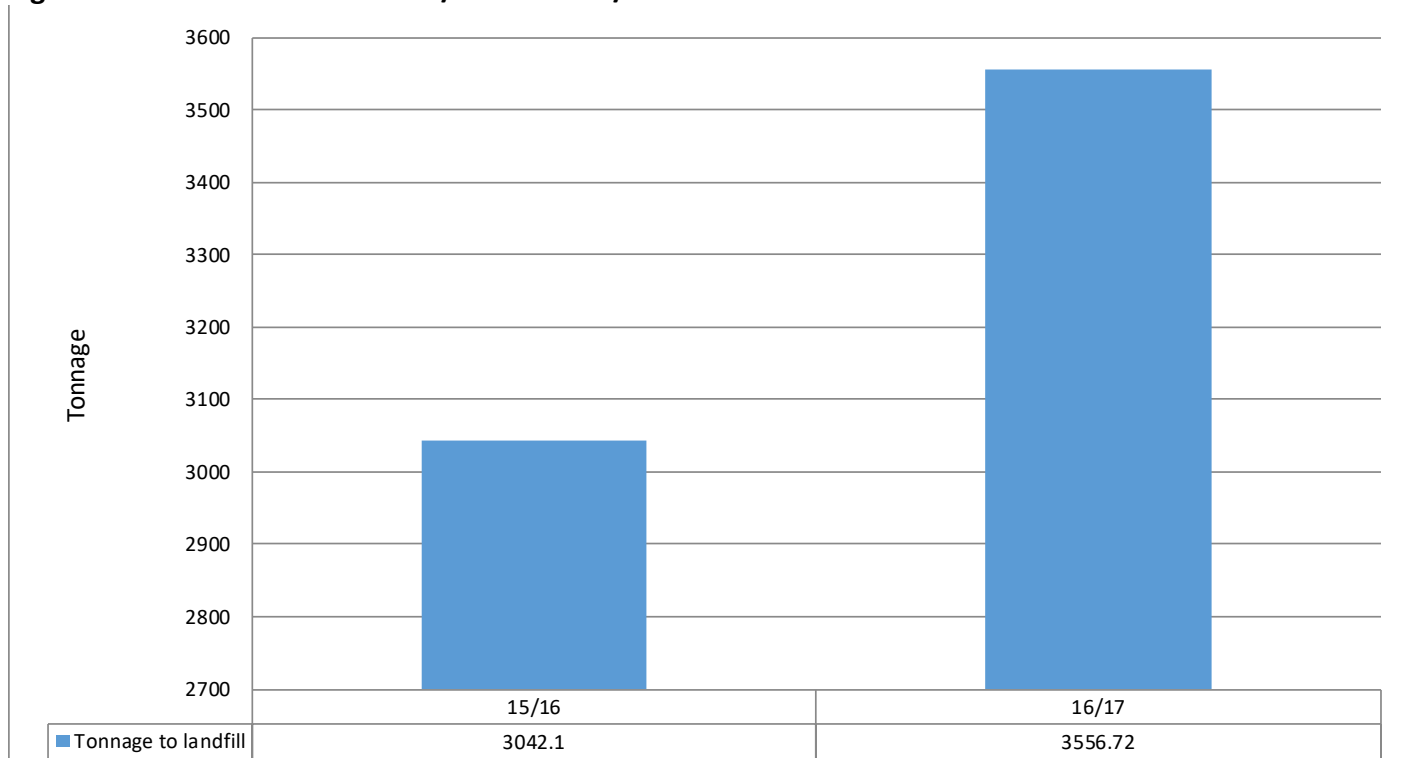
Earthquake damage was received at three of our transfer stations (Waiau, Hanmer Springs and Amberley) with the worst being Waiau. This will have to be completely rebuilt and plans are underway for this to take place in 2017/18. In the second half of the past year, an increase of demolition material has started to emerge as property owners settle their insurance claims and make decisions about their damaged property. Repair and some rebuilding has commenced, hence the increase in demolition materials. An injection of \$2.4 million was granted from Ministry for the Environment mainly for the management and safe disposal of hazardous waste including asbestos. This fund is being managed by the Canterbury Regional Council (ECan) and includes the Kaikoura District also. The fund will pay for the damage to the transfer stations and the rebuild of the Waiau transfer station. Several initiatives are underway to identify asbestos in properties needing repair or demolition; to safely dispose of asbestos; to find cost efficient ways for remote areas to dispose of clean hard fill and demolition material at reasonable cost and time; and to remove hazardous substances from properties. This work has been a major departure from 'business as usual' and despite this, usual services have continued.

The Amberley Transfer Station which has been operating since June 2014, has continued to be popular and to exceed our expectations. This has had the knock on effect of increasing our waste to landfill rather than decrease it. A combination of demolition waste and continued commercial waste (formerly never received) has been the reason. On the other hand, our recyclables are increasing as intended but more than expected. This has resulted in under funding our roadside collection rate as more and more households are reducing the number of \$2.50 rubbish bags they buy in preference to 50 cent recycling bags.

**Fig. 6 - Recycling Tonnages - 2015/16 and 2016/17**



**Fig. 7 - Waste to Landfill for 2015/16 and 2016/17**



## Property

Damage to some council owned community halls and property caused through the earthquakes remain non-usable until decisions are made about their future.

One of the social housing units in Amberley (commonly known as a 'pensioner flat') was burnt down in a tragic fire in September 2016 where the male occupant lost his life. The site was cleared and plans to rebuild a new unit was decided. The new unit will be completed and ready to occupy toward the end of 2017.

Our small township, Waiau, suffered the most property damage in the district with more than half of the dwellings damaged. To enable people to remain in their village while repairing or rebuilding their homes, the Council bought land and four 2 bedroomed houses to set up temporary accommodation in Waiau. One of the homes is occupied and a number of other families have expressed interest for when their home is repaired in the future. As demand for the village decreases, the Council will decide how the houses will best be used for the local community. The Government paid the cost of transporting the houses to the site, and sold them to the council at a discounted cost of \$24,510 each.

The Amberley Council Office was renovated during the year, initiated through an agreement to accommodate Amberley based Canterbury Regional Council employees. Renovating the building was less costly than extending, substantially modernised the interior from its former 1970's look, and the removal of the walls created additional, flexible space for all staff and visitors. Unfortunately during the removal of the walls, asbestos was detected which was not expected causing unbudgeted cost. A financial agreement and lease with the Regional Council enabled the renovation of the building to take place. The flexible space has been properly tested with having accommodated more staff than anticipated as a result of the earthquake.

## Emergency Services

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. Many people were involved in the response to the earthquake across many organisations and volunteer groups. The sheer scale and unpredictability of the earthquake made consistent communication extremely difficult and getting help to the right people at the right place and right time also testing. People presented their best at this time and

communities, organisations and individuals worked together to help and support each other. From this real life experience, there is much that we have learnt and we are keen to optimise this to be better prepared next time. This involves our communities too; to not only be prepared in their own homes and work places, but to be prepared attend exercises and train to be civil defence sector volunteers.

2016/17 was the last year the Council has had responsibility for Volunteer Rural Fire with the new Fire and Emergency New Zealand commencing from 1 July 2017. Although no longer responsible for this service, we aim to work collaboratively with the new service to ensure that our communities continue to receive no less than the high calibre of service that our volunteers have provided until now. We are particularly grateful to our fire volunteers for the work they did immediately after the earthquakes and the assurance they gave to our communities most affected.

## Reserves

Two new reserves in the Amberley Ward have recently had development plans approved after public consultation. The new Eastern Reserve in Amberley is eagerly anticipated as population growth in Amberley over the years has put pressure on the various sports codes on the well used Amberley Reserve. The Coppard Reserve is the new addition to Leithfield, also having experienced growth in recent years. Development on these reserve will take place over the coming years in accordance with their plans.

## Libraries

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. Libraries continue to transition with the introduction of more and more electronic services, such as e-books, e-magazines, etc. Planning has commenced to update some of the children and youth areas of our libraries to ensure that they remain appealing places for all ages. Actual work will commence in the coming year. Some external funding has been sought but the outcome unknown at this stage.

## Performance Measures

The See the Appendices section of this Annual Report for performance measures and data.

## Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

Overall, an operating deficit of \$2,382,483 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 \$1,349,199 due to:
  - ◊ Due to the grant of \$50,000 received for the Together Hurunui Project.
  - ◊ Pensioner Housing up \$316,608, which includes EQC Payout of \$169,888 and Insurance payout of \$157,614.
  - ◊ Other Property up \$101,530 due to the sale of an Ensor Road Section in Hanmer Springs.
  - ◊ Forestry is up by \$320,404 due to the harvesting of Ethelton
  - ◊ Due to charges made to recover costs of fires, in particular, the \$442,313 charged for the Hanmer Fire.
  - ◊ Charges for the Transfer Station are up by \$137,181 due to greater amount of waste being disposed of however, Refuse Bag Sales are down on budget by \$310,668.
- Other Operating Expenditure – the level in up on budget by \$1,302,456 due to:
  - ◊ Forestry Expenditure is up on budget by \$400,227 due to the cost relating to the harvesting of the Ethelton Block.
  - ◊ Council made a contribution to the Hanmer Springs Forest Camp Sewer Project of \$300,000, which was originally budgeted for as a capital item.
  - ◊ Cost of suppressing the Hanmer Fire was \$454,727.
  - ◊ Council also contributed for the Waiau Fire Station of \$133,212, which was originally budgeted for as a capital item in a previous year.

## Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating deficit of \$2,382,483 was \$234,261 greater than the operating deficit recorded for the 2015/2016 year of \$2,148,222.

- Rates – the level of rates struck for Public Services was \$353,453 as was flagged in the Annual Plan.
- Other Income – Other Income has greater than last year by \$641,725 due to:
  - ◊ Pensioner Housing is up due to EQC and Insurance Payout
  - ◊ Hanmer Fire Charges of \$442,313 were made during the 2016/2017 year.
- Other Direct Expenditure – Other Direct Expenditure is \$769,056 greater than last year mainly due the contribution to the Hanmer Springs Forest Camp Sewer Project of \$300,000 and the costs incurred for the Hanmer Fire of \$454,727

## Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Community Services and Facilities was \$3,949,342.
- Operating deficits recorded by the individual Public Services funded by Targeted Rate totalled \$69,700 and further \$298,507 of Capital Expenditure incurred has resulting in the balance of the internal borrowings for Public Services sitting at \$4,317,549 at the end of the year – an overall increase of \$368,207.
- The amount of Internal Interest charged to the Public Services for the year was \$336,781 and for those activities that held funds (rather than being in debt) receiving an amount of internal interest totalling \$104,810.



**Table 6 - Group Activity - Public Services**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	3,867,135	3,864,576	3,534,940
Other Income	3,310,323	2,016,124	2,723,598
Internal Interest Received	104,810	78,847	93,203
Development Contributions	122,795	187,162	272,853
<b>Total Operating Revenue</b>	<b>7,405,062</b>	<b>6,146,709</b>	<b>6,624,594</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	1,340,895	1,309,202	1,264,911
Other Direct Expenditure	5,866,692	4,585,494	5,118,894
Internal Interest Paid	336,781	332,677	306,656
Council Overheads	1,391,885	1,391,873	1,302,512
Depreciation	748,561	565,349	779,842
Loss on Disposal of Assets	157,733	0	0
<b>Total Operating Expenditure</b>	<b>9,842,546</b>	<b>8,184,596</b>	<b>8,772,816</b>
<b>Operating Surplus (Deficit)</b>	<b>(2,437,484)</b>	<b>(2,037,887)</b>	<b>(2,148,222)</b>
<b>CAPITAL EXPENDITURE</b>			
Property	(79,265)	20,000	275,936
Reserves	184,313	351,000	391,774
Emergency Services	155,965	0	161,777
Library	63,127	70,000	62,257
Waste Minimisation	88,583	0	46,316
<b>Total Capital Expenditure</b>	<b>412,724</b>	<b>441,000</b>	<b>938,059</b>

# Regulatory Services

## Overview

The regulatory services group of activities includes compliance and regulatory functions such as, resource management, building controls, public health, alcohol licencing and animal control.

## Our Aim

Our aim is to protect people, animals and the environment from harmful activities, disease and hazards.

## Community Outcomes

1. A desirable and safe place to live:
  - ◇ We have attractive well designed townships
  - ◇ Communities have access to adequate health and emergency services and systems and resources are available to meet civil defence emergencies
  - ◇ Risks to public health are identified and appropriately managed
2. A place that demonstrates environmental responsibility
  - ◇ We protect our environment while preserving people's property rights
  - ◇ We minimise solid waste to the fullest extent, and manage the rest in a sustainable way

## Summary

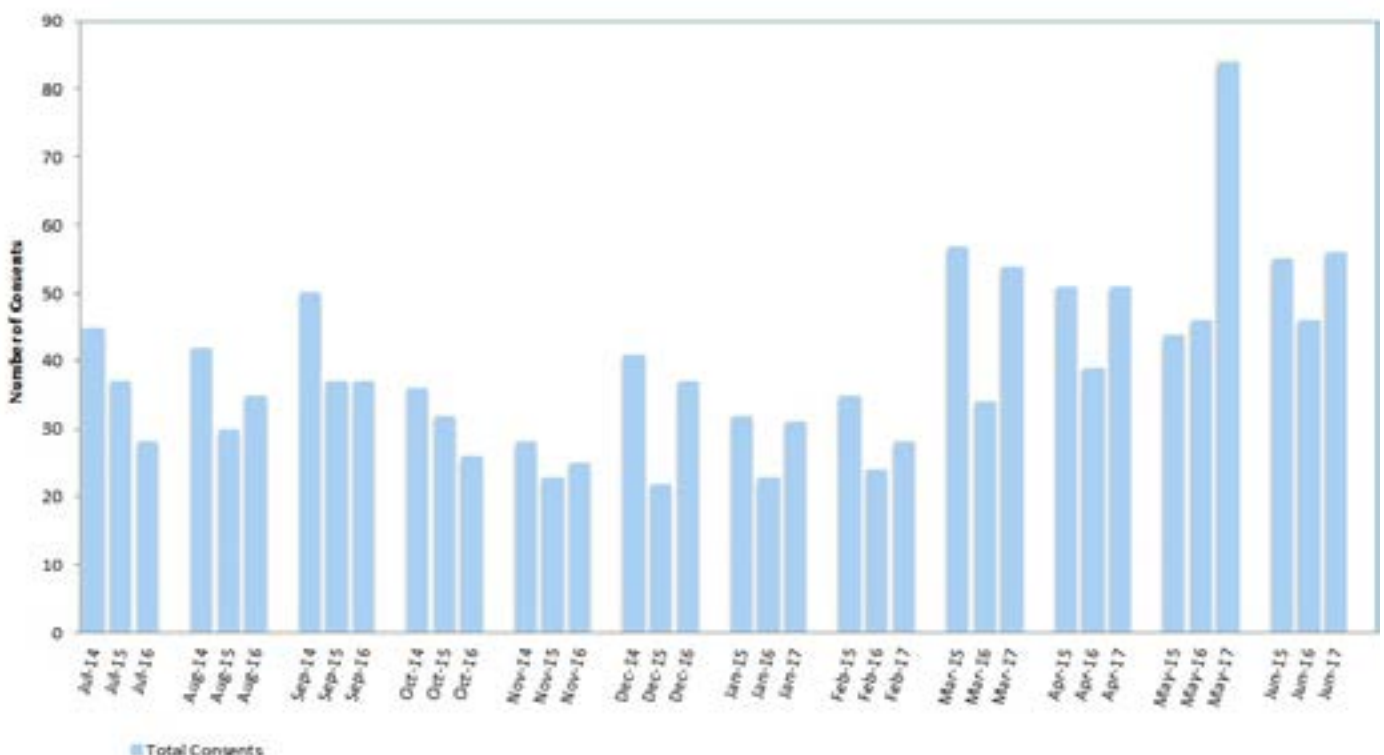
### Building

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. The extensive damage to homes is the reason for the increased number of consents. Only 20 consents did not meet the target which demonstrates our commitment to still meet our statutory deadlines considering the enormous disruption to our normal building service. All of our building staff were immediately involved in assessing properties throughout the district immediately after the earthquake to assess them initially for safety. This meant that it was impossible for normal building control work to continue for several weeks. The increase in building consents later in the year exceeded the capacity of our building team. We have taken on additional staff to cope with the increase in the volume in consents, and since April have issued all consents within the statutory time frame.

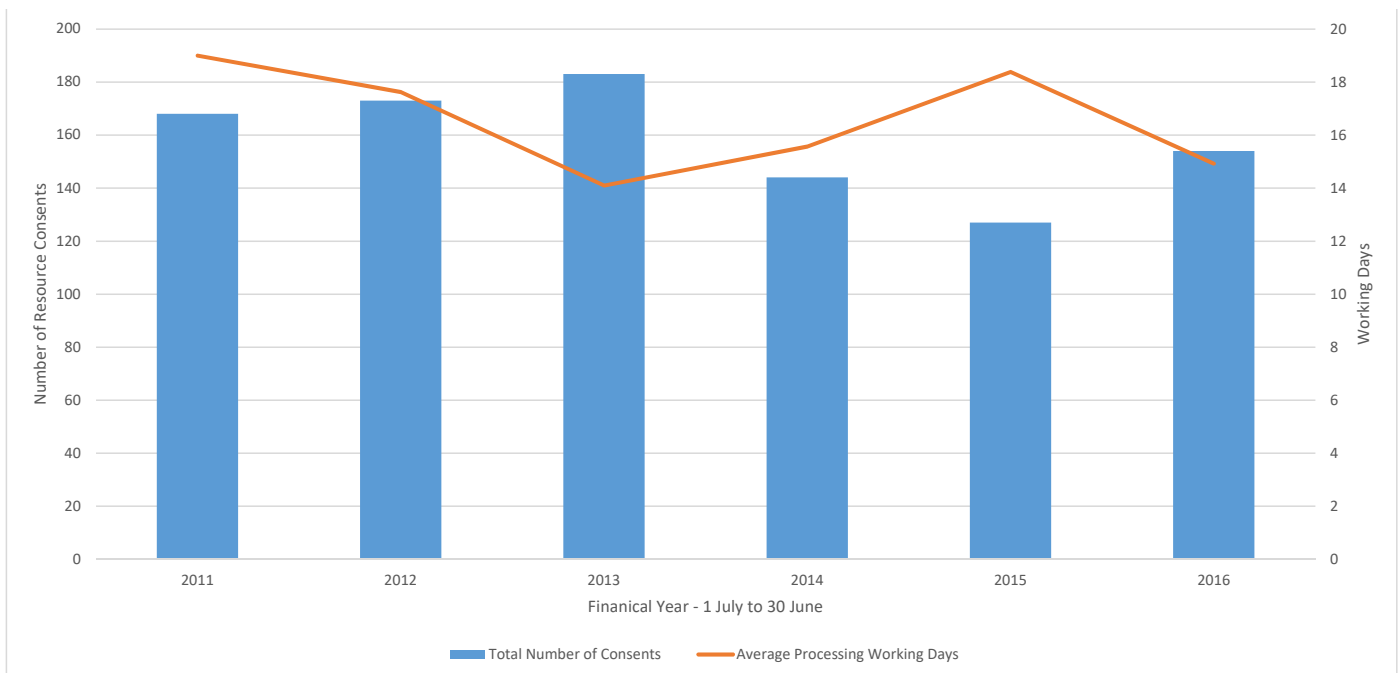
### Public health/liquor

Swimming pool inspections are a routine activity for local authorities to help prevent drownings. There are currently 318 known pools in the district – less than

Fig. 8 - Building Consents issued for whole district



**Fig. 9 - Resource consents received and working days to process**



there were last year when there were 353. People sometimes do not realise that there are safety standards for swimming pools, particularly with those that are bought 'off the shelf'. Fencing around swimming pools is regulated for the protection of young children in particular – and not always those living in the same house. We take this responsibility seriously as the consequences of unsafe swimming pools continues to cost lives and devastation to families. 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. The number of pools changes from year to year but it is difficult to know the exact number at any given time due to us having to rely mainly on home owners informing the council.

Another health and safety area the Council is responsible for is inspecting food premises to minimise illness and outbreaks of disease. 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. Most of the inspections raised no issues, but 36 did uncover mainly minor issues which have been resolved. Minor issues are those that do not pose any immediate or direct risks to food safety (eg: record keeping and noncritical cleaning issues). No premises were closed due to health standards not being achieved. The earthquake did not impact on these inspections.

Premises selling liquor are regulated according to the Sale and Supply of Alcohol Act 2012. It is the Council's role to inspect all of our 52 'on-licensed' premises each year. We visited all 52 premises in the district which revealed some minor issues. At times a Controlled Purchase Operation is undertaken to check whether premises are selling to under aged young people. This is done in collaboration with the police and health. Unfortunately two of our licenced premises failed this in December which resulted in both having their licences suspended for short periods. Other minor noncompliance issues were noted but remedied with the managers during the visits.

The earthquake caused major damage to two historic hotels causing both to close. One reopened earlier this year from a temporary premises.

**Animal control**

There are nearly 5,500 dogs registered in the Hurunui district. This is an increase of just over 100 dogs to that registered last year. We do not know the reason for the increase. It could be that more people are registering their dogs than before, or that it relates to increased population, or a combination of both. 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. In the month immediately following the earthquake, we received a marked increase in dog complaints with about a third more than for the same time last year (68

compared to 41). Most of the increase was due to lost and found dogs which is perhaps not surprising.

We also receive complaints about wandering stock and other animals. Over the year, we responded to 71 complaints, all achieved within our target of 24 hours. In addition to wandering stock, we also receive notifications of other types of issues relating to animal welfare, dead animals, smell and noise, and lost and found animals. Most notable was the goat (called James) which managed to escape capture. Our animal control officer caught it, wrestled it, and put it back in its paddock. Then he got back in his car and when he drove around the corner it was standing on the road in front of him. Other entertaining animal exploits included the found 'bunny' rabbit which became a Facebook star, the extremely loud rooster which refused to leave the new home it found, the lost lamb dropped off at the council office, and the large, black bull that turned up in a resident's back yard. The earthquake does not appear to have caused more notifications than usual.

#### 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 6 due as we could not meet the demand on time due to the disruption immediately after the earthquakes and

for approximately a month afterwards. There have been a number of new projects but one of the main reasons for the increase in consents is due to building in Hanmer Springs. Another noticed trend has been the subdividing of private property, particularly farms, to sell some off.

#### Performance measures

See the Appendices section of this Annual Report for performance measures and data.

#### Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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

#### Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating surplus of \$42,771 was \$16,069 lower than the operating surplus recorded for the 2015/2016 year of \$58,840.

#### Internal Borrowing

This activity does not hold internal borrowings.

**Table 7 - Group Activity - Regulatory Services**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	1,399,458	1,396,248	1,363,249
Other Income	1,421,989	1,458,433	1,330,833
<b>Total Operating Revenue</b>	<b>2,821,447</b>	<b>2,854,681</b>	<b>2,694,083</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	1,459,992	1,523,790	1,287,900
Other Direct Expenditure	643,529	697,966	700,683
Council Overheads	646,769	646,766	605,162
Depreciation	28,385	26,500	41,499
<b>Total Operating Expenditure</b>	<b>2,778,676</b>	<b>2,895,022</b>	<b>2,635,243</b>
<b>Operating Surplus (Deficit)</b>	<b>42,771</b>	<b>(40,341)</b>	<b>58,840</b>
<b>CAPITAL EXPENDITURE</b>			
Resource Management & Planning	0	0	36,924
Compliance and Regulatory Functions	29,985	57,000	0
<b>Total Capital Expenditure</b>	<b>29,985</b>	<b>57,000</b>	<b>36,924</b>



# Hanmer Springs Thermal Pools & Spa

## Overview

The Hanmer Springs Thermal Pools and Spa (HSTPS) group of activities comprises of recreational and thermal pools, beauty spas, information centre (i-site) and the café on the thermal pools reserve site. In addition, this activity also includes an artisan spa on a separate site to the thermal pools and spa but also in Hanmer Springs.

## Aim

Our aim is to be recognised as the premier thermal pool and spa complex in Australasia.

## Community Outcomes

1. A place with a thriving local economy:
  - We are seen as a good place to do business, to live and to visit
2. A place where our traditional rural values and heritage make Hurunui unique:
  - People have a range of opportunities to participate in leisure and culture activities
  - Our historic and cultural heritage is protected for future generations

## Summary

Our total profit for the year was \$1,702,784. The end of year budget was \$1,780,210 which although it was 4% less than we had planned for, a surplus growth of 12% was achieved. 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. Added to this, the closure and limitations to State Highway 1 north and south of Kaikoura and the railway created a significant increased traffic load on State Highway 7 and the Lewis Pass – the access roads to the HSTPS.

Consistent and constant messaging about the heavy traffic, lengthy delays, dangerous driving conditions and

increased number of trucks on the road has deterred the Christchurch market from driving to Hanmer Springs for the day or weekend. The impact, although not as severe, is still being felt and not expected to fully rectify until State Highway 1 is fully operational again. Initially, it had been anticipated that the road and rail closure would increase the number of customers going to Hanmer Springs because of the additional traffic being diverted past. This did not eventuate with a reverse trend being observed instead. It is still unknown how this will impact on the next year or how the Christchurch market will react. We have a renewed appreciation of our reliance on roads being open but do not know closed roads will change habits for travellers. This will be taken into our marketing and strategic plan going forward.

Despite the earthquake impact, the thermal pools complex continued to attract over half a million customers; in fact slightly more than last year. (534,000 in 2016/17 compared with 528,967 in 2015/16.) This was less than the 2% increase we had aimed for. Prior to the earthquake, we were on track to have achieved this target. Although the November earthquake impacted immediately with custom slowing dramatically for the next six weeks, aggressive promotional work returned our customers January.

A change in customer mix has been noted with a drop in our Christchurch market - down by 9%. This is believed to be a combination of perceived driving conditions (as above) and an increased range of entertainment options in Christchurch that do not require people to leave the city. Other market segments have shown growth. The North Island market is up 172% as a result of the increased marketing and the International market is up 16%.

High customer satisfaction levels were recorded. A net promoter score of 56 was achieved for the year. This is extremely high and an increase to our previously high score of 52 for the previous year. A score over 50 is seen in the industry as exceptional. The net promoter score is used extensively to gauge the popularity of businesses. The score reflects consumers' willingness to promote a business (unprompted) to other consumers.

Over the year, we surveyed 200 customers using a combination of face to face interviews and customers filling out satisfaction forms. High levels of satisfaction were recorded for the complex and better than the already very high levels of satisfaction from previous years. Although most questions are asked year on year,

**Table 1**

Target satisfaction question	2016/17	2015/16	2014/15
The complex is clean and tidy	93%	94%	94%
Lifeguard supervision is adequate	98%	93%	94%
Pool temperatures are adequate	98%	n/a	n/a
Staff are friendly and professional	97%	94%	92%

improvements and changes to the complex make them difficult to compare past results with the current day. The results for the 2016/17 are shown in table 1.

### Performance measures

See the Appendices section of this Annual Report for performance measures and data.

### Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

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

### Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating surplus of \$1,702,784 was \$131,753 higher than the operating surplus recorded for the 2015/2016 year of \$1,571,031.

### Internal Borrowing

- At the start of the financial year, the level of internal borrowing for Hanmer Springs Thermal Pools and Spa was \$11,207,413.
- The business unit transferred at total of \$2,338,401 to Council, of which \$2,000,000 was the allocation of Interest and Dividends, which resulted in the internal debt sitting at \$10,869,012 at the end of the year – a decrease of \$338,401.
- The amount of Internal Interest charged to the Hanmer Springs Thermal Pools and Spa activity for the year was \$701,540

**Table 8 - Group Activity - Hanmer Springs Thermal Pools and Spa**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Other Income	11,334,517	12,149,904	11,228,957
<b>Total Operating Revenue</b>	<b>11,334,517</b>	<b>12,149,904</b>	<b>11,228,957</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	4,398,893	4,367,901	4,371,553
Other Direct Expenditure	3,512,931	4,248,670	3,557,346
Internal Interest Paid	701,540	786,079	729,400
Council Overheads	155,453	155,453	145,453
Depreciation	862,916	811,591	854,173
<b>Total Operating Expenditure</b>	<b>9,631,734</b>	<b>10,369,694</b>	<b>9,657,926</b>
<b>Operating Surplus (Deficit)</b>	<b>1,702,784</b>	<b>1,780,210</b>	<b>1,571,031</b>
<b>CAPITAL EXPENDITURE</b>			
HSTP&S	1,170,790	1,538,700	2,007,354
<b>Total Capital Expenditure</b>	<b>1,170,790</b>	<b>1,538,700</b>	<b>2,007,354</b>

# Governance & Corporate

## Overview

The Council has a range of functions that support the activities outlined in this section of the annual report. Examples of what governance and corporate services includes is shown below.

## Governance

- Mayor and councillors salaries (set by the Remuneration Authority) and travel expenses
- Elections and representation reviews
- Council and committee meetings (secretarial support; catering; agendas; etc)
- Community board member salaries and meetings
- Elected member training

## Corporate services

- IT; computer programming; help desk; mapping services
- Human Resources
- Health and safety
- Financial services – rates; debits/creditors; payroll; accountancy services; procurement

## Performance measures

There are no performance measures for governance and corporate services that are relevant to the Annual Report.

## Financial Commentary – 2016/2017 actual compared with 2016/2017 budget

Overall, an operating deficit of \$943,916 was recorded against a breakeven budget for the year. The key variances from budget have been:

- Other Income – Other Income was higher than budget due to:
  - ◇ Dividend from Transwaste was \$276,000 rather than \$150,000 as was budgeted.
  - ◇ IT Recoveries were \$203,511 greater than budget due to the service provided to Mackenzie District Council and the increased service provided to Kaikoura.
  - ◇ The contribution by ECan towards the office renovations was \$466,050 which was not budgeted for.
- Internal Interest Receive and Paid - The lower level of Capital Expenditure for the organisation as a whole has meant that the Internal Debt level are lower than anticipated and as a result, there is lower than budgeted Internal Interest.
- Other Direct Expenditure – Expenditure is down on budget by \$1,119,071 due to External Interest

Cost was \$1,126,520, which was lower than budget by \$504,873 due to lower interest rates and lower external debt and the decrease in the fair value of the Derivative Liability of \$688,866 was not budgeted for.

## Financial Commentary – 2016/2017 actual compared with 2015/2016 actual

This year's operating surplus of \$943,916 was \$1,509,088 greater than the operating deficit recorded for the 2015/2016 year of \$565,172. The key variances from last year were:

- Other Income – Other Income was higher than budget due to:
  - ◇ Dividend from Transwaste was greater than the previous year.
  - ◇ IT Recoveries were \$171,874 greater than budget due to the service provided to Mackenzie District Council and the increased service provided to Kaikoura.
  - ◇ The contribution by ECan towards the office renovations was \$466,050 which was not received last year.
- Other Direct Expenditure is down on the amount incurred last year by \$1,266,025 due the decrease in the fair value of the Derivative Liability of \$688,866 recorded this year and the \$875,058 increase in the fair value of the Derivative Liability recorded for the 2015/2016 year.

## Internal Borrowing

This activity provides the internal debt through the Treasury Function to the other groups of activities for the Council.

The total internal interest received from those activities with debt was \$2,074,571.

The total internal interest paid to those activities that held funds was \$244,582.

**Table 9 - Group Activity - Governance and Corporate**

	<b>2016/2017 Actual</b>	<b>2016/2017 Budget</b>	<b>2015/2016 Actual</b>
<b><u>Operating Statement</u></b>			
<b>OPERATING REVENUE</b>			
Rates	239,383	85,891	186,996
Other Income	1,240,310	407,640	682,971
Internal Interest Received	2,074,571	2,391,134	1,917,226
Council Overheads (Income)	4,461,180	4,461,186	5,206,060
<b>Total Operating Revenue</b>	<b>8,015,445</b>	<b>7,345,850</b>	<b>7,993,252</b>
<b>OPERATING EXPENDITURE</b>			
Employment Costs	4,033,994	3,590,686	3,426,147
Other Direct Expenditure	1,788,476	2,903,827	3,050,782
Internal Interest Paid	244,582	82,439	122,790
Council Overheads	504,577	504,578	1,476,374
Depreciation	503,619	264,320	482,332
<b>Total Operating Expenditure</b>	<b>7,075,248</b>	<b>7,345,850</b>	<b>8,558,424</b>
<b>Operating Surplus (Deficit)</b>	<b>940,197</b>	<b>0</b>	<b>(565,172)</b>
<b>CAPITAL EXPENDITURE</b>			
Governance	8,191	35,000	0
Corporate Services	1,161,560	374,826	412,270
<b>Total Capital Expenditure</b>	<b>1,169,751</b>	<b>409,826</b>	<b>412,270</b>



# Financial statements

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# 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.

# Statement of comprehensive revenue and expense

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	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	3(i)	16,053	14,858	16,053	15,782	14,858
Targeted rates for water supply	3(i)	710	682	710	668	682
Subsidies and grants	3(ii)	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	3(iii)	15,503	14,014	15,503	15,983	14,014
Fees and charges for water supplies	3(iii)	158	570	158	100	570
Interest revenue	3(iv)	12	49	12	0	49
Other revenue	3(v)	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	4	12,550	11,136	12,550	11,541	11,136
Other Expenses	6	39,084	17,973	39,084	17,317	17,973
Finance Expenses	5	438	1,871	438	1,573	1,871
Depreciation, Amortisation and Loss on Disposal	17	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	7	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	15 & 29	(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	15 & 30	(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>

The accompanying notes form part of the financial statements.

# Statement of financial position

AS AT 30 JUNE 2017

Notes	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	8	2,195	1,274	2,195	334	1,274
Trade and other receivables	9	3,887	1,850	3,887	3,149	1,850
Inventories	10	178	214	178	157	214
Non-current assets held for sale	11	241	305	241	305	305
Derivative financial instruments	12	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	15	48,728	47,425	48,728	46,829	47,425
- Restricted	15	39,663	37,489	39,663	39,032	37,489
- Infrastructure	15	335,686	369,007	335,686	312,588	369,007
Intangible assets	16	400	394	400	215	394
Forestry assets	18	414	502	414	552	502
Other financial assets	13	1,098	924	1,098	860	924
Investments in associates	14	225	200	0	0	0
Derivative financial instruments	12	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	19	6,379	6,040	6,379	6,071	6,040
Landfill aftercare provision	22	8	8	8	0	8
Employee entitlements	21	1,257	1,111	1,257	1,008	1,111
Current portion of term debt	20	2,000	0	2,000	0	0
Derivative financial instruments	12	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	20	22,000	19,500	22,000	31,000	19,500
Landfill aftercare provision	22	112	102	112	0	102
Employee entitlements	21	72	50	72	0	50
Derivative financial instruments	12	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	24	239,845	274,560	239,845	210,893	274,560
AFS investments revaluation reserve	24	519	434	519	0	434
Special fund reserves	24	2,610	2,310	2,610	0	2,310
Rate reserve funds	24	(29,439)	(29,995)	(29,439)	(32,384)	(29,995)
Retained earnings	24	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>

The accompanying notes form part of the financial statements.

# Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	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	15	184	70	184	0	70
<b>Equity at End of Year</b>	<b>24</b>	<b>399,917</b>	<b>431,112</b>	<b>399,692</b>	<b>364,942</b>	<b>430,912</b>

The accompanying notes form part of the financial statements.



# Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

Notes	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.

The accompanying notes form part of the financial statements.

**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 (as per Statement of Cash Flows)</b>	<b>9,938</b>	<b>7,907</b>	<b>9,938</b>	<b>7,907</b>

The accompanying notes form part of the financial statements.

# Notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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## **Note 1: Statement of accounting policies**

### **REPORTING ENTITY**

Hurunui District Council (the 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 group consists of the ultimate parent Hurunui District Council and its subsidiary Hurunui Holdings Limited (HHL) (100% owned), associate Enterprise North Canterbury (50% equity share) and Canterbury Economic Development Company Limited (10%) and Transwaste Canterbury Limited (1.2%). The Council's subsidiaries and associates are incorporated and domiciled in New Zealand.

The Council and group provides local infrastructure, local public services, and performs regulatory functions 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 for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2017. The financial statements were authorised for issue by the Council on 23 November 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 period.

### **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.

### **Presentation currency and rounding**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than the remuneration and the severance payment disclosures in Note 4.

The remuneration and severance payment are round to the nearest dollar.

### **Other changes in accounting policies**

There have been no other changes in accounting policies.

### **Standards issued and not yet effective, and not early adopted**

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and group are:

#### *Interests in other entities*

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 - 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

#### *Financial instruments*

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments*. PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.

A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.

Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group has not yet assessed the effects of the new standard.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

### **Basis of Consolidation**

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

### **Goods and services tax**

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. 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 IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Budget figures**

The budget figures are those approved by the Council in its 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 15.
- Estimating the retirement and long service leave obligations – see Note 21.
- Estimating the landfill aftercare provision – see Note 22.

### **Critical judgements in applying accounting policies**

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

- Donated or vested land and buildings with use or return conditions – see Note 3.
- Classification of property – see Note 15.



## Note 2: Summary of revenue and expenditure for groups 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.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

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

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

	Actual 2017 \$000's	Council Budget 2017 \$000's	Actual 2016 \$000's
<b>Activities Revenue</b>			
Water Supplies	6,703	5,883	6,547
Sewerage	1,436	1,446	1,697
Roads and Footpaths	7,252	8,053	9,575
Stormwater and Drainage	721	638	832
Public Services	7,405	6,147	6,625
Regulatory Services	2,821	2,855	2,694
Hanmer Springs Thermal Pools and Spa	11,335	12,150	11,229
Governance & Corporate Services	8,015	7,346	7,993
Earthquake Recovery	25,523	0	0
<b>Total activity income</b>	<b>71,212</b>	<b>44,517</b>	<b>47,192</b>
Less internal income	6,676	6,935	7,246
<b>Total Activities Revenue</b>	<b>64,536</b>	<b>37,582</b>	<b>39,947</b>
Gains/(Losses) on Forestry Revaluation	(89)	0	(50)
Gains/(Losses) on NZ Emissions Units	(9)	0	117
<b>Total Revenue</b>	<b>64,438</b>	<b>37,582</b>	<b>40,014</b>
<b>Less Activities Expenditure</b>			
Water Supplies	6,185	6,403	6,213
Sewerage	1,560	1,756	1,688
Roads and Footpaths	8,443	7,638	8,695
Stormwater and Drainage	374	564	599
Public Services	9,843	8,185	8,773
Regulatory Services	2,779	2,895	2,635
Hanmer Springs Thermal Pools and Spa	9,632	10,370	9,658
Governance & Corporate Services	7,075	7,346	8,558
Earthquake Recovery	22,240	0	0
<b>Total activity expenditure</b>	<b>68,129</b>	<b>45,156</b>	<b>46,820</b>
Less internal expenditure	6,676	6,935	7,246
<b>Total Expenditure</b>	<b>61,453</b>	<b>38,221</b>	<b>39,574</b>

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (see Note 3). 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**

### **Accounting Policy**

Revenue is measured at fair value.

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

#### *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 Canterbury Regional Council (ECan) are not recognised in the financial statements, as the Council is acting as an agent for ECan.

#### *Development and financial contributions*

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

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

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

#### *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*

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

#### *Entrance fees*

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

#### *Landfill fees*

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

#### *Provision of commercially based services*

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

#### *Sales of goods*

Revenue from the sale of goods is recognised when a product is sold to the customer.

#### *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 revenue recognised 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.

#### *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 (for example, 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.

### 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 is released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

### Interest and dividends

Interest revenue is recognised using the effective interest method.

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.

### Critical judgements in applying accounting policies

#### 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 liability would be recognised in perpetuity and immediately for such assets when received, there is the possibility that a no revenue would ever be recognised for the asset received.

The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

### (i) Breakdown of rates and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Rates revenue</b>				
District wide rates	6,745	6,389	6,745	6,389
Targeted rates				
- Other Water rates	4,817	4,461	4,817	4,461
- Refuse	168	152	168	152
- Stormwater/Drainage	445	346	445	346
- Rural Fire	328	315	328	315
- Tourism	213	205	213	205
- Pool Inspections	41	48	41	48
- Medical Centres	256	257	256	257
- Amberley Special Projects	180	37	180	37
- Amenities	1,274	1,212	1,274	1,212
- Roadside Construction	184	170	184	170
- Sewerage	1,340	1,172	1,340	1,172
Rate penalties	103	94	103	94
Rate remissions	(40)	0	(40)	0
	16,053	14,858	16,053	14,858
Metered Water Supply	710	682	710	682
<b>Total rates</b>	<b>16,763</b>	<b>15,540</b>	<b>16,763</b>	<b>15,540</b>

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which other local authorities rate. The annual rates income of the Council for the year ended 30 June 2017 for the purposes of the LGFA Guarantee and Indemnity Deed is shown above.

### (ii) Breakdown of subsidies and grants

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
New Zealand Transport Agency roading subsidies	27,357	3,977	27,357	3,977
Ministry of Health drinking water related subsidies	477	0	477	0
Other Grants	674	51	674	51
<b>Total subsidies and grants</b>	<b>28,508</b>	<b>4,028</b>	<b>28,508</b>	<b>4,028</b>

**(iii) Breakdown of fees and charges**

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Building and resource consent charges	927	787	927	787
Other regulatory revenue	495	544	495	544
Solid waste charges	772	679	772	679
Hanmer Springs Thermal Pools and Spa receipts	11,335	11,229	11,335	11,229
Other fees and charges	1,974	775	1,974	775
	15,503	14,014	15,503	14,014
Fees and charges for water supplies	158	570	158	570
<b>Total fees and charges</b>	<b>15,661</b>	<b>14,584</b>	<b>15,661</b>	<b>14,584</b>

**(iv) Breakdown of interest revenue**

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Interest revenue</b>				
Short term deposits and call accounts	12	49	12	49
<b>Total interest revenue</b>	<b>12</b>	<b>49</b>	<b>12</b>	<b>49</b>

**(v) Breakdown of other revenue**

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Forestry asset revaluation gains/(losses)	(89)	(50)	(89)	(50)
NZ Emissions Units revaluation gains/(losses)	(9)	117	(9)	117
Property, plant and equipment gains/(losses) on disposal	64	0	64	0
Vested asset revenue	1,029	3,345	1,029	3,345
Dividends	276	178	276	178
Donations	111	101	111	101
Petrol tax	126	138	126	138
Insurance proceeds	855	362	855	362
Forestry proceeds	394	508	394	508
Rental income	503	578	503	578
<b>Total other revenue</b>	<b>3,260</b>	<b>5,277</b>	<b>3,260</b>	<b>5,277</b>

**Operating leases as lessor**

Property is leased under operating leases. The majority of the leases have non-cancellable terms of either three or five years. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Not later than one year	191	146	191	146
Later than one year and not later than five years	441	428	441	428
Later than five years	785	846	785	846
	<b>1,417</b>	<b>1,420</b>	<b>1,417</b>	<b>1,420</b>

No contingent rents have been recognised during the period.

## Note 4: Personnel costs

### Accounting Policy

Superannuation schemes

Defined contribution schemes:

Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

### Breakdown of personnel costs and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Salary and wages	12,106	10,779	12,106	10,779
Employer contribution to super	276	276	276	276
Increase/(decrease) in employee benefit liabilities	168	81	168	81
<b>Total personnel costs</b>	<b>12,550</b>	<b>11,136</b>	<b>12,550</b>	<b>11,136</b>

### Chief Executive Officer remuneration

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive Officer was \$253,100 (2016: \$248,390).

### Elected representatives

Elected representatives of the District Council received the following remuneration (including travelling and communications allowances):

	Group		Council	
	Actual 2017 \$	Actual 2016 \$	Actual 2017 \$	Actual 2016 \$
Nicky Anderson	15,979	0	15,979	0
Marie Black	44,374	37,080	44,374	37,080
Gary Cooper	7,183	22,518	7,183	22,518
Julie Coster	6,702	21,670	6,702	21,670
Winton Dalley	79,020	79,105	79,020	79,105
Vincent Daly	33,171	27,693	33,171	27,693
Richard Davison	35,079	30,180	35,079	30,180
Jason Fletcher	25,232	26,544	25,232	26,544
Jim Harre	7,853	23,130	7,853	23,130
Fiona Harris	25,580	21,670	25,580	21,670
Judith McKendry	6,473	21,670	6,473	21,670
Julia McLean	14,485	0	14,485	0
Geoff Shier	14,670	0	14,670	0
Michael Ward	14,229	0	14,229	0
	<b>330,030</b>	<b>311,260</b>	<b>330,030</b>	<b>311,260</b>

### Council employee remuneration by band

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

	Council	
	Actual 2017 #	Actual 2016 #
< \$60,000	143	141
\$60,000 - \$79,999	26	30
\$80,000 - \$99,999	22	19
\$100,000 - \$119,999	8	0
\$100,000 - \$139,999	0	8
\$140,000 - \$199,999	6	6
\$240,000 - \$259,999	1	1
	<b>206</b>	<b>205</b>

Total remuneration includes non-financial benefits provided to employees.



As at 30 June 2017, the Council (including the Hanmer Springs Thermal Pools and Spa) employed 98 (2016: 112) full-time employees, with a further 108 (2016: 93) part-time staff representing 59.56 (2016: 55.6) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

#### Severance payments

For the year ended 30 June 2017, the Council made 1 (2016: 2) severance payment to employees totalling \$2,692 (2016: \$18,000).

#### Note 5: Finance costs

##### Accounting Policy

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

##### Breakdown of finance costs

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Interest expense:				
- Interest on borrowings	1,127	996	1,127	996
- Other interest costs	0	0	0	0
Interest derivatives:				
- Change in fair value of interest rate swaps	(689)	875	(689)	875
<b>Net finance costs</b>	<b>438</b>	<b>1,871</b>	<b>438</b>	<b>1,871</b>

## Note 6: Other expenses

### Accounting policy

#### Grant expenditure

The Council's grants awarded have no substantive conditions attached.

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.

#### 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.

### Breakdown of other expenses and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Fees paid to principal auditor				
- audit fees for financial statement audit	114	107	114	107
- audit fees for Long Term Plan	0	0	0	0
- audit fees for other services	4	0	4	0
- disbursements charged	4	2	4	2
Impairment of receivables	0	0	0	0
Expenses from other activities	38,962	17,864	38,962	17,864
<b>Total other expenses</b>	<b>39,084</b>	<b>17,973</b>	<b>39,084</b>	<b>17,973</b>

The fees paid to Audit New Zealand for other services for the year ended 30 June 2017 was for the audit of the Debenture Trust Deed.

### Operating leases as lessee

The Council and group does have an operating lease for photocopier equipment. The lease payments are based on usage and as such, due to the variable nature of the lease agreement, the future value of the lease payments cannot be reliably estimated.

The Council and group also leases one building, which is leased for a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Not later than one year	35	32	35	32
Later than one year and not later than five years	63	98	63	98
Later than five years	0	0	0	0
	<b>98</b>	<b>130</b>	<b>98</b>	<b>130</b>

There are no restrictions placed on the Council and group by any of the leasing arrangements.

## Note 7: Tax

### Accounting policy

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

### Breakdown of taxes and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Components of tax expense</b>				
Current tax expense	0	0	0	0
Adjustment to current tax in prior years	0	0	0	0
Deferred tax expense	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Relationship between tax expense and accounting profit</b>				
Surplus/(deficit) before tax	3,010	433	2,985	440
Tax at 28%	843	121	836	123
Non-taxable income	(843)	(121)	(836)	(123)
Non-taxable expenditure	0	0	0	0
Deferred tax expense	0	0	0	0
Prior year adjustments	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Imputation credit account</b>				
Credits available for future use	295	295	0	0
	<b>295</b>	<b>295</b>	<b>0</b>	<b>0</b>

## Note 8: 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

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Cash at bank or in hand	2,195	1,274	2,195	1,274
Short term deposits with maturities of less than 3 months	0	0	0	0
	<b>2,195</b>	<b>1,274</b>	<b>2,195</b>	<b>1,274</b>

## Note 9: Trade and other 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

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Rates receivables	475	373	475	373
Other receivables	3,730	1,685	3,730	1,685
Goods and services tax (GST) receivable	(205)	(106)	(205)	(106)
Receivables prior to impairment	3,999	1,952	3,999	1,952
Less provision for uncollectability	(112)	(101)	(112)	(101)
<b>Total Receivables</b>	<b>3,887</b>	<b>1,850</b>	<b>3,887</b>	<b>1,850</b>

### Fair value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

### Assessment for uncollectability

The Council does not provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can apply to the Registrar of the High court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plans options in special circumstances. Where such repayment plans are in place, debts are discontinued to their present value of future payments if the effect of discounting is material.

The ageing profile of receivables as at 30 June 2017 and 2016 is detailed below:

	2017			2016		
	Gross \$000's	Impairment \$000's	Net \$000's	Gross \$000's	Impairment \$000's	Net \$000's
<b>Council</b>						
Not past due	3,237	0	3,237	1,154	0	1,154
Past due 1-60 days	257	0	257	226	0	226
Past due 61-120 days	19	0	19	178	0	178
Past due >120 days	487	(112)	375	393	(101)	292
<b>Total</b>	<b>3,999</b>	<b>(112)</b>	<b>3,887</b>	<b>1,952</b>	<b>(101)</b>	<b>1,850</b>
<b>Group</b>						
Not past due	3,237	0	3,237	1,154	0	1,154
Past due 1-60 days	257	0	257	226	0	226
Past due 61-120 days	19	0	19	178	0	178
Past due >120 days	487	(112)	375	393	(101)	292
<b>Total</b>	<b>3,999</b>	<b>(112)</b>	<b>3,887</b>	<b>1,952</b>	<b>(101)</b>	<b>1,850</b>

All receivables greater than 30 days in age are considered to be past due.

The provision for uncollectability has been calculated based on a review of specific overdue receivables. No assessment has been made for a collective provision for uncollectability.

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

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Balance at 1 July	(101)	(101)	(101)	(101)
Additional provisions made during the year	(18)	0	(18)	0
Provisions reversed during the year	7	0	7	0
Receivables written-off during the year	0	0	0	0
<b>Balance at 30 June</b>	<b>(112)</b>	<b>(101)</b>	<b>(112)</b>	<b>(101)</b>

The Council and group holds no other collateral as security or other credit enhancements over receivables that are either past due or uncollectable.

## Note 10: Inventory

### Accounting policy

Inventories are held for retail purposes by the Hanmer Springs Thermal Pools and Spa. The inventory is measured at the lower of cost and net realisable value.

### Breakdown of inventory and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Inventory	178	214	178	214
<b>Total Inventory</b>	<b>178</b>	<b>214</b>	<b>178</b>	<b>214</b>

No inventory is pledged as security for liabilities (2016: \$nil). However, some inventory is subject to retention of title clauses.

## Note 11: Non-current assets held for sale

### Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group).

### Breakdown on non-current assets held for sale and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Land classified as held for sale	241	305	241	305
<b>Total non-current assets held for sale</b>	<b>241</b>	<b>305</b>	<b>241</b>	<b>305</b>

The Council intends to dispose of parcels of land it no longer needs for its operations. Negotiations are being pursued with potential buyers.



## Note 12: Derivative financial instruments

### Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

### *Hedge accounting*

The Council and group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

### *Fair value hedge*

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

### *Cash flow hedge*

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs". If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a nonfinancial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

## Breakdown of derivative financial instruments and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Current asset portion</b>				
Interest rate swaps - cash flow hedges	0	0	0	0
<i>Total current asset portion</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Non-current asset portion</b>				
Interest rate swaps - cash flow hedges	50	0	50	0
<i>Total non-current asset portion</i>	<u>50</u>	<u>0</u>	<u>50</u>	<u>0</u>
<b>Total derivative financial instrument assets</b>	<u><b>50</b></u>	<u><b>0</b></u>	<u><b>50</b></u>	<u><b>0</b></u>
<b>Current liability portion</b>				
Interest rate swaps - cash flow hedges	27	21	27	21
<i>Total current liability portion</i>	<u>27</u>	<u>21</u>	<u>27</u>	<u>21</u>
<b>Non-current liability portion</b>				
Interest rate swaps - cash flow hedges	994	1,639	994	1,639
<i>Total non-current liability portion</i>	<u>994</u>	<u>1,639</u>	<u>994</u>	<u>1,639</u>
<b>Total derivative financial instrument liabilities</b>	<u><b>1,021</b></u>	<u><b>1,660</b></u>	<u><b>1,021</b></u>	<u><b>1,660</b></u>

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$18.0 million (2016: \$16.5 million) and a further amount in interest rate caps of \$6.0 million (2016: Nil).

At 30 June 2017, the fixed interest rates of cash flows hedge interest rate swaps varied from 3.65% to 5.30% (2016: 3.65% to 5.30%) and the interest rates for the interest rate caps were set at 2.95% and 3.10% (2016: Nil).

Gains and losses recognised in the hedging reserve in equity (see Note 27) on interest rate swap contracts as at 30 June 2017 will be released to the surplus or deficit as interest is paid on the underlying debt.

The Council and group currently have no fair value hedges.

### Fair Value

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

## Note 13: 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.

#### *Shares in 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.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

## Breakdown of other financial assets and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Current portion</b>				
Environment Canterbury - Waiau River Loan - current portion	7	7	7	7
<i>Total current portion</i>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
<b>Non-current portion</b>				
<i>Investments in CCOs and similar entities</i>				
Civic Assurance shares	21	20	21	20
Transwaste Canterbury shares	689	606	689	606
Total investments in CCOs and similar entities	<u>711</u>	<u>626</u>	<u>711</u>	<u>626</u>
<i>Other investments</i>				
Environment Canterbury - Waiau River Loan - non-current portion	12	19	12	19
Local Government Funding Agency Borrower Notes	368	272	368	272
Total other investments	<u>380</u>	<u>291</u>	<u>380</u>	<u>291</u>
<i>Total non-current portion</i>	<u>1,091</u>	<u>917</u>	<u>1,091</u>	<u>917</u>
<b>Total other financial assets</b>	<b><u>1,098</u></b>	<b><u>924</u></b>	<b><u>1,098</u></b>	<b><u>924</u></b>

### Fair value

#### Community loans

The fair value of the Environment Canterbury loan is \$19,000 (2016: \$26,000). Fair value has been determined by reference to the original agreement.

#### Unlisted shares

Unlisted shares are recognised at fair value. Fair value has been determined on net asset backing of each of the entities.

### Community loans

The face value of the Environment Canterbury loan is \$19,000 (2016: \$26,000).

Movements in the carrying value of community loans are as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
At 1 July	26	33	26	33
Loan repaid during the year	7	7	7	7
<b>At 30 June</b>	<b><u>19</u></b>	<b><u>26</u></b>	<b><u>19</u></b>	<b><u>26</u></b>

## Note 14: Investments in associate

### Accounting policy

An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Council's associate investment is accounted for in the group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate. The investment in the associate is carried at cost in the Council's parent entity financial statements.

### Breakdown of investment in associate and further information

	Group	
	Actual 2017 \$000's	Actual 2016 \$000's
<b>Movements in the carrying amount of investment in Enterprise North Canterbury</b>		
Balance at 1 July	200	207
Share of total recognised revenues and expenses	25	(7)
<b>Balance at 30 June</b>	<b>225</b>	<b>200</b>
<b>Summarised financial information of Enterprise North Canterbury</b>		
Assets	676	636
Liabilities	226	236
Revenues	1,098	1,050
Surplus/(deficit)	50	(13)
Group's interest	50%	50%

Enterprise North Canterbury recorded no contingent assets or contingent liabilities as at 30 June 2017 (2016: Nil).

## Note 15: Property, plant and equipment

### Accounting policy

Property, plant, and equipment consist of:

*Operational assets* – These include land, buildings, landfill post-closure, library books, plant and equipment, and motor vehicles.

*Restricted assets* – Restricted assets are mainly parks and reserves owned by the Council and group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

*Infrastructure assets* – Infrastructure assets are the fixed utility systems owned by the Council 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.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

### Revaluation

Land and buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

Revaluation movements are accounted for on a class-of-asset basis.

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 only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group 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 the Council and group 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.

### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to 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:

Buildings - wooden (excluding properties intended for sale)	50 years	2%
Buildings - concrete (excluding properties intended for sale)	100 years	1%
Furniture and fittings: administration	5 years	2%
Furniture and fittings: pensioner flats	10 years	10%
Library books	3 – 8 years	12.5 – 33.33%
Computer hardware	3 – 4 years	25 – 33.33%
Motor vehicles	5 years	20%
Thermal pools - plant	5 years	20%
Thermal pools – development expenditure	20 – 100 years	1% - 5%
Plant and machinery (excluding HDC's infrastructural assets)	10 years	10%
Small plant and machines	3 - 10 years	10 - 33.33%
Car parks	20 – 25 years	4 – 5%
Landscaping	10 – 50 years	2 – 10%
<i>Roads, Streets and Bridges</i>		
- Land under roads	Not depreciated	0%
- Pavement formation	Not depreciated	0%
- Pavement layers (sealed)	100 years	1%
- Pavement layers (unsealed)	Not depreciated	0%
- Pavement surface (sealed)	Average 16 years	6.25%
- Pavement surface (unsealed)	12 years	8.33%
- Culverts	25 – 50 years	2 – 4%
- Kerb and channel	50 – 80 years	1.25 – 2%
- Footpaths	20 – 75 years	1.33 – 5%



- Bridges – timber	70 years	1.43%
- Bridges – concrete and other	100 years	1%
- Retaining walls	50 years	2%
- Traffic signs	12 years	8.33%
- Street lighting	15 – 25 years	4 – 6.67%
<i>Sewerage</i>		
- Pipes	50 – 80 years	1.25 – 2%
- Pipes other	40 years	2.50%
- Pumps and controls	10 – 25 years	4 – 10%
- Manholes	50 – 80 years	1.25 – 2%
- Treatment plant	25 – 60 years	1.67 – 4%
<i>Water</i>		
- Pipes	50 – 80 years	1.25 – 2%
- Pipes other	50 – 80 years	1.25 – 2%
- Reservoir and tanks	80 years	1.25%
- Pumps and controls	10 – 25 years	4 – 10%
- Pump stations/intakes	20 – 60 years	1.67 – 5%
- Treatment plant	10 – 80 years	1.25 – 10%
<i>Drainage</i>		
- Points	80 years	1.25%
- Lines	50 - 80 years	1.25 – 2%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

### ***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***

#### ***Revaluation***

An asset's fair value at the date of revaluation is equal to the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date and this is generally every three years.

Revaluation increments and decrements are credited or debited to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value is recognised in the surplus or deficit. Any increase will be recognised up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

### *Operational Land and Buildings*

Land and Buildings were valued by QV Limited (Registered Valuers) as at 30 June 2017. The basis of valuation is fair value with reference to highest and best use, as at 30 June 2017. They are stated at valuation less accumulated depreciation and accumulated impairment. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

There are some siteworks categorised in Operational Land and Buildings so not all assets within these categories have been revalued.

### *Restricted Assets*

Certain infrastructure assets and land have been vested in HDC 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 estimated quantities of infrastructure components vested and the current "in the ground" cost of providing identical services.

### *Infrastructural asset classes; roads, water reticulation, sewerage reticulation and stormwater systems*

Infrastructural assets are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and accumulated impairment losses. The revaluation of infrastructural assets is carried out on a three yearly cycle.

The roading valuation includes land under the roading network. The valuation of this land is based on the average rateable value of land in the associated ward as determined by QV Valuations (Registered Valuers) as at 30 June 2005. Under NZ IFRS the Council has elected to use the fair value of the land under roads as at 30 June 2005 at deemed cost. Land under roads is no longer revalued.

Roading assets have been valued at depreciated replacement cost as at 30 June 2016. The valuation was performed internally by HDC's Roothing Engineer – Asset Management, J Whyte and peer reviewed by M Clough, Registered Valuer of Beca Valuations Limited. Additions and disposals after the date of valuation will be recorded at cost.

Water, Sewerage, Stormwater and Drainage Assets have been valued at depreciated replacement cost as at 30 June 2015. The valuation was performed internally by the Council's Technical Officer - Utilities, D Perry and peer reviewed by M Clough, Registered Valuer of Beca Valuations Limited. Additions and disposals since the date of valuation have been recorded at cost. The sewer ponds in Amberley and Hanmer Springs have been valued at costs less accumulated depreciation.

Certain infrastructural assets have been vested in the Council as part of the subdivision consent process. Vested infrastructure assets have been valued based on the estimated quantities of the components vested in the Council.

## Note 15: Property, plant and equipment

### Core infrastructure asset disclosures

Included within the Council infrastructure assets are the following core Council assets:

	Closing book value	Additions: constructed by Council	Additions: transferred to Council	Most recent replacement cost estimate for revalued assets
	\$000	\$000	\$000	\$000
<b>2017</b>				
Water Supply - Treatment Plants and facilities	4,765	446	31	4,765
Water Supply - Other Assets	546,657	1,299	425	546,657
Sewerage - Treatment Plants and facilities	3,608	26	0	3,608
Sewerage - Other Assets	15,137	252	66	15,137
Stormwater and Drainage	5,884	78	184	5,884
Flood Protection and Control Works	0	0	0	0
Roads and Footpaths (excluding land)	244,297	2,938	5,131	244,297
<b>2016</b>				
Water Supply - Treatment Plants and facilities	4,801	136	0	4,801
Water Supply - Other Assets	48,157	2,486	804	48,157
Sewerage - Treatment Plants and facilities	4,530	8	0	4,530
Sewerage - Other Assets	15,337	329	385	15,337
Stormwater and Drainage	5,719	20	321	5,719
Flood Protection and Control Works	0	0	0	0
Roads and Footpaths (excluding land)	275,695	3,983	1,666	275,695

### Work in progress

Property, plant, and equipment in the course of construction by class of asset is detailed below:

	Council and group	
	2017	2016
Water Infrastructure	518,217	197,730
Sewer Infrastructure	387,435	159,311
Stormwater Infrastructure	0	4,956
Roading Infrastructure	0	0
Council Land - Operational	246,167	246,167
Council Land - Restricted	43,317	43,317
Council Buildings - Operational	85,796	130,046
Council Buildings - Restricted	127,369	8,500
	<b>1,408,301</b>	<b>790,027</b>

### Found Assets

During the year, the Council had identified assets that were previously installed but were insufficiently recorded in the Council's Assets Management systems. The total of these assets as follows:

	Council and group	
	2017	2016
Water Infrastructure	109,935	61,965
Sewer Infrastructure	33,976	6,044
Stormwater Infrastructure	40,208	1,795
	<b>184,118</b>	<b>69,804</b>

These items classified as Found Assets have been recorded as additions in the preceding schedule and a corresponding adjustment has been made to Retained Earnings in the Equity note.

### Restrictions on plant, property and equipment

The Council agreed as part of the vesting agreement for the former Queen Mary Hospital site in Hanmer Springs, that it accepts responsibility for and maintain the integrity of the heritage site. The Council is committed to carrying out earthquake strengthening work on the Nurse's Hostel and conserve, develop and maintain the Soldiers' Block and Chisholm Ward and the surrounding land area. It is also committed to ensure the history of Hanmer Springs will be promoted to the community and visitors through heritage interpretation of the Queen Mary Hospital Heritage Site.

## Capital Commitments

The amount of contractual commitments for acquisition of property, plant, and equipment is:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Water Infrastructure	0	0	0	0
Sewer Infrastructure	0	0	0	0
Stormwater Infrastructure	0	0	0	0
Roading Infrastructure	0	0	0	0
Other Capital Commitments	0	426	0	426
<b>Total Capital commitments</b>	<b>0</b>	<b>426</b>	<b>0</b>	<b>426</b>

The Council has allowed in its Long Term Plan to undertake direct roading expenditure to the value of \$20 million over the next three years.

The primary Rooding Maintenance and Operational Contract was let in June 2015 and took effect from 1 July 2015.

The length of the contract is for three years and with the ability to extend the contract by a further four years (3+2+2 contract).

Council does let other smaller roading contracts but these are completed in the same financial year. These smaller contracts may include both operating and capital expenditure.

**Note 15: Property, plant and equipment**

	Cost/ Revaluation 1 July	Accumulated Depreciation 1 July	Carrying Amount 1 July	Current Year Additions	Current Year Disposals	Revaluation Surplus	Reclassification	Impairment	Current Year Depreciation	Accumulated Depreciation on Assets Sold or Reclassified	Cost/ Revaluation 30 June	Accumulated Depreciation and Impairment 30 June	Carrying Amount 30 June
<b>Operational Assets</b>													
Freehold Land	10,062	0	10,062	246	0	0	0	0	0	0	10,308	0	10,308
Council Buildings	12,912	857	12,055	134	0	0	0	0	187	0	13,045	1,044	12,001
Council Plant & Equipment	6,428	3,993	2,435	445	0	0	0	0	747	0	6,874	4,740	2,133
Library Books	1,311	1,101	210	62	0	0	0	0	67	0	1,374	1,168	206
Thermal Reserve Buildings & Pools	14,607	270	14,337	769	0	0	591	0	317	0	15,966	967	15,380
Thermal Reserve Plant & Equipment	11,030	3,748	7,282	1,246	(36)	0	(591)	0	537	(33)	11,650	4,252	7,397
<b>2016 Total</b>	<b>56,351</b>	<b>9,971</b>	<b>46,380</b>	<b>2,903</b>	<b>(36)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,855</b>	<b>(33)</b>	<b>59,217</b>	<b>11,792</b>	<b>47,425</b>
Freehold Land	10,308	0	10,308	113	(337)	588	(356)	0	0	0	10,317	0	10,317
Council Buildings	13,045	1,044	12,001	1,194	(166)	(73)	(970)	0	337	(5)	14,594	0	14,594
Council Plant & Equipment	6,874	4,740	2,133	662	(317)	0	(309)	0	569	(272)	6,910	5,037	1,873
Library Books	1,374	1,168	206	63	0	0	0	0	63	0	1,437	1,231	206
Thermal Reserve Buildings & Pools	15,966	587	15,380	684	0	(1,346)	0	0	325	0	15,275	913	14,362
Thermal Reserve Plant & Equipment	11,650	4,252	7,397	517	(820)	(831)	1,305	0	537	0	12,857	4,790	7,377
<b>2017 Total</b>	<b>59,217</b>	<b>11,792</b>	<b>47,425</b>	<b>3,203</b>	<b>(820)</b>	<b>(831)</b>	<b>1,305</b>	<b>0</b>	<b>1,831</b>	<b>(277)</b>	<b>60,699</b>	<b>11,971</b>	<b>48,728</b>
<b>Restricted Assets</b>													
Freehold Land	24,861	18	24,843	389	0	0	0	0	0	0	25,250	18	25,232
Council Buildings	13,359	887	12,472	24	0	0	0	0	238	0	13,383	1,125	12,258
<b>2016 Total</b>	<b>38,220</b>	<b>905</b>	<b>37,315</b>	<b>413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>238</b>	<b>0</b>	<b>38,633</b>	<b>1,143</b>	<b>37,489</b>
Freehold Land	25,250	18	25,232	34	(6)	3,408	(324)	0	0	0	25,343	0	25,343
Council Buildings	13,383	1,125	12,258	109	(6)	465	(961)	(317)	234	0	11,320	0	11,320
<b>2017 Total</b>	<b>38,633</b>	<b>1,143</b>	<b>37,489</b>	<b>143</b>	<b>(6)</b>	<b>3,873</b>	<b>(1,285)</b>	<b>(317)</b>	<b>234</b>	<b>0</b>	<b>39,663</b>	<b>0</b>	<b>39,663</b>
<b>Infrastructural Assets</b>													
Freehold Land	2,623	0	2,623	0	0	0	0	0	0	0	2,623	0	2,623
Roading Land	12,118	0	12,118	27	0	0	0	0	0	0	12,145	0	12,145
Water	51,125	0	51,125	3,426	(55)	0	0	0	1,539	0	54,497	1,539	52,958
Sewerage	19,617	0	19,617	722	0	0	0	0	472	0	20,339	472	19,867
Roading	218,207	8,246	209,961	5,649	0	64,130	232	0	4,277	0	215,695	0	215,695
Drainage	5,703	0	5,703	341	0	0	(232)	0	93	0	5,812	93	5,719
<b>2016 Total</b>	<b>309,393</b>	<b>8,246</b>	<b>301,147</b>	<b>10,166</b>	<b>(55)</b>	<b>64,130</b>	<b>0</b>	<b>0</b>	<b>6,381</b>	<b>0</b>	<b>371,111</b>	<b>2,105</b>	<b>369,007</b>
Freehold Land	2,623	0	2,623	5	0	527	(20)	0	0	0	3,134	0	3,134
Roading Land	12,145	0	12,145	17	0	0	0	0	0	0	12,163	0	12,163
Water	54,497	1,539	52,958	2,201	(15)	0	0	(2,232)	1,488	(15)	54,450	3,013	51,437
Sewerage	20,339	472	19,867	344	0	0	0	(996)	469	0	19,687	942	18,745
Roading	215,695	0	215,695	8,096	0	(26,390)	0	(8,069)	5,009	0	249,332	5,009	244,323
Drainage	5,812	93	5,719	282	0	0	0	0	98	0	6,074	191	5,884
<b>2017 Total</b>	<b>371,111</b>	<b>2,105</b>	<b>369,007</b>	<b>10,924</b>	<b>(15)</b>	<b>(25,863)</b>	<b>(20)</b>	<b>(11,297)</b>	<b>7,065</b>	<b>(15)</b>	<b>347,840</b>	<b>9,155</b>	<b>335,686</b>
<b>Total 2016</b>	<b>403,963</b>	<b>19,122</b>	<b>384,842</b>	<b>13,481</b>	<b>(91)</b>	<b>64,130</b>	<b>0</b>	<b>0</b>	<b>8,474</b>	<b>(33)</b>	<b>468,961</b>	<b>15,040</b>	<b>453,921</b>
<b>Total 2017</b>	<b>468,961</b>	<b>15,040</b>	<b>453,921</b>	<b>14,270</b>	<b>(841)</b>	<b>(22,821)</b>	<b>0</b>	<b>(11,614)</b>	<b>9,130</b>	<b>(292)</b>	<b>445,202</b>	<b>21,126</b>	<b>424,077</b>

Note: the balance of plant, property and equipment for the Council and Group are the same, therefore only one schedule has been disclosed.

## Note 16: Intangible assets

### Accounting policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Group are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of the relevant overheads.

#### Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon units 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.

#### Amortisation

The carrying value of intangible assets 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 rates of major classes of intangible assets have been estimated as follows:

Computer software	3 – 4 years	25 – 33%
Aerial Photos	10 years	10%

### 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. Assets that have a finite useful life are reviewed for impairment 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 value in use.

### Breakdown of intangible assets and further information

Movements in the carrying value for each class of intangible asset are as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Software:</b>				
<b>Cost</b>				
Balance at 1 July	728	661	728	661
Additions	94	67	94	67
Disposals	0	0	0	0
<b>Balance at 30 June</b>	<b>822</b>	<b>728</b>	<b>822</b>	<b>728</b>
<b>Aerial Photography:</b>				
<b>Cost</b>				
Balance at 1 July	187	167	187	167
Additions	0	20	0	20
Disposals	0	0	0	0
<b>Balance at 30 June</b>	<b>187</b>	<b>187</b>	<b>187</b>	<b>187</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July	711	646	711	646
Amortisation charge for Software and Aerial Photography	78	65	78	65
Disposals	0	0	0	0
<b>Balance at 30 June</b>	<b>789</b>	<b>711</b>	<b>789</b>	<b>711</b>
<b>Carrying amount at 30 June</b>	<b>221</b>	<b>205</b>	<b>221</b>	<b>205</b>
<b>New Zealand Emission Units:</b>				
<b>Cost</b>				
Balance at 1 July	189	72	189	72
Add Additions	0	0	0	0
Less Disposals	0	0	0	0
Add increase in value	(9)	117	(9)	117
<b>Carrying amount at 30 June</b>	<b>180</b>	<b>189</b>	<b>180</b>	<b>189</b>
<b>Total Intangible Assets</b>	<b>400</b>	<b>394</b>	<b>400</b>	<b>394</b>

### Restrictions

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

**Note 17: Depreciation and amortisation expenses by group of activity**

	Council	
	Actual 2017 \$000's	Actual 2016 \$000's
<b>Directly attributable depreciation and amortisation expense by group of activity</b>		
Water Supplies	1,489	1,539
Sewerage	469	472
Roads and Footpaths	5,009	4,277
Stormwater and Drainage	98	93
Public Services	749	780
Regulatory Services	28	41
Hanmer Springs Thermal Pools and Spa	863	854
Governance & Corporate Services	504	482
<b>Total depreciation and amortisation expense</b>	<b>9,209</b>	<b>8,539</b>
<i>Add loss on disposal of assets</i>		
Water Supplies	15	55
Sewerage	0	0
Stormwater and Drainage	0	0
Public Services	158	0
<b>Total depreciation, amortisation and loss in disposal</b>	<b>9,381</b>	<b>8,593</b>



## Note 18: Forestry assets

### Accounting policy

Standing forestry assets are independently revalued annually by Laurie Forestry Ltd at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. 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.

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.

There are no restrictions over the title of forestry assets. No forestry assets are pledged as security for liabilities.

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Balance at 1 July	502	552	502	552
Increase due to purchases	0	0	0	0
Gains/(losses) arising from changes attributable to physical changes	0	0	0	0
Gains/(losses) arising from changes attributable to price changes	0	13	0	13
Decreases due to sales	0	0	0	0
Decreases due to harvest	(89)	(62)	(89)	(62)
<b>Balance at 30 June</b>	<b>414</b>	<b>502</b>	<b>414</b>	<b>502</b>

The Council owns 234.8 hectares of predominantly radiata pine forestry, which are at varying stages of maturity ranging from 4 to 36 years.

### Valuation Assumptions

Independent registered forestry consultants, Laurie Forestry Limited, have valued the forestry stands as at 30 June 2017.

The following valuation assumptions have been adopted in determining the fair value of forestry assets:

- a pre-tax discount rate of 8.5% (2016: 8.5%) has been used in discounting the present value of expected cash flows;
- the value of the underlying land has not been included in the valuation;
- the valuation assumes that the current tree crop will be grown for one rotation only, and that no new planting will be undertaken or charged against the existing crop.
- time conventions used in the valuation are that the valuation year commences at 1st July and ends 30th June the next calendar year. This convention applies to all costs, prices, yields and age of trees although it may need to be adjusted for any significant price movements during the valuation year.
- the valuation uses current and actual prevailing industry costs. The costs have been expressed in real terms, and no adjustment has been made for any possible changes in prices relative to cost.

### Financial risk management strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term investor in forestry and does not expect timber prices to change significantly into the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices.

### Emissions Trading Scheme

As Council holds greater than 50 hectares of pre-1990 forests, it has registered under the New Zealand Emissions Units Register. As at 30 June 2017, the Council was allocated 10,560 NZUs. The value of these have been recognised as Intangible Assets in note 16.

## Note 19: Payables and deferred revenue

### Accounting policy

Short-term creditors and other payables are recorded at their face value.

### Breakdown of payables and other information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<i>Payables and deferred revenue under exchange contracts</i>				
Trade payables and accrued expenses	3,625	3,170	3,625	3,170
Development and financial contribution in advance	170	218	170	218
Other deferred revenue	869	944	869	944
<i>Total</i>	<u>4,664</u>	<u>4,332</u>	<u>4,664</u>	<u>4,332</u>
<i>Payables and deferred revenue under non-exchange contracts</i>				
Income tax payable	0	0	0	0
Other taxes payable	1	2	1	2
Grants payable	0	0	0	0
Other grants received subject to substantive conditions not yet met	1,713	1,706	1,713	1,706
<i>Total</i>	<u>1,714</u>	<u>1,708</u>	<u>1,714</u>	<u>1,708</u>
<b>Total payables and deferred revenue</b>	<b><u>6,379</u></b>	<b><u>6,040</u></b>	<b><u>6,379</u></b>	<b><u>6,040</u></b>

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Other grants include:

- a grant from the Ministry of Culture and Heritage of \$1.5 million was received by Council in May 2010 towards urgent maintenance and earthquake strengthening of the Nurses Block, which was one of the key buildings vested to Council from the former Queen Mary Hospital site. Council had utilised \$270,905 on urgent maintenance work leaving \$1,229,905 remaining to complete further work. This balance will be recognised as income when the earthquake strengthening work has been carried out.
- A total of \$484,101 of grants received from various sources (Lottery Grants Board, Rata Foundation, Department of Internal Affairs and the Ministry of Civil Defence and Emergency Management) have been received for projects relating to the earthquake recovery. These projects are expected to be completed and the conditions of the grant be met in the 2017/2018 year.

## Note 20: Borrowings

### Accounting policy

Borrowings are initially measured at fair value of net transaction costs and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

### Breakdown of borrowings

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Secured Loans</b>				
Current	2,000	0	2,000	0
Non-current	22,000	19,500	22,000	19,500
<b>Balance</b>	<b>24,000</b>	<b>19,500</b>	<b>24,000</b>	<b>19,500</b>

As at 30 June 2017, the Council had debt facilities totalling \$32.0 million (2017: \$26.0 million).

The total amount of the borrowings approximates its fair value.

### Interest terms for secured loans

The Council's borrowing of \$24.0 million (2016: \$19.5 million) on a floating rate reset quarterly based on the 90 day bank bill rate plus a margin for credit risk. The Council uses interest rate swaps and interest rate caps to provide for a fixed rate portion of the borrowings of 100.00% (2016: 84.62%)

The effective fixed rates for this portion range from 3.65% to 5.30% (2016: 3.65% to 5.30%) plus a margin for credit risk.

### Security

The borrowings are secured against rates of the Council under a debenture trust deed.

### Internal borrowings

Information about internal borrowings is provided in the reserve funds schedule on note 24 of the Council's annual report. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

## Note 21: Employee entitlements

### Accounting policy

#### Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Council or group has a contractual obligation or where there is a past practice that has created a constructive obligation.

#### 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 the 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.

### Critical accounting estimates and assumptions

#### Estimating long service leave obligations

Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the official cash rate.

The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows.

The salary inflation factor has been set based on the consumer price index.

A weighted average discount rate of 1.75% (2016: 2.25%) and an inflation factor of 1.7% (2016: 0.4%) were used.

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Current portion</b>				
Accrued pay	389	329	389	329
Annual leave	779	688	779	688
Sick leave	29	34	29	34
Long service leave	60	61	60	61
	<b>1,257</b>	<b>1,111</b>	<b>1,257</b>	<b>1,111</b>
<b>Non-current portion</b>				
Long service leave	72	50	72	50
	<b>72</b>	<b>50</b>	<b>72</b>	<b>50</b>
	<b>1,329</b>	<b>1,161</b>	<b>1,329</b>	<b>1,161</b>

## Note 22: Provisions

### Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

As operator of the Waikari Landfill, the Council has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arises. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements, and known improvements in technology, where there is sufficient evidence that these events will occur. The provision includes all other costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained.

Components of the capitalised landfill asset are depreciated over their useful lives. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### Critical accounting estimates and assumptions

#### Estimating the landfill aftercare costs

The following significant assumptions have been made in estimating the provision:

- The annual aftercare costs relating to closed landfills have been estimated at \$8,000 per annum until 2032.
- An annual inflation factor of 2.2% (2016: 0.4%) has been applied in estimating the future cash outflows.
- Discount rate was 1.75% (2016: 2.25%) have been used to discount the estimated future cash outflows.

This information is based on the Consumer Price Index and the Official Cash Rate.

### Breakdown of provisions and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Balance at 1 July	110	106	110	106
Additional provisions	0	0	0	0
Adjustment to provisions	10	4	10	4
Amount of provision used	0	0	0	0
<b>Balance at 30 June</b>	<b>120</b>	<b>110</b>	<b>120</b>	<b>110</b>
<b>Disclosed as:</b>				
Current	8	8	8	8
Non-current	112	102	112	102
	<b>120</b>	<b>110</b>	<b>120</b>	<b>110</b>

## Note 23: Contingencies

### Contingent Liabilities

#### *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.

#### *RiskPool*

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

#### *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.

### 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.

## Note 24: 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:

- accumulated funds;
- restricted reserves;
- property revaluation reserve;
- fair value through other comprehensive revenue and expense reserve; and

#### Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Reserves may be legally restricted or created by the Council. Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted 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

#### Asset revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

#### Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

### Breakdown of equity and further information

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Asset revaluation reserve</b>				
Balance at 1 July	274,560	210,485	274,560	210,485
Revaluation increments/(decrements)	(22,821)	64,130	(22,821)	64,130
Adjustment to opening balance	(265)	0	(265)	0
Impairment of assets	(11,614)	0	(11,614)	0
Plant, property and equipment disposed	(15)	(55)	(15)	(55)
<b>Balance at 30 June</b>	<b>239,845</b>	<b>274,560</b>	<b>239,845</b>	<b>274,560</b>
<b>Available for sale reserve</b>				
Balance at 1 July	434	408	434	408
Valuation gain/(loss) recognised	85	26	85	26
<b>Balance at 30 June</b>	<b>519</b>	<b>434</b>	<b>519</b>	<b>434</b>
<b>Special fund reserves</b>				
Balance at 1 July	2,309	1,598	2,309	1,598
Adjustment to the opening balance	(4)	0	(4)	0
Adjusted Balance at 1 July	2,305	1,598	2,305	1,598
Surplus/(deficit) for year	368	529	368	529
Transfers in/(out)	(63)	183	(63)	183
<b>Balance at 30 June</b>	<b>2,610</b>	<b>2,309</b>	<b>2,610</b>	<b>2,309</b>
<b>Rate Reserve Funds</b>				
Balance at 1 July	(29,995)	(26,338)	(29,995)	(26,338)
Adjustment to the opening balance	230	(108)	230	(108)
Surplus/(deficit) for year	2,540	1,838	2,540	1,838
Transfers in/(out)	(2,214)	(5,387)	(2,214)	(5,387)
<b>Balance at 30 June</b>	<b>(29,439)</b>	<b>(29,995)</b>	<b>(29,439)</b>	<b>(29,995)</b>



<b>Retained earnings</b>				
Balance at 1 July	183,803	180,408	183,603	180,201
Surplus/(deficit) after tax	3,010	433	2,985	440
Plant, property and equipment disposed	15	55	15	55
Found assets	184	70	184	70
Net internal borrowing appropriations	(326)	3,549	(326)	3,549
Net special fund appropriations	(304)	(712)	(304)	(712)
<b>Balance at 30 June</b>	<b>186,382</b>	<b>183,803</b>	<b>186,157</b>	<b>183,603</b>

#### **Summary of equity accounts**

Asset revaluation reserve	239,845	274,560	239,845	274,560
Available-for-sale revaluation reserve	519	434	519	434
Special fund reserves	2,610	2,309	2,610	2,309
Rate reserve funds	(29,439)	(29,995)	(29,439)	(29,995)
Retained earnings	186,382	183,803	186,157	183,603
	<b>399,917</b>	<b>431,111</b>	<b>399,692</b>	<b>430,912</b>

#### **Capital management**

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserve. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plans (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has created reserves for different areas of benefit which are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

The breakdown of the Council-created reserves is provided in the following schedules:

Special Fund Reserves as at 30 June 2017

	Activity the Fund relates to	Group of Activities the Fund relates to	Reason for Holding Reserve Funds	Opening Balance 1 July 2016	Appropriations 2016-2017 Surplus/ (Deficit)	Transfers In/(Out)	Closing Balance 30 June 2017
Urban Water Development Contributions Fund	Water Supplies	Water Supplies	To provide funds for growth related urban water projects	266,634	13,530	189,893	470,058
Rural Water Development Contributions Fund	Water Supplies	Water Supplies	To provide funds for growth related rural water projects	3,218	117,349	0	120,567
Sewer Development Contributions Fund	Sewerage	Sewerage	To provide funds for growth related sewer projects	306,395	29,754	166,912	503,062
Amberley Beach Reserve Fund	Reserves	Community Services and Facilities	To fund projects for Amberley Beach	135,280	(1,239)	0	134,040
Leithfield Beach Fund	Reserves	Community Services and Facilities	To fund projects for Leithfield Beach	13,834	(9,840)	0	3,994
Amberley Township Reserves Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for township reserves in Amberley	363,658	12,913	0	376,571
Amberley Walking & Cycling Routes Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for Walking and Cycling Routes in the Amberley Ward	138,366	4,913	0	143,280
Amberley Ward Reserves Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for ward reserves in Amberley	190,282	56,440	0	246,721
Amberley RSA Fund	Reserves	Community Services and Facilities	To hold funds on behalf of the Amberley RSA	655	299	0	954
Amberley Reserve Pavilion Development Fund	Property	Community Services and Facilities	To provide funds for growth related projects for the Amberley Reserve Pavilion	(14,155)	4,227	0	(9,929)
Amberley Sewer Pipes Upgrade Development Reserve	Sewerage	Sewerage	To provide funds for growth related projects for Amberley Sewer Pipes	0	0	42,482	42,482
Amberley Sewer Pond Upgrade Development Reserve	Sewerage	Sewerage	To provide funds for growth related projects for Amberley Sewer Pond	0	0	(209,394)	(209,394)
Amberley Water Development Reserve	Water Supplies	Water Supplies	To provide funds for growth related projects for Amberley Water	0	0	(189,893)	(189,893)
Amberley Stormwater Development Reserve	Stormwater and Drainage	Stormwater and Drainage	To provide funds for growth related projects for Amberley Stormwater	38,117	2,040	0	40,157
Amberley Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Amberley Ward	40,059	8,333	0	48,392
Amuri Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for the Amuri Ward	20,920	743	(21,474)	188
Amuri Community Centre	Reserves	Community Services and Facilities	To fund projects for the Culverden Community Centre	47,031	1,670	0	48,701
Amuri Sports Facilities Fund	Reserves	Community Services and Facilities	To fund projects for sports facilities in the Amuri Ward	4,335	7,277	21,474	33,086
Amuri Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Amuri Ward	23,406	6,546	(4,000)	25,952
Cheviot Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for Cheviot Ward	5,717	203	0	5,920
Cheviot RSA Fund	Reserves	Community Services and Facilities	To hold funds on behalf of the Cheviot RSA	2,930	72	0	3,002
Omihiri Reserve Development	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Cheviot Ward	52,260	(19,486)	0	32,774
Glenmark Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for Glenmark Ward	2,542	3,221	0	5,763
Waipara Pavilion Fund	Reserves	Community Services and Facilities	To fund projects for the Waipara Pavilion	15,077	374	0	15,450
Kate Valley Landfill/Community Trust Fund	Reserves	Community Services and Facilities	To hold funds for projects in the Waipara area	24,307	(9,716)	(13,595)	996
Omihiri Reserve Development	Reserves	Community Services and Facilities	To provide funds for growth related projects for the Omihiri Reserve	4,296	225	0	4,521
Glenmark Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Glenmark Ward	48,808	6,238	0	55,047
Hammer Springs Domain Development Reserve	Reserves	Community Services and Facilities	To provide funds for growth related projects for the Domain in Hammer Springs	30,731	3,379	0	34,110
Hammer Springs Domain Pavilion Fund	Reserves	Community Services and Facilities	To provide funds for future upgrade of the Domain Pavilion in Hammer Springs	17,636	624	0	18,260
Hammer Springs Hall Development Reserve	Property	Community Services and Facilities	To provide funds for growth related projects for the Hammer Springs Hall	(23,924)	716	0	(23,208)
Hammer Springs Township Development Reserve	Property	Community Services and Facilities	To provide funds for growth related projects for the Town Centre in Hammer Springs	(351,235)	(14,628)	0	(365,862)
Hammer Springs Contical Hill Reserves	Reserves	Community Services and Facilities	To provide funds for growth related projects for Contical Walkway area in Hammer Springs	10,395	1,501	0	11,896
Hammer Springs Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Hammer Springs Ward	23,570	8,333	0	31,904
Hammer Springs Medical Centre Development Contributions Fund	Property	Community Services and Facilities	To provide funds for growth related projects for the Medical Centre in Hammer Springs	15,737	4,006	0	19,744
Hammer Springs Stormwater Development Contributions Fund	Stormwater and Drainage	Stormwater and Drainage	To provide funds for growth related projects for Hammer Springs Stormwater	14,253	3,369	0	17,622
Hurunui Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for the Hurunui Ward	5,119	182	0	5,301
Hurunui Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Hurunui Ward	7,987	1,480	0	9,467
Waiaou Gorge Ferry Bridge Preservation	Reserves	Community Services and Facilities	To provide funds for the maintenance of the Waiaou Ferry Bridge	38,509	7,601	0	46,110
Hammer Springs Tourism Promotion	Reserves	Community Services and Facilities	To fund marketing projects for the Hammer Springs Ward	66,127	6,504	(18,020)	54,611
Queen Mary Development Reserve	Reserves	Community Services and Facilities	To fund earthquake strengthening work and maintenance of the Former Queen Mary Hospital Site	622,055	70,296	0	692,351
Queen Mary Nurses Block Govt Grant Fund	Reserves	Community Services and Facilities	Site	0	0	0	0
District Library Development Contributions Fund	Community Services	Community Services and Facilities	To provide funds for growth related projects for the District Library	55,391	9,041	0	64,432
Chamberlain Bros Trust	Reserves	Community Services and Facilities	To provide funds for projects on Chamberlain Park in Amberley	17,116	(133)	0	16,983
Graves Maintenance Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	2,215	73	0	2,288
Culverden Domain Gates	Reserves	Community Services and Facilities	To provide funds for the replacement of the gates leading into the Culverden Domain	643	24	0	667
Bush Legacy Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	196	7	0	203
Hawarden Memorial Park	Reserves	Community Services and Facilities	To fund projects on the Hawarden Reserve	4,805	162	0	4,967
Bridson Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	1,166	45	0	1,211
Forrester Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	1,249	43	0	1,291
Hammer Heritage Forest Trust	Reserves	Community Services and Facilities	To provide funds for the activities of the Hammer Heritage Forest Trust	2,672	89	0	2,760
Adverse Events Reserve	Reserves	Community Services and Facilities	To provide funds for adverse events	13,114	0	0	13,114
				<b>2,309,498</b>	<b>336,259</b>	<b>(35,615)</b>	<b>2,610,142</b>

Special Fund Reserves as at 30 June 2016

	Activity the Fund relates to	Group of Activities the Fund relates to	Reason for Holding Reserve Funds	Opening Balance 1 July 2015	Appropriations 2015-2016 Surplus/ (Deficit)	Transfers In/(Out)	Closing Balance 30 June 2016
Urban Water Development Contributions Fund	Water Supplies	Water Supplies	To provide funds for growth related urban water projects	0	76,741	189,893	266,634
Rural Water Development Contributions Fund	Water Supplies	Water Supplies	To provide funds for growth related rural water projects	0	3,218	0	3,218
Sewer Development Contributions Fund	Sewerage	Sewerage	To provide funds for growth related sewer projects	0	139,483	166,912	306,395
Amberley Beach Reserve Fund	Reserves	Community Services and Facilities	To fund projects for Amberley Beach	71,386	2,533	61,361	135,280
Leithfield Beach Fund	Reserves	Community Services and Facilities	To fund projects for Leithfield Beach	0	0	13,834	13,834
Amberley Township Reserves Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for township reserves in Amberley	337,204	26,454	0	363,658
Amberley Walking & Cycling Routes Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for Walking and Cycling Routes in the Amberley Ward	114,565	23,801	0	138,366
Amberley Ward Reserves Development Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects for ward reserves in Amberley	441,105	83,004	(333,827)	190,282
Amberley RSA Fund	Reserves	Community Services and Facilities	To hold funds on behalf of the Amberley RSA	655	22	0	655
Amberley Reserve Pavilion Development Fund	Property	Community Services and Facilities	To provide funds for growth related projects for the Amberley Reserve Pavilion	(20,171)	6,016	0	(14,155)
Amberley Sewer Pipes Upgrade Development Reserve	Sewerage	Sewerage	To provide funds for growth related projects for Amberley Sewer Pipes	(42,482)	0	42,482	0
Amberley Sewer Pond Upgrade Development Reserve	Sewerage	Sewerage	To provide funds for growth related projects for Amberley Sewer Pond	209,394	0	(209,394)	0
Amberley Water Development Reserve	Water Supplies	Water Supplies	To provide funds for growth related projects for Amberley Water	189,893	0	(189,893)	0
Amberley Stormwater Development Reserve	Stormwater and Drainage	Stormwater and Drainage	To provide funds for growth related projects for Amberley Stormwater	34,639	34,639	0	38,117
Amberley Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Amberley Ward	46,236	(6,177)	0	40,059
Amuri Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for the Amuri Ward	20,203	717	0	20,920
Amuri Community Centre	Reserves	Community Services and Facilities	To fund projects for the Culverden Community Centre	45,420	1,612	0	47,031
Amuri Sports Facilities Fund	Reserves	Community Services and Facilities	To fund projects for sports facilities in the Amuri Ward	38,335	(34,000)	0	4,335
Amuri Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Amuri Ward	36,559	(5,353)	(7,800)	23,406
Cheviot Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for Cheviot Ward	5,521	196	0	5,717
Cheviot RSA Fund	Reserves	Community Services and Facilities	To hold funds on behalf of the Cheviot RSA	3,007	(77)	0	2,930
Cheviot Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Cheviot Ward	43,927	8,333	0	52,260
Glenmark Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for Glenmark Ward	2,436	106	0	2,542
Waipara Pavilion Fund	Reserves	Community Services and Facilities	To fund projects for the Waipara Pavilion	58,711	(520)	(43,114)	15,077
Kate Valley Landfill Community Trust Fund	Reserves	Community Services and Facilities	To hold funds for projects in the Waipara area	0	1,455	22,862	24,307
Omih Reserve Development	Reserves	Community Services and Facilities	To provide funds for growth related projects for the Omih Reserve	3,638	668	0	4,296
Glenmark Contestable Fund	Reserves	Community Services and Facilities	To provide funds for growth related projects in the Glenmark Ward	62,856	(14,048)	0	48,808
Hammer Springs Domain Development Reserve	Reserves	Community Services and Facilities	To provide funds for growth related projects for the Domain in Hammer Springs	29,151	1,580	0	30,731
Hammer Springs Domain Pavilion Fund	Reserves	Community Services and Facilities	To provide funds for future upgrade of the Domain Pavilion in Hammer Springs	47,210	603	(30,177)	17,636
Hammer Springs Hall Development Reserve	Property	Community Services and Facilities	To provide funds for growth related projects for the Hammer Springs Hall	(26,173)	2,248	0	(23,924)
Hammer Springs Township Development Reserve	Reserves	Community Services and Facilities	To provide funds for growth related projects for the Town Centre in Hammer Springs	(845,546)	(5,687)	500,000	(351,235)
Hammer Springs Conical Hill	Reserves	Community Services and Facilities	To provide funds for growth related projects for Conical Walkway area in Hammer Springs	20,344	(9,949)	0	10,395
Hammer Springs Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Hammer Springs Ward	24,935	(1,365)	0	23,570
Hammer Springs Medical Centre Development Contributions Fund	Property	Community Services and Facilities	To provide funds for growth related projects for the Medical Centre in Hammer Springs	0	15,737	0	15,737
Hammer Springs Stormwater Development Contributions Fund	Stormwater and Drainage	Stormwater and Drainage	To provide funds for growth related projects for Hammer Springs Stormwater	0	14,253	0	14,253
Hurunui Ward Land Subdivision Reserve	Reserves	Community Services and Facilities	To fund projects for the Hurunui Ward	4,943	175	0	5,119
Hurunui Contestable Fund	Reserves	Community Services and Facilities	To provide funds for reserve projects in the Hurunui Ward	13,892	(5,905)	0	7,987
Waiau Gorge Ferry Bridge Preservation	Reserves	Community Services and Facilities	To provide funds for the maintenance of the Waiau Ferry Bridge	30,805	7,704	0	38,509
Hammer Springs Tourism Promotion	Reserves	Community Services and Facilities	To fund marketing projects for the Hammer Springs Ward	59,605	6,522	0	66,127
Queen Mary Development Reserve	Reserves	Community Services and Facilities	To provide funds for growth related projects for development of the former Queen Mary Hospital Site	491,236	130,819	0	622,055
Queen Mary Nurses Block Govt Grant Fund	Reserves	Community Services and Facilities	To fund earthquake strengthening work and maintenance of the Nurses Block on the Former Queen Mary Hospital Site	0	0	0	0
District Library Development Contributions Fund	Community Services	Community Services and Facilities	To provide funds for growth related projects for the District Library	32,346	23,045	0	55,391
Chamberlain Bros Trust	Reserves	Community Services and Facilities	To provide funds for projects on Chamberlain Park in Amberley	17,227	(111)	0	17,116
Graves Maintenance Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	2,139	76	0	2,215
Culverden Domain Gates	Reserves	Community Services and Facilities	To provide funds for the replacement of the gates leading into the Culverden Domain	621	22	0	643
Bush Legacy Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	189	7	0	196
Hawarden Memorial Park	Reserves	Community Services and Facilities	To fund projects on the Hawarden Reserve	4,640	165	0	4,805
Bridson Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	1,126	40	0	1,166
Forrester Trust	Reserves	Community Services and Facilities	To provide funds for maintenance of gravestones in the Council's Cemeteries	1,206	43	0	1,249
Hammer Heritage Forest Trust	Reserves	Community Services and Facilities	To provide funds for the activities of the Hammer Heritage Forest Trust	2,560	92	0	2,652
Adverse Events Reserve	Reserves	Community Services and Facilities	To provide funds for adverse events	13,114	0	0	13,114
				<b>1,597,444</b>	<b>528,925</b>	<b>183,129</b>	<b>2,309,498</b>

Rate Reserve Funds as at 30 June 2017

	Activity the Fund relates to	Group of Activities the Fund relates to	Reason for Holding Reserve Funds	Opening Balance 1 July 2016	Appropriations 2016-2017 Surplus/ (Deficit)	Capital Expenditure	Closing Balance 30 June 2017
				\$	\$	\$	\$
District Wide Water	Water Supplies	Water Supplies	To fund capital projects relating to water	(7,166,077)	1,890,990	(1,871,756)	(7,146,813)
Balmora Water	Water Supplies	Water Supplies	To fund capital projects for Balmora water	(63,443)	5,043	2,464	(65,935)
District Wide Water	Sewerage	Sewerage	To fund capital projects for sewer	(5,774,188)	316,960	(309,897)	(5,767,125)
Amberley Beach Foreshore Protection	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Amberley Beach Foreshore Protection	63,923	18,270	0	82,194
Amberley Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Amberley stormwater	(1,554,514)	116,026	748	(1,437,739)
Cheviot Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Cheviot stormwater	11,099	11,936	0	23,036
Jed River Clearance	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Jed River Clearance	3,933	(2,010)	0	1,922
Molunai Beach Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Jed River Clearance	(11,449)	10,118	(54,982)	(66,313)
Hammer Springs Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Hammer Springs Stormwater	(42,351)	20,452	16,662	(5,247)
Hawarden Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Hawarden stormwater	(58,333)	8,343	0	(49,990)
Waikari Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Waikari stormwater	7,118	13,329	0	20,447
Woodbank Road Sealing - Stages 1	Roads and Footpaths	Roads and Footpaths	To fund contributions for the first stage of sealing of Woodbank Road in Hammer Springs	(5,791)	5,121	0	(670)
Amberley Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Amberley Ward	(29,361)	59,312	0	29,951
Amberley Special Projects	Roads and Footpaths	Roads and Footpaths	To fund special roading projects in the Amberley Ward	(177,163)	27,863	0	(149,300)
Amuri Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Amuri Ward	34,691	34,371	0	69,062
Cheviot Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Cheviot Ward	56,829	29,790	(2,465)	84,154
Waipara Township Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Waipara Township	30,795	7,486	(21,000)	17,281
Hammer Springs Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Hammer Springs Ward	48,738	23,788	(13,814)	58,712
Hammer Springs Subdivision Expenditure	Roads and Footpaths	Roads and Footpaths	To fund the Community's contributions to footpath projects relating to new subdivisions in the Hammer Township	(18,174)	9,331	0	(8,843)
Hurunui Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Hurunui Ward	16,992	21,930	0	38,922
District Library - Amberley Ward	Community Services	Community Services and Facilities	To fund portion of District Library construction costs	18,077	642	0	18,719
Amberley Ward Pool Fund	Community Services	Community Services and Facilities	To fund portion of the proposed Amberley Pool	0	145,406	0	145,406
Amberley Amenities	Community Services	Community Services and Facilities	To fund capital projects for Amberley Ward Amenities	(1,383,406)	136,910	(35,294)	(1,281,790)
Amuri Amenities	Community Services	Community Services and Facilities	To fund capital projects for Amuri Ward Amenities	209,178	40,966	(10,139)	240,005
Cheviot Amenities	Community Services	Community Services and Facilities	To fund capital projects for Cheviot Ward Amenities	64,915	(669)	0	64,246
Northern Glenmark Amenities	Community Services	Community Services and Facilities	To fund capital projects for Northern Glenmark Amenities	0	118,325	405	118,731
Waipara Amenities	Community Services	Community Services and Facilities	To fund capital projects for Waipara Amenities	0	38,453	0	38,453
Omihi Amenities	Community Services	Community Services and Facilities	To fund capital projects for Omihi Amenities	0	16,677	0	16,677
Hammer Springs Amenities	Community Services	Community Services and Facilities	To fund capital projects for Hammer Springs Ward Amenities	(867,474)	12,243	0	(855,231)
Hurunui Amenities	Community Services	Community Services and Facilities	To fund capital projects for Hurunui Ward Amenities	39,041	2,962	0	42,003
Amuri Medical General	Property	Community Services and Facilities	To fund capital projects for medical centres in the Amuri Ward	(514,920)	71,457	0	(443,463)
Cheviot Medical General	Property	Community Services and Facilities	To fund capital projects for medical centres in the Cheviot Ward	(58,705)	13,726	(267,619)	(312,598)
Hammer Springs Medical General	Property	Community Services and Facilities	To fund capital projects for medical centres in the Hammer Springs Ward	(307,493)	6,506	0	(300,987)
Hammer Springs Medical House	Property	Community Services and Facilities	To fund purchase of doctor's residence in the Hammer Springs Ward	(422,672)	29,339	0	(393,334)
Waikari Medical Centre	Property	Community Services and Facilities	To fund capital projects for medical centres in the Hurunui Ward	(107,475)	4,339	0	(103,136)
Rural Fire Control	Emergency Services	Environmental and Safety	To fund previous deficits recorded for Rural Fire Control	(21,164)	(21,164)	14,139	(28,906)
Refuse Collection	Waste Minimisation	Environmental and Safety	To fund previous deficits recorded for Refuse Collection	(607,670)	(474,841)	0	(1,082,510)
Hammer Springs Thermal Reserve Internal Loan	Hammer Springs Thermal Pools & Spa	Hammer Springs Thermal Pools & Spa	Interest-only internal debt relating to key expansion projects for the HSTP&S	(11,207,413)	0	338,401	(10,869,012)
<b>Total Rate Reserve Funds</b>				<b>(29,994,565)</b>	<b>2,769,700</b>	<b>(2,214,156)</b>	<b>(29,439,021)</b>

Rate Reserve Funds as at 30 June 2016

	Activity the Fund relates to	Group of Activities the Fund relates to	Reason for Holding Reserve Funds	Opening Balance 1 July 2015	Appropriations 2015-2016 Surplus/ (Deficit)	Capital Expenditure	Closing Balance 30 June 2016
				\$	\$	\$	\$
District Wide Water	Water Supplies	Water Supplies	To fund capital projects relating to water	0	(3,800,081)	(3,365,936)	(7,166,017)
Interim treatment for Drinking Water	Water Supplies	Water Supplies	To fund capital projects relating to interim treatment of water	(298,453)	298,453	0	(0)
Amberley Water	Water Supplies	Water Supplies	To fund capital projects for Amberley water	(1,553,728)	1,553,728	0	0
Leithfield Beach Water	Water Supplies	Water Supplies	To fund capital projects for Leithfield Beach water	(88,554)	88,554	0	0
Ashley Rural Water	Water Supplies	Water Supplies	To fund capital projects for Ashley Rural water	(726,145)	726,145	0	0
Culverden Water	Water Supplies	Water Supplies	To fund capital projects for Culverden water	(83,034)	83,034	0	0
Waiau Township Water	Water Supplies	Water Supplies	To fund capital projects for Waiau Township water	(670,597)	670,597	0	0
Amuri Plains Water	Water Supplies	Water Supplies	To fund capital projects for Amuri Plains water	(101,723)	101,723	0	0
Balmoral Water	Water Supplies	Water Supplies	To fund capital projects for Balmoral water	(42,799)	(2,837)	(17,807)	(63,443)
Waiau Rural Water	Water Supplies	Water Supplies	To fund capital projects for Waiau Rural water	(257,376)	257,376	0	0
Cheviot Water	Water Supplies	Water Supplies	To fund capital projects for Cheviot water	(1,411,608)	1,411,608	0	0
Waipara Township Water	Water Supplies	Water Supplies	To fund capital projects for Waipara Township water	48,420	(48,420)	0	0
Hammer Springs Water	Water Supplies	Water Supplies	To fund capital projects for Hammer Springs water	(58,791)	58,791	0	0
Hawarden - Waikari Water	Water Supplies	Water Supplies	To fund capital projects for Hawarden-Waikari water	(47,541)	(47,541)	0	0
Hurunui Rural Water	Water Supplies	Water Supplies	To fund capital projects for Hurunui Rural water	(496,382)	496,382	0	0
District Wide Sewer	Sewerage	Sewerage	To fund capital projects for sewer	0	(5,055,251)	(715,937)	(5,774,188)
Amberley Sewer	Sewerage	Sewerage	To fund capital projects for Amberley sewer	(3,118,925)	3,118,925	0	0
Culverden Sewer	Sewerage	Sewerage	To fund capital projects for Culverden sewer	(3,010)	3,010	0	0
Cheviot Sewer	Sewerage	Sewerage	To fund capital projects for Cheviot sewer	(107,284)	107,284	0	0
Greta Valley Sewer	Sewerage	Sewerage	To fund capital projects for Greta Valley sewer	(18,521)	18,521	0	0
Molunau Beach Sewer	Sewerage	Sewerage	To fund capital projects for Molunau Beach sewer	(17,865)	(17,865)	0	0
Waipara Sewer	Sewerage	Sewerage	To fund capital projects for Waipara sewer	(20,436)	20,436	0	0
Hammer Springs Sewer	Sewerage	Sewerage	To fund capital projects for Hammer Springs sewer	(1,839,460)	1,839,460	0	0
Hawarden Sewer	Sewerage	Sewerage	To fund capital projects for Hawarden sewer	(45,285)	45,285	0	0
Waikari Sewer	Sewerage	Sewerage	To fund capital projects for Waikari sewer	(264,735)	264,735	0	0
Amberley Beach Foreshore Protection	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Amberley Beach Foreshore Protection	51,709	12,215	0	63,923
Amberley Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Amberley stormwater	(1,464,007)	(178,182)	87,676	(1,554,514)
Cheviot Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Cheviot stormwater	0	11,099	0	11,099
Jed River Clearance	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Jed River Clearance	4,538	(605)	0	3,933
Molunau Beach Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Jed River Clearance	0	(11,449)	0	(11,449)
Hammer Springs Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Hammer Springs Stormwater	39,290	(36,018)	(45,623)	(42,351)
Hawarden Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Hawarden stormwater	0	2,754	(61,087)	(68,333)
Waikari Stormwater	Stormwater and Drainage	Stormwater and Drainage	To fund capital projects for Waikari stormwater	0	7,118	0	7,118
Woodbank Road Sealing - Stage 1	Roads and Footpaths	Roads and Footpaths	To fund contributions for the first stage of sealing of Woodbank Road in Hammer Springs	(20,870)	15,078	0	(5,791)
Amberley Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Amberley Ward	0	87,335	0	(29,361)
Amberley Special Projects	Roads and Footpaths	Roads and Footpaths	To fund special roading projects in the Amberley Ward	(201,840)	24,677	0	(177,163)
Amuri Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Amuri Ward	0	76,350	(41,659)	34,691
Cheviot Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Cheviot Ward	0	73,029	(16,200)	56,829
Waipara Township Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Waipara Township	0	30,795	0	30,795
Hammer Springs Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Hammer Springs Ward	0	161,868	(113,130)	48,738
Hammer Springs Subdivision Expenditure	Roads and Footpaths	Roads and Footpaths	To fund the Community's contributions to footpath projects relating to new subdivisions in the Hammer Township	0	(18,174)	0	(18,174)
Hurunui Ward Roadside Construction	Roads and Footpaths	Roads and Footpaths	To fund roadside construction projects for Hurunui Ward	0	20,885	(3,893)	16,992
District Library - Amberley Ward	Community Services	Community Services and Facilities	To fund portion of District Library construction costs	17,458	619	0	18,077
Amberley Amenities	Community Services	Community Services and Facilities	To fund capital projects for Amberley Ward Amenities	(1,271,320)	334,534	(377,343)	(1,383,406)
Amuri Amenities	Community Services	Community Services and Facilities	Corredion to opening balance	(69,278)	8,738	(29,768)	209,178
Cheviot Amenities	Community Services	Community Services and Facilities	To fund capital projects for Amuri Ward Amenities	230,209	8,738	0	238,947
Glenmark Amenities	Community Services	Community Services and Facilities	To fund capital projects for Cheviot Ward Amenities	110,892	(45,977)	0	64,915
Northern Glenmark Amenities	Community Services	Community Services and Facilities	To fund capital projects for Glenmark Ward Amenities	23,926	(23,926)	0	0
Waipara Amenities	Community Services	Community Services and Facilities	To fund capital projects for Northern Glenmark Amenities	0	0	0	0
Omihiri Amenities	Community Services	Community Services and Facilities	To fund capital projects for Waipara Amenities	0	0	0	0
Hammer Springs Amenities	Community Services	Community Services and Facilities	To fund capital projects for Omihiri Amenities	0	0	0	0
Hurunui Amenities	Community Services	Community Services and Facilities	To fund capital projects for Hammer Springs Ward Amenities	(357,558)	(509,916)	0	(867,474)
Amuri Medical General	Property	Property	To fund capital projects for Hurunui Ward Amenities	34,380	4,661	0	39,041
Cheviot Medical General	Property	Property	To fund capital projects for medical centres in the Amuri Ward	(663,534)	66,614	0	(514,920)
Hammer Springs Medical General	Property	Property	To fund capital projects for medical centres in the Cheviot Ward	(104,591)	45,886	0	(68,705)
Hammer Springs Medical House	Property	Property	To fund capital projects for medical centres in the Hammer Springs Ward	(311,139)	3,646	0	(307,493)
Waikari Medical Centre	Property	Property	To fund purchase of doctor's residence in the Hammer Springs Ward	(448,551)	25,879	0	(422,672)
Rural Fire Control	Emergency Services	Environmental and Safety	To fund capital projects for medical centres in the Hununui Ward	(113,190)	5,716	0	(107,475)
Refuse Collection	Waste Minimisation	Environmental and Safety	To fund previous deficits recorded for Rural Fire Control	(81,801)	(40,280)	0	(221,881)
Hammer Springs Thermal Reserve Internal Loan	Hammer Springs Thermal Pools & Spa	Hammer Springs Thermal Pools & Spa	To fund previous deficits recorded for Refuse Collection	(99,216)	(508,453)	0	(607,670)
<b>Total Rate Reserve Funds</b>			Interest-only internal debt relating to key expansion projects for the HSTP&S	<b>(10,637,846)</b>	<b>1,837,563</b>	<b>(5,386,968)</b>	<b>(25,994,565)</b>

## Note 25: Related party disclosures

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.

### Key management personnel compensation

	Actual 2017 \$000's	Actual 2016 \$000's
<i>Councillors</i>		
Remuneration	330	311
Full-time equivalent members	10	10
<i>Senior Management Team, including the Chief Executive Officer</i>		
Remuneration	1,234	1,205
Full-time equivalent members	7	7
<b>Total key management personnel remuneration</b>	<b>1,564</b>	<b>1,516</b>
<b>Total full-time equivalent members</b>	<b>17</b>	<b>17</b>

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors. An analysis of Councillor remuneration and further information on Chief Executive remuneration is provided in Note 4.

## Note 26: Events after balance date

There have been no events subsequent to balance that would affect the readers understanding of the annual report.

## Note 27: Financial instruments

### 27A - Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Financial assets</b>				
<i>Available for sale investments</i>				
Unlisted shares	0	0	0	0
<b>Available for sale investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Loans and Receivables</i>				
Cash and cash equivalents	2,195	1,274	2,195	1,274
Debtors and other receivables	3,887	1,850	3,887	1,850
Non interest bearing loans	19	26	19	26
<b>Total loans and receivables</b>	<b>6,102</b>	<b>3,150</b>	<b>6,102</b>	<b>3,150</b>
<i>Fair value through surplus or deficit</i>				
Interest rate swaps	50	0	50	0
<b>Total fair value through surplus or deficit</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>
<i>Fair value through other comprehensive revenue and expense</i>				
Unlisted shares	1,079	898	1,079	898
<b>Total fair value through other comprehensive revenue and expense</b>	<b>1,079</b>	<b>898</b>	<b>1,079</b>	<b>898</b>
<b>Financial liabilities</b>				
<i>Fair value through surplus or deficit</i>				
Interest rate swaps	1,021	1,660	1,021	1,660
<b>Total fair value through surplus or deficit</b>	<b>1,021</b>	<b>1,660</b>	<b>1,021</b>	<b>1,660</b>
<i>Financial liabilities at amortised cost</i>				
Borrowings				
- secured loans	24,000	19,500	24,000	19,500
Creditors and deferred revenue	3,625	3,170	3,625	3,170
<b>Total financial liabilities at amortised cost</b>	<b>27,625</b>	<b>22,670</b>	<b>27,625</b>	<b>22,670</b>

### 27B - Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price - financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs - financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Total \$000's	Quoted Market Price \$000's	Observable Inputs \$000's	Significant
				non-observable inputs \$000's
<b>Council and Group 2017</b>				
<i>Financial assets</i>				
Unlisted shares	1,079	0	0	1,079
Interest rate swaps	50	0	50	0
<i>Financial liabilities</i>				
Interest rate swaps	1,021	0	1,021	0
<b>Council and Group 2016</b>				
<i>Financial assets</i>				
Unlisted shares	898	0	0	898
<i>Financial liabilities</i>				
Interest rate swaps	1,660	0	1,660	0

There were no transfers between the different levels of the fair value hierarchy.



### Valuation techniques with significant non-observable inputs

The table below provide a reconciliation from the opening balance to the closing balance for the financial assets and liabilities measured using valuation techniques with significant non-observable inputs.

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Balance as at 1 July	898	792	898	792
Gains/losses recognised in in other comprehensive revenue and expense	85	26	85	26
Purchases	96	80	96	80
<b>Balance at 30 June</b>	<b>1,079</b>	<b>898</b>	<b>1,079</b>	<b>898</b>

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

### 27C - Financial instrument risks

The Council has a series of policies to manage the risks associated with financial instruments. The Council is risk adverse and seeks to minimise exposure from its treasury activities. The Council has established and approved a Treasury Risk Management policy.

#### Market Risk

##### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investment held at fixed interest rates expose the Council to fair value interest rate risks.

The Council's policy is to maintain between 55% and 95% of its borrowings in fixed rate instruments. The Council is subject to fair value interest rate risk on its deposits but the risk is minimised as the deposits are for a maturity period of less than one year.

##### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investment held at variable interest rates expose the Council to cash flow interest rate risks.

The Council's policy is to maintain between 55% and 95% of its borrowings in fixed rate instruments and uses interest rate swaps to convert floating rate borrowing to fixed rate borrowing to manage interest rate risk. Under the interest rate swaps, the Council agrees with other parties to exchange, as specific intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

#### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Council causing a loss. In the normal course of its business, credit risks arises from debtors, deposits with banks, bond investments and derivative financial instruments. The Council's investment policy limits the amount of credit exposure to any one financial institution.

##### *Maximum exposure to credit risk*

The Council's maximum exposure to credit risk for each class of financial instrument is as follows:

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
Cash and cash equivalents	2,195	1,274	2,195	1,274
Debtors and other receivables	3,887	1,850	3,887	1,850
Non interest bearing loans	19	26	19	26
<b>Total credit risk</b>	<b>6,102</b>	<b>3,150</b>	<b>6,102</b>	<b>3,150</b>

The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in Note 23.

### Credit quality of financial assets

The Council only deposits funds with entities that have a high credit rating. Cash and cash equivalents are with registered banks that have high credit ratings. For other financial instruments, the Council does not have high concentrations of credit risk. No collateral is held as security against these financial instruments including those that are overdue or impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating (if available) or to historic information about counterparty default rates.

	Group		Council	
	Actual 2017 \$000's	Actual 2016 \$000's	Actual 2017 \$000's	Actual 2016 \$000's
<b>Counterparties with credit ratings:</b>				
<b>Cash and cash equivalents</b>				
AA-	2,195	1,274	2,195	1,274
<b>Total cash and cash equivalents</b>	<b>2,195</b>	<b>1,274</b>	<b>2,195</b>	<b>1,274</b>
<b>Counterparties without credit ratings:</b>				
<b>Non interest bearing loans</b>				
Existing counterparty with no defaults in the past	19	26	19	26
<b>Total Non interest bearing loans</b>	<b>19</b>	<b>26</b>	<b>19</b>	<b>26</b>

Debtors and other receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and receivables with reference to internal or external credit ratings. The Council has no significant concentration of credit risk in relation to debtors and other receivables as it has a large number of customers, primarily ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

### Liquidity risk

#### Management of liquidity risk

Liquidity risk is the extent to which the Council will encounter difficulty in raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

As part of meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy.

As at 30 June 2017, the Council has a credit facility of \$32 million (2016: \$26 million) against which it had drawn \$24.0 million (2016: \$19.5 million).

No borrowings are due for maturity within the next 12 months.

#### Contractual maturity analysis of financial liabilities excluding derivatives

The table below analyses the Council and group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interests payments on floating rate debt are based on the floating rate on the instrument at balance date.

The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Liability Carrying Amount \$000's	Total Cash Flows \$000's	Less than 1 year \$000's	1-5 years \$000's	More than 5 years \$000's
<b>Council and Group 2017</b>					
Creditors and deferred revenue	3,625	3,625	3,625	0	0
Secured loans	24,000	27,513	3,028	9,825	14,660
<b>Council and Group 2016</b>					
Creditors and deferred revenue	3,170	3,170	3,170	0	0
Secured loans	22,540	22,540	0	12,699	9,841

*Contractual maturity analysis of derivative financial instrument liabilities*

The table below analyses the Council and group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into those relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	<b>Liability Carrying Amount \$000's</b>	<b>Total Cash Flows \$000's</b>	<b>Less than 1 year \$000's</b>	<b>1-5 years \$000's</b>	<b>More than 5 years \$000's</b>
<b>Council and Group 2017</b>					
Net settled derivative liabilities	1,016	1,016	27	477	512
<b>Council and Group 2016</b>					
Net settled derivative liabilities	1,661	1,661	21	548	1,092

*Contractual maturity analysis on financial assets*

The table below analyses the Council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	<b>Asset Carrying Amount \$000's</b>	<b>Total Cash Flows \$000's</b>	<b>Less than 1 year \$000's</b>	<b>1-5 years \$000's</b>	<b>More than 5 years \$000's</b>
<b>Council and Group 2017</b>					
Cash and cash equivalents	2,195	2,195	2,195	0	0
Debtors and other receivables	3,887	3,887	3,887	0	0
Non interest bearing loans	19	19	7	12	0
Net settled derivative assets	50	50	0	45	5
<b>Council and Group 2016</b>					
Cash and cash equivalents	1,274	1,274	1,274	0	0
Debtors and other receivables	1,850	1,850	1,850	0	0
Non interest bearing loans	26	26	7	19	0
Net settled derivative assets	0	0	0	0	0

**Sensitivity analysis for interest rate risk**

The table below illustrates the potential effect on the surplus or deficit for reasonably possible market movements, with all other variables held constant, based on the Council's and Group's financial instrument exposures at balance date.

<b>Council and Group</b>	<b>2017 \$000</b>		<b>2016 \$000</b>	
	<b>-100bps</b>	<b>+100bps</b>	<b>-100bps</b>	<b>+100bps</b>
<b>Financial assets</b>				
Cash and cash equivalents	(22)	22	(13)	13
Interest rate swaps	(65)	122	0	0
<b>Financial liabilities</b>				
Secured loans	(240)	240	195	(195)
Interest rate swaps	(687)	647	(840)	900
<b>Total sensitivity</b>	<b>(1,014)</b>	<b>1,031</b>	<b>(658)</b>	<b>718</b>

*Explanation of interest rate sensitivity*

The interest rate sensitivity is based on a reasonably possible movement in interest rates, with all other variable held constant, measured as a basis point movement (bps). For example, an interest of 100bps is equivalent to an increase in interest rates of 1%.

The sensitivity for interest rate swaps has been calculated using a derivative valuation model based on parallel shift in interest rates of +/- 100bps.

## Note 28: Explanations of major variances against budget

Explanations for major variations from the Council's budget figures in its 2016/17 annual plan are as follows:

### Statement of comprehensive revenue and expense

#### Revenue:

- Subsidies and grants exceed the Annual Plan budget by \$24.7 million due to the recognition of NZTA subsidies relating to additional work Council has undertaken on the roading network after the earthquakes but also to recognise the \$19.7 million of costs that NZTA have incurred in reinstating the Inland Road (Route 70).
- Other revenue exceeds the Annual Plan budget by \$2.6 million due to: additional vested assets being recognised in Council's infrastructure asset databases during the year than was anticipated; Council received a higher level of gross forestry revenue than was forecast; Charges for rural fire suppression costs relating the Lewis Pass fire in March 2017 were made; proceeds from insurance and EQC were received for the pensioner housing stock during the year; Contribution received from Environment Canterbury towards the Council office renovations were received and Council entered into agreements with both Mackenzie and Kaikoura District Councils to provide Information Technology Services.

#### Expenditure:

- Employment costs exceeded budget by \$1.0 million due to additional wage costs incurred during the earthquake response period and additional employees taken on to assist with the recovery process.
- Other direct expenditure exceeded budget by \$21.8 million, due to \$21.6 million of operating costs incurred for Earthquake Recovery, which included increased emergency reinstatement work carried out on local roads and work carried out directly by NZTA on behalf of Council on the Inland Road. In addition, significant unbudgeted costs were incurred on the Council's water supplies.
- Finance costs are lower than budget by \$1.1 million mainly due to the fair value assessment for the Council's interest rate swap portfolio increasing in value by \$0.7 million and also Council external debt was lower than anticipated.
- Depreciation exceeded budget by \$1.6 million, largely due to the revaluation process for roading undertaken last year resulted in a higher level of depreciation expense for the 2016/17 year.

#### Other Comprehensive Income:

- An adjustment to the Asset Valuation for roading was required from last year of \$26.4 million.
- Council undertook a revaluation of its Land and Buildings, which resulted in a revaluation surplus of \$3.6 million.
- Council had allowed for impairment of Property Plant and Equipment of \$11.6 million as a result of the damage caused by the earthquake.

### Statement of financial position

#### Fixed Assets:

Total capital expenditure for the year was \$13.9 million, which was \$0.4 million greater than the Annual Plan budget but there are compensating variances:

- Water capital expenditure was \$0.5 million greater than budget due to additional projects completed for the Ashley Rural Water Supply which were funded from budgets carried forward from the prior year.
- Sewer capital expenditure was \$4.6 million lower than budget due to the deferral of the Hanmer Springs disposal project.
- Roothing and footpaths capital expenditure was \$1.4 million lower than budget due to refocussing on reinstatement work on damage caused by the earthquake.
- Hanmer Springs Thermal Pools and Spa capital expenditure was \$0.4 million lower than budget due to deferring some projects budgeted for.
- Governance and Corporate capital expenditure was \$0.7 million greater than budget due to the Council office renovation project being approved by Council after the Annual Plan was approved.
- Earthquake Recovery capital expenditure of \$5.6 million was not budgeted for.

#### 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.

## Note 29: Correction to roading values

The Council and group has adjusted its financial statements to correct an error in the value of the roading assets.

During 2016/2017, the Council discovered that the valuation of roading assets at as 30 June 2016 was incorrect.

The error arose from incorrectly assessing the depth of base and sub-base of road formations. This resulted in the value of the roading assets being overstated by \$26.39 million and the asset revaluation reserve in equity also being overstated by \$26.39 million.

The adjustments being made in the 2016/2017 year are shown in the table below:

	<b>Before adjustments \$000's</b>	<b>Correction of error \$000's</b>	<b>After adjustments \$000's</b>
<b>Council and Group</b>			
<b>Non-current assets</b>			
Property, plant and equipment - infrastructure	275,695	(26,390)	249,305
<b>Equity</b>			
Asset revaluation reserve	274,560	(26,390)	248,170

## Note 30: Impact of earthquake

### The Event

The District suffered a 7.8 magnitude earthquake on 14 November 2016 which resulted in damage to the Council's infrastructural assets and some buildings.

### Assets affected

*Water Schemes:* A number of water schemes sustained damage:

- Waiau Township Water Scheme
- Waiau Rural Water Scheme - which supplies stock water to a large number of farms on the north side of the Waiau River.
- Hurunui 1 Rural Water Scheme (includes Motunau Beach, Scargill, Greta Valley, Omihi, Glenmark, Blythe and Nape Nape).
- Cheviot Rural Water Scheme (includes Cheviot, Gore Bay, Hurunui Mouth, Parnassus, Domett, Manuka Bay, Kaiwara and Blythe).

*Local Roads:* The district's total local roading network comprises 601 km of sealed roads and 853 km of unsealed roads. Approximately 10% of these roads were affected by the earthquake. Major rural feeder roads such as the Leslie Hills Road, the Leader Road, and the Conway Flat Road were badly damaged.

*Local Bridges:* There are 278 bridges within the local roading network. 48% of those bridges suffered some damage during the earthquakes, although only the Cloudy Range Bridge received major damage. This bridge remains restricted to light vehicles only. Restrictions also apply to the use of Ferniehurst and Ngaroma bridges.

*Nationally Strategic Routes:* The Council owned Inland Road (formerly SH70) was closed initially but re-opened when NZTA completed access to Kaikoura for quite some time. Some remedial work. Once reopened (with some restrictions) the highway provided the only road.

### Assessment of Impairment

The estimates used in determining impairment as at 30 June 2017 are derived from a variety of sources:

- in determining the impairment to buildings, it was assumed that the buildings were substantially damaged and the fair value reduced to zero.
- in determining the impairment of the Local Roads and Bridging network that was affected, the estimated cost of reinstatement has been sourced from the approved NZTA budget for the 2017/2018 year.
- in determining the impairment to the Inland Road, Council has needed to rely on estimates provided directly by NZTA as the agency has been charged with the reinstatement of that road as a key linkage with Kaikoura. It was estimated that approximately 10% of the road was damaged and the impairment was determined using the Optimised Depreciated Replacement Cost as at 30 June 2016.
- in determining the impairment to the above ground water and sewer assets, the claim made with the Council's material damage insurers has been used.
- in determining the impairment to the below ground water and sewer assets, the estimated length of reticulation that is still to be repaired has been used.

The impairment to the infrastructural assets has been offset against asset revaluation reserves.

Council will continue to review the damage caused by the earthquake and reassess its impairment assumptions when better information is received, particularly on its under ground assets, which by its very nature, is difficult to accurately assess.

	Impairment against Asset Revaluation Reserve \$000's	Total Impairment \$000's
<b>Restricted Assets</b>		
Restricted Buildings	317	317
	<b>317</b>	<b>317</b>
<b>Infrastructural Assets</b>		
Roading	8,069	8,069
Water	2,232	2,232
Sewer	996	996
	<b>11,297</b>	<b>11,297</b>
	<b>11,614</b>	<b>11,614</b>

### Insurance

Soon after the earthquake, the Local Authority Protection Programme (LAPP), which provides a level of insurance cover for the Council's underground infrastructure, made an advance payment of \$500,000 in anticipation of a claim being made. This amount has been included as revenue in the 2016/2017 year. Further claims are still to be processed and are disclosed as Contingent Assets in Note 23.

### Treatment of Revenue and Expenditure

All expenditure incurred to date relating to the response, recovery and repairs to the infrastructural and community assets and any revenue received to offset those costs have been disclosed in the Group Activity - Earthquake Recovery table on page 10 of the Annual Report.

### **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 this annual report was not adopted until 23 November 2017.



# Other legislative disclosures

## OTHER LEGISLATIVE DISCLOSURES

### Disclosure index

- 1 Funding impact statement for whole of Council
- 2 Funding impact statement for groups of activities
- 3 Rating base information
- 4 Insurance on assets

## 1. Funding impact statement for whole of Council

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017 (whole of Council)

	2016 Annual Plan \$000's	2016 Annual Report \$000's	2017 Annual Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	6,421	6,483	6,743	6,910
Targeted rates	8,971	9,057	9,707	9,955
Subsidies and grants for operating purposes	1,722	2,462	1,802	22,256
Fees and charges for water supply	0	521	0	113
Interest and dividends from investments	72	226	150	288
Local authorities fuel tax, fines, infringements, and other receipts	15,316	15,750	16,141	16,998
<b>Total operating funding (A)</b>	<b>32,502</b>	<b>34,499</b>	<b>34,543</b>	<b>56,519</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	27,818	29,109	28,857	51,635
Finance costs	1,267	1,871	1,573	438
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding (B)</b>	<b>29,085</b>	<b>30,980</b>	<b>30,430</b>	<b>52,073</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>3,417</b>	<b>3,519</b>	<b>4,113</b>	<b>4,447</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	1,985	1,567	1,977	6,721
Development and financial contributions	1,042	537	1,062	265
Assets vested in Council	0	3,345	0	1,029
Increase/(decrease) in debt	7,300	2,300	5,661	4,500
Gross proceeds from sale of assets	0	0	0	455
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding (C)</b>	<b>10,327</b>	<b>7,748</b>	<b>8,700</b>	<b>12,971</b>
<b>Applications of capital funding</b>				
Capital expenditure:				
- To meet additional demand	1,391	4,149	578	1,416
- To improve the level of service	5,528	4,760	7,098	2,511
- To replace existing assets	6,400	4,651	5,838	10,329
Increase/(decrease) in reserves	425	(2,294)	(701)	3,161
Increase/(decrease) in investments	0	0	0	0
<b>Total applications of capital funding (D)</b>	<b>13,744</b>	<b>11,266</b>	<b>12,813</b>	<b>17,417</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(3,417)</b>	<b>(3,518)</b>	<b>(4,113)</b>	<b>(4,447)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>				
<b>Surplus/(Deficit) after tax</b>	<b>(1,097)</b>	<b>440</b>	<b>(639)</b>	<b>2,985</b>
Add Depreciation	7,541	8,593	7,790	9,222
Add Loss on Disposal	0	0	0	158
Less change in fair value of derivatives	0	0	0	0
Less gains on forestry revaluation	0	50	0	89
Less gains in value of NZUs	0	(117)	0	9
Less Development and Financial Contributions	(1,042)	(537)	(1,062)	(265)
Less Subsidies and Grants for Capital Expenditure	(1,985)	(1,567)	(1,977)	(6,721)
Less Vested Asset income	0	(3,345)	0	(1,029)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>3,417</b>	<b>3,519</b>	<b>4,112</b>	<b>4,447</b>

## 2. Funding impact statement for groups of activities

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for water supplies

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	5,147	5,442	5,527
Subsidies and grants for operating purposes	0	0	0
Fees and charges	118	121	113
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	0
<b>Total operating funding (A)</b>	<b>5,265</b>	<b>5,563</b>	<b>5,640</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,277	3,355	3,257
Finance costs	373	617	416
Internal charges and overheads applied	934	955	997
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>4,584</b>	<b>4,927</b>	<b>4,671</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>681</b>	<b>636</b>	<b>969</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	477
Development and financial contributions	338	347	121
Assets vested in Council	0	0	456
Increase/(decrease) in internal debt	3,638	75	87
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>3,976</b>	<b>422</b>	<b>1,141</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	128	131	756
- To improve the level of service	2,870	793	829
- To replace existing assets	1,659	134	394
Increase/(decrease) in reserves	0	0	131
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>4,657</b>	<b>1,058</b>	<b>2,110</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(681)</b>	<b>(636)</b>	<b>(969)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>(464)</b>	<b>(604)</b>	<b>518</b>
Add Depreciation	1,483	1,587	1,504
Less Development and Financial Contributions	(338)	(347)	(121)
Less Subsidies and Grants for Capital Expenditure	0	0	(477)
Less Vested Asset income	0	0	(456)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>681</b>	<b>636</b>	<b>969</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for sewer

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	1,145	1,312	1,340
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	0
<b>Total operating funding (A)</b>	<b>1,145</b>	<b>1,312</b>	<b>1,340</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	669	705	558
Finance costs	398	523	373
Internal charges and overheads applied	138	141	147
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>1,205</b>	<b>1,369</b>	<b>1,078</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(60)</b>	<b>(57)</b>	<b>262</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	166	170	18
Assets vested in Council	0	0	67
Increase/(decrease) in internal debt	1,899	4,464	27
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>2,065</b>	<b>4,634</b>	<b>112</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	913	437	101
- To improve the level of service	855	4,118	159
- To replace existing assets	237	22	84
Increase/(decrease) in reserves	0	0	30
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>2,005</b>	<b>4,577</b>	<b>374</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>60</b>	<b>57</b>	<b>(262)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>(361)</b>	<b>(395)</b>	<b>(123)</b>
Add Depreciation	467	507	469
Less Development and Financial Contributions	(166)	(169)	(18)
Less Vested Asset income	0	0	(67)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(60)</b>	<b>(57)</b>	<b>262</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for stormwater and drainage

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	122	123	83
Targeted rates	349	398	445
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	0
<b>Total operating funding (A)</b>	<b>471</b>	<b>521</b>	<b>528</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	260	326	155
Finance costs	98	120	103
Internal charges and overheads applied	12	12	13
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>370</b>	<b>458</b>	<b>271</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>101</b>	<b>63</b>	<b>256</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	110	112	3
Assets vested in Council	0	0	184
Increase/(decrease) in internal debt	306	79	(158)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>416</b>	<b>191</b>	<b>30</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	96	98	224
- To improve the level of service	421	156	38
- To replace existing assets	0	0	0
Increase/(decrease) in reserves	0	0	24
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>517</b>	<b>254</b>	<b>286</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(101)</b>	<b>(63)</b>	<b>(256)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>119</b>	<b>73</b>	<b>347</b>
Add Depreciation	92	102	98
Less Development and Financial Contributions	(110)	(112)	(3)
Less Vested Asset income	0	0	(184)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>101</b>	<b>63</b>	<b>257</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for roads and footpaths

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	3,431	3,694	3,649
Targeted rates	163	166	233
Subsidies and grants for operating purposes	1,722	1,717	1,811
Fees and charges	5	5	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	150	153	115
<b>Total operating funding (A)</b>	<b>5,471</b>	<b>5,735</b>	<b>5,808</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,011	3,107	2,816
Finance costs	14	15	4
Internal charges and overheads applied	592	597	605
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>3,617</b>	<b>3,719</b>	<b>3,426</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>1,854</b>	<b>2,016</b>	<b>2,382</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	1,985	2,065	1,113
Development and financial contributions	0	0	0
Assets vested in Council	239	245	323
Increase/(decrease) in internal debt	54	30	(183)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>2,278</b>	<b>2,340</b>	<b>1,253</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	244	251	323
- To improve the level of service	165	221	477
- To replace existing assets	3,723	3,884	2,183
Increase/(decrease) in reserves	0	0	653
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>4,132</b>	<b>4,356</b>	<b>3,635</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(1,854)</b>	<b>(2,016)</b>	<b>(2,382)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>337</b>	<b>398</b>	<b>(1,191)</b>
Add Depreciation	3,741	3,928	5,009
Less Development and Financial Contributions	(239)	(245)	0
Less Subsidies and Grants for Capital Expenditure	(1,985)	(2,065)	(1,113)
Less Vested Asset income	0	0	(323)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>1,854</b>	<b>2,016</b>	<b>2,382</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for public services

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,387	1,419	1,497
Targeted rates	2,124	2,312	2,370
Subsidies and grants for operating purposes	0	0	34
Fees and charges	0	1,744	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	1,709	0	3,277
<b>Total operating funding (A)</b>	<b>5,220</b>	<b>5,475</b>	<b>7,177</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,428	5,471	7,208
Finance costs	233	260	232
Internal charges and overheads applied	1,303	1,326	1,392
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>6,964</b>	<b>7,057</b>	<b>8,831</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(1,744)</b>	<b>(1,582)</b>	<b>(1,654)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	189	187	123
Assets vested in Council	0	0	0
Increase/(decrease) in internal debt	414	(555)	420
Gross proceeds from sale of assets	0	0	347
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>603</b>	<b>(368)</b>	<b>890</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	10	10	12
- To improve the level of service	912	143	177
- To replace existing assets	196	171	572
Increase/(decrease) in reserves	(2,259)	(2,274)	(1,525)
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>(1,141)</b>	<b>(1,950)</b>	<b>(764)</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>1,744</b>	<b>1,582</b>	<b>1,654</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>(2,194)</b>	<b>(1,974)</b>	<b>(2,437)</b>
Add Depreciation	639	579	749
Add Loss on Disposal	0	0	158
Less Development and Financial Contributions	(189)	(187)	(123)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(1,744)</b>	<b>(1,582)</b>	<b>(1,654)</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for regulatory

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,321	1,340	1,359
Targeted rates	44	45	41
Subsidies and grants for operating purposes	0	0	0
Fees and charges	1,447	1,482	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	1,422
<b>Total operating funding (A)</b>	<b>2,812</b>	<b>2,867</b>	<b>2,821</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,171	2,226	2,104
Finance costs	0	0	0
Internal charges and overheads applied	605	621	647
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>2,776</b>	<b>2,847</b>	<b>2,750</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>36</b>	<b>20</b>	<b>71</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Assets vested in Council	0	0	0
Increase/(decrease) in internal debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	10
- To replace existing assets	75	20	20
Increase/(decrease) in reserves	(39)	0	41
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>36</b>	<b>20</b>	<b>71</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(36)</b>	<b>(20)</b>	<b>(71)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>3</b>	<b>(13)</b>	<b>43</b>
Add Depreciation	33	33	28
Less Development and Financial Contributions	0	0	0
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>36</b>	<b>20</b>	<b>71</b>



## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for Hanmer Springs Thermal Pools and Spa

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	11,642	12,150	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	11,335
<b>Total operating funding (A)</b>	<b>11,642</b>	<b>12,150</b>	<b>11,335</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	8,346	8,623	7,912
Finance costs	895	832	702
Internal charges and overheads applied	145	147	155
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>9,386</b>	<b>9,602</b>	<b>8,769</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>2,256</b>	<b>2,548</b>	<b>2,566</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Assets vested in Council	0	0	0
Increase/(decrease) in internal debt	500	1,539	(338)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>500</b>	<b>1,539</b>	<b>(338)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	0	0	0
- To improve the level of service	300	1,334	821
- To replace existing assets	200	205	350
Increase/(decrease) in reserves	2,256	2,548	1,057
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>2,756</b>	<b>4,087</b>	<b>2,227</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(2,256)</b>	<b>(2,548)</b>	<b>(2,566)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>1,463</b>	<b>1,737</b>	<b>1,703</b>
Add Depreciation	793	811	863
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>2,256</b>	<b>2,548</b>	<b>2,566</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017  
for governance and corporate services

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	160	197	343
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	316	323	0
Internal charges and overheads recovered	5,206	5,312	4,461
Interest and dividends from investments	0	0	288
Local authorities fuel tax, fines, infringements, and other receipts	0	0	849
<b>Total operating funding (A)</b>	<b>5,682</b>	<b>5,832</b>	<b>5,941</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,924	6,395	5,385
Finance costs	(2,012)	(2,368)	(1,392)
Internal charges and overheads applied	1,476	1,512	505
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>5,388</b>	<b>5,539</b>	<b>4,497</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>294</b>	<b>293</b>	<b>1,444</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Assets vested in Council	0	0	0
Increase/(decrease) in internal debt	488	(632)	4,644
Gross proceeds from sale of assets	0	0	108
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>488</b>	<b>(632)</b>	<b>4,752</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	0	0	0
- To improve the level of service	5	5	0
- To replace existing assets	310	400	1,170
Increase/(decrease) in reserves	467	(744)	5,026
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>782</b>	<b>(339)</b>	<b>6,196</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>(294)</b>	<b>(293)</b>	<b>(1,444)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>0</b>	<b>0</b>	<b>940</b>
Add Depreciation	294	293	504
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>294</b>	<b>293</b>	<b>1,444</b>

## 2. Funding impact statement for groups of activities (cont'd)

Hurunui District Council Funding Impact Statement for the year ended 30 June 2017

for earthquake recovery

	2016 Long-Term Plan \$000's	2017 Long-Term Plan \$000's	2017 Actual \$000's
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	0	0	(19)
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	20,411
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Interest and dividends from investments	0	0	0
Local authorities fuel tax, fines, infringements, and other receipts	0	0	0
<b>Total operating funding (A)</b>	<b>0</b>	<b>0</b>	<b>20,392</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	0	0	22,240
Finance costs	0	0	0
Internal charges and overheads applied	0	0	0
Other operating funding applications	0	0	0
<b>Total applications of operating funding (B)</b>	<b>0</b>	<b>0</b>	<b>22,240</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>0</b>	<b>0</b>	<b>(1,848)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	0	0	5,131
Development and financial contributions	0	0	0
Assets vested in Council	0	0	0
Increase/(decrease) in internal debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>0</b>	<b>0</b>	<b>5,131</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	0	0	5,559
Increase/(decrease) in reserves	0	0	(2,276)
Increase/(decrease) in investments	0	0	0
<b>Total applications of capital funding (D)</b>	<b>0</b>	<b>0</b>	<b>3,283</b>
<b>Surplus/(deficit) of operating funding (C-D)</b>	<b>0</b>	<b>0</b>	<b>1,848</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliations between Financial Summary and Funding Impact Statement</b>			
<b>Surplus/(Deficit) for Activity</b>	<b>0</b>	<b>0</b>	<b>3,283</b>
Less Subsidies and Grants for Capital Expenditure			(5,131)
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>0</b>	<b>0</b>	<b>(1,848)</b>

### 3. Rating Base Information

The following rating base information for Hurunui District Council is disclosed based on the rating base information at the end of the **preceding** financial year:

	<b>30 June 2016</b>
Number of rating units within the district	7,939
Total Capital Value of rating units within the district	\$5,689,663,150
Total Land Value of rating units within the district	\$3,744,991,500

### 4. Insurance of assets

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

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
The total value of all Council assets covered by insurance contracts	54,795	54,674
The maximum amount to which insured assets are insured	101,921	100,349
The total value of all Council assets covered by financial risk-sharing arrangements	65,967	65,202
Maximum amount available to the Council under financial risk-sharing arrangements	115,710	115,710
Total value of assets that are self-insured	253,512	275,695
Value of funds maintained for self-insurance	0	0

In the event of natural disaster, central government may contribute up to 60% towards the restoration of water, drainage, and sewerage assets, and provide a subsidy towards the restoration of roads.



# Benchmarking

**Local Government (Financial Reporting and Prudence) Regulations 2014**

Annual report disclosure statement for the year ended 30 June 2017

**What is the purpose of this statement?**

The purpose of this statement is to disclose the council’s financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (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 income 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 (income) affordability*

The following graph compares the council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the council’s long-term plan.

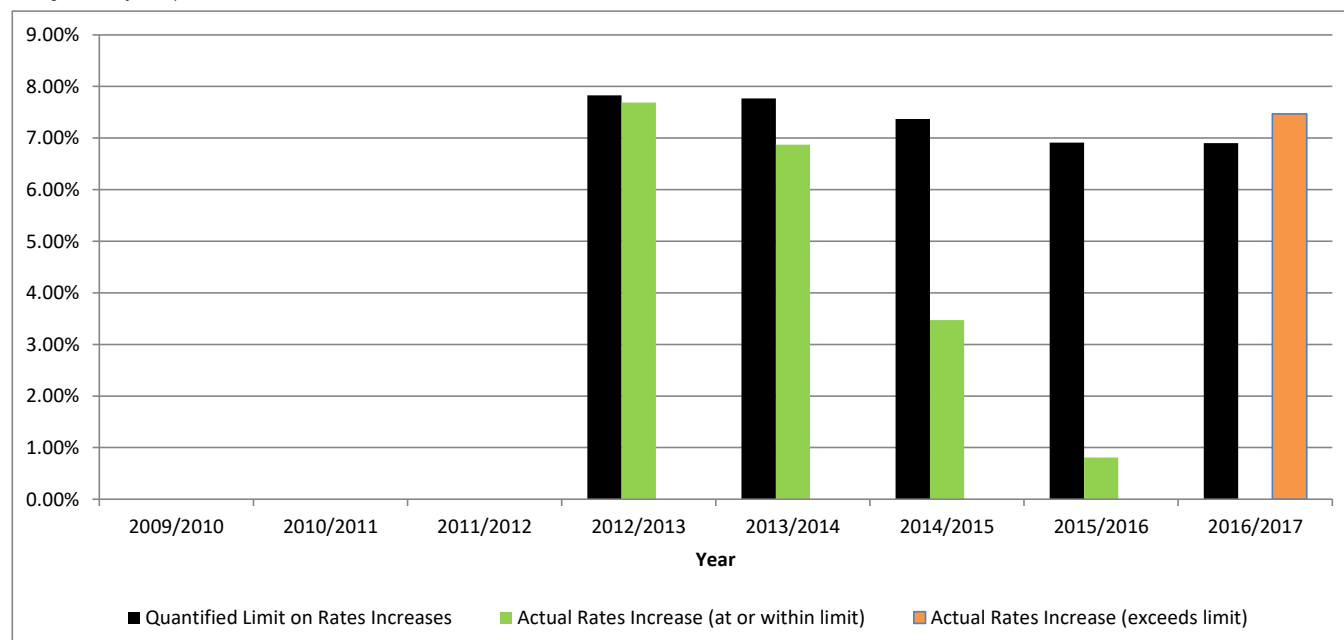
The quantified limit was set out as follows:

- 2012/2013 7.83% increase from prior year (\$12,945,000 + 7.83%) = \$13,959,000
- 2013/2014 7.77% increase from prior year (\$13,940,000 + 7.77%) = \$15,023,000
- 2014/2015 7.37% increase from prior year (\$14,898,000 + 7.37%) = \$15,995,982
- 2015/2016 6.91% (6.00% growth adjusted) increase from prior year (\$15,415,000 + 6.91%) = \$16,480,000
- 2016/2017 6.90% (6.00% growth adjusted) increase from prior year (\$15,539,930 + 6.90%) = \$16,612,185



*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 limits were: 2012/2013 7.83%; 2013/2014 7.77%; 2014/2015 7.37%; 2015/2016 6.91% (6.00% growth adjusted) and 2016/2017 6.90% (6.00% growth adjusted).



**Debt affordability benchmarks**

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

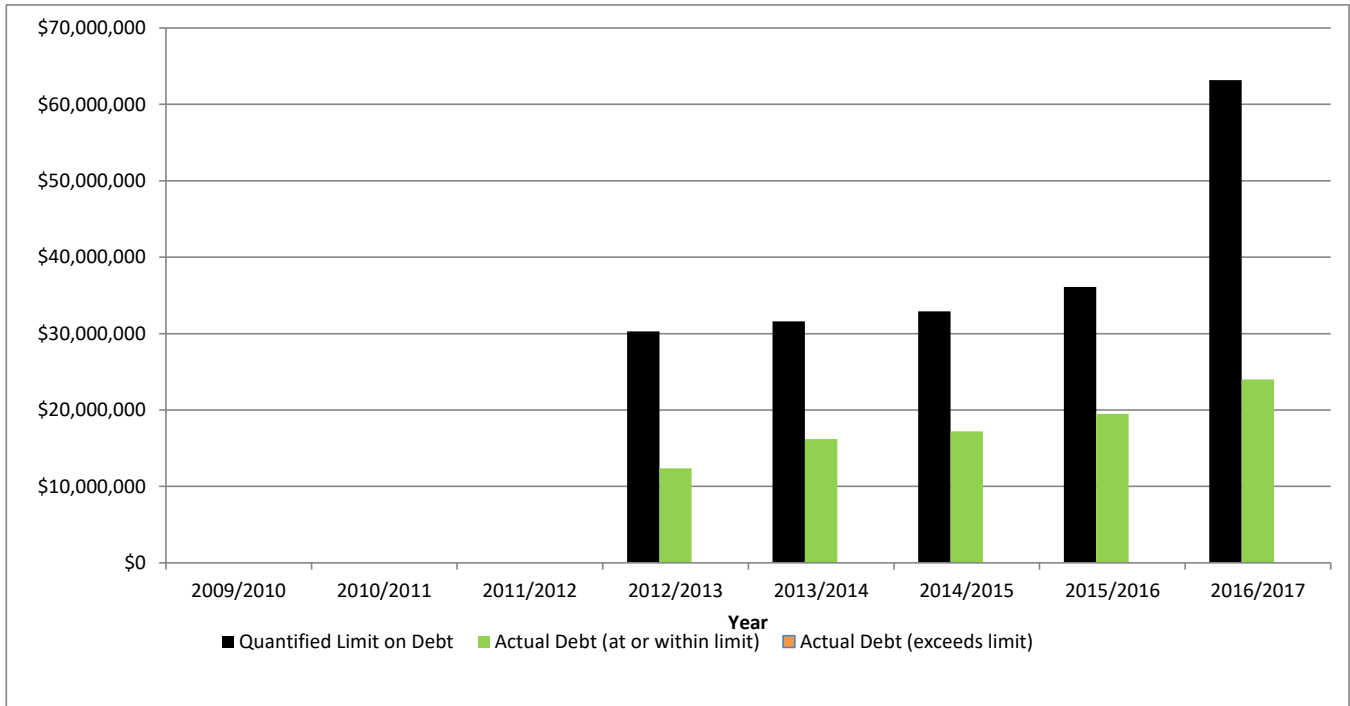
The following graphs compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan.

There are four factors in the Council's Financial Strategy to help determine limits on debt:

- Total Debt is no more than 100% of Total Income (Limit for 2016/2017 is \$63.2m)
- Total Debt is no more than 10% of Total Equity (Limit for 2016/2017 is \$40.0m)
- Interest expense is no more than 6.25% of Total Income (Limit for 2016/2017 is \$3.95m)
- Interest expense is no more than 12.5% of Total Rates (Limits for 2016/2017 is \$2.09m)

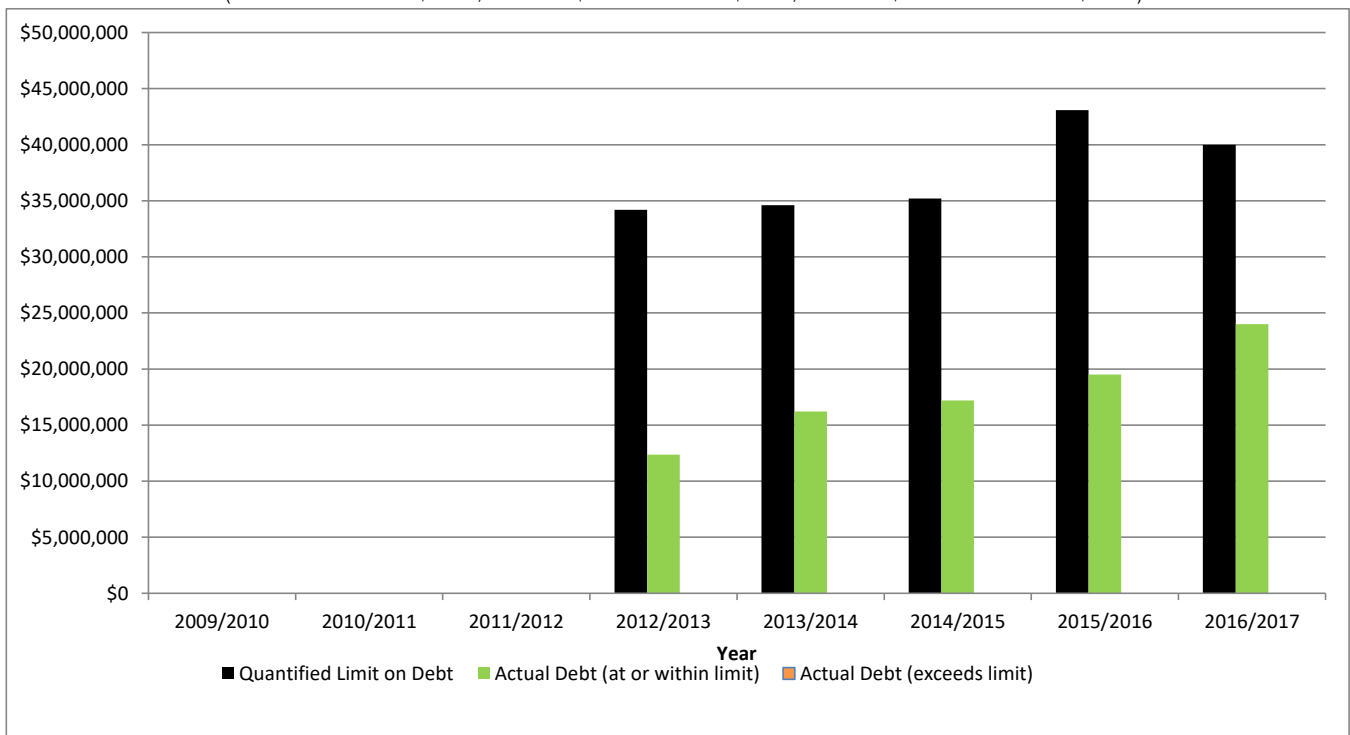
**Total Debt is no more than 100% of Total Income**

(Limits were: 2012/2013 \$30.3m; 2013/2014 \$31.6m; 2014/2015 \$32.9m; 2015/2016 \$36.1m; 2016/2017 \$63.2m)



**Total Debt is no more than 10% of Total Equity**

(Limits were: 2012/2013 \$34.2m; 2013/2014 \$34.6m; 2014/2015 \$35.2m; 2015/2016 \$43.1m and 2016/2017 \$40.0m)

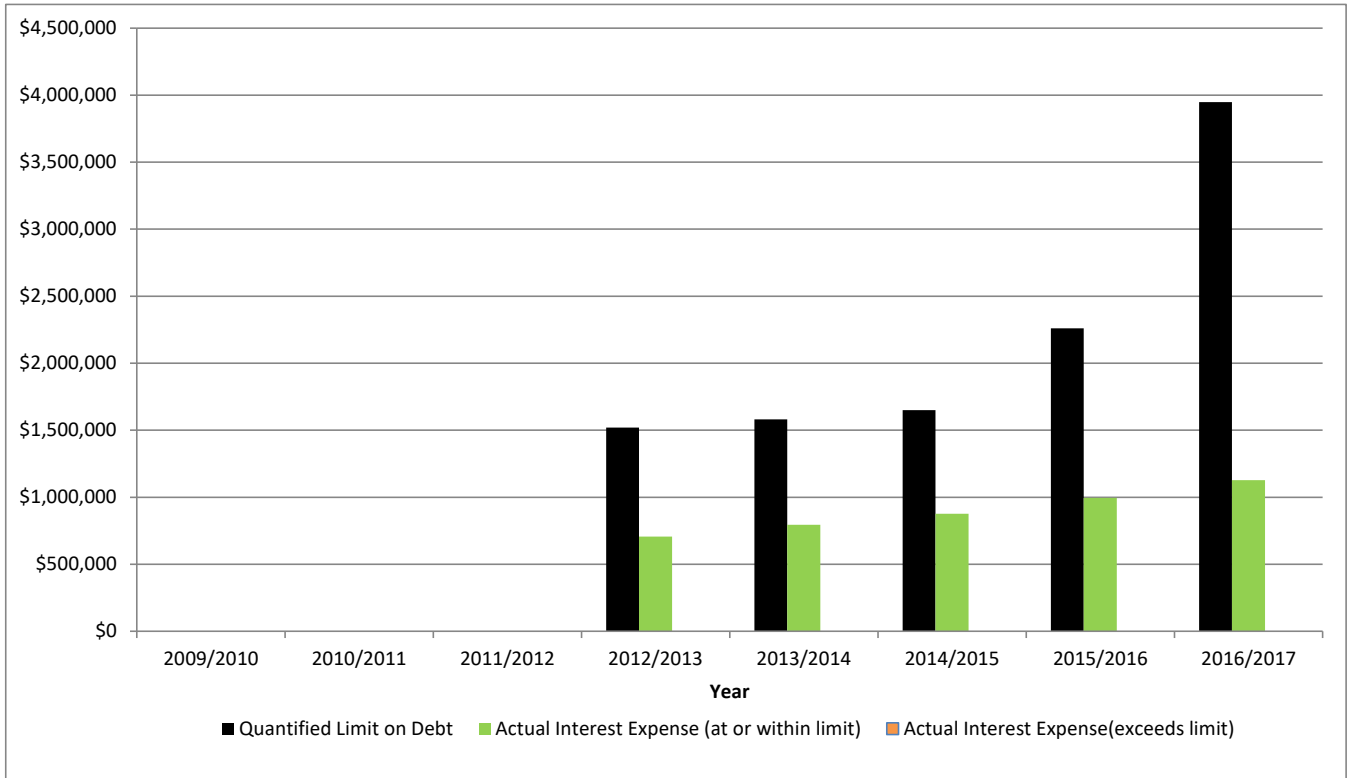




Debt affordability benchmarks (Continued)

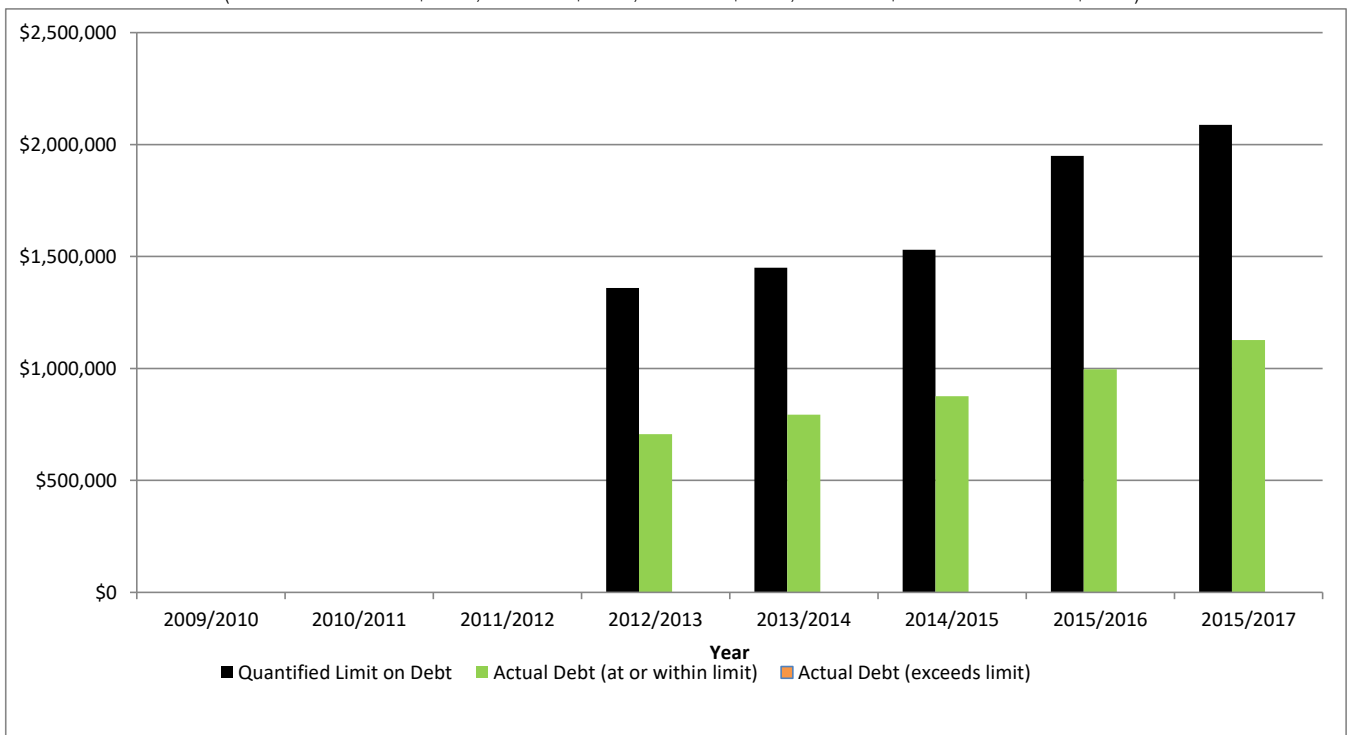
**Interest expense is no more than 6.25% of Total Income**

(Limits were: 2012/2013 \$1.52m; 2013/2014 \$1.58m; 2014/2015 \$1.65m; 2015/2016 \$2.26m and 2016/2017 \$3.95m)



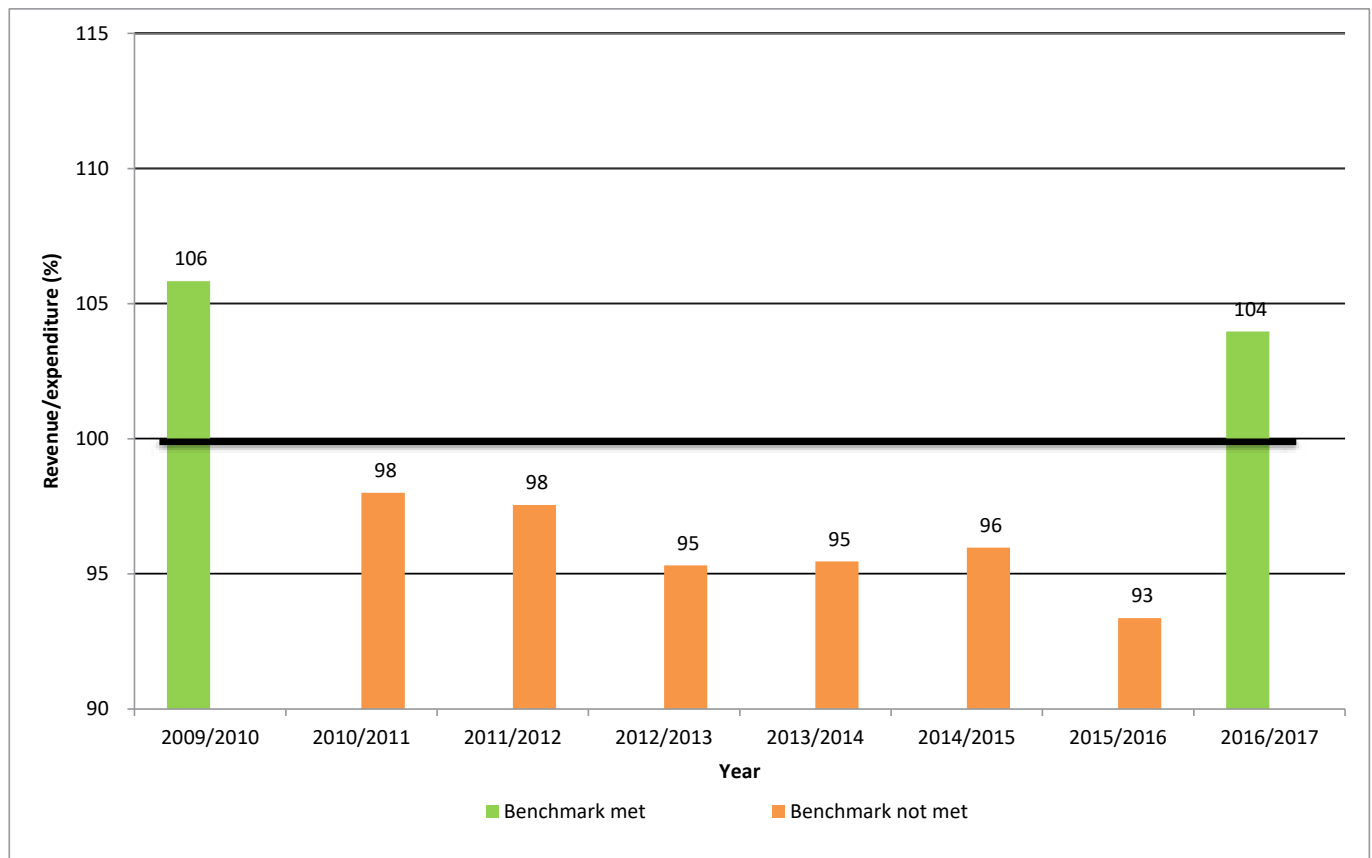
**Interest expense is no more than 12.5% of Total Rates**

(Limits were: 2012/2013 \$1.36m; 2013/2014 \$1.45m; 2014/2015 \$1.53m; 2015/2016 \$1.95m and 2016/2017 \$2.09m)



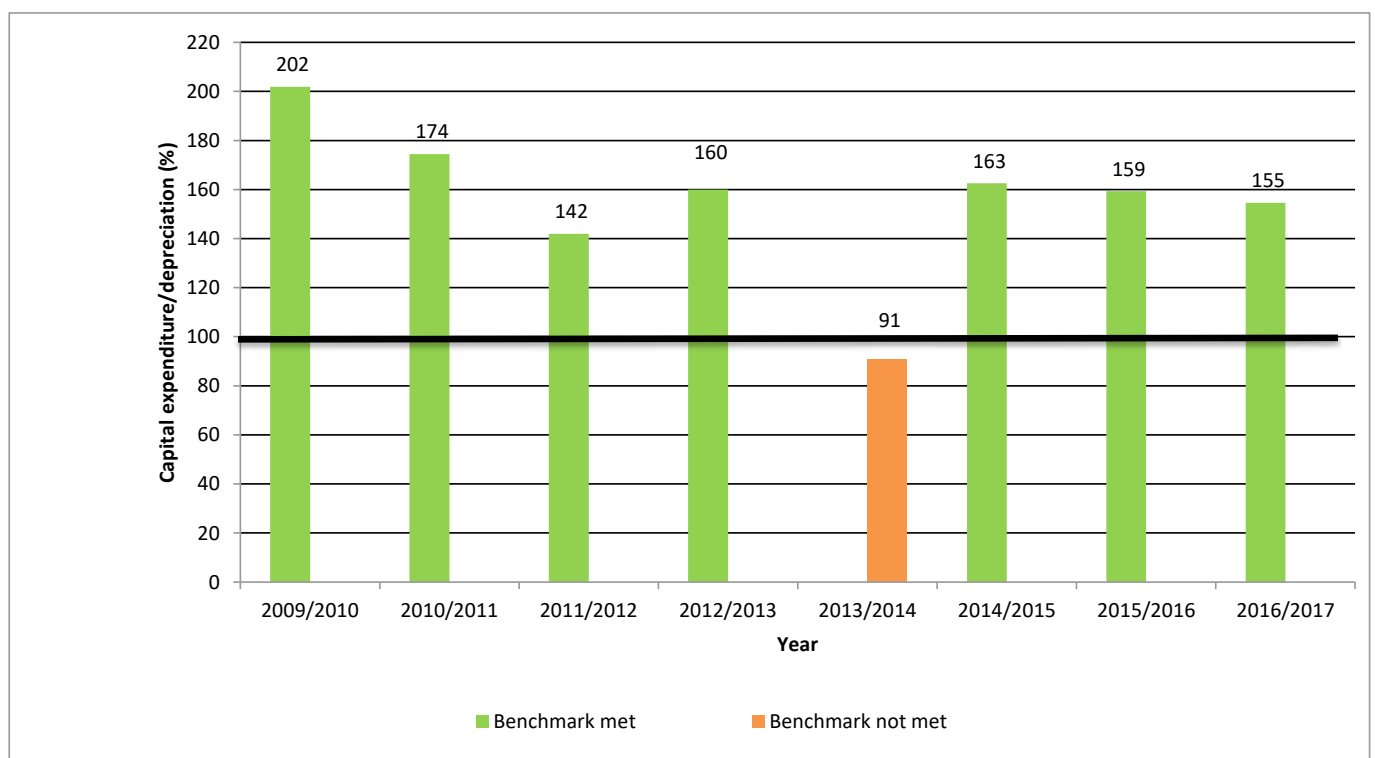
### Balanced budget benchmark

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.



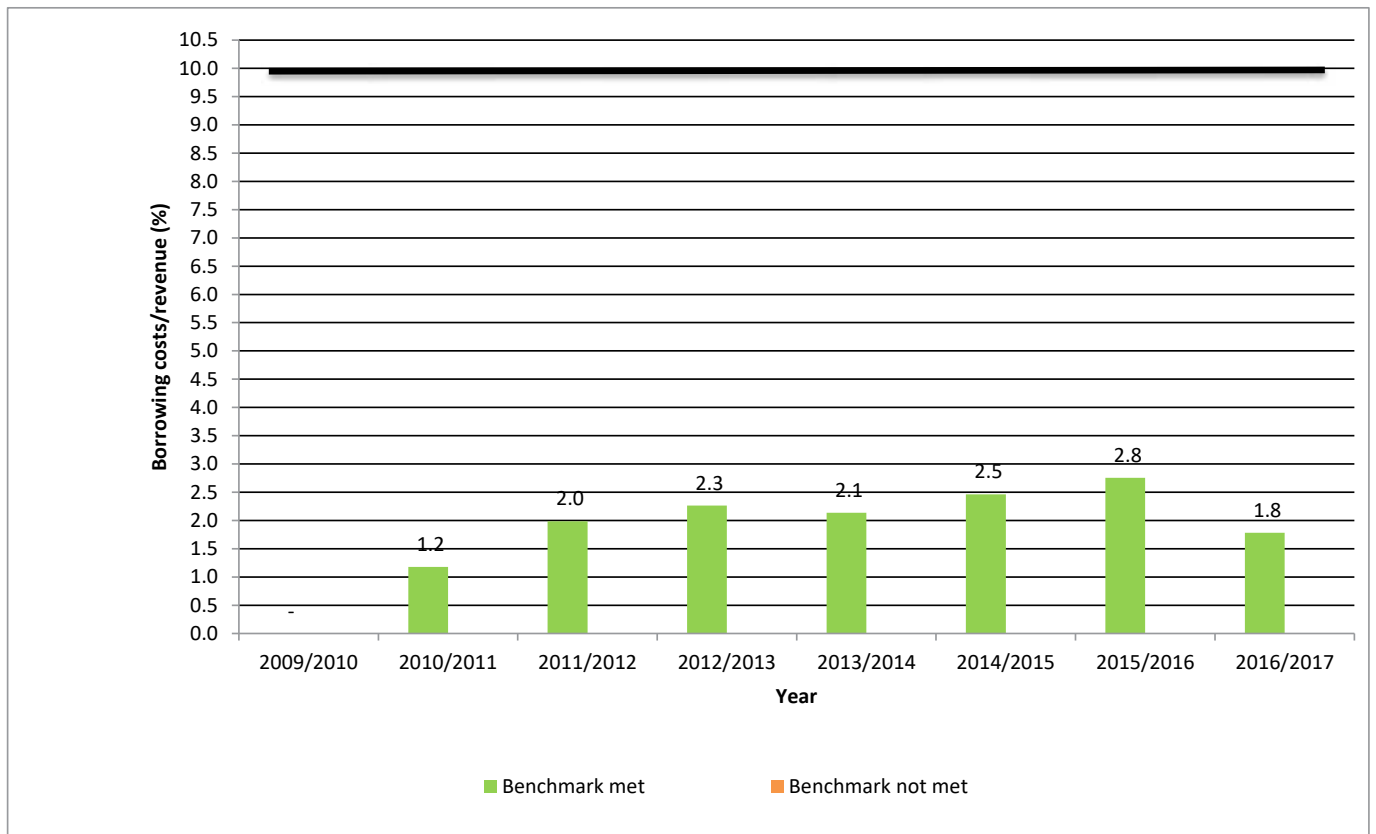
### Essential services benchmark

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.



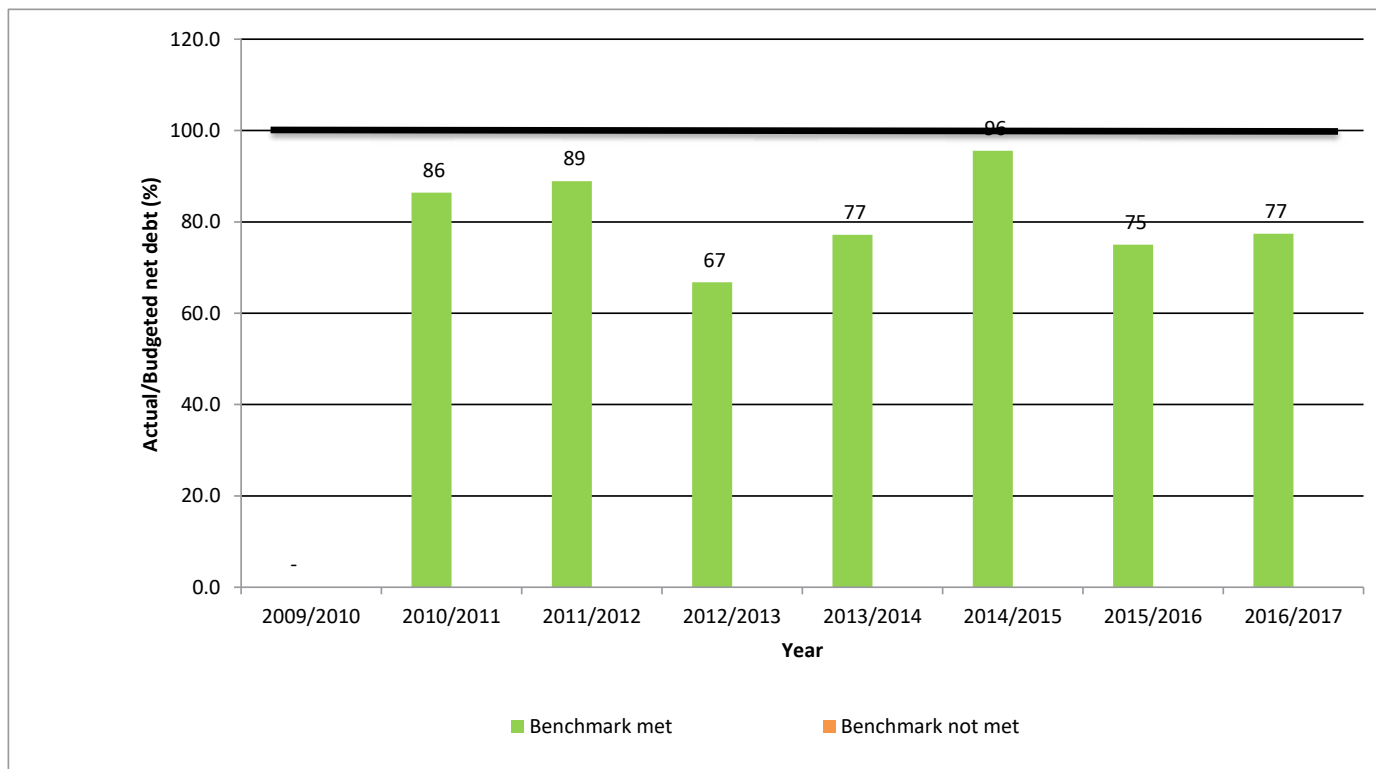
### Debt servicing benchmark

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 the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



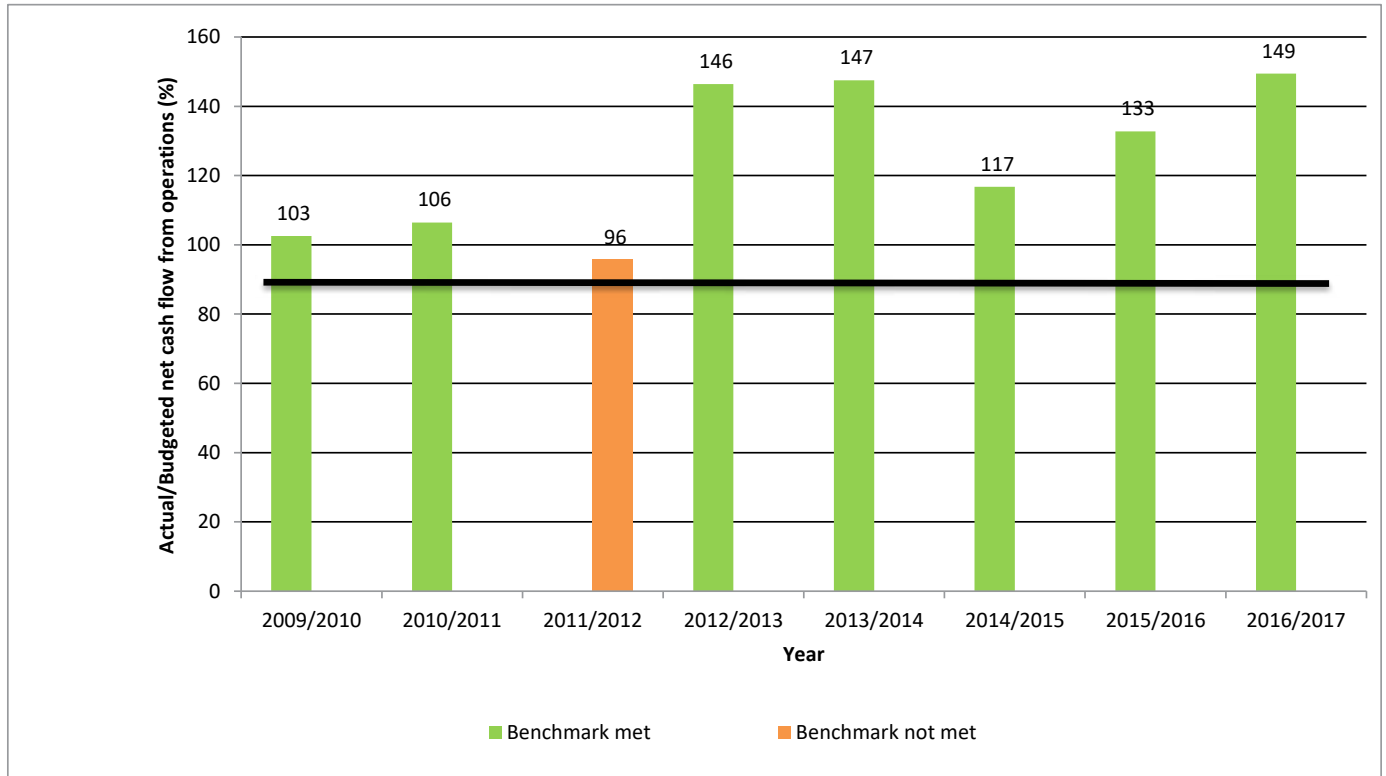
### Debt control benchmark

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.



### 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 controlled organisations

Enterprise North Canterbury .....	112
Transwaste Canterbury Limited .....	115

# Enterprise North Canterbury

## Background

Enterprise North Canterbury (ENC) is a charitable trust which provides promotions and economic development services for the North Canterbury region. On behalf of Waimakariri and Hurunui District Councils its activities are focused on developing existing businesses and promoting new businesses within the region. The Trust also promotes the region as a visitor destination.

The Mayors of the two Councils are trustees and the two Chief Executive Officers are advisory trustees. Other trustees are appointed jointly by the Hurunui and Waimakariri District Councils.

Our key objective for continued investment in ENC has been to assist in cultivating and promoting economic activity and to foster growth in North Canterbury. We achieve this by approving the Statement of Intent and reviewing the progress through the Annual Report.

## Summary of 2016/2017 Objectives and Achievements

### Objective 1 - Retain and support existing SME businesses

1.1 Support existing businesses by the provision of training, coaching, and mentoring services and networking opportunities

#### Regional Business Partner Programme with NZTE

ENC have a contract for this NZTE programme until 30 June 2021. The contract is for the provision of NZTE training vouchers and resources to deliver one-on-one assessments with local businesses.  
*2016/17 Target: Achieve at least 61 capability assessments and issue \$68,833 NZTE vouchers while achieving a minimum of 80% satisfaction of services through annual customer survey.*

- ENC received their Annual Performance Review for 2016/17 from NZTE and received a net promoter score of 89%,
- ENC carried out 118 full NZTE capability assessments (101 last year). Target 61
- 90 training vouchers (129 last year) were issued to 97 businesses (85 last year) in the amount of \$101,593 (\$67,914 last year).
- 200 face to face meetings (120 last year) of which 47% were new to ENC
- 28% of training vouchers issued by ENC to businesses were redeemed for courses or coaching run by ENC (35% last year)

- 11 referrals to Callaghan R&D funding (5 last year). One R&D application was managed by ENC and the local business was successful in accessing a \$5k grant

#### Business Training Workshops and Coaching

ENC continues to develop and run business growth courses to meet the market:

*2016/17 Target: A minimum of 20 workshops with 160 attendees*

- 10 courses provided made up of 32 half-day training workshops (49 half-days last year). There was a total of 88 attendees (215 last year) at these workshops.
- Although the attendee numbers were well down on budget we achieved 95% of budgeted income. This is due to the smaller businesses taking up one on one coaching instead of the three-day courses now being popular with larger employers.
- ENC achieved a 100% satisfaction rating from workshop attendees, Target 80%
- Nineteen North Canterbury businesses took up free financial coaching from the ENC's business centre sponsor, BDO, this year (6 last year)

#### Networking opportunities to market, share knowledge, exchange information

*2016/17 Target - Networking functions are well attended (minimum 60) and each event is fully sponsored*

- Three networking functions were held during the year with a total of 253 attendees, an average of 85 per function. We thank the function sponsors Waimakariri District Council, ECAN and Ravenswood Development Ltd for making these popular events possible.

#### Support local businesses by referring them to the appropriate support agency

*2016/17 Target: A minimum of 30 businesses referred to external agencies for funding and support*

- Referrals to Business Mentors NZ:
  - » A total of 42 businesses were matched with Mentors at Business Mentors NZ this year (54 last year)
- Other referrals:
  - » 95 referrals to ENC courses (168 for previous year)
  - » 66 referrals to external training agencies (78 for previous year)

- » 46 referrals to programmes (31 for previous year)
- » 318 referrals to experts (214 for previous year)
- » 22 referrals to Government departments (39 for previous year)
- » 684 referrals to free online resources (401 for previous year)

**Expand ENC's Business Partner Programme to provide increased services to local businesses**

*2016/17 Target: Secure financial commitment of business partners with an increase of 10% signed up*

- ENC has 10 business service partners paying \$1,000 (13 last year). Two business partners withdrew as they no longer had a presence in North Canterbury and one chose not to renew their partnership.

**Communicate with businesses so they are well informed about services and support available to them**

*2016/17 targets: A minimum of 10 electronic newsletter distributed. Enhance northcanterbury.co.nz website and Facebook and increase number of visitations*

- Communication with businesses and ENC Stakeholders:
  - » 11 ENC newsletters were produced throughout the year. The newsletters go out to just over 2600 subscribers on the ENC database.
  - » ENC produced 34 business relevant news articles for our website. This information was also promoted via our social media channels
  - » We were asked to provide three opinion pieces for the Northern Outlook throughout the year
  - » ENC has been referenced and/or provided content or media releases resulting in 8 articles in the local print media.
- ENC Website Statistics compared to previous year:
  - » Visits were 80,793 up from 44,732 (80% increase)
  - » Unique visits were 51,353 up from 24,061 (113% increase)
  - » Page views were 149,628, up from 124,582 (20% increase)
- The positive growth in website visits can be attributed to several factors:
  - » The new mobile-responsive website design, which focuses on driving users to key content as quickly as possible.

- » A continued focus on creating quality, relevant and timely content on the website
- » Increase in traffic from social media
- » Ongoing search engine optimisation efforts
- » An increased push to drive traffic from electronic newsletters to the website
- » The North Canterbury Business Awards that occurred in August 2016 brought huge numbers of visitors to the site

- ENC Social Media Channels:

- » Facebook Page likes: 1,105 up from 696 (60% increase)
- » LinkedIn Page: 83 followers up from 69 (20% increase)
- » Twitter: 149 followers up from 77 (95% increase)

1.2 ENC will celebrate and recognise business leaders and business successes

**Organise and host the biennial business awards**

*2016/17 Target: Full sponsorship of eight categories, an increase of 10% business entries and an increase of 10% in gala attendees; participating businesses surveyed with a minimum of 80% satisfaction rate of involvement.*

- The North Canterbury Awards were considered to be the most successful to date. Full sponsorship was achieved. We thank the following sponsors for their sponsorship of the North Canterbury Business Awards: MainPower (lead sponsor), Farmlands, Continental, Westpac, Heliers, Artisan Spa, North Canterbury News, BDO, Spark Business Canterbury (Category Sponsors) and supporting sponsors Greystone Wines, Compass FM, Brew Moon, Beverley Studios and Jayne Rattray Design.
- Entries increased from 49 in 2014 to 60 in 2016 – a 28% increase.
- The 2016 Gala Awards Dinner was held at the new Ohoka Hall on the 3rd of September 2016 with a full house of 354 attendees (up from 344).
- Participants reported a 90% satisfaction rate with 61% reporting a positive experience, 29% reporting an excellent experience and 10% reporting a neutral experience.
- The equivalent of 11% of the North Canterbury population voted in the People's Choice Award.



1.3 Undertake analysis of regional employment opportunities and trends:

**Have a high level of understanding of local labour market conditions and economic confidence in North Canterbury**

*2016/17 Target: 2 surveys completed and distributed with a minimum of 50 businesses participating*

- ENC continued our partnership with Research First to undertake two six-monthly business confidence surveys this year. In November 2016, we received 52 respondents out of 82 invited and in April 2017 we had 47 respondents out of 100 invited. The results were widely publicised through the local newspapers, ENC's newsletter and directly to the respondents and the two Councils.
- Quarterly Waimakariri District Council Infometric reports were disseminated to our database (via the newsletter) showing the latest statistics on a variety of business and labour market key indicators.

1.4 Assist Hurunui Town Development

**ENC and the Council's fully understand the needs of small businesses in rural townships**

*2016/17 Targets: Survey completed and distributed, business initiatives are created following engagement; ENC to assist in implementing 2 activities as a result of their engagement*

- Incomplete - ENC interviewed 5 businesses in Amberley, however due to the need to respond to the November 2016 earthquake this project was put on hold.

1.5 New - Hurunui Earthquake Response:

As a direct result of the November 2016 earthquake, ENC employed a Business Recovery Coordinator for Hurunui, funded by MBIE for seven months to 31 July 2017. We have worked extensively with a large number of businesses who were directly affected by the earthquake and its ongoing effects; provided assistance to those who were having difficulty in understanding their next steps and advised them of what support was available to them; providing them with the level of intervention required to each individual business by carrying out an in-depth analysis and facilitating the appropriate course of action. In this period ENC:

- Assessed 123 businesses for their eligibility for the Earthquake Support Subsidy (ESS) or extension payments for MSD in cases where the outcome was not clear

- Held one on one interviews with 225 business owners and 50 action plans were developed (outside of ESS assessments) as well as 41 repeat visits.
- Made 16 referrals to Business Mentors New Zealand with 6 receiving the free NZTE offer and 10 paying for themselves
- Organised and ran a business recovery seminar in Cheviot with Craig Rust, Business Innovators. All business within the Hurunui were invited. This was a proactive venture to generate thinking around opportunities. This was a free event paid for as part of the MBIE funding via ENC.
- Arranged several meetings to connect businesses to the ongoing support offered through MBIE, Business Mentors and NZTE; a number of town meetings to discuss issues and ways forward;
- Assisted individual businesses with their applications to the Business Recovery Grant

1.6 ENC Business Centre

The business centre is an excellent way of partnering with the private sector to offer meeting and training room facilities. It also provides ENC with an excellent training venue and a one stop shop for all ENC business support and district promotion services.

*2016/17 Targets: Revenue of \$66,391 is generated and current sponsors retained*

- We remain grateful for the generous support of our Corporate Sponsor (\$30,000); three Silver Sponsors (\$15,500); and eight Bronze Sponsors (\$24,000). We had one bronze sponsor withdraw after one year's sponsorship, however Hire Access came on board in its place.
- ENC achieved \$21,120 in venue hire and catering. The room hire was on budget but we did not meet the catering budget.
- Over the twelve month period the business centre had 83 paid bookings (not including sponsor or ENC use).

[Please note that the 2nd set of ENC objectives related to their work with Waimakariri District Council only and are not mentioned here.]

# Transwaste Canterbury Limited

## Background

Transwaste Canterbury Limited operates a regional landfill at Kate Valley and associated transport services in a joint venture with Canterbury Waste Services. Hurunui District Council is one of the councils in the Canterbury region which between them own 50% of the shares in Transwaste Canterbury Limited. Hurunui's share of the Company amounts to 1.2%. An additional landfill was reopened after the Canterbury earthquakes and is still operating and run by Transwaste Canterbury Ltd.

The council shareholders appoint representatives to a joint committee which in turn appoints four of the eight directors.

Our key objective for investment in Transwaste Canterbury Limited has been to receive an economic return for our investment. We continue to receive dividends from the Company.

## Summary of 2016/2017 Objectives and Achievements

### Objective 1

#### **To operate a successful business, providing a fair rate of return to its shareholders**

To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets:

- The revenue received from Kate Valley was \$47,770,000, greater than the target of \$47,423,000.
- EBIT of \$19,924,000 greater than target of \$19,301,000.
- Dividend of \$13,800,000 paid. Only \$13,000,000 was paid so target was not met.

To effectively operate the consented Burwood Resource Recovery Park (BRRP), established to manage the receipt and resource recovery processing of mixed demolition material from Christchurch's earthquakes, to achieve specific commercial performance targets:

- Total BRRP Revenue of \$26,715,000, greater than the target of \$20,029,000.
- BRRP EBIT of \$22,298,000 greater than the target of \$7,170,000.

### Objective 2

#### **To ensure that the Transwaste Canterbury Group, as a minimum, meets present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the**

#### **careful and sustainable management of natural resources**

- There are no known breaches of established resource consents.
- The Tiromoana Bush Development Plan has been prepared and signed off by the Board.
- The Kate Valley landfill gas capture and destruction target of 90% landfill gas has been achieved.

### Objective 3

#### **To be a good Corporate Citizen by acting lawfully**

- Transwaste Canterbury has complied with all relevant legislation and statutory requirements.

### Objective 4

#### **To be a responsible Corporate Citizen by acting fairly and honestly and to be sensitive to local issues**

- \$85,786 was paid to the Kate Valley Landfill Community Trust to benefit local community, which achieved the target to make a contribution.
- Education modules were used in the National waste curriculum by schools as per the target.
- The target to provide adequate provisioning for aftercare and closure for sites was achieved.

### Objective 5

#### **Meet the present and future needs of the people of Canterbury with high standards of value, quality and service, and establish effective relations with customers**

- The target to have timely high quality and reliable waste transport services was achieved through having containers available for waste.
- The target for the Kate Valley landfill to be available to waste transporters for more than 99% of normal annual transport access hours was achieved.
- The target for the Burwood Resource Recovery Park to be available to demolition contract transporters for more than 99% of normal annual transport access hours was achieved.

### Objective 6

#### **Be a good employer, through either direct employment or by way of management contracts with the Waste Management NZ Ltd divisions, Canterbury Waste Services and Canterbury Materials Recovery Facilities**

- The turnover target of no more than 15% of staff was achieved with 13% turnover at Kate Valley.

- The target for 10 hours training per full time employee was exceeded with 10 hours or more.

#### **Objective 7**

**Strive for zero injury accidents in all operations the company and its main contractors will be responsible for, whilst maintaining a high level of service and production**

- The target to maintain or improve the total recordable injury frequency rate was achieved with zero for the year.
- The objective to maintain Kate Valley public walkways so that no serious avoidable injuries occurred was achieved.
- The objective to have no 'at fault' incidents by Canterbury Waste drivers was not achieved where one non-injury incident was resulting in minor damage to a vehicle where a CWS driver was at fault.

**Objective 8 Establish and maintain good relations with the local host community of the Kate Valley landfill and Burwood areas and consult with those groups and other interest groups (including Tangata Whenua) on issues that are likely to affect them**

- Four community liaison group meetings were held concerning Kate Valley communities which exceeded the target of two.
- Two community liaison group meetings were held concerning Burwood communities which achieved the target of two.
- Five meetings with interest groups (including Tangata Whenua) were held exceeding the target of three.

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# Appendix 1 - Performance measures

The following pages show the end of year status for all the performance measures included in the Long Term Plan and reported to Council monthly.

The November 2016 earthquake impacted on the accuracy of some of the performance measurements. These are noted with an asterix to refer the reader to the earthquake impact story on page 6, and particularly the section “Impact on our performance for the year” on page 10.

# Water Supply Performance Measures

## Safety

Performance measure Description	Performance target issue	Performance target outcomes
Meet bacterial compliance under the DWSNZ. Less than 1 e-coli per 100ml of drinking water tested	Bacteria compliance	0% failure
<b>Measurement method</b>	All water supply e-coli tests done on sample points across all drinking water schemes will have zero noncompliance. Test records are kept in the WINZ database	
<b>End of year performance</b>	<p>Routine testing of all Council's water supplies is done regularly throughout the year. During the year, 2,381 routine samples were tested for drinking water compliance. Of those samples, 10 failed (called transgressions). These required further testing. Another 106 tests were done which resulted in a further 18 transgressions before the tests confirmed the water was again safe. After a transgression has been identified, three clear samples are needed before the water is ascertained to be safe to drink. Therefore, a total of 2,487 tests were done, and of those tests, 28 failed because they identified unacceptable levels of e-coli. (Last year there were a total of 15 test failures.) The primary cause of e-coli is contamination entering the water distribution system (pipes) in a variety of ways which cannot be totally controlled. For example, breaks can occur in pipes and not be discovered for months. In the meantime, contaminants can enter the break and not be picked up until the water is tested. To reduce the continued risk of unacceptable levels of bacteria, the Council has since decided to chlorinate all council owned water supplies in the coming year. This will mean that a residual barrier will be maintained throughout the distribution system, and deal to any forms of contamination irrespective of ingress.</p>	

Performance measure Description	Performance target issue	Performance target outcomes
Meet protozoal compliance under the DWSNZ. Accredited treatment system in place to meet log-credit rating of receiving environment providing the drinking water.	Protozoa compliance	N/A
<b>Measurement method</b>	We are unable to reach protozoa compliance or measure this performance target for several years to come. Plans are in place to have all protozoa compliance treatment systems on at-risk intakes installed by 2024 (for minor schemes); 2025 (for small schemes); and 2026 (for neighbourhood schemes), unless substantial financial subsidies become available and are approved by Ministry of Health.	
<b>End of year performance</b>	<p>Not compliant to date but work is underway to achieve protozoal compliance. Since last year, all deep well sources have been age tested and assessed for secure bore status (protozoa compliance). The Waipara Bore has been tested and is suitable to meet the requirements of a secure bore status. It is being retro fitted to meet the other requirements. 10 other at-risk intakes have been tested for protozoa contamination risk and been submitted to CDHB for assessment. Parnassus, Upper Waitohi and Waiau Rural will be tested in the 2017/2018 year.</p>	

## Maintenance

Performance measure Description	Performance target issue	Performance target outcomes
Measure real water losses on all drinking water systems. Real water loss is losses through leaks, meter inaccuracies or water theft, but excludes 'unauthorised consumption'.	Real water loss (on demand Metered supply)	maximum 20% losses
<b>Measurement method</b>	Measurement will be the difference between the volumes of water pumped to the water schemes and the metered consumption volumes to each scheme. The difference will be calculated as the percentage real water loss.	
<b>End of year performance</b>	Verified loss of water was only 5.7% but we have only been able to measure 5 of our 7 metered townships with on demand water. They are Culverden, Hanmer Springs, Hawarden, Waikairi and Waipara. The 2 that could not be measured were Amberley and Waiau. The difficulty with measuring losses in Amberley is that water is sourced from several intakes and water from some of those goes to towns that do not have meters. With regard to Waiau, the technology failed and did not measure the flow, so losses were impossible to determine for the year. Of the 5 townships where loss was measured, almost 600,000 cubic meters of water flowed through the meters, but just over 636,000 was pumped through the system. The difference gives the water loss of around 36,000 cubic meters.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure real water losses on all drinking water systems. Real water loss is losses through leaks, meter inaccuracies or water theft, but excludes 'unauthorised consumption'.	Real water loss (on demand unmetered supply)	N/A
<b>Measurement method</b>	Known and recorded pumped volumes to scheme annually. Unknown consumption volumes. Thus we cannot measure real water losses to the scheme from the above criteria (unknown usage).	
<b>End of year performance</b>	Cannot be measured as we are unable to measure real water losses from unmetered on-demand supplies. The only on-demand unmetered supply is at Leithfield Beach. The installation of meters has commenced and will be completed before the end of the 2017/2018 year. This is later than programmed but interrupted due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure real water losses on all drinking water systems. Real water loss is losses through leaks, meter inaccuracies or water theft, but excludes 'unauthorised consumption'.	Real water loss (restricted supply to tanks)	N/A
<b>Measurement method</b>	Unknown consumption volumes (unmetered). Restricted water supply schemes have purchased units of water supplied daily through set water restrictors into private tank/reservoir, limiting the water supply quantity to the purchased amount only. However, the supply shuts off when the receiving tank is full, thus we remain unsure of the actual water consumed daily (unmetered).	
<b>End of year performance</b>	Cannot be measured. Unable to measure real water losses (restricted supply to tanks with unknown measure of actual usage per day). We have not yet identified a method to accurately measure real water losses on all water systems.	

### Fault median response time

Performance measure Description	Performance target issue	Performance target outcomes
Median time taken by service provider in responding to the customer's call for assistance. An urgent call-out is one that leads to complete loss of water supply.	Urgent call-outs for fault responsiveness*	2 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when an officer arrives at the site to investigate the complaint. The officer investigating will determine the call as urgent if there is reported complete loss of water to an on-demand scheme. The median time taken over an annual period will be used as the result.	
<b>End of year performance</b>	146 urgent customer requests were received for fault responsiveness. The median time taken to respond to customer service requests throughout a 24/7 period taken from the first action time was 5.10 hours. The response time between On Demand and Restricted water supplies differs however. The median time taken to respond to On Demand water schemes was 1.85 hours. This fast turnaround is due to the relative close proximity from the worker to the property where there is a problem. The work sites are in the townships where the On Demand schemes are located. This is a very good result and a very good responsive service to our customers. The median time taken to respond to Restricted water schemes is 5.52 hours. Restricted water schemes are in our rural communities and the response time is much greater due to the geographical scale of the district and water schemes as well as access issues. For example, Restricted water schemes cross different properties and to find a fault means following the pipelines. To do this, workers need to drive on and off properties looking for faults. At night time, this is particularly difficult and adds to the time to respond.	



Performance measure Description	Performance target issue	Performance target outcomes
Median time taken by service provider in remedying the customer's call for assistance. An urgent call-out is one that leads to complete loss of water supply.	Urgent call-outs for fault resolution*	12 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when an officer has resolved the complaint. The median time over an annual period will be used as the result for all determined urgent callouts.	
<b>End of year performance</b>	The median time to resolve the 146 urgent customer requests was 19.23 hours. As in the performance result above, the resolution time varies greatly between On Demand and Restricted water supplies. The median time to resolve On Demand water scheme problems was 2.02 hours. The median time to resolve Restricted water scheme problems was 22.31 hours. The resolution time was much greater than last year with a median of only 2.6 hours to resolve across all the water schemes. This is due to the earthquake impact.	

Performance measure Description	Performance target issue	Performance target outcomes
Median time taken by service provider in responding to the customer's call for assistance. A non-urgent call-out is for all other calls excluding 'urgent' descriptor.	Non-urgent callouts for fault responsiveness*	72 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when an officer arrives at the site to investigate the complaint. The officer investigating will determine the call as non-urgent if it relates to anything other than total water loss to an on-demand water scheme. The median time difference over an annual period will be used as the result.	
<b>End of year performance</b>	1,502 non-urgent customer call outs were received. The median time to respond to these call outs was 21.08 hours. This was an improved result on the previous year (26.5 hours) and in line with our commitment to deliver a high quality responsive service to our customers.	

Performance measure Description	Performance target issue	Performance target outcomes
Median time taken by service provider in remedying the customer's call for assistance. A non-urgent call-out is for all other calls excluding 'urgent' descriptor.	Non-urgent callouts for fault resolution*	120 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when an officer has resolved the complaint. The median time difference over an annual period will be used as the result for all determined non-urgent call-out CSRs.	
<b>End of year performance</b>	The median time to resolve the 1,502 non-urgent customer requests was 24.59 hours. Again, this is a substantial improvement on the previous year (42.2 hours) to resolve our customer service requests.	

## Customer satisfaction

Performance measure Description	Performance target issue	Performance target outcomes
Customer complaints received by service provider about the perception of the drinking water's clarity.	Drinking water clarity*	Zero
<b>Measurement method</b>	The measure is the annual total number of complaints logged into the CRS system relating to clarity issues in the drinking water that requires investigation for cause and resolution.	
<b>End of year performance</b>	31 customer service requests received relating to clarity. The primary cause of these requests was related to maintenance work carried out which involved flushing the water pipes. This can cause a release of sediment built up in the pipes. Pipe repairs can also introduce sediment from the surrounding area which then shows up in the water supply. Although still more complaints than desirable, this result is an improvement on last year (47 complaints). We will continue to work to resolve issues caused through maintenance.	

Performance measure Description	Performance target issue	Performance target outcomes
Customer complaints received by service provider about the perception of the drinking water's taste.	Drinking water taste*	Zero
<b>Measurement method</b>	The measure is the annual total number of complaints logged into the CRS system relating to taste concerns in the drinking water that requires investigation for cause and resolution.	
<b>End of year performance</b>	15 customer service requests were received relating to drinking water taste. The majority of these were related to the taste of chlorine in the water. Some people are more sensitive to chlorine which results in site visits to check the chlorine levels and assure our customers. This result is a marked improvement on last year (30 complaints).	

Performance measure Description	Performance target issue	Performance target outcomes
Customer complaints received by service provider about the perception of the drinking water's odour.	Drinking water odour*	Zero
<b>Measurement method</b>	The measure is the annual total number of complaints logged into the CRS system relating to odour concerns in the drinking water that requires investigation for cause and resolution.	
<b>End of year performance</b>	7 customer service requests were received relating to odour. The majority of these were related to the smell of chlorine in the water. Again, an improvement on the previous year (11 complaints).	

Performance measure Description	Performance target issue	Performance target outcomes
Customer complaints received by service provider about the perception of the drinking water's pressure or flow (i.e. less than the agreed levels of service).	Drinking water pressure or flow*	Zero
<b>Measurement method</b>	The measure is the annual total number of complaints logged into the CRS system relating to pressure or flow in the drinking water that requires investigation for cause and resolution.	
<b>End of year performance</b>	9 customer service requests received for pressure or flow related problems. Leaks and water stoppages were the main causes. This is an improved result on the previous year (31 complaints).	

Performance measure Description	Performance target issue	Performance target outcomes
Customer complaints received by service provider about the perception of the drinking water's continuity of supply (i.e. less than the agreed levels of service)	Continuity of drinking water supply*	Zero
<b>Measurement method</b>	The measure is the annual total number of complaints logged into the CRS system relating to continuity of water supply concerns that requires investigation for cause and resolution.	
<b>End of year performance</b>	138 customer service requests received for reported 'no water'. Blocked restrictors has been the primary cause which are then cleaned at the customers property. Maintenance is undertaken each year on a 4 yearly cycle to address this problem. In between the cycle, the supply point can become blocked. Filtration at the point of supply will resolve many of these issues, as will improvements to the fault repair methodology, preventing sediment entering the pipelines. Our improved maintenance programme is helping with the issue of no water with less complaints than last year (411).	

Performance measure Description	Performance target issue	Performance target outcomes
Understanding the customer's perception of the quality of the drinking water across a financial year, as provided by the service provider.	Issues in drinking water (re customer complaints above) expressed per 1000 connections to the network*	Zero
<b>Measurement method</b>	The measure is the total number of complaints received relating to clarity, taste, odour, pressure/flow and continuity of water supply is added together during the year and divided by the total number of water rated properties (divided by 1000), rounded to the nearest whole number.	
<b>End of year performance</b>	200 customer complaints were received during the year of the 7,596 total number of connections. This equates to 20 customers per 1,000 connections. Although below our ambitious target, we are on track to improve our record with better results than last year (530 complaints).	

## Demand management

Performance measure Description	Performance target issue	Performance target outcomes
Understanding the customer's daily consumption of drinking water across all on-demand drinking water schemes provided by the service provider.	Average consumption of drinking water per day per customer within service provider's district*	285 litres per person per day
<b>Measurement method</b>	The measure is the total amount of drinking water supplied in the year across all on-demand drinking water schemes, divided by the normal household population (census data), divided by 365 days and expressed as litres per person per day.	
<b>End of year performance</b>	The average consumption across all On Demand water schemes was 292 litres per person per day, slightly less than last year (298.44 litres). This is only the 2 <sup>nd</sup> year of recording this data and too soon to predict a trend.	

\* The November 2016 earthquake impacted on the accuracy of the recording of some of the performance measures. Please refer to the earthquake impact story on page 6.

# Sewerage Performance Measures

## System and adequacy

Performance measure Description	Performance target issue	Performance target outcomes
Measuring the number of sewage overflows to the environment resulting from system inadequacy under 'normal' operating circumstances.	Number of 'dry weather' sewage overflows from service provider's system expressed per 1000 connections to wastewater network*	Nil
<b>Measurement method</b>	Measured as the total number of 'dry weather' sewage overflow incidents (CSR system and officer observations) divided by the total number of wastewater rated properties connected to the various networks divided by 1000	
<b>End of year performance</b>	There were 12 dry weather sewerage overflows this year. This equated to 4 per 1000 connections. This is similar to last year when there were 13.	

## Discharge compliance

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various sewerage systems	Abatement notices	Nil
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. An abatement notice is a written direction requiring certain action to be taken or ceased issued under section 17 of the Resource Management Act.	
<b>End of year performance</b>	0 abatement notices.	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various sewerage systems	Infringement notices	Nil
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. Infringement notices and fines can be issued for failure to comply with an abatement notice.	
<b>End of year performance</b>	0 infringement notices.	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various sewerage systems	Enforcement notices	Nil
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. An Enforcement Order is an order made by the Environment Court that may require certain actions to be taken or ceased, or money to be paid, within a specified time.	
<b>End of year performance</b>	0 enforcement notices.	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various sewerage systems	Convictions	Nil
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. This measurement is as a result of successful prosecution outcomes only. Prosecutions are taken where there has been a significant contravention of the RMA (1991).	
<b>End of year performance</b>	0 convictions.	

## Fault response time

Performance measure Description	Performance target issue	Performance target outcomes
Time taken by service provider in responding to the customer's call for assistance.	Call-out attendance time period*	2 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred. The responses will be those as a result of blockages or mechanical or electrical faults. The median time taken will be used as the end of year result.	
<b>End of year performance</b>	15 customer requests were received taking a median of 1.18 hours to respond. This is a good outcome as the team have been working to ensure these problems are cleared quickly. Last year we received 26 urgent requests which took 2.4 hours (median) to respond.	

Performance measure Description	Performance target issue	Performance target outcomes
Time taken by service provider in remedying the customer's call for assistance.	Call-out resolution time period*	12 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when the fault has been resolved to the customers' satisfaction. The fault resolution will be those as a result of blockages or mechanical or electrical faults. The median time taken will be used as the end of year result.	
<b>End of year performance</b>	15 customer requests were received taking a median of 1.83 hours to resolve. This is a good outcome as the team have been responding quickly and making sure that the issues are removed as quickly as possible. Again this is a better result than last year when the 26 urgent requests took 2.8 hours each (median) to resolve.	

## Customer satisfaction

Performance measure Description	Performance target issue	Performance target outcomes
Total number of customer complaints received about sewage odour	Sewage odour*	Nil
<b>Measurement method</b>	Customer complaints relating to sewage odour from the sewerage network is logged as a CSR for investigation re the cause and resolution. This is tallied and reported at the end of the year as total number of complaints received relating to sewage odour.	
<b>End of year performance</b>	0 complaints were received. This is an improvement on the previous year when 6 complaints were logged.	

Performance measure Description	Performance target issue	Performance target outcomes
Total number of customer complaints received about sewerage mechanical/electrical system faults	Sewerage mechanical/electrical faults*	Nil
<b>Measurement method</b>	Customer complaints relating to sewerage mechanical or electrical faults causing service disruption on the sewerage network is logged as a CSR for investigation re the cause and resolution. This is tallied and reported at the end of the year as total number of complaints received relating to service disruption as a result of mechanical or electrical faults.	
<b>End of year performance</b>	2 customer complaints were received both causing an overflow. They were each quickly dealt taking only 1 hour for the first and within 3 hours for the second. Slight improvement on last year when there were 3 mechanical faults.	

Performance measure Description	Performance target issue	Performance target outcomes
Total number of customer complaints received about sewerage blockages	Sewerage system blockages*	Nil
<b>Measurement method</b>	Customer complaints relating to sewer blockage causing service disruption on the sewerage network is logged as a CSR for investigation re the cause and resolution. This is tallied and reported at the end of the year as total number of complaints received relating to service disruption as a result of sewer blockages.	
<b>End of year performance</b>	19 customer complaints were received about sewer blockages. Although higher than the 12 blockages in the previous year, the main reason was due to system obstructions caused by our proactive maintenance routines. The success of this proactive maintenance has meant the systems are freer flowing, meaning less issues will be seen in the future. This is higher than last years 18 complaints but there were 300 connections less than this year.	

Performance measure Description	Performance target issue	Performance target outcomes
Total number of customer complaints received about poor service provider response to sewage issues	Poor service provider response*	Nil
<b>Measurement method</b>	Customer complaints relating to poor service provider response to sewer issues is logged as a CSR for investigation and resolution. This is tallied and reported at the end of the year as total number of complaints received relating to poor service provider response to sewage issues.	
<b>End of year performance</b>	0 complaints.	

<b>Performance measure Description</b>	<b>Performance target issue</b>	<b>Performance target outcomes</b>
Understanding the customer's perception of the quality of the sewerage services across a financial year, as provided by the service provider.	Issues in sewerage services (customer satisfaction measures) expressed per 1000 connections to the sewer network*	Nil
<b>Measurement method</b>	Measure of total number of customer complaints relating to sewage service provided expressed per 1000 connections (wastewater rated properties) to the sewerage network for odour, mechanical/electrical faults and blockages.	
<b>End of year performance</b>	21 customer complaints were received from a total of 3,307 connections. This equates to 6 complaints per every 1000 connections. This is higher than the 18 complaints last year but there were also 300 connections less then.	

\* The November 2016 earthquake impacted on the accuracy of the recording of some of the performance measures. Please refer to the earthquake impact story on page 6.



# Stormwater and Drainage Performance Measures

## System and adequacy

Performance measure Description	Performance target issue	Performance target outcomes
Measure the number of flooding events that occurs through a financial year, with a flooding event being an overflow from a service provider maintained stormwater system that enters a habitable floor.	Reported flooding events*	Zero
<b>Measurement method</b>	Flooding events will be recorded separately, where 1 or more habitable floors are affected (observed or reported to the service provider).	
<b>End of year performance</b>	0 flooding events affecting habitable floors.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure the number of habitable floors that are affected through each flood event, per 1000 properties paying targeted rates for the maintenance of this stormwater system.	Habitable floors affected per flooding event	Zero
<b>Measurement method</b>	Known and reported flooded habitable floors will be captured on the CSR system for end of year reporting.	
<b>End of year performance</b>	0 habitable floors affected per flooding event.	

## Discharge compliance

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various stormwater systems.	Abatement Notices	Zero
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. An abatement notice is a written direction requiring certain action to be taken or ceased issued under section 17 of the Resource Management Act.	
<b>End of year performance</b>	0 abatement notices.	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various stormwater systems.	Infringement Notices	Zero
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. Infringement notices and fines can be issued for failure to comply with an abatement notice.	
<b>End of year performance</b>	0 infringement notices	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various stormwater systems.	Enforcement Notices	Zero
<b>Measurement method</b>	As logged from consent monitoring reports from ECan. An Enforcement Notice is an order made by the Environment Court that may require certain actions to be taken or ceased, or money to be paid, within a specified time.	
<b>End of year performance</b>	0 enforcement notices.	

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of service provider's compliance with the numerous resource consent conditions for discharge from the various stormwater systems.	Convictions	Zero
<b>Measurement method</b>	The measure will be a tally of all successful prosecutions against the Council for resource consent noncompliance. Environment Canterbury undertakes prosecutions where there has been a significant contravention of the Resource Management Act.	
<b>End of year performance</b>	0 convictions.	

## Response time

Performance measure Description	Performance target issue	Performance target outcomes
Measured median response time period taken by service provider official to attend to a floor-flood event complaint from a customer.	Median call-out attendance time*	< 2 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a service provider attended a to a floor-flood event complaint. The median time taken will be used as the end of year result.	
<b>End of year performance</b>	0 floor flood complaints.	

## Customer satisfaction

Performance measure Description	Performance target issue	Performance target outcomes
Measured as the total number of complaints received for poor performance of all service provider maintained stormwater systems (over the financial year), per 1000 properties paying targeted rates for maintenance of all service provider maintained stormwater systems across the district.	Complaints received*	Zero
<b>Measurement method</b>	The CSR system will be used to tally all poor performance complaints about stormwater systems logged in the CSR system annually.	
<b>End of year performance</b>	18 complaints were received which equates to 4 per 1,000 properties paying targeted rates. This is less than the 29 complaints received last year. The majority of complaints related to potential blockages in open drainage channels and surface flooding (non-habitable) during heavy rain events. More emphasis is being given to managing our stormwater systems proactively in recent years than previously. We expect to still receive complaints in coming years, but for them to progressively reduce (pending the severity of rain events).	

\* The November 2016 earthquake impacted on the accuracy of the recording of some of the performance measures. Please refer to the earthquake impact story on page 6.

# Roads and Footpaths Performance Measures

## Road Safety

Performance measure Description	Performance target issue	Performance target outcomes
Measure of fatalities on local roads assessed by NZ Police as being attributable to poor or negligent road maintenance outcomes.	Fatalities	Nil
<b>Measurement method</b>	Measured by statistics provided by NZTA (Crash Accident Statistics data) for Hurunui's local roads, linked to NZ Police reports of 'findings of investigation - most likely cause of accident'.	
<b>End of year performance</b>	Unfortunately, 2 fatalities occurred on local roads which at the time were not under the Council's management. Ordinarily both Hawkswood Road and Inland Road are controlled by the Council but due to the November Earthquake and the damage to SH1, these roads were under national control at the time as they became vital alternative routes to SH1.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of serious injuries on local roads assessed by NZ Police as being attributable to poor or negligent road maintenance outcomes.	Serious crashes	Nil
<b>Measurement method</b>	Measured by statistics provided by NZTA (Crash Accident Statistics data) for Hurunui's local roads, linked to NZ Police reports of 'findings of investigation - most likely cause of accident'.	
<b>End of year performance</b>	0 serious accidents were attributed to poor or negligent road maintenance outcomes by NZ Police.	

## Condition of sealed road network

Performance measure Description	Performance target issue	Performance target outcomes
Smooth Travel Exposure (STE). The proportion of vehicle kilometres travelled (VKT) in a year that occurs on 'smooth' sealed roads, this indicates the ride quality experienced by the motorist.	Smooth Travel Exposure	Better than the national average for all rural roads nationally
<b>Measurement method</b>	Captured from the collated data on the NZTA web site, specifically: <a href="http://www.nzta.govt.nz/resources/road-network-trends/index.html">http://www.nzta.govt.nz/resources/road-network-trends/index.html</a> .	
<b>End of year performance</b>	This is measured annually. The Smooth Travel Exposure for Hurunui's rural roads in 2016/2017 was 98% - this compares with 99% for 2015/16. Better than the national average for rural roads for that period. A higher value is better which demonstrates that the rural roads in the Hurunui district are doing comparatively better than those nationally. (Historically, council undertook a road roughness survey on 10% of the asset stock as indicative of the other 90% not surveyed. The level of prediction accuracy was considered very low. To improve this, council opted to undertake 20% assessment of the road asset stock, but to keep the costs the same, did it only every two years. The annual condition rating change has historically been so slight, that extending it to every two years is not considered a risk. This approach was encouraged by NZTA).	

## Maintenance of sealed road network

Performance measure Description	Performance target issue	Performance target outcomes
Measured as the percentage of sealed roads resealed each financial year.	% of sealed roads resealed annually*	Greater than 5%
<b>Measurement method</b>	The total numbers of square metres of roads resealed are divided by the total square metres of sealed road asset, for that year expressed as a percentage.	
<b>End of year performance</b>	<p>3.5% of local roads were resealed (5.5% last year). This result is lower than the target because a significant portion of planned work was disrupted due to the earthquake (particularly Rotherham North and South roads). The amount of resealing to be done in coming years will be reassessed during the Council's next long term plan review.</p> <p>Note that although significant portions of the Inland Road have been resealed, this has not been included in this result. The resealing was due to the November earthquake and done through national funding and national control rather than the Council. The amount of resealing is unknown at this stage.</p>	

## Condition of unsealed road network

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of potholes that occurs on unsealed roads that indicates the ride quality experienced by the motorist.	Potholes no more than 70mm deep and 300mm diameter*	0%
<b>Measurement method</b>	Monthly audit of contractor's performance.	
<b>End of year performance</b>	0% potholes more than 70mm deep and 300mm diameter were located in the audited areas during the year.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of corrugations that occurs on unsealed roads that indicates the ride quality experienced by the motorist.	Corrugations do not exceed 70mm in depth*	0%
<b>Measurement method</b>	Monthly audit of contractor's performance.	
<b>End of year performance</b>	0% corrugations exceeded 70mm in depth in the audited areas.	

## Condition of footpaths within local road network

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of footpaths that meets the LoS standard for tripping hazards (as captured in the relevant document) measured in across the whole district.	% footpaths with tripping hazards >20mm high	0%
<b>Measurement method</b>	The targeted 'audited section' (20%) will be taken as representative of the entire network of footpaths across the district, with the 20% audit section changing every year over five years (ensuring full audit every 5 years).	
<b>End of year performance</b>	4.09% of the entire district's footpaths contain trip hazards over 20mm high. This was calculated from a district wide assessment carried out in 2016. Work will be undertaken to repair the footpaths from 2017 but may take up to 3 years due to the high costs and ratepayer affordability. This is the first year we have had this information due to an extensive survey undertaken, and can now plan to improve the condition of the district's footpaths.	

Performance measure Description	Performance target issue	Performance target outcomes
The length of urban roads without at least a footpath on one side of the road.	Reduce the length of urban roads with no footpath, as a percentage of the total urban road network	Actual %
<b>Measurement method</b>	RAMM Report.	
<b>End of year performance</b>	31% of urban roads are without at least a footpath on one side of the road. This is largely unchanged from previous years since the cost to remediate the trip hazards has prohibited further build works.	

## Response to Service Requests

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Potholes, in all sealed roads, assessed to be greater than 40mm deep will be filled within 1 week*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	82% of pot hole customer service requests have been filled within 1 week in line with our target. This is lower than the previous year (100%) due to the disruption in service due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Corrugations in metal (unsealed) roads greater than 40mm deep will be removed within 2 weeks*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	97% of customer service requests relating to corrugations were removed within 2 weeks in line with our target. This is a very good result given the disruption due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Blocked culvert inlets and outlets are to be cleared within 2 weeks*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	96% of service requests have been responded to within the timeframes specified. This is an excellent result given the disruption due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Bridge structural component damage is to be made safe within two days*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	100%. No structural component damage (as opposed to routine maintenance) was recorded for the period. 100% of routine maintenance service requests have been responded to during the year.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Service requests regarding flooding on roads in rainfall events will be assessed within 24 hours*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	88% of flooding customer service requests were assessed within 24 hours in line with our target. The result appears lower than the actual reality due to delays in recording completed works by our roading contractors into the CSR system.	

Performance measure Description	Performance target issue	Performance target outcomes
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract.	Trip hazards on footpath pavements, greater than 20mm in height, are to be corrected within 4 weeks*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	94% of customer service requests have been responded to within the time frames specified. A slightly lower result than last year.	

<b>Performance measure Description</b>	<b>Performance target issue</b>	<b>Performance target outcomes</b>
The percentage of customer service requests relating to roads and footpaths to which the service provider responds within the time frames specified in the AMP and the Road Maintenance Contract..	Any damage to Regulatory Signs will result in them being fixed or replaced within 48 hours*	100%
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when a response occurred.	
<b>End of year performance</b>	41% of customer service requests relating to signs were fixed, replaced or instated within 48 hours as per our target. Only 7 of the reported requests were actually related to damage or maintenance. Other requests were investigative or new sign installation requests. In reality, most requests have been dealt to quickly but delays in recording information into the CSR system from the roading contractors show a lesser result.	

\* The November 2016 earthquake impacted on the accuracy of the recording of some of the performance measures. Please refer to the earthquake impact story on page 6.



# Public Services Performance Measures

## Public services in the Hurunui District

Performance measure Description	Performance target issue	Performance target outcomes
Measure of our residents' satisfaction with our public services.	Customer satisfaction – library *	Maintained or improved
<b>Measurement method</b>	Annual resident satisfaction survey.	
<b>End of year performance</b>	The Council did not undertake a resident satisfaction survey this year due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of our residents' satisfaction with our public services.	Customer satisfaction – waste minimisation *	Maintained or improved
<b>Measurement method</b>	Annual resident satisfaction survey.	
<b>End of year performance</b>	The Council did not undertake a resident satisfaction survey this year due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of our residents' satisfaction with our public services.	Customer satisfaction – property (halls and public toilets) *	Maintained or improved
<b>Measurement method</b>	Annual resident satisfaction survey.	
<b>End of year performance</b>	The Council did not undertake a resident satisfaction survey this year due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of our residents' satisfaction with our public services.	Customer satisfaction – reserves and cemeteries *	Maintained or improved
<b>Measurement method</b>	Annual resident satisfaction survey.	
<b>End of year performance</b>	The Council did not undertake a resident satisfaction survey this year due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of our residents' satisfaction with our public services.	Customer satisfaction – emergency services *	Maintained or improved
<b>Measurement method</b>	Annual resident satisfaction survey.	
<b>End of year performance</b>	The Council did not undertake a resident satisfaction survey this year due to the earthquake.	

Performance measure Description	Performance target issue	Performance target outcomes
Measure the usage of the library service by our residents as a percentage of the District's population.	Membership numbers	No less than 50% of the District's population
<b>Measurement method</b>	Library management system (Kotui).	
<b>End of year performance</b>	Library membership is consistent with other years with approximately 69% of the Hurunui population.	

## Residual waste disposed to the landfill

Performance measure Description	Performance target issue	Performance target outcomes
Residents are recycling more and reducing their residual waste.	Residual waste to landfill	Reduces each year per capita
<b>Measurement method</b>	The Kate Valley Landfill weighs all waste deposited at the Landfill and notifies the Council of the amount. This is the measure to be used for waste to landfill where waste collection services are used.	
<b>End of year performance</b>	Waste to landfill has increased over the past year due to the increase in waste at the Amberley transfer station from commercial operators (skip companies and contractors) and the volumes of earthquake waste. On a per capita basis, this averaged 285kg. The total to landfill was 3,557 tonnes of waste compared to 3,042 tonnes last year. We expect to see a continued increase in waste in the coming year as more demolition material is brought into the transfer stations.	

Performance measure Description	Performance target issue	Performance target outcomes
Residents are recycling more and reducing their residual waste.	Recycling	Increases each year per property
<b>Measurement method</b>	Our contracted recycling operators report on the weight of recyclables taken to Christchurch for recycling. This is the measure to be used for recycling per property where recycling services are provided.	
<b>End of year performance</b>	Recycling levels was lower than last year. On a per property basis, recycling averaged 113kg with 1,422 tonnes of recycling in total for year. This was similar to last year. We expected to see a rise in recycling and am unsure why it has stabilized after seeing increases in previous years. We will review our education programme for the coming year.	

\* The November 2016 earthquake impacted on the accuracy of the recording of some of the performance measures. Please refer to the earthquake impact story on page 6.

# Regulatory Performance Measures

## Process consent applications

Performance measure Description	Performance target issue	Performance target outcomes
All consent applications are processed within the statutory timeframes.	Building consents	Within 20 working days
<b>Measurement method</b>	Council's data base (NCS)	
<b>End of year performance</b>	446 building consents were processed during the year (379 the year before) with 95% of those processed within 20 working days. The 20 consents that were outside the 20 days were mainly due to the earthquake. The delay in processing due to the earthquake response and lack of available staff and the 40% increase in building consent applications after the earthquake and staffing being inadequate for the demand. Additional temporary staff have now been added to the team to help with the increased demand.	

Performance measure Description	Performance target issue	Performance target outcomes
All consent applications are processed within the statutory timeframes.	Resources consents (non-notified)	Within 20 working days
<b>Measurement method</b>	Council's data base (NCS)	
<b>End of year performance</b>	154 resource consents were processed during the year (compared with 128 last year). 96% were processed within our target of 20 working days. 6 consents took longer due to our inability to process on time during the initial weeks after the earthquake, and then meet the demand afterwards. We have increased our staffing to meeting the new demands created after the earthquakes and do not expect further processing delays.	

## Compliance with the Fencing of Swimming Pools Act

Performance measure Description	Performance target issue	Performance target outcomes
Inspect swimming pools for compliance with safety standards.	Compliance inspections	30% of known swimming pools
<b>Measurement method</b>	Council's data base (NCS)	
<b>End of year performance</b>	There are 318 known swimming pools in the district. 119 pools (37%) were inspected over the 2016 -2017 summer season. Only one of those pools remains non-compliant. Our intent is to inspect all pools in the district over a 3 year cycle. Some are checked more frequently if there is a concern about safety or the owner requests an inspection. The number of pools changes each year as we gather new information about new pools built and some removed. Last year there were 353 known pools in the district – 35 more than this year.	

## Compliance with food and liquor legislation and health standards

Performance measure Description	Performance target issue	Performance target outcomes
Inspect food and liquor outlets so they do not pose risks to the public.	Compliance inspections	100% of licensed food premises
<b>Measurement method</b>	Council's data base (NCS)	
<b>End of year performance</b>	We achieved our target of inspecting all of the district's 136 food premise inspections over the year. (Last year there were 140 premises.) However, the total of registered licenced food premises reached 137 at the end of June 2017. The last food premises was not inspected as it had not actually started trading at that time. The results of the inspections were that 100 were rated as satisfactory and 35 had minor non-compliance issues, with only one having serious non-compliance issue. This issue has since been resolved. Not all of the minor issues are resolved. Some will not be rechecked until their next annual audit as they do not relate to food safety.	

Performance measure Description	Performance target issue	Performance target outcomes
Inspect food and liquor outlets so they do not pose risks to the public.	Compliance inspections	100% of 'on licence' liquor premises
<b>Measurement method</b>	Council's data base (NCS)	
<b>End of year performance</b>	All 52 of our registered on licence liquor premises were inspected during the year. (54 liquor premises registered last year.) One on-licence premises failed a controlled purchase audit due to selling alcohol to a minor in December 2016 which resulted in a 3 day suspension of the licence. During this audit, an off licence premises also sold alcohol to a minor and received a 7 day suspension of the licence. Minor non-compliance issues noted during monitoring visits with Police and Public Health were addressed with duty managers at the time of the visits. Other issues have been addressed with licensees at the time of renewals of their licences. Two hotel premises sustained significant earthquake damage in November 2016. One has re-opened under a temporary licence on a temporary building on site and the other remains closed.	

## Dog and stock complaints

Performance measure Description	Performance target issue	Performance target outcomes
Respond to complaints about animals causing danger or nuisance.	Dog biting	100% within 24 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when the Animal Contractor responded.	
<b>End of year performance</b>	Of the 5,473 dogs registered in the district, we received 32 complaints about aggressive dog behaviour. A total of 592 complaints were received through the year and all were responded to within 24 hours. Most of those complaints are about lost or found dogs. The number of registered dogs has increased from the 5,348 dogs on our register last year. We do not know the reason but presume this is due to new residents in the Hurunui. The number of complaints about dogs increased directly after the earthquake compared to last year. In the month from the earthquake, we had a total of 68 complaints compared to 41 for the same period the year before.	

<b>Performance measure Description</b>	<b>Performance target issue</b>	<b>Performance target outcomes</b>
Respond to complaints about animals causing danger or nuisance.	Wandering stock	100% within 24 hours
<b>Measurement method</b>	The CSR system will be used to measure the time from when the customer's call was first received and when the Animal Contractor responded.	
<b>End of year performance</b>	71 customer service requests were received for wandering stock (less than the 81 complaints last year). It is practice for all of these complaints to be referred to one of our contracted staff immediately (irrespective of the time of day of the complaint). All were responded to within the target of 24 hours which is consistent with previous years.	

# HSTP&S Performance Measures

## Local, national and international visitors

Performance measure Description	Performance target issue	Performance target outcomes
Measure of the numbers of customers to the thermal pools and spa, and their satisfaction ratings.	Customer satisfaction	Maintained or improved
<b>Measurement method</b>	Annual customer satisfaction survey.	
<b>End of year performance</b>	<p>Our key index is the net promoter score which rates how highly a customer would unprompted promote our business. A score over 50 is seen in the industry as exceptional. Our score was 56.</p> <p>Customer satisfaction ratings as follows:            93% agree the complex is clean and tidy            98% agree that our lifeguard supervision is adequate            98% agree that pool temperatures are adequate            97% agree that our staff are friendly and professional.</p>	

Performance measure Description	Performance target issue	Performance target outcomes
Measure of the numbers of customers to the thermal pools and spa, and their satisfaction ratings.	Customer numbers	Maintained or more than the annual projected growth
<b>Measurement method</b>	The total number of customers as per the HSTPS electronic records.	
<b>End of year performance</b>	Customer numbers slightly increased. 534,000 in 2016/17 compared with 528,967 in 2015/16. This was below the target of 2% increase due to the earthquake impact.	

## Profitability of the thermal pools and spa complex

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of results compared to the Council approved business plan.	Profit	Better than or in line with profit budget.
<b>Measurement method</b>	As recorded in the Council's financial accounting system (NCS).	
<b>End of year performance</b>	Profit for the year for the Hanmer Springs Thermal Pools and Spa was \$1,882,344 (after depreciation and internal interest). This is 4% down on budget for the year but 8% up on the previous year.	

# Appendix 2 - Auditor's report

## Independent Auditor's Report

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

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

The earthquake which occurred on 14 November 2016 caused damage to a number of the District Council's assets. It also affected the District Council's delivery and management of its services, particularly in the period immediately after the earthquake.

Because of the effects of the earthquake it has been difficult for the District Council to prepare financial statements and performance information that comply with generally accepted accounting practice and legislation. These difficulties include determining the full extent of the damage arising from the earthquakes, distinguishing between capital and operating expenditure when repairing that damage, and reporting complete and accurate performance information.

These matters, which have limited our audit, are explained in more detail in the *Basis for our qualified opinion* section below.

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 23 November 2017. This is the date on which we give our report.

### ***Qualified opinion on the audited information - Our work was limited due to the effects of the earthquake***

In our opinion, except for the matters described in the *Basis for our qualified opinion on the audited information* section of our report:

- the financial statements on pages 36 to 89:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2017;

- the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards;
- the funding impact statement on page 91, 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 Council Activities Statements on pages 6 to 34 and Performance Measures on pages 117 to 142:
  - present fairly, in all material respects, the 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
  - comply with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 92 to 100, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 92 to 100, 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.

## **Basis for our qualified opinion on the audited information**

The District Council has included disclosure about the effects of the earthquake on its operations and assets, including how it has accounted for the damage and repair expenditure on page 36.

The District Council has been unable to determine the full extent of the damage caused by the earthquake. For much of its expenditure on earthquake recovery, the District Council has also been unable to reliably determine the appropriate classification between capital and operating expenditure. The disruption to its normal management processes in the immediate aftermath of the earthquakes means it is unable to reliably report its performance for the year for a number of the performance measures in its Long-Term Plan. As a result of these matters, our audit was limited as set out below.

### **Limitations in scope with respect to the financial statements**

#### ***Determining the extent of damage to property, plant and equipment***

There is significant uncertainty about the extent of the damage to the District Council's roading, stormwater, water supply, and sewerage assets (collectively referred to as the "damaged



assets”). Although the District Council has estimated amounts for impairment and asset write-offs using the best information available, it is still determining the extent of damage to these assets. As a result, we were unable to obtain sufficient audit evidence to support:

- the impairment amount recognised within other comprehensive revenue and expense in the statement of comprehensive revenue and expense and set out in Note 15;
- the total comprehensive revenue and expense for the year recognised in the statement of changes in equity and set out in Note 30;
- the carrying value of the damaged assets in the statement of financial position as at 30 June 2017 and set out in Note 15; and
- the associated depreciation charge on the damaged assets for the year ended 30 June 2017 recognised in the statement of comprehensive revenue and expense and set out in Note 17.

### ***Distinguishing between capital and operating when repairing the damage***

The District Council has incurred significant costs to repair Property, Plant and Equipment after the earthquake. Due to the circumstances and nature of the repair work undertaken, the District Council has not been able to reliably analyse all of this expenditure as either capital or operating in nature.

The District Council has recognised \$22.3 million as an operating expense within the statement of comprehensive revenue and expense, and \$5.6 million as capital expenditure within the statement of financial position. We were unable to obtain sufficient audit evidence that repair expenditure has been accurately classified.

In addition, we were unable to obtain sufficient appropriate audit evidence about the classification of the repair costs as either operating or investing cash flows in the statement of cash flows.

The limitations in scope described above also affect the District Council's Funding Impact Statements and the statements about each group of activities, to the extent that these statements are compiled based on the classification of revenue and expenditure streams within the District Council's financial statements. This includes the new "Earthquake recovery" activity established following the November 2016 earthquake.

### **Limitations in scope with respect to the performance information**

#### ***Reporting complete and accurate performance information***

In Appendix 1 – Performance measures on page 117, and in Impact on our Performance for the Year on page 10, the District Council explains the challenges and circumstances that it has had to deal with this year in preparing the performance information.

In Appendix 1 – Performance measures, the District Council reports against a number of complaints and service request-related performance measures included in its Long-Term Plan to demonstrate levels of service. The District Council relies on data from its Customer Request Management system for reporting on these 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.

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 qualified opinion on the audited information.

## **Recognition of insurance proceeds**

We draw your attention to the disclosure in Note 23 on page 74, which explains the status of District Council's insurance claims and entitlement to government subsidies and the uncertainties associated with estimating these amounts. Our opinion is not modified in respect of this matter.

## **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

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 and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the District Council.
- We determine the appropriateness of the reported intended levels of service in the District Council's Council Activities Statement, 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 District Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on the disclosure requirements**

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 its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 103 to 108, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

In reporting this, we highlight that the benchmark results and Schedule 10 disclosures for 2017 are compiled using figures from the audited financial statements. As described in the *Basis for our qualified opinion on the audited information* section of our report, our audit scope was limited, due to the effect of the November 2016 earthquake. Some of the benchmark results are based on information over which we have qualified our audit opinion.

## **Other Information**

The District Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 4, 101 and 111 to 115, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have audited and completed an assurance report to the District Council's debenture trustee. This engagement is compatible with independence requirements.

Other than this audit and the other engagements, we have no relationship with or interests in, the District Council or any of its subsidiaries.



Bede Kearney  
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