



ANNUAL REPORT SUMMARY 2018/19

Welcome to the Gore District Council's Annual Report summary for the 2018/19 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**



HIGHLIGHTS

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 2018/19 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 were:

Financial Performance

Our financial statements record a modest surplus of \$31,000. However, this includes a write down in the value of the Council's interest rate swaps, meaning the underlying operating surplus from core operations was just over \$1 million.

The surplus was lower than we had planned. This was due to the Council not receiving budgeted for revenue from the sale of sections at its new subdivision Matai

Ridge, or a subsidy for the construction of the Pyramid Bridge during the last financial year.

In the case of Matai Ridge, the subdivision was placed on permanent hold, while the Pyramid Bridge project was delayed.

The Council repaid just over \$1.2 million of debt during the year, and borrowing still remains below levels projected in the 10-Year-Plan.

Environment

A significant issue that has been on the Council's radar for a couple of years finally reached resolution. At the time of writing, we are pleased to report the removal of 10,000 tonnes of ouvea premix, abandoned at the former Mataura paper mill when Taha Fertiliser Industries Limited went into liquidation, had started.

Council-led negotiations that consumed significant time

and resources secured a contract with Australian-based company Inalco Processing Ltd for the removal of the substance from sites in Mataura and Invercargill over the next six years. This followed last year's success in getting central and local government, as well as local landlords and NZ Aluminium Smelters to agree to a \$4 million package.



Ouvea premix being removed from the paper mill building at Mataura

Water

During the year under review the Council focused on finding and fixing water leaks in the urban network. This contributed to water consumption for the period being 6% lower than the long-term average. After receiving feedback from the community, we also implemented a new water restriction regime. This included a phased approach to recognise many in our community rely on their vegetable gardens for food. There are also different restrictions for residential, commercial / industrial, schools and sports clubs, and the Council.

Last year the Council made a key decision to centralise its water treatment plants in Gore, with some significant progress being made in the last 12 months toward a solution that will last long into the future.

Wastewater

Significant progress has been made on the long-awaited Ajax pump station upgrade in south Gore and, at the time of writing, this plant is nearing completion. Once fully operational, it will help alleviate capacity issues in the west and south Gore areas.

Meaningful headway has been made on plans to begin separating the Council's combined wastewater and stormwater networks in Gore. Work is expected to start in mid to late 2020.

The Council is turning its mind toward the renewal of the wastewater discharge consents for Gore and Mataura. We expect to submit an application to Environment Southland late 2020.

Gore Library

Putting some pressure on our library budgets last year was the unplanned relocation of the Gore Library after the discovery of black mould. The Council moved swiftly after becoming aware of the issues and the library was shifted to the James Cumming Wing hall in May. This displaced about 16 regular users, however, the relocation and community's acceptance went extremely well. At the time of writing, the future use of the old library building in the heritage precinct is still being investigated.



Roading

The Council's network maintenance contract continues to provide good results. This year saw, among other things, 13 kilometres of road resurfaced, 2,400m² of footpath renewed, and 516 metres of kerb and channel renewed.

We also completed much needed work on two of three key bridges in the rural area, with work on the third currently in progress. A contract has also been awarded for the construction of the Pyramid Bridge, which will take place early in 2020. While this project has taken longer than some in the community had hoped for, the robust process has ensured we will get a well thought out solution, which will last well into the future.





Economic Development

The Council was pleased to secure funding from the Provincial Growth Fund for both the Maruawai and Hokonui Huanui projects. The Maruawai project secured a \$1.6 million contribution from the fund for a two-phase development within the existing arts and heritage precinct, while the Hokonui Huanui project, which supports young people on their journey through education into employment, attracted a \$2.1 million investment from the PGF.

Last year we announced a new subdivision in East Gore, to be called Matai Ridge. It was aimed at providing attractive house and land packages for new and existing residents, and to help alleviate challenges with the availability of housing stock. Unfortunately, a re-design of stage one revealed increased costs and it was decided to shelve the project as we didn't believe lands prices justified the expenditure. That said, the Council still has an approved fully designed residential development it can roll out when the time is right.

The Council's relationship with its biggest international customer Matura Valley Milk was consolidated late in the financial year with the signing of an agreement confirming the company's financial contribution for its

premium nutritional processing plant on the outskirts of Gore. The Council will receive \$958,000 in total, with payments spread over four years. With the company's initial investment of \$226 million completed, it continues to look to grow with the announcement of a \$5million expansion of the milk treatment area.

Tracy Hicks (JP)
Mayor

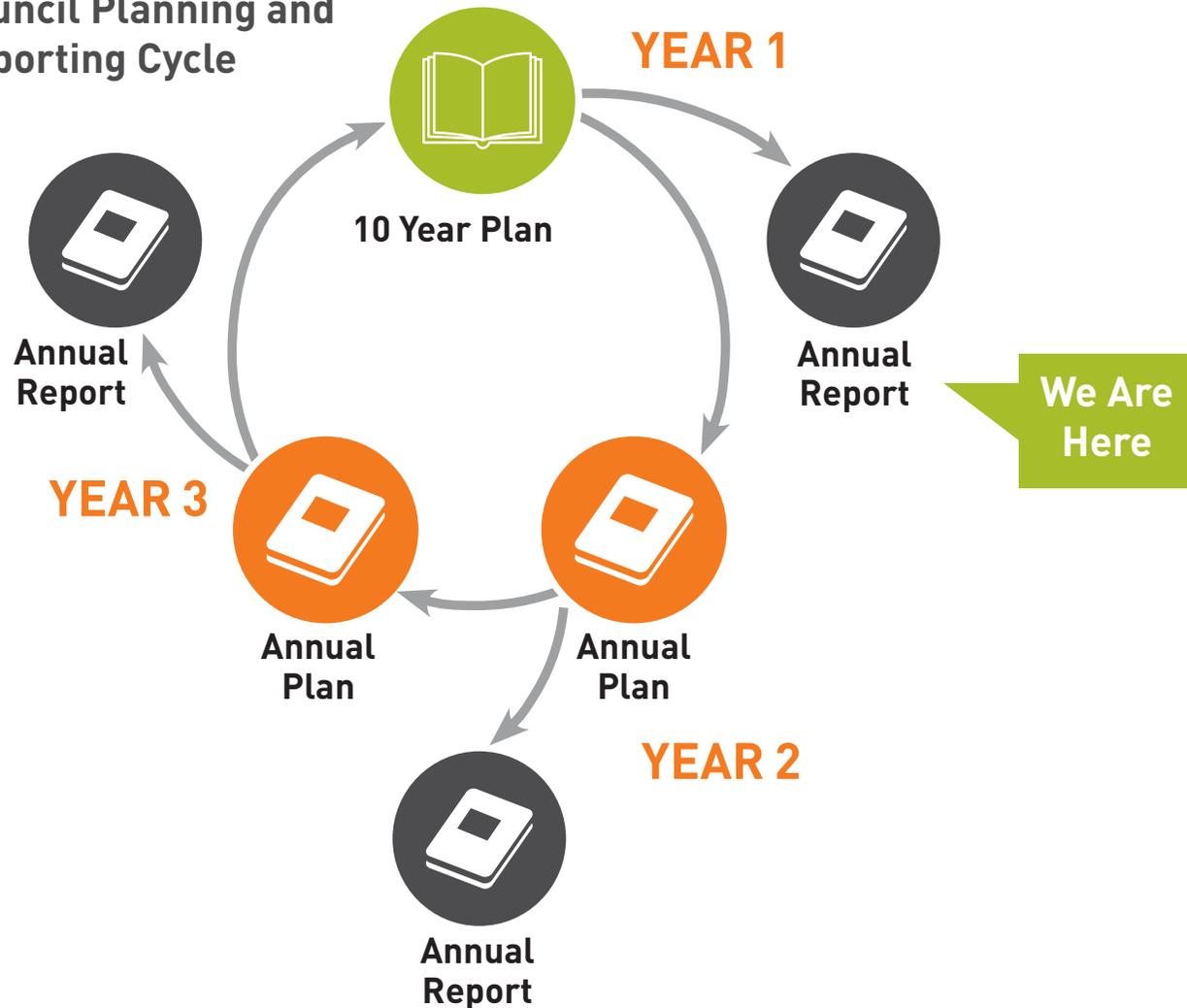
Stephen Parry
Chief Executive



 **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 first year of our 2018-28 10-Year-Plan, which is from 1 July 2018 to 30 June 2019.

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 2019 637 people took part in the survey with 257 people opting to do the survey online and 380 responses to the telephone survey

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



 **98%**

satisfied with sports grounds



 **97%**

satisfied with the Gore Aquatic Centre



 **98%**

satisfied with parks and reserves



 **95%**

satisfied with our kerbside recycling service

In the survey you told us customer service at our Libraries, Gore Visitor Centre, Hokonui Moonshine Museum and Eastern Southland Gallery is outstanding with:



 **97%**

satisfied with the Library service



 **97%**

satisfied with the Gore Visitor Centre



 **98%**

satisfied with the Eastern Southland Gallery



 **98%**

satisfied with the Hokonui Moonshine Museum



Your top priorities over the next 12 months are:

1. Water issues
2. Roothing
3. Council expenditure and rates
4. Wastewater and stormwater
5. Footpaths

Water

Following a significant drop in 2018, satisfaction levels improved in 2019. This appears to confirm the link between low satisfaction levels and the sustained water restrictions during the summer of 2018.

This year was the first under the new water restriction regime. Using water restrictions to manage urban water supplies was supported by 59% of residents. Of those opposed to water restrictions 35% felt it was their right to be able to use water without restriction, 31% said farmers and businesses should be able to use water without restriction, and 24% felt the Council should have resolved water supply issues years ago.



78%

[78% satisfied with urban water quality, up from 69%]

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.



87%

agreed the Gore District is a great place to live

Roothing

Roothing and footpaths continue to be a priority for you. Overall, there was a slight decrease in the satisfaction level with gravel roads and footpaths. The condition of footpaths continues to be 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.



69%

[69% satisfied with local gravel roads, down from 71%]

Communication / Customer Service

The Ensign newspaper is still the main place people get their information about what we are doing. However, this needs to be put into context, with most of the Council's advertising appearing in this publication. The Council's website, Facebook page and ChinWag digital newsletter fill the next three places in that order. Just over one-third of respondents to the survey said they follow the Council's Facebook page. While there was an increase in the level of satisfaction with social media, there was a drop in satisfaction with the website.



90%

[90% satisfied with their visit to the Council office, down from 93%]

SIGNIFICANCE PERFORMANCE MEASURES

Overall, we achieved **69% (31 out of 45)** of our performance measures for the year, with **3 measures not applicable until the 2021 year.**

We achieved all our performance measures in:
Stormwater
Arts & Heritage, libraries, promotions & grants



 **77%**

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

Wastewater

We achieved 70% (seven out of 10) of our performance measures in wastewater.

Water

We achieved six out of the 11 (55%) performance measures we have for our water activities.



We are planning to upgrade all our water treatment plants over the next three years so they meet protozoal compliance. We are also undertaking remedial actions to ensure plant bacterial compliance.

Roading

In roading we achieved 43% (three out of seven) performance measures.



Average response time
43 MINS

Time taken to fix
30 MINS



We responded to urgent customer requests within 43 minutes on average (target 60 minutes), and fixed the problem in around or just under an hour (target eight hours).



Regulatory and planning

We achieved two of the three performance measures here. Two of our resource consents were not processed within the required time. However, both applicants agreed to a time extension in advance. The Council also continues to be an accredited Building Control Authority.

Democracy and Administration

We achieved a 69% satisfaction rating (73% in 2018) in regards to the Council's decisions and actions, which fell short of our targeted 80%.

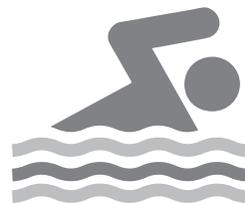


We processed **361**
building consents worth
\$29.4 million

We gave **\$383,000**
to **35** different organisations,
groups and events in our District,



supporting everything from
Children's Day to the Pakeke
Lions Club's recycling services.



We safely looked after
92,135
visitors
at the **Gore**
Aquatic Centre



We helped
55,000
at the **Gore Visitor**
Centre last year

OUR ANNUAL INCOME

What was our planned income?

We budgeted for an income of **\$25.2** million

Why is there a difference?

The difference was due to no income from the sale of sections at the Matai Ridge subdivision, which was placed on hold during year. Additionally, the delay to the Pyramid Bridge project meant the Council did not receive the subsidy revenue for the new bridge in this year.

What was our actual income?

Our actual income was **\$24** million

OUR ANNUAL SPEND

What did we plan to spend?

We planned to spend **\$23.3** million

Why is there a difference?

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

- Costs related to the Project ARK initiative, which is cataloguing the regions museum and heritage collections. The Council is reimbursed for these costs by the Southland Regional Heritage Committee.
- The cost to perform a one-off asbestos assessment of the Council's buildings.
- Some one-off grants to community groups that were funded from the Coster Fund.

What did we actually spend?

Our actual spend was **\$23.9** million

More details can be found in the full Annual Report.

OUR ASSETS

What was our planned spend?

We planned to spend **\$13.9** million

Why is there a difference?

The difference was due to delays for the earthquake strengthening of the Eastern Southland Gallery, the replacement of the Gore Library roof and the Gore water treatment plant upgrades.

What was our actual spend?

Our actual spend was **\$9.2** 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 **\$23.8** million

Why is there a difference?

We didn't borrow as much as we planned because of the project delays we mentioned above.

What was our actual borrowing?

Our actual borrowing was **\$19** million

SUMMARY FINANCIAL STATEMENTS

Operating revenue: This is day to day income received from things such as rates, 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
more expenses = (deficit)

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 2019	2019 \$000	10YP \$000	2018 \$000
Operating revenue	24,003	25,214	28,853
Finance costs	(711)	(833)	(678)
Other operating expenses	(23,262)	(22,465)	(22,720)
Total operating expenses	(23,973)	(23,298)	(23,398)
Net surplus/(deficit)	31	1,916	5,454
Other comprehensive revenue and expense	47,822	31,602	-
Total comprehensive revenue and expense	47,853	33,518	5,454
Summary statement of changes in net assets/equity for the year ended 30 June 2019	2019 \$000	10YP \$000	2018 \$000
Balance at 1 July	382,593	382,661	377,139
Total comprehensive revenue and expense	47,853	33,518	5,454
Balance at 30 June	430,446	416,179	382,593
Equity represented by:			
Retained earnings	133,398	137,493	133,106
Reserves	297,048	278,685	249,487
Summary statement of financial position as at 30 June 2019	2019 \$000	10YP \$000	2018 \$000
Current assets	8,894	7,077	10,112
Non-current assets	445,643	437,010	394,363
Total Assets	454,536	444,087	404,475
Current Liabilities	12,005	9,266	9,772
Non-current Liabilities	12,086	18,642	12,110
Total Liabilities	24,091	27,908	21,882
Net assets/equity	430,446	416,179	382,593
Summary cash flow statement for the year ended 30 June 2019	2019 \$000	10YP \$000	2018 \$000
Net from operating activities	6,893	7,307	10,651
Net from investing activities	(11,119)	(13,915)	(13,091)
Net from financing activities	2,032	6,446	0
Net increase/decrease in cash held	(2,194)	(162)	(2,440)
Opening cash balance	5,079	3,231	7,519
Closing cash balance	2,885	3,069	5,079

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 8 October 2019.
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 8 October 2019 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.
7. The presentation currency of the Summary Financial Statements is New Zealand dollars.
8. The Summary Financial Statements were authorised by the Council on 8 October 2019.
9. In May 2019 the Otama Rural Water Supply Bill received royal assent. The bill provides a process whereby the Otama Rural Water Supply scheme can be transferred to the users of the scheme, despite section 130 of the Local Government Act 2002, and provides for certain related matters if the scheme is transferred. At 30 June 2019 the water scheme assets have a carrying value of \$3,643,000 (2018: 1,428,000) and the Council holds reserves of \$366,000 (2018: \$321,000) which are transferrable to the Otama Rural Water Scheme when certain criteria set out in the Bill are met.

Explanation of major variances against budget

Explanation of major variations from Council's estimated figures in the 2018/2019 budget, as reflected in the 10 Year Plan, are as follows:

Statement of Comprehensive Revenue and Expense

- a) Subsidies and grants are lower than budget by \$861,000 due largely to the Pyramid Bridge project rolling over into the next financial year.
- b) Other revenue is higher than budget by \$782,000. This is mainly due to recoveries from Maitai Valley Milk for capital and operational enhancements towards the industrial wastewater treatment hub, along with Project ARK reimbursements received from the Southland Regional Heritage Committee. However, reducing this is the lack of Matai Ridge subdivision sales as the project is permanently on hold.
- c) Other gains/ (losses) is lower than budget by \$1,194,000. This is due to the revaluation of the Council's interest rate swaps. The Council entered into additional swap agreements this year, but interest rates fell substantially during the financial year. Additionally, the disposal of the old sodium streetlights has contributed to the loss. The sodium streetlights were replaced with new LED lights.
- d) Employee benefits expense is higher than budget by \$497,000. The majority of this relates to Project ARK employees, which is recovered from the Southland Regional Heritage Committee, and the recruitment of an IT Manager.
- e) Finance costs are lower than budget by \$122,000 due to capital project delays. This links to lower than forecasted debt levels.
- f) Other expenses are higher than budget by \$318,000. The main contributors are the reimbursable Project ARK expenses, and asbestos assessments carried out on all council buildings.

Statement of Financial Position

- a) Current assets are higher than budget by \$1,817,000. This is primarily due to other financial assets being higher than budget due to the Council borrowing for projects in advance of their completion. Inventories have also increased mainly due to the additional inventories held for the industrial wastewater treatment hub.
- b) Property, plant and equipment are higher than budget by \$8,624,000. The three-yearly asset revaluation resulted in higher values than expected for some property, plant and equipment.
- c) Non-Current Liabilities are lower than budget by \$3,556,000. This primarily due to the Council carrying less debt due to delays to capital projects.

Statement of Cash Flows

- a) Cash flow from operating activities is lower than budget by \$414,000. This is mainly due to lower than expected NZTA subsidies as the Pyramid Bridge project rolled over into 2019/2020.
- b) Cash flow from investing activities is lower than budget by \$2,796,000. The major contributor is the reduced spending on the purchase of property, plant and equipment due to delays in capital projects. This is offset by an increase in other financial assets as the funds borrowed in advance have been placed on term deposit until required.
- c) Cash flow from financing activities is lower than budget by \$4,414,000 due to lower than budgeted borrowings because of the delay in 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 2019

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 2019.

The summary of the annual report comprises the following summary statements on pages 5 to 13:

- the summary statement of financial position as at 30 June 2019;
- 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 2019;
- 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 2019 in our auditor's report dated 8 October 2019.

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