



ANNUAL REPORT SUMMARY 2015/16

Welcome to the Gore District Council's Annual Report summary for the 2015/16 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**

The Highlights

It was a year where we managed to reach agreement over a couple of long running battles around water supply and wastewater. These were the Cooper's Wells designation and compensation to the Sharp Family Trust, and Ajax wastewater treatment pump station upgrade easement across land owned by the Grant family, respectively.

The Ajax easement agreement means we can now go ahead with the \$3 million upgrade, which has been in limbo for two years. The continued delays meant we did not do as much capital expenditure in 2015/16 as we had forecast in the Long Term Plan.

Economic Development

Economic development has been to the fore for us, and a key achievement has been the sign off by Mataura Valley Milk Ltd on a \$200 million milk powder manufacturing plant, at McNab. This is the culmination of months of negotiations and will be a major boost to our economy, with the creation of 80 new permanent jobs.

Gore's retail sector has continued to attract national attention courtesy of the Council-supported GoRetail group and it's Love Gore – Shop Local campaign. These have become an icon in resilience for provincial towns with other areas keen to emulate our town's success.

We have also invested in providing free Wi-Fi in the central business area as it is one of the keys to encouraging people to stop and spend time and money in the stores, cafes and restaurants.

Recycling

It appears we are becoming increasingly aware of the need to recycle with a significant drop in the amount of solid waste we are creating. In Gore, as with elsewhere in Southland, the aim is to have less than 650kg of waste a year per capita going into the landfill at Browns. This measure was comfortably surpassed, with an average of 481kg of waste a year per capita recorded last year.

Money Matters

We made a saving on our interest payments last year by refinancing our \$12 million in loans with the Local Government Funding Agency. This saw our interest rate drop, on average, to 4.7 percent.

Our books show an end-of-year loss of \$820,000, however, \$578,000 of this is due low interest rates over the last financial year eroding the value of our interest rate swaps.

It is important to understand this is not a cash shortfall and the loss does not have any impact on our cash position.

Without the write-down in the value of the swaps, we would have ended the year with a deficit of \$242,000, which compares quite favourably with our LTP forecast deficit of \$203,000.

MAYORAL AND EXECUTIVE FOREWORD

We are pleased to be able to provide a brief commentary on some of the more notable achievements and progress with key projects that occurred during the 2015/16 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 following pages. Some of the key milestones and issues during the year that we would like to draw readers' attention to are:



Financial Performance

The financial statements record an accounting deficit of \$820,000, which compares unfavourably to the forecasted deficit of \$203,000. It needs to be emphasised that the deficit is due to accounting treatment as opposed to a cash shortfall.

The prime contributor to this accounting deficit has been the diminution of value in respect of financial swaps or derivatives that the Council possesses. The incredibly low interest rate environment that

exists at present, which is at levels not seen in several decades at least, has meant the value of the swaps the Council has entered into to stabilise its debt servicing costs has eroded in value.

This deficit is a result of an accounting treatment as distinct from a cash loss. If the diminution in value in swaps was not included in the final result the deficit would have been \$242,000, or \$39,000 over that forecast. This represents 0.20% of operating revenue.

Water Supply

The long running saga of providing permanent land use controls for land surrounding Cooper's Wells, at Knapdale, was finally concluded in the year under review. Following the area of land around the wells being designated, which provides for a number of conditions designed to assist in protecting quality of water supply, negotiations were conducted with the effected land owner, the Sharp Trust.

Given the wide disparity in the respected views of the Trust and the Council, in terms of the quantum of compensation that should be paid to take account of the designation on the land concerned, the parties agreed to proceed to arbitration for a binding determination on the issues in contention. The arbitrator's decision was delivered in December 2015 and made provision for compensation in the sum of \$512,000 to be paid to the Sharp Trust. After execution of the necessary documentation, including easements and leases which

underpin the arbitrator's determination on compensation payable, settlement with the Sharp Trust occurred on 2 September 2016. This date, whilst outside the financial year under review, is included in this commentary due to the fact that it brings to an end this protracted yet very important strategic initiative by the Council.

Just prior to the Council adopting this financial report the township of Havelock North in the Hastings district was afflicted with bacteria thriving in its water supply and causing many in that community to fall very ill. The subsequent extensive publicity and heightened awareness of the need for territorial authorities to be vigilant in addressing and reducing risks to compromised water quality has, in our view, vindicated the Council's stance in opting to designate the land surrounding Cooper's Wells.

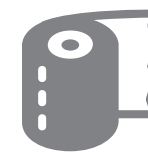


Wastewater

During the year a contract was let for the desludging of the Gore oxidation ponds. The ponds have not been the subject of any desludging since they were constructed back in the 1970s. This project is one of several the Council is embarking on to improve the capacity of its wastewater system.

The other major project the Council is very anxious to advance is the upgrade of the Ajax pump station and associated reticulation. This project has been in limbo for over two years due to negotiations with a land owner to secure an easement for a wastewater pipe proving very difficult. As reported in last year's annual report, the Council was forced to evoke the compulsory acquisition provisions of the Public Works Act 1981 to advance this matter.

Ultimately the Council's actions were the subject of an appeal to the Environment Court, which in turn directed that the parties undertake mediation on the need for an easement, its proposed route and compensation payable. It is pleasing to report this mediation, which took place in February 2016, did result in agreement being reached with an alternative route for the wastewater pipe being negotiated together with compensation payable. This agreement has now cleared the way for the long awaited Ajax pump station upgrade to be implemented in earnest. It is sincerely hoped that we will be able to report on progress with this important project in the next Annual Report.



89%

satisfied with the
wastewater service



77%

satisfied with the
stormwater system



Tracy Hicks - Mayor



Stephen Parry - Chief Executive

Economic Development

The latter half of the year under review was notable for the rapid development and planning of a new infant formula plant by Mataura Valley Milk Limited. A large milk processing plant of some description has been in various stages of planning by MVM since 2008. However, in recent months the project, with a fresh impetus received from new personnel, has gained considerable momentum. The Council has been at the vanguard of negotiations with the company for the provision of water and wastewater treatment and disposal services, to enable this significant economic opportunity to be realised for the District.

At the time of writing it was very satisfying to be able to report that MVM had reached broad agreement with the Council on water and wastewater issues and had received Overseas Investment Office approval for the proposed foreign investment and ownership to enable the new plant to be established. With a capital investment of approximately \$200 million and the creation of 80 new permanent jobs, this project can be expected to reverberate in a positive economic manner for some years to come.

As a backdrop to the economic splash being created by MVM, the Council has also taken the opportunity to consider its role in economic development within the District. The first step in this process was to consider a range of options in how the Council can potentially be more hands-on and active as opposed to a passive bystander in respect of economic development. Further clarity around the Council's role in economic development, and what areas it may wish to try and have a more direct influence on producing favourable outcomes for the community, can be expected to become less amorphous after the forthcoming local authority elections.

Handwritten signature of Tracy Hicks.

Tracy Hicks (JP)
Mayor

Handwritten signature of Stephen Parry.

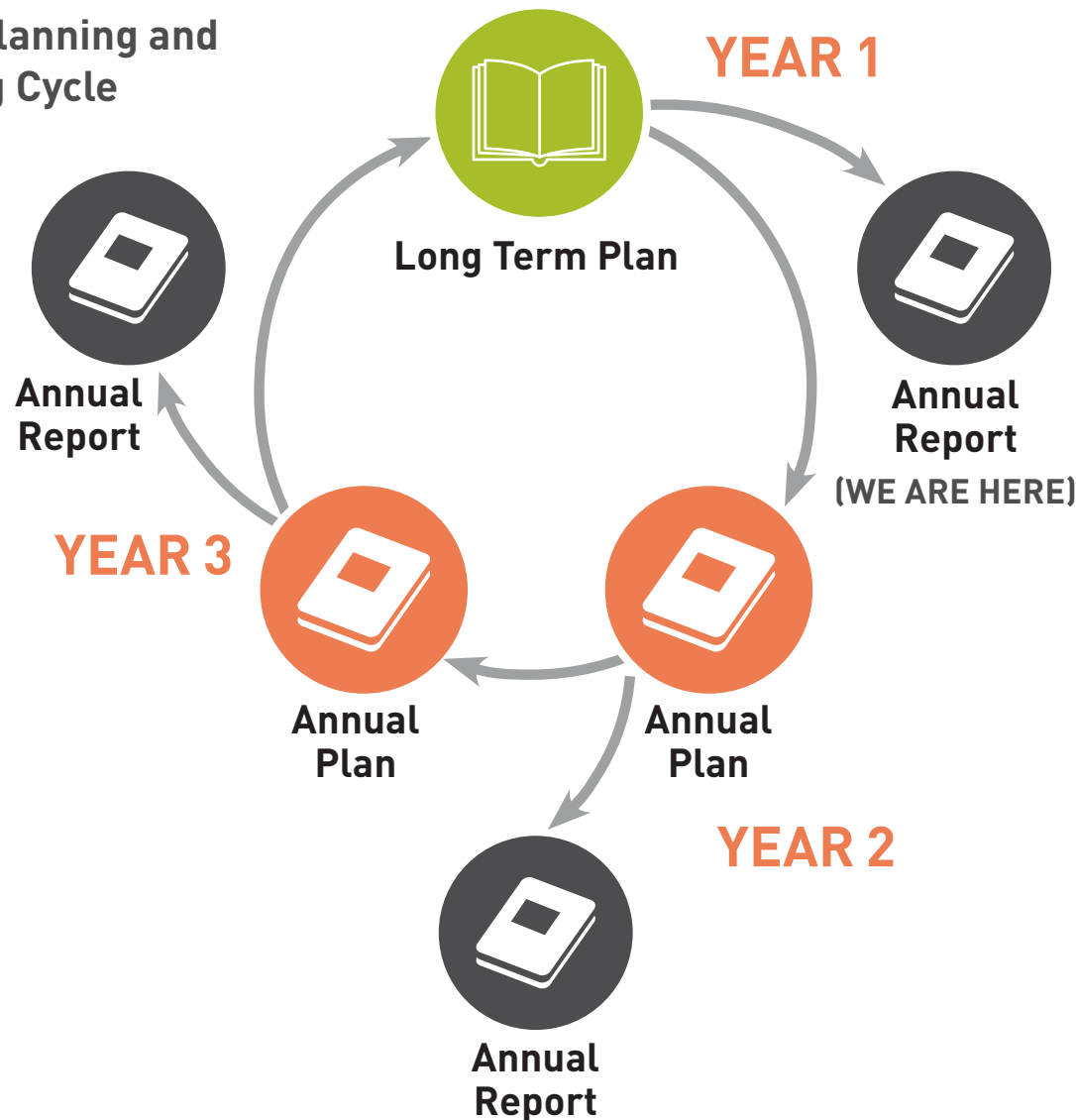
Stephen Parry
Chief Executive



80% 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 first year of our LTP 2015-25, which is the period from 1 July 2015 to 30 June 2016.

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 you think about the services we offer, how you like to keep in touch with us, and what you think about the Gore District. A review of how we carry out the survey at the start of this year resulted in us getting a new company on board and a shorter, easier questionnaire going out. This saw an increase in the number of people taking part.



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



 **100%**

satisfied with sports grounds



 **98%**

satisfied with Gore Aquatic Centre



 **97%**

satisfied with parks and reserves

In the survey, you told us The arts and heritage precinct is a very popular place with:



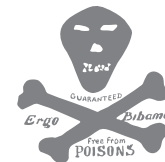
 **99%**

satisfied with Gore Library



 **99%**

satisfied with Eastern Southland Gallery



 **99%**

satisfied with Hokonui Moonshine Museum



 **96%**

satisfied with Gore Visitor Centre



Stormwater and Wastewater were areas you want us to improve on, with a small decline in the level of satisfaction with both of these. Fixing or clearing drains and gutters, and surface flooding were some of the hot topics.

Water

The reliability and quality of the town supply were again areas you wanted us to treat as high priorities. Satisfaction with both areas was only 79% and 78% respectively, which was a decrease on last year. That said there was good support for water restrictions.



Roading

Roading and footpaths continue to be a priority for you. The level of satisfaction with our sealed roads and footpaths was down, while we missed our performance target of 78% satisfaction with unsealed roads.



Communication / Customer Service

The decline in face-to-face visits to our office and phone calls continued, although these are still the main ways of communicating with our staff. You are using online channels more and more though. Customer satisfaction levels were down across all communication methods, although only 1% saw improving our communication and Council transparency as a priority.



Quality of life

We asked you what you thought about living in the Gore District. The percentage of you who agreed that 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

Democracy and Administration

Wastewater

We achieved 80% (eight out of 10) of our performance measures in wastewater. This was mainly due to a reported blockage turning out to be a collapsed wastewater main. It took two days to fix, which was outside our optimum response and resolution times.

Roading

In roading we achieved 71% (five out of seven) performance measures. The main issue was dissatisfaction with gravel roads among Mataura and rural residents.

“You raised concerns during the Long Term Plan about the quality of gravel used on the roads in our District, and we listened. During the year we completed a gravel trial, using gravel from quarries throughout and outside the District. The trial showed the gravel we have been using does not perform as well as the trial gravels. As a result, we are rolling out better performing gravel on our rural roads, accepting that differing conditions will require different blends of material.”



 **81%**

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



Water

We achieved six out of the nine (67%) 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 66%.



We responded to urgent customer requests within 37 minutes on average (target 60 minutes), and fixed the problem in just under two hours (target eight hours).



37 mins

Actual response time
30 MINS



2 HRS

Actual time taken
2 HOURS

Regulatory and planning

We achieved one of the two performance measures here. We were aiming to process all resource consents within 20 days but missed out on two applications.



We processed **345 building consents**, worth **\$27.5million**



We gave **\$610,044** 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 **11 exhibitions** and **10 performances** throughout the year



FREE WI-FI went live in the central business district

OUR ANNUAL INCOME

What was our planned income?

We budgeted for an income of **\$20.3** million

Why is there a difference?

The difference was due to the devaluation in our interest rate swaps resulting in our income being lower than budgeted.

What was our actual income?

Our actual income was **\$19.5** million

OUR ANNUAL SPEND

What did we plan to spend?

We planned to spend **\$20.5** million

Why is there a difference?

The difference was due to:

- Lower finance costs from refinancing with the LGFA
- Less debt than expected
- Continuing delays with the Ajax wastewater treatment pump station upgrade

What did we actually spend?

Our actual spend was **\$20.4** million

OUR ASSETS

What was our planned spend?

We planned to spend **\$5.6** million

What was our actual spend?

Our actual spend was **\$4** million

Why is there a difference?

The difference was due to continuing delays with the Ajax wastewater treatment pump station upgrade.

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 **\$14.2** million

What was our actual borrowing?

Our actual borrowing was **\$12** million

Why is there a difference?

The difference was due to continuing delays with the Ajax wastewater treatment pump station upgrade.

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
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 2016	2016 \$000	BUDGET \$000	2015 \$000
Operating revenue	19,539	20,261	19,719
Finance costs	(625)	(787)	(666)
Other operating expenses	(19,734)	(19,677)	(19,424)
Total operating expenses	(20,359)	(20,464)	(20,090)
Net surplus/(deficit)	(820)	(203)	(371)
Other comprehensive revenue and expense	13,949	21,587	-
Total comprehensive revenue and expense	13,128	21,384	(371)
Summary statement of net assets/equity for the year ended 30 June 2016	2016 \$000	BUDGET \$000	2015 \$000
Balance at 1 July	363,356	363,568	363,727
Total comprehensive revenue and expense	13,128	21,385	(371)
Balance at 30 June	376,484	384,953	363,356
Equity represented by:			
Retained earnings	129,392	131,352	131,302
Reserves	247,092	253,601	232,054
Summary statement of financial position as at 30 June 2016	2016 \$000	BUDGET \$000	2015 \$000
Current assets	6,427	4,881	5,373
Non-current assets	385,907	396,912	372,618
Total Assets	392,334	401,793	377,991
Current Liabilities	8,614	2,373	2,298
Non-current Liabilities	7,236	14,467	12,337
Total Liabilities	15,850	16,840	14,635
Net assets/equity	376,484	384,953	363,356
Summary cash flow statement for the year ended 30 June 2016	2016 \$000	BUDGET \$000	2015 \$000
Net from operating activities	4,972	4,805	4,402
Net from investing activities	(4,132)	(5,611)	(4,360)
Net from financing activities	336	859	101
Net increase/decrease in cash held	1,176	53	143
Opening cash balance	1,947	1,791	1,804
Closing cash balance	3,123	1,844	1,947

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 6 October 2016.
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 6 October 2016 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 6 October 2016.

Explanation of major variances against budget

Explanation of major variations from Council's estimated figures in the 2015/2016 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 \$488,000. This is due to the revaluation of the Council's interest rate swaps. The maturity profile of the swaps has been extended and the prevailing floating rates have fallen substantially; this has resulted in the downward movement.
- b) Employee benefits expense is higher than budget by \$170,000 due to a number smaller overspends in various departments. When a department overspends this is managed by reducing other costs. A higher than normal turnover at the pool meant there was a higher wage cost as these staff train by shadowing more experienced staff. Parks and reserves costs were higher due to the Council's participation in the velvet leaf response. This was recovered from Environment Southland. During the year a policy and planning officer was employed, this was an unbudgeted position but is included in the 2017 Annual Plan. Elected member honoraria were higher due to a higher than budgeted remuneration determination from the remuneration authority. Additionally Kiwisaver contributions were higher than expected due to staff opting in to Kiwisaver schemes.
- c) Finance costs are lower than budget by \$162,000 as the Council has obtained more competitive interest rates by financing through the New Zealand Local Government Funding Agency.
- d) Depreciation is lower than budget by 153k due to the Ajax wastewater pump station upgrade not being completed in the prior financial year.

Statement of Financial Position

- a) Current assets are higher than budget by \$1,546,000. This is due primarily to cash and cash equivalents bring \$1,279,000 more than budgeted due to timing of capital expenditure.
- b) Property, plant and equipment are lower than budget by \$11,135,000. 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 capital project was not completed during the year and will be carried over to the 2016/2017 year.
- c) Borrowings are split between \$6,000,000 current and \$6,000,000 non-current. When the Council refinanced through the New Zealand Local Government Funding Agency it split its borrowings 50/50 between longer term floating rate notes and short term commercial paper. The commercial paper is on 90 day roll overs. Total borrowing is lower than budget due to projects like the Ajax wastewater pump station upgrade not being completed.

Statement of Cash Flows

- a) Cash flow from operating activities are higher than budget by \$167,000. The major contributor is the decrease in finance costs of \$186,000 due to refinancing at competitive rates through the New Zealand Local Government Funding Agency. Additionally the Council has borrowed less than planned due to delays with capital projects.
- b) Cash flow from investing activities are lower than budget by \$1,468,000. The major contributor is the \$1,448,000 less expenditure spent relating to purchase of property, plant and equipment due to delays in capital projects.
- c) Cash flow from financing activities is lower than budget by \$523,000 due to lower than budgeted borrowings because of the delay in capital projects.

ANY QUESTIONS:

Phone 03 209 0330 Email info@goredc.govt.nz Facebook [facebook.com/GoreDC](https://www.facebook.com/GoreDC)

INDEPENDENT AUDITOR'S REPORT

Deloitte.

TO THE READERS OF GORE DISTRICT COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

The summary annual report was derived from the annual report of the Gore District Council (the District Council) for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 6 to 13:

- the summary statement of financial position as at 30 June 2016;
- 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 2016;
- 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 Significance Performance Measures of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 6 October 2016.

Opinion

In our opinion:

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Basis of Opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

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

Handwritten signature of B E Tomkins in blue ink, with the Deloitte logo written below it in blue ink.

B E Tomkins

Deloitte

On behalf of the Auditor-General

Dunedin, New Zealand

6 October 2016