



ANNUAL REPORT SUMMARY 2017/18

Welcome to the Gore District Council's Annual Report summary for the 2017/18 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 2017/18 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 a surplus of \$5.45 million. The prime contributor to this surplus has been the development of the new Wastewater Treatment Hub at the Gore oxidation ponds site for the receipt and treatment of wastewater from the new Mataura Valley Milk nutrition plant at McNab. Under a signed heads of agreement with Mataura Valley Milk Limited, the Council was responsible for the design, construction and operation of the new wastewater treatment hub, with all funding of capital costs being borne by MVM.

In the year under review the sum of \$6.7 million out of a contract sum of \$7.8 million had been expended. With the new asset being owned and operated by the Council, the value of the partially completed wastewater treatment hub of \$6.7 million is recorded as revenue in the Statement of Comprehensive Revenue and Expense, thus being the major contributor to the recorded surplus.

Mataura Valley Milk Limited

A dominant feature of the 2017/18 year was the Council's involvement in projects that were necessary for the support of the new \$240 million new nutrition plant being developed by Mataura Valley Milk Limited at McNab. As alluded to in the financial comments above, the Council was charged with designing and constructing a \$7.8 million state of the art wastewater treatment hub on Council land at South Gore. This was a complex project which had to be completed on time to receive wastewater from the new plant. At the time of writing (October 2018) it is pleasing to be able to report the new plant is operational and processing the wastewater from the Mataura Valley Milk plant.

The Council is supplying the new plant with water at a commercial rate. The water is being sourced from a

new bore, identified at the Gore showgrounds earlier this year. The infrastructure for the water supply to service MVM was paid for by the company. The Council needs to install its own infrastructure, connecting the bore with the water treatment plant in East Gore, before being able to access water from the site.

In addition, during the year significant progress was made in finalising a trade waste consent and a detailed water supply agreement. These documents provide more detail than what is contained within signed Heads of Agreements for both water and wastewater in respect of MVM.

At the time of writing, both of these agreements were very close to being finalised.

Taha Fertiliser Industries Limited

Another significant issue that arose during the year, which was certainly not planned in any way, was the sudden liquidation of Taha Fertiliser Industries Limited. The liquidation of the company left 10,000 tonnes of ouvea premix stored in the former Mataura Paper Mills building, without a resource consent. The company left a liability of 22,000 tonnes of ouvea premix located in five premises in Mataura and Invercargill.

The ouvea premix can be hazardous to public health if it gets wet, due to the risk of ammonia being discharged to the atmosphere. The Gore District Council led negotiations with a number of interested and affected

parties to secure a funding package to enable the ouvea premix to be removed and shipped overseas for further processing. Nine different parties are involved in the development of a \$4 million package. It was pleasing to see by the year's end that a detailed funding agreement has been signed by all parties.

The next step in this complex process is for negotiations to be completed with a proposed purchaser in order that an agreement can be signed and the ouvea premix carefully removed from the premises over the next two to three years. The time spent in negotiating and resolving funding issues with all parties has been significant.

Wastewater

Last year we mentioned in the foreword that the contract that had been let for the desludging of the Gore oxidation ponds had proved to be somewhat more challenging than originally envisaged, due to both the volume of sludge being twice as high as estimates conducted in 2008 and ongoing delays with the contractor in developing a secondary drying plant for the sludge. Unfortunately, the contractor could not operate the secondary drying plant in an effective manner which could assist in reducing the final volume of sludge to be disposed of to landfill. Odour issues emanating from the secondary unit thwarted attempts to run the plant for any reasonable length of time.

Therefore the decision was made early in 2018 to terminate the contract on the basis of non-performance. Only approximately 10% of sludge was removed from the primary pond and the Council will now look to closely manage and monitor the situation with a view to developing a new strategy given that a resource consent renewal for continued discharge of treated wastewater into the Mataura River, needs to be effected by 2023.

The long-awaited Ajax pump station upgrade continued to wend its way towards completion during the past year. Dewatering the pump station site and a section of the pipeline route for the new gravity main feeding into the pump station has proved to be challenging. But at the time of writing the entire project was due to be completed by March 2019.

Water

During the year under review the Council made a significant strategic decision in regard to water treatment. Following a careful analysis of reasonable options, the Council opted to centralise treatment operations at its East Gore plant. This centralisation project and upgrade will see the introduction of a media filtration plant together with ultra violet treatment to enable the Council to fully meet its obligations under the New Zealand Drinking Water Standards.

The new project will also see a dedicated pipeline being installed to provide greater connectivity between the Jacobstown wells and the East Gore treatment plant. Further progress on this important project is expected to be able to be reported in next year's annual report.

Roading

A new network maintenance contract was entered into with Fulton Hogan Limited in the past financial year. This contract, which involves significant use of local subcontractors, has bedded in nicely and there appears to be a good level of satisfaction in regard to the maintenance standards being achieved.

The past year was also notable for the replacement of all streetlights in Gore and Mataura with LED lights. This project received funding to the tune of an 85% subsidy from the New Zealand Transport Agency and has made a massive impact on illumination of both roads and surrounds, together with providing clarity when viewing the night sky.



Economic Development

A highlight of the year under review was the hosting of an economic summit on 1 November 2017. This summit brought together key people in the District from economic, social, cultural and educational perspectives to determine key priorities that should be pursued by the District to enhance its economic future. Momentum created on this exciting day flowed through into a Ready for Growth workstream, which under local leadership has developed an action plan to advance the District's economic development agenda. One of the challenges of having a range of ideas is resourcing, and therefore plans are afoot to ascertain whether financial assistance can be secured from the Government's Provincial Growth Fund. Given the limited resources of the Council, some funding assistance to enable the employment of key personnel to drive and champion initiatives identified within the Ready for Growth strategy, is required by central government.

Last year we also touched on the fact the Council had made a decision to buy a block of land in East Gore with a view to developing residential sections for purchase. Since that time the Council has launched its new development, known as Matai Ridge, with developed sections anticipated to come onto the market midway

through 2019. The new development is aimed at providing attractive house and land packages for new and existing residents to provide attractive options for housing in what is an increasingly challenging area in regard to both availability and quality of stock.

Finally, the Council opted in the year under review to prepare a Spatial Plan. This plan will both inform the upcoming review of the District Plan, and also signal appropriate areas for expansion of residential, commercial and industrial activity in order that informed decision-making can be made by both the Council and the community it serves. The draft Spatial Plan is due for release in the new year.

Tracy Hicks (JP)
Mayor

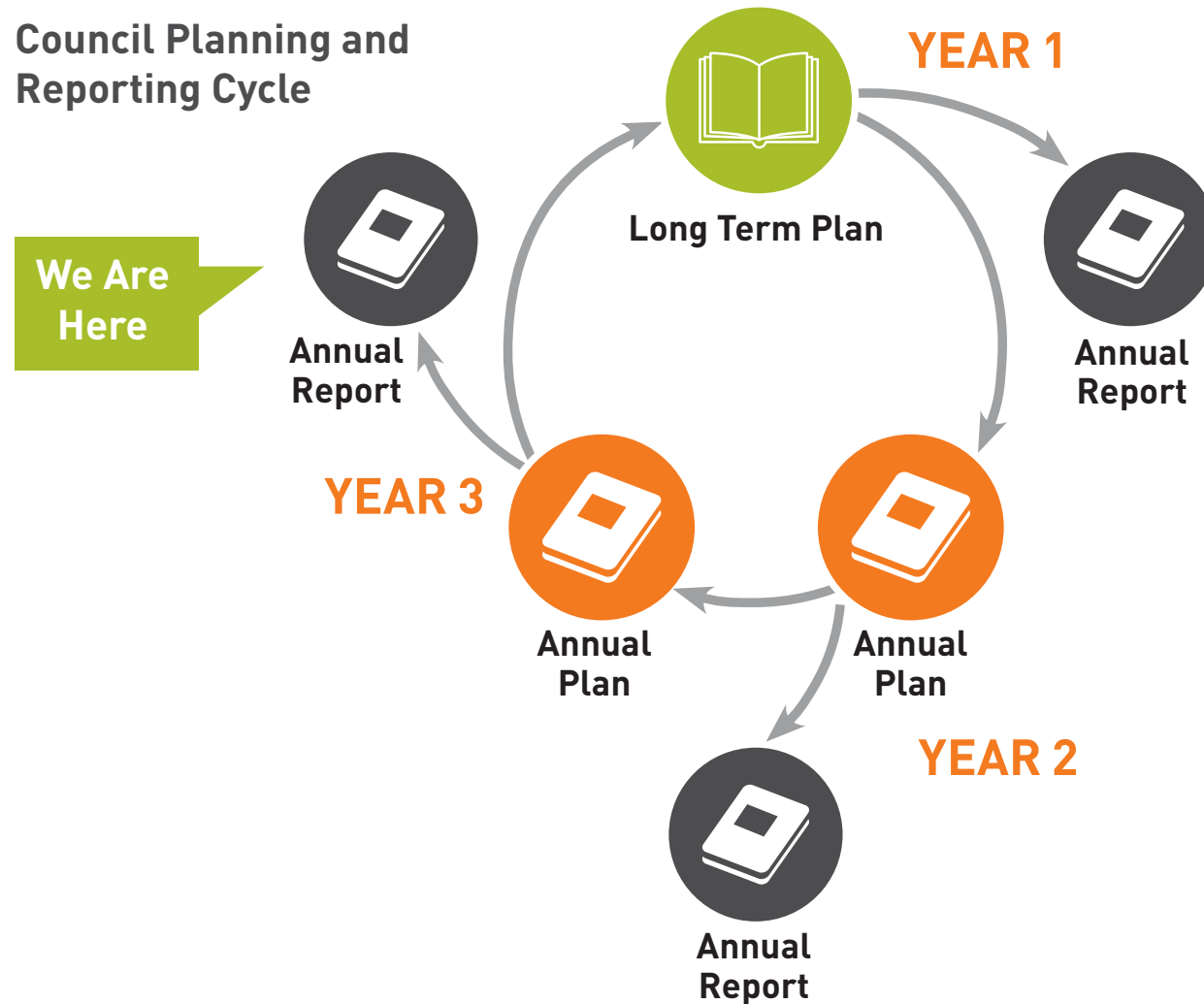
Stephen Parry
Chief Executive



75% 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 10-Year-Plan (or Long Term Plan as it's also known) 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 third year of our 2015-25 10-Year-Plan, which is from 1 July 2017 to 30 June 2018.

What are 10-Year-Plans and Annual Plans?

Every three years we develop a 10-Year-Plan (10YP) in consultation with the community. It is our lead documents and sets our direction, budgets and work plans. In the two years between adopting a 10YP we develop Annual Plans, also in consultation with the community. These are essentially an update to what was agreed to through the 10YP 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 Gore District.

In 2018 there were 624 people who took part in the survey.

There was a significant increase in online responses with 241 people opting to undertake the survey online.

In the survey you told us:

In the survey you told us we continue to meet your expectations in delivering outstanding recreational facilities, and parks and reserves with



 **97%**

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 Gore Visitor Centre, Hokonui Moonshine Museum and Eastern Southland Gallery is outstanding with:



 **99%**

satisfied with Gore Visitor Centre



 **99%**

satisfied with Hokonui Moonshine Museum



 **99%**

satisfied with Eastern Southland Gallery

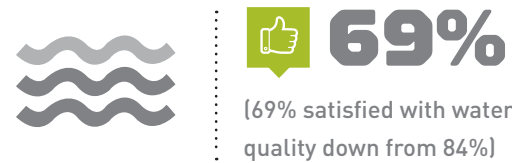


Your top priorities over the next 12 months are:

1. Water issues
2. Roading
3. Council expenditure and rates
4. Recreation/sports facilities/sportsgrounds

Water

There was a significant decrease in peoples’ satisfaction with the reliability and quality of the town supply. There appears to be a clear link between low satisfaction levels and the sustained water restrictions during the summer. However, 61% of residents said they support the Council’s approach of applying water restrictions to manage water use of town water supplies. Farmers and businesses being able to use water without restriction was again the reason most often mentioned by those opposed to the Council’s approach. The other major factor believed to be affecting satisfaction levels is the intermittent “dirty water” issues experienced by residents.



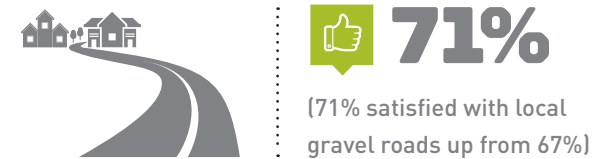
Quality of life

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.



Roading

Roading and footpaths continue to be a priority for you. Overall, there was a slight increase in the satisfaction level with gravel roads and footpaths. However, the condition of footpaths was of concern with nearly one-third of people commenting they were in a poor condition or hazardous. This is consistent with last year’s survey result. There was a drop in the level of satisfaction with local sealed roads.



Communication / Customer Service

The newspaper is still the main place people get their information about what we are doing. The big change this year is that the Council’s website, Facebook page and ChinWag newsletter fill the next three places in that order. One-third of respondents to the survey said they follow the Council’s Facebook page, which is an increase. While there was an increase in the level of satisfaction with social media, there was a drop in satisfaction with the website.



SIGNIFICANCE PERFORMANCE MEASURES

We achieved all our performance measures in:

Parks and Reserves

Stormwater

Arts and Heritage

Libraries

Regulatory and Planning



77%

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

Wastewater

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

Roading

In roading we achieved 43% (three out of seven) performance measures. It is unfortunate and saddening that one of those targets not achieved was to have less than three serious or fatal crashes on our roads. In 2017/18 there were six serious or fatal crashes.



We know you are worried about the condition of our footpaths so in 2017/18 we repaired 1,816m of footpath. This compares with only 425.7m the previous year.

Water

We achieved five out of the 11 (45%) performance measures we have for our water activities.



We responded to urgent customer requests within 9.5 minutes on average (target 60 minutes), and fixed the problem in around half an hour (target eight hours).



Regulatory and planning

We achieved both of the 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 73% satisfaction rating in regards to the Council's decisions and actions, this fell short of our targeted 80%.



We processed **327 building consents**, worth **\$37.7 million**



We gave **\$674,000** 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



We safely looked after **92,439 visitors** at the **Gore Aquatic Centre**

OUR ANNUAL INCOME

What was our planned income?

We budgeted for an income of **\$21.8** million

Why is there a difference?

The difference was due to receiving more income for 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 **\$28.9** million

OUR ANNUAL SPEND

What did we plan to spend?

We planned to spend **\$21.3** million

Why is there a difference?

The difference was due to a number of factors, including:

- The cost of cleaning the water pipe network in Gore and Mataura,
- Emergency works after the collapse of Pyramid Bridge,
- Restoration of the Otama Rural Water Scheme after the collapse of the Pyramid Bridge,
- An increase in electricity costs for the Gore Aquatic Centre,
- Some one-off grants to community groups that were funded from reserves, and
- A write-down in the value of two of our assets, the Pyramid Bridge and Mataura Pool.

More details can be found on in the full Annual Report.

What did we actually spend?

Our actual spend was **\$23.4** 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 a 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 2018	2018 \$000	BUDGET \$000	2017 \$000
Operating revenue	28,853	21,809	21,852
Finance costs	(678)	(901)	(574)
Other operating expenses	(22,720)	(20,446)	(20,620)
Total operating expenses	(23,398)	(21,347)	(21,194)
Net surplus/(deficit)	5,454	462	658
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue and expense	5,454	462	658
Summary statement of changes in net assets/equity for the year ended 30 June 2018	2018 \$000	BUDGET \$000	2017 \$000
Balance at 1 July	377,139	376,122	376,481
Total comprehensive revenue and expense	5,454	462	658
Balance at 30 June	382,593	376,584	377,139
Equity represented by:			
Retained earnings	133,106	129,917	125,691
Reserves	249,487	246,667	251,451
Summary statement of financial position as at 30 June 2018	2018 \$000	BUDGET \$000	2017 \$000
Current assets	10,112	5,960	11,250
Non-current assets	394,363	394,423	386,819
Total Assets	404,475	400,383	398,069
Current Liabilities	9,772	8,614	9,067
Non-current Liabilities	12,110	15,184	11,860
Total Liabilities	21,882	23,798	20,927
Net assets/equity	382,593	376,585	377,142
Summary cash flow statement for the year ended 30 June 2018	2018 \$000	BUDGET \$000	2017 \$000
Net from operating activities	10,651	5,531	5,216
Net from investing activities	(13,091)	(9,013)	(5,900)
Net from financing activities	0	3,512	5,080
Net increase/decrease in cash held	(2,440)	30	4,396
Opening cash balance	7,519	4,238	3,123
Closing cash balance	5,079	4,268	7,519

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 30 October 2018.
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 30 October 2018 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 30 October 2018.
10. A Local Member's Bill is before Parliament to transfer the ownership of the Otama Rural Water Scheme to a new company with directors appointed by residents. At 30 June 2018 the water scheme assets have a carrying value of \$1,428,000 (2017: \$1,409,000) and the Council holds reserves of \$321,000 (2017: \$430,000) which are transferrable to the Otama Rural Water Scheme in the event that the Local Member's Bill passes. The timing of when this Bill will complete the Parliamentary process is unknown.

Explanation of major variances against budget

Explanation of major variations from Council's estimated figures in the 2017/2018 budget, as reflected in the Annual Plan, are as follows:

Statement of Comprehensive Revenue and Expense

- a) Other gains/ (losses) is lower than budget by \$171,000. This is due to the revaluation of the Council's interest rate swaps. During the year, the Council hedged the floating rate loans borrowed in June 2017. The change swaps and the change in the prevailing floating rates has resulted in the downward movement.
- b) Other revenue is higher than expected by \$7,144,000. This is mainly due to contributions received from Matura Valley Milk for the design and construction of a dedicated industrial wastewater treatment hub.
- c) Finance costs are lower than budget by \$223,000 due capital project delays. This has also meant the Council's debt during the year was lower than forecast.
- d) Other expenses were higher than budget by \$1,556,000. This was due to a number of factors including: the expensing of the manganese project costs as this project is no longer required due to the change in the water strategy; the expensing of the NODES truck which cleaned the water pipe network during the year; the emergency works relating to the collapse of the Pyramid Bridge and the restoration of water to the Otama Rural Water Scheme; increased electricity costs at the Gore Aquatic Centre; a number of grants and other expenses that were funded by reserves; the development of a spatial plan; and increased consultant costs across a range of departments.
- e) Employee benefits expense is higher than budgeted due changes to various rosters and second tier management transition costs.
- f) Depreciation and amortisation expense is higher than budgeted due to the impairment of the Pyramid Bridge and the Matura Pool. The impairment charges on these assets total \$500,000.

Statement of Financial Position

- a) Current assets are higher than budget by \$4,152,000. This is due to the Council borrowing funds required to complete 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 have taken longer than expected to complete. Borrowing in advance has not cost the Council as it was able to invest the funds at a higher interest rate than the funds were borrowed at.
- b) Other non-current financial assets are higher than budget by \$58,000 due to the Clean Air Loan Scheme run on behalf of Environment Southland.
- c) Current liabilities are higher than budget by \$1,158,000 as trade payables are higher than budget due to costs associated with the MVM industrial wastewater treatment hub.
- d) Non-current borrowing is lower than budget due to the delays in capital projects.

Statement of Cash Flows

- e) Cash flow from operating activities is higher than budget by \$5,120,000. This is mainly due to recoveries received from Matura Valley Milk for the construction of the industrial wastewater treatment hub.
- f) Cash flow from investing activities is higher than budget by \$4,078,000, due to the construction of the industrial wastewater treatment hub.
- g) Cash flow from financing activities is lower than budget by \$3,512,000 due to lower than budgeted borrowings because of the delay of capital projects.

ANY QUESTIONS:

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GO RURAL
DISTRICT COUNCIL **CITY**
RE LIVING

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF GORE DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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 2018.

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 2018;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flows statement for the year ended 30 June 2018;
- 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 accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

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

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 2018 in our auditor's report dated 30 October 2018.

Council's responsibility for the summary of the annual report

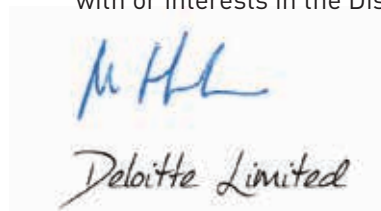
The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

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

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagement in the areas of the Council's Long-term Plan, Debenture Trust Deed Reporting and Registry Audit, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council.



Mike Hawken

Deloitte Limited

On behalf of the Auditor-General

Dunedin, New Zealand

30 October 2018