



ANNUAL REPORT SUMMARY 2016/17

Welcome to the Gore District Council's Annual Report summary for the 2016/17 financial year. Please note it is important to read the full Annual Report to get a complete picture of our performance. You can download the report from our website www.goredc.govt.nz or pick up a copy from our main office, in Gore.



**RURAL
CITY
LIVING**

MAYORAL AND EXECUTIVE FOREWORD

We are pleased to be able to provide a brief commentary on some of the more notable achievements and progress of the key projects that occurred during the 2016/17 financial year. A full commentary and disclosure of the Council's financial and non-financial performance in the year under review can be found in the full Annual Report.

Some of the key milestones and issues during the year are:



Financial Performance

The financial statements record an accounting surplus of \$658,000, which compares favourably to the forecasted deficit of \$312,000. It needs to be emphasised the surplus is due to accounting treatment as opposed to a cash windfall. A prime contributor to this accounting surplus has been the increase in value in the Council's interest rate swaps. The maturity profile of the swaps has reduced and the prevailing floating rates have risen, which has resulted in an upward movement in the value of the swaps. The increase in value in the interest rate swaps represents \$368,000.

Another factor in a surplus being achieved has been an increase in revenue attributable principally to

contributions paid by Mataura Valley Milk Ltd for the design and construction of a dedicated industrial wastewater treatment hub. These recoveries amount to \$522,000 which are included on the financial statements as other revenue. Other revenue is \$401,000 more than budget.

If these extraordinary features were removed from the final result, the Council would have recorded a deficit of \$232,000 compared to a budgeted deficit of \$312,000. This represents a positive variance of \$80,000, which suggests the Council has performed very closely in line with budgetary expectations.

Wastewater

Two major wastewater projects were progressed during the year. As reported last year, a contract was let for the desludging of the Gore oxidation ponds. The project has proved to be somewhat more challenging than originally envisaged, due to the volume of sludge being almost twice as high as estimates conducted in 2008. Therefore efforts have been made by the contractor to develop a secondary drying plant for the sludge in order to reduce the final volume to be disposed of to a landfill. The development of a secondary drying plant has contributed to about nine months of delays, which means the desludging process will not be completed until early 2018.

During the year under review the Council was finally able to make meaningful progress on the upgrade of the Ajax pump station, which is essential to relieve wastewater and stormwater capacity issues afflicting west Gore. Following protracted negotiations and ultimately a resolution with a landowner for a pipeline easement through land, a rising main from the pump station to the oxidation ponds was installed. The new pump station itself, together with a gravity main feeding the upgrade, the facility is due for commissioning in February 2018.



Water

One of the key infrastructural projects scheduled in the Long Term Plan was upgrading the water treatment process within the Hilbre Avenue treatment plant to remove the presence of manganese in the water supply. We set aside \$1.6 million for this project. However, asset management staff identified a contracting company in Australia, which specialises in flushing water reticulation networks to remove the build-up of manganese from the water mains. Consequently, the Council opted to engage the company and have the Gore and Matura water supply systems fully flushed. The work proved very successful with manganese and other impurities removed from the network. The quality of the water in the network will be monitored over the coming years to determine an appropriate timeframe to repeat the flushing process. This will avoid the need for

the investment of \$1.6 million to upgrade the Council's treatment process.

In a similar vein, the proposed upgrade of the Council's water treatment plants to make them fully compliant with the New Zealand Drinking Water Standards was also subject to a critical review. This review was due to the Council staff wanting to make sure the strategy for the upgrade reflected the latest treatment technologies available, together with ensuring the most optimised usage of the three treatment plants in the Gore and Matura urban water networks. This has necessitated a peer review of current thinking. The Council expects this to be finalised by the end of the 2017 calendar year. Given the sizeable level of capital expenditure involved, the Council wishes to take a cautious approach to ensure these funds are expended judiciously.

Roading

Ongoing frustrations and disappointment in the level of service provided by our long term roading maintenance contractor culminated in a mutual decision between the Council and the contractor, to initiate early termination of the contract. This contract with Downer concluded on 28 February 2017. This in turn led to an extensive review by the Council on the type of contract that should be put in place to service the needs of residents and ratepayers adequately.

Consequently, it was decided to move away from a performance specified maintenance contract where a high degree of control and trust is placed with the contractor. The Council wished to have more control in

its ability to specify what is required and therefore a new contracting approach, which embraces this objective, was instigated in the latter half of the year under review.

At the time of writing it was pleasing to be able to report the interim road maintenance contract put in place following the exit of the main contractor, worked satisfactorily for a six month period. It is proposed that the new network maintenance contract will be finalised by early October 2017.



Tracy Hicks - Mayor



Stephen Parry - Chief Executive

Economic Development

A large part of the previous 12 months has revolved around planning economic growth arising from the new \$240 million purpose-built nutritional plant being developed by Mataura Valley Milk Ltd. The Council's direct involvement in this plant has included being responsible for the design, construction and ultimately operation of an industrial wastewater treatment hub being sited on the Council's land adjacent to the oxidation ponds at south Gore. Funding for this infrastructure is the responsibility of Mataura Valley Milk Ltd. This is a technically challenging project, which has to be delivered on time to coincide with the commissioning of the new infant formula plant.

With the influx of people expected to be employed at the new plant, the Council has also opted to take a hands-on approach to facilitating orderly residential development. Accordingly, in light of the absence of experienced developers within the Gore District the Council decided to purchase a block of land in East Gore with a view to developing it for residential sections. This decision was made to ensure new people coming to the District had a selection of reasonably priced sections to purchase so new homes can be built within Gore's town boundary.

The Council was mindful and concerned about trends emerging that suggested people new to the District were looking to live elsewhere due to the aged housing stock in the towns and a lack of suitable sections for purchase. Progress with the proposed development of the East Gore block of land, which has been monitored by the Council's District Growth Committee, can be expected to be profiled in the next annual report.


A handwritten signature in black ink, appearing to be 'TH'.

Tracy Hicks (JP)
Mayor

A handwritten signature in black ink, appearing to be 'SP'.

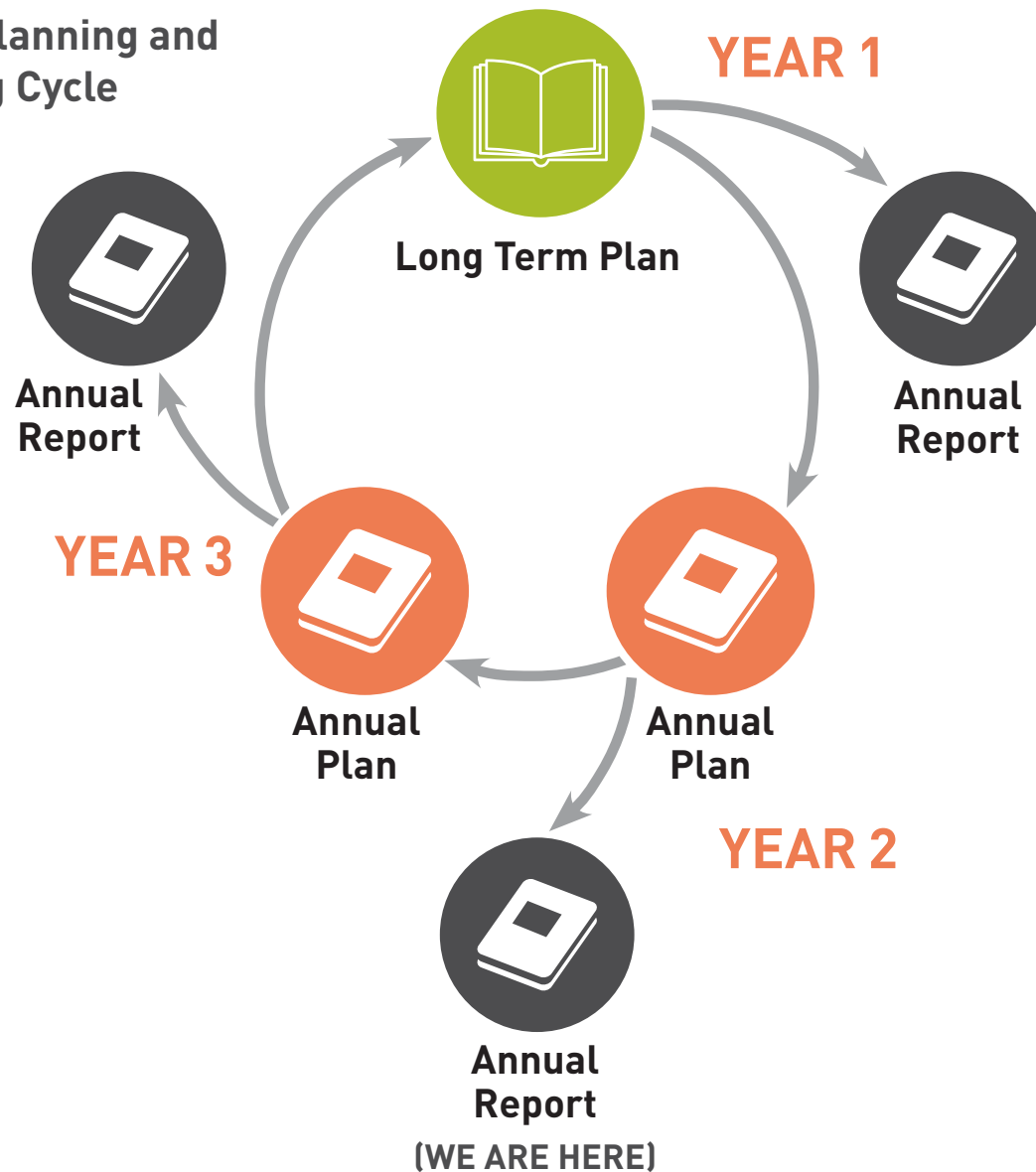
Stephen Parry
Chief Executive



 **84%** agreed there is a great sense of community where they live.

ABOUT THE ANNUAL REPORT

Council Planning and Reporting Cycle



What is an Annual Report?

As the name suggests, we produce an Annual Report every year. It is the document that lets you know if we are doing what we said we would in the Long Term Plan (LTP) and Annual Plan.

We let you know the key decisions we made, our financial performance and if we met our levels of service measures.

This year's Annual Report covers the second year of our LTP 2015-25, which is the period from 1 July 2016 to 30 June 2017.

What are Long Term Plans and Annual Plans?

Every three years we develop a Long Term Plan (LTP) in consultation with the community. It sets our direction, budgets and work plans for the following 10 years. The LTP is our lead document. In the two years between adopting an LTP, we develop Annual Plans, also in consultation with the community. These are essentially an update to what was agreed to through the LTP, highlighting any changes to budgets and projects.

HOW THE COUNCIL PERFORMED

Each year we carry out a residents' survey to find out what people think about the services we offer, how you like to keep in touch with us, and what you think about the Council's performance and the Gore District. In our 2017 survey we included questions about economic development and planning. With 52% of people saying they want the Council to do more to assist economic development re-enforces our decision to dedicate more resources in this area.



In the survey you told us we continue to do a good job ensuring we have outstanding recreational facilities, and parks and reserves with



 **99%**

satisfied with sports grounds



 **97%**

satisfied with Gore Aquatic Centre



 **97%**

satisfied with parks and reserves

In the survey you told us customer service at our library and visitor centre is outstanding with:



 **100%**

satisfied with Gore Library



 **99%**

satisfied with Gore Visitor Centre



 **98%**

satisfied with Eastern Southland Gallery



 **98%**

satisfied with Hokonui Moonshine Museum



Wastewater was one area where there continued to be a slight decline in satisfaction, while satisfaction with our stormwater services remained steady. Fixing or clearing drains and gutters, and surface flooding remained some of the hot topics. We continue to work on improving our infrastructure in both these areas with the desludging of the oxidation ponds and upgrade of the Ajax pump station, which will relieve wastewater and stormwater capacity issues in west Gore.

Water

There was a significant increase in peoples' satisfaction with the reliability and quality of the town supply.

The work carried out to flush the Gore and Mataura water mains proved very successful with manganese and other impurities removed from the network will further enhance water quality in the two towns. There continues to be good support for the Council using water restrictions to manage water use during summer.



Communication / Customer Service

There was a slight increase in visits to our office and phone calls, although more and more people are using online channels to contact us. Customer satisfaction levels were up for those who contacted us by phone, online or email.



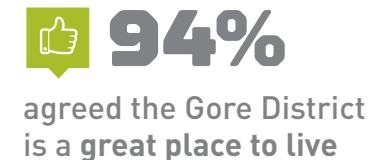
Roading

Roading and footpaths continue to be a priority for you. It was pleasing to see the level of satisfaction with our sealed roads and footpaths was up slightly. However, local unsealed roads continued to be a major concern and we once again missed our performance target of 78% satisfaction



Quality of life

We asked you what you thought about living in the Gore District. The majority of people agreed it is a safe place to live, has good sporting and recreational facilities, promotes a sense of community pride, and is overall a great place to be was higher than national results from urban areas.



SIGNIFICANCE PERFORMANCE MEASURES

We achieved all our performance measures in:

Stormwater

Parks and Reserves

Aquatic Facilities

Solid Waste

Arts & heritage

Libraries

Regulatory and Planning

Democracy and Administration



 **84%**

stated that they were satisfied with the performance of Gore District Council.

Wastewater

We achieved 86% (six out of seven) of our performance measures in wastewater.

Roading

In roading we achieved 57% (four out of seven) performance measures. The main issue was dissatisfaction with gravel roads among Mataura and rural residents.

“You raised concerns in our residents survey about the maintenance of gravel roads in our District, and we listened. We have moved to embrace a new contracting approach across our entire roading programme that gives us more control over what is required to meet our expectations and that of our residents.”



Water

We achieved four out of the nine (44%) performance measures we have for our water activities. We did not make our target of no more than eight water quality complaints (14 complaints were received), or a 23% water loss from the reticulation network. Leak detection studies found water loss levels were around 42%. This was lower than the water loss last year of 66%.



We responded to urgent customer requests within 15 minutes (last year 37mins on average - target 60 minutes), and fixed the problem in just under one hour (last year just under two hours - target eight hours)



Average response time
15 MINS



Actual time taken
1 HOUR

Regulatory and planning

We achieved two of the two performance measures here. All our resource consents were processed within the required time and the Council continues to be an accredited Building Control Authority.

Democracy and Administration

While we achieved a 77% satisfaction rating in regards to the Council's decisions and actions, this fell short of our targeted 80%.



We processed **382 building consents**, worth **\$53.7million**



We gave **\$729,005** to **37** different organisations, groups and events in our District, supporting everything from emergency housing for those in need to the Pakeke Lions Club's recycling services



The Eastern Southland Gallery hosted **16 exhibitions** and **11 arts related projects and performances** throughout the year

OUR ANNUAL INCOME

What was our planned income?

We budgeted for an income of **\$21.0** million

Why is there a difference?

The difference was due to the receiving more income than budgeted from consent fees, a positive revaluation of our interest rate swaps and also recoveries from Mataura Valley Milk Ltd for the design and construction of a dedicated industrial wastewater hub.

What was our actual income?

Our actual income was **\$22.1** million

OUR ANNUAL SPEND

What did we plan to spend?

We planned to spend **\$21.4** million

Why is there a difference?

The difference was due to:

- Lower finance costs due to less than expected borrowing and lower interest rates
- Higher than expected consultant costs due the projects and work we have had on.

What did we actually spend?

Our actual spend was **\$21.5** million

OUR ASSETS

What was our planned spend?

We planned to spend **\$12.8** million

Why is there a difference?

The difference was due to continuing delays with the Ajax wastewater treatment pump station. The desludging of Gore's oxidation ponds has also taken longer than expected and the manganese and iron oxide removal project has been deferred.

What was our actual spend?

Our actual spend was **\$5.9** million

How do we pay for our assets?

We borrow money to pay for large projects that provide services to the community for a long time. By borrowing the money over the long period, it means people who will benefit in the future also contribute to the cost.

OUR BORROWING

What was our planned borrowing?

We planned to borrow **\$19.8** million

Why is there a difference?

The difference was due to the deferral of the manganese and Iron oxides removal project and the delay of the earthquake strengthening work for the Civic Administration Building.

What was our actual borrowing?

Our actual borrowing was **\$17** million

SUMMARY FINANCIAL STATEMENTS

Operating revenue: This is day to day income received from things such as rates and fees and charges

Operating expenses: These are our day to day expenses such as the cost of collecting rubbish, mowing reserves and maintaining roads

Total comprehensive income: This is the difference between operating revenue and operating expenses for the current year i.e. more revenue = surplus

Assets: The property we own

Liabilities: The amount we owe

Operating activities: The difference between operating revenue and operating expenses

Investing activities: The difference between buying and selling assets

Financing activities: The difference between borrowing and the repayment of loans

Cash held: Money in the bank

Summary statement of comprehensive revenue and expense for the year ended 30 June 2017			
	2017 \$000	BUDGET \$000	2016 \$000
Operating revenue	22,148	21,063	19,539
Finance costs	(571)	(973)	(625)
Other operating expenses	(20,919)	(20,402)	(19,734)
Total operating expenses	(21,490)	(21,375)	(20,359)
Net surplus/(deficit)	658	(312)	(820)
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue and expense	658	(312)	13,128
Summary statement of changes in net assets/equity for the year ended 30 June 2017			
	2017 \$000	BUDGET \$000	2016 \$000
Balance at 1 July	376,484	384,563	363,356
Total comprehensive revenue and expense	658	(312)	13,128
Balance at 30 June	377,142	384,251	376,484
Equity represented by:			
Retained earnings	125,691	131,185	129,392
Reserves	251,452	253,066	247,092
Summary statement of financial position as at 30 June 2017			
	2017 \$000	BUDGET \$000	2016 \$000
Current assets	11,249	4,976	6,427
Non-current assets	386,821	402,034	385,907
Total Assets	398,070	407,010	392,334
Current Liabilities	9,067	2,298	8,614
Non-current Liabilities	11,860	20,460	7,236
Total Liabilities	20,927	22,758	15,850
Net assets/equity	377,143	384,252	376,484
Summary cash flow statement for the year ended 30 June 2017			
	2017 \$000	BUDGET \$000	2016 \$000
Net from operating activities	5,216	4,766	4,972
Net from investing activities	(5,900)	(12,838)	(4,132)
Net from financing activities	5,080	7,666	336
Net increase/decrease in cash held	4,396	(406)	1,176
Opening cash balance	3,123	3,498	1,947
Closing cash balance	7,519	3,092	3,123

Notes

1. Section 98 (4) (b) of the Local Government Act 2002 requires the Council to make publicly available a summary of the information contained in its Annual Report.
2. The specific disclosures included in the summary report have been extracted from the full financial report completed on 24 October 2017.
3. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated 24 October 2017 has received an unqualified audit report. A full copy of the financial report may be obtained from the Council's offices or on its website (www.goredc.govt.nz).
4. This summary financial report has been examined by the auditor for consistency with the full financial report. An unqualified auditor's report is included with this summary.
5. The Council's full financial report has complied with NZ GAAP and Tier 1 Public Benefit Entity (PBE) standards.
6. The Summary Financial Report Complies With PBE FRS 43 Summary Financial Statements.
8. The presentation currency of the Summary Financial Statements is New Zealand dollars.
9. The Summary Financial Statements were authorised by the Council on 24 October 2017.
10. At 30 June 2017, a referendum amongst Otama residents was underway to future ownership and operation of the Otama Water Scheme currently owned and managed by Gore District Council. Residents voted in favour of forming a new company with directors appointed by residents to own, govern and manage the scheme.

To complete the transfer of ownership from the Council to residents, a Local Members' Bill must be presented to parliament. At 30 June 2017, the Water Scheme assets have a carrying value of \$1,700,000 and the Council holds reserves of \$430,000 which are transferrable to the Otama Water Scheme in the event that the Local Member's Bill passes. The timing of when this Bill is likely to be presented is not known. (2016: Nil).

Explanation of major variances against budget

Explanation of major variations from Council's estimated figures in the 2016/2017 budget, as reflected in the Annual Plan, are as follows:

Statement of Comprehensive Revenue and Expense

- a) Other gains/ (losses) is higher than budget by \$428,000. This is due to the revaluation of the Councils interest rate swaps. The maturity profile of the swaps has reduced, and the prevailing floating rates have risen; this has resulted in the upward movement.
- b) Other revenue is higher than expected by \$401,000. This is due to contributions received from Mataura Valley Milk for the design and construction of a dedicated industrial waste water treatment hub.
- c) Rates revenue is slightly higher than budget due to a large scale development being completed after the Council made its rates resolution for the year but before 1 July 2016.
- d) Finance costs are lower than budget by \$402,000 as the Council has obtained more competitive interest rates by financing through the New Zealand Local Government Funding Agency. The delay of capital projects has also meant that the Councils debt during the year was lower than forecast.
- e) Other expenses were higher than budget by \$627,000. This was due to a number of factors including increased consultants costs across a range of departments. Another exacerbating factor was a change in the how chemicals for the Council wastewater treatment plants are procured and delivered. This resulted in increased chemical costs. These expenses are offset by lower finance costs.

Statement of Financial Position

- a) Current assets are higher than budget by \$6,273,000. This is because the Council borrowed the funds required to complete the

Ajax and Desludging projects in advance. The funds were borrowed from the LGFA at competitive rates and were invested in short term deposits of varying maturity. These projects are underway and scheduled to be completed by December 2017. Borrowing in advance has not cost the Council as it was able to invest the funds at a higher interest rate than the funds are borrowed at.

- b) Property, plant and equipment are lower than budget by \$15,421,000. The major contributor is the lower than expected revaluation from 30 June 2016; this results from the inflationary increases being lower than those foreseen when the Long Term Plan budgets were set. Additionally, the Ajax and Desludging capital projects were not completed during the year. The manganese and iron oxide removal project and the earthquake strengthening of the Civic Administration Building were also placed on hold pending further investigations.
- c) Borrowings are split between \$6,000,000 current and \$11,000,000 non-current. The short term borrowing is LGFA commercial paper on rolling over every 90 days. Total borrowing is lower than budget due to the manganese and iron oxide removal project being deferred.

Statement of Cash Flows

- d) Cash flow from operating activities is higher than budget by \$450,000. This is mainly down to the recoveries received from Mataura Valley Milk for the construction of the industrial wastewater treatment hub facility.
- e) Cash flow from investing activities is lower than budget by \$2,138,000. This is a combination of two factors. Firstly purchases of property, plant and equipment are \$6,883,000 lower than budget due to the delayed completion of the Ajax and Desludging projects and the deferral of the Manganese and Iron Oxide removal project and the earthquake strengthening of the Civic Administration building and project. Additionally, the Council borrowed \$5,000,000 to complete the desludging and Ajax projects in advance and invested \$4,917,000 in short term deposits.

ANY QUESTIONS:

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GO RURAL
DISTRICT COUNCIL **CITY**
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INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF GORE DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The summary of the annual report was derived from the annual report of the Gore District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 8 to 13:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance referred to as Significant Performance Measures of the District Council.

Opinion

In our opinion:

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

Summary of the Annual Report

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

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 24 October 2017.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council.



Mike Hawken

Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
24 October 2017