

Kaikōura District Council

Annual Report Summary 2019/2020

For the financial year ended 30 June 2020

2019/2020 Highlights and achievements

Rebuilding and improving our infrastructure and facilities we...

- secured just under \$15M Crown and NZTA funding for earthquake related rebuild work.
- completed \$3.67M of road rehabilitation work, including full replacement of six quake-damaged bridges, with Hawthorne, Rorrison and Evans bridges upgraded from one to two lanes, and Hawthorne and Rorrison widened to include footpaths
- Substantially progressed replacement of two urban water reservoirs, restoring urban water capacity to 4.5 million litres (similar to pre-quake levels)
- substantially progressed replacement of the Lyell Creek/Beach Road sewer main, the aeration lagoon and the wastewater treatment plant (these projects collectively estimated to cost over \$10M)
- replaced the quake-damaged Totara Lane wastewater pump station
- completed almost \$900k worth of road sealing, drainage, and traffic services renewals
- completed major repairs and improvements to the Memorial Hall and Opshop building, at a total cost of \$1.75M, with grant funding of \$750,000 from the DIA Lottery Earthquake Fund
- began developing and implementing a new asset management system, Adapt, which will enable better decision-making for managing our assets

Improving our services and performance, we...

- dealt with 1,103 customer service requests, 8% less than the previous year.
- digitised library services
- supported homeowners to resolve insurance, rebuild and repair issues
- overall, 53% of community members were satisfied with the Council's performance in 2019/20 – a slight improvement on 2018/19
- The top three rated services in our survey are the Library, Opshop building and the cemetery
- Processed 83 resource consents
- issued 183 building consents
- undertook 1,115 building inspections
- dealt with 123 complaints about dogs

Becoming more efficient, effective and financially sustainable, we...

- continue to borrow less than budgeted and have kept loan interest costs at less than 1% of revenue
- improved our financial reporting capabilities
- progressed several departmental reviews seeking to find more efficient ways of working, as part of the Financial and Corporate Sustainability review.

Contributing to a new swimming pool, we...

- confirmed lease arrangements on the Scarborough Street recreation reserve
- worked with the Kaikōura Community Charitable Trust to progress the multi-million-dollar project to build a new swimming pool
- provided advice and support in the initial design
- processed the building consent for the new pool

Addressing Responsible Freedom Camping issues, we...

- developed a new Bylaw regulating areas where freedom camping is permitted and also where camping is prohibited
- employed five ambassadors for the summer of 2019/2020 whose role was to educate campers and enforce the bylaw where necessary

Partnering with Te Rūnanga o Kaikōura, we...

- established a new Cultural Liaison role co-funded with Te Rūnanga o Kaikōura
- continually improve staff understanding of Te Ao Maori through training and use of Te Reo
- work with iwi representatives in various working groups: Responsible Camping Working Group, and Waste Steering Group
- attend hui on local matters and maintain close communication channels between the Runanga and Council

From the CEO

Council started the 2019/2020 financial year with a new mayor and a newly elected Council. Six elected members returned with two new passionate and energetic Councillors Vicki Gulleford and Rob Roche on board.

COVID-19 – Uncertain beginnings

Council supported the Kaikōura Community Health Centre with communications, community outreach and welfare services. A kerbside rubbish service was implemented alongside the recycling pickup to ensure contamination was minimised. A Kaikōura Economic Governance Group was formed to identify community needs and source funding for economic recovery. This resulted in external funding for the Kaikōura Swimming Pool (\$1m), Scout Hall (\$0.470m) and the Mayors Taskforce for Jobs. The rates burden was significantly lowered from just under 10% to 4.0%. This was hard work but has resulted in improved rates affordability for our commercial businesses affected by COVID-19.

Infrastructure Rebuild & Community Facilities

A large part of this year was dedicated to completing the earthquake infrastructure rebuild with most of the major projects (wastewater treatment plant, six bridges and pressurised sewerage system) being constructed. The rebuild has progressed extremely well in terms of timelines and in terms of the spend to budget – expenditure is currently tracking below budget.

Provisional Growth Funding

Council secured \$10.88m in grant funding from the Provincial Growth Fund for the Kaikōura Marine Development project. This project will see the development of Wakutu Quay and a business case for further development of the South Bay Harbour. A Governance Group was stood up to oversee these two projects and Chris Sturgeon has been appointed as the Project Lead

Responsible camping bylaw

Kaikōura District Council introduced a bylaw to help control freedom camping in the district. This bylaw is a critical part of building a toolbox that helps our community manage the impacts of freedom camping on our environment, our community and our businesses. Council successfully secured over \$250,000 from the government to support work around responsible freedom camping this summer.

Natural Hazards Chapter District Plan review

The review focuses on earthquake fault rupture, liquefaction, debris inundation and flooding. Final technical reports were received in relation to the natural hazards review. A series of community workshops were held "Our Homes Our Hazards", covering the concepts of "Hazards" and "Risk" and sought an understanding from the community as to what an acceptable level of risk.

Solid Waste and Recycling

Efforts of Council in the 2019/20 year have been largely focussed on attempting to understand the previously mentioned affordability and landfill capacity challenges and identify potential ways forward, but neither issue has been simple to resolve.

Sustainability and Financial position

The net surplus for the year is \$11.6M compared to a budgeted surplus of \$15.6M. The lower surplus is largely due to grants for capital projects being lower than budgeted, mainly related to COVID-19 delays. Debt has remained lower than predicted levels at \$7M due to impacts of COVID-19 on the rebuild.

Thanks to the Council team, the councillors and our community for working in collaboration to help lead key community projects such as the Kaikōura community swimming pool, Mayfair Theatre and many other community initiatives.



Angela Oosthuizen

ANGELA OOSTHUIZEN
Chief Executive Officer

COVID 19- Uncertain beginning to Tourism

2019/2020 once again proved to be a challenging year for our District. Tourism had recovered to pre-quake levels when the District was confronted with the economic impacts of COVID-19. The international borders closed overnight, and international visitors to our District were severely curtailed.

When New Zealand entered level 1 post lockdown, it was pleasing to note that tourism from domestic visitors has remained strong. Although 183 consents were issued in 2019/2020, building slowed on the new 4.5-star, 120 bed Sudima Hotel due to the impacts of COVID-19. Due to open by September 2021, and offering a restaurant/bar, conference facilities, gym and pool, the hotel will be a welcome further economic boost for our small community.

Council realised too we needed to revisit our Annual Plan and lower the rates burden for our rate payers. Through a variety of measures, including a reduction of staff headcount, the rates burden was significantly lowered from just under 10% to 4%. This was hard work but has resulted in improved rates affordability for our commercial businesses affected by COVID-19.

Financial Position

The net surplus for the year is \$11.5M compared to a budgeted surplus of \$15.7M. The lower surplus is largely due to grants for capital projects being lower than budgeted, mainly related to COVID-19 delays.

Debt has remained lower than predicted levels at \$7M due to impacts of COVID-19 on the rebuild.

Council has also joined the Local Government Funding Agency (LGFA) in December 2019 and for several months the Council carried the lowest cost of debt of any local authority in NZ, enjoying interest rates lower than 1%. Council remains well within debt limits and well within its ability to service debt.

Audit statement

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Kaikōura District Council and group's summary of the annual report for the year ended 30 June 2020

The summary of the annual report was derived from the annual report of the Kaikōura District Council (the District Council) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 4 to 5:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include other explanatory information; and
- the summary statement of service provision (reported as "How well did Council perform?").

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*.

However, the summaries of the financial statements and statement of service provision include limitations in scope to the equivalent extent as the full audited financial statements and statement of service provision. These limitations in scope are described in our qualified audit opinion dated 21 December 2020 and are explained below in *the full annual report and our audit report thereon* section.

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.

The full annual report and our audit report thereon

We expressed a qualified opinion on the financial information and statement of service provision that we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 21 December 2020. The basis for our qualified opinions are explained below.

Financial information

Our audit report on the 30 June 2018 full financial statements was qualified because there were significant uncertainties in relation to the earthquake damage sustained by the Council's building and harbour assets. Additionally, the Council was unable to appropriately distinguish whether repair costs incurred during the 30 June 2017 financial year were an operating expense or capital improvement. Since all repair costs incurred during the 30 June 2017 year were expensed, there was uncertainty about the extent of costs that should have been capitalised to the damaged assets and recognised in the statement of financial position as at 30 June 2018.

During the 30 June 2019 year, the Council revalued its infrastructural assets and buildings to fair value for the first time since they sustained earthquake damage and we are satisfied the revalued carrying amounts at 30 June 2019 are fairly reflected in the financial statements. However, any misstatement of property, plant and equipment as at 30 June 2018 due to the uncertainties explained above would consequentially affect the asset impairment and asset revaluation movements recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2019.

As a result, in respect of the 30 June 2019 prior year financial information only, we were unable to obtain sufficient appropriate audit evidence to support the asset revaluation movement and the reversal of impairment losses from earthquake damage (included in gains) that have been recognised in the statement of comprehensive revenue and expense.

Council Activities

The Council did not have sufficiently reliable systems and processes in place during the year to accurately report on a number of performance measures. Consequently, as explained in the introduction section of the Council Activities on page 17 of the full annual report, for just under half of the performance measures, the Council is either not able to report any performance for the year or has reported performance as incomplete.

We also drew attention to the fact that we issued a modified opinion on the District Council's 30 June 2019 Council Activities, which are presented as comparative information in the 30 June 2020 Council Activities.

As a result, our work was limited and we were unable to obtain sufficient appropriate evidence over the reported performance against these performance measures.

Emphasis of matter – Impact of Covid-19

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the District Council as set out in the full annual report on page 79. We drew specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- ***Investment property***

Note 18 on page 109 of the full annual report describes the significant uncertainties highlighted by the valuer, related to estimating the fair values of the District Council and group's investment property.

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 reporting on the summary and full annual reports, we have performed a limited assurance engagement related to the District Council's debenture trust deed, which is compatible with independence requirements. Other than this reporting and this limited assurance engagement, we have no relationship with, or interests in the District Council or its subsidiaries and controlled entities.



Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
21 January 2021

This Summary Annual Report provides an overview of Kaikōura District Council and group's operational and financial performance for the financial year ended 30 June 2020. It is prepared in accordance with section 98(4) of the Local Government Act 2002, and in line with section 98(5) of that Act, it represents fairly and consistently the information regarding the major matters dealt within the full Annual Report.

The specific disclosures included in this summary have been extracted from the full Annual Report. The auditor, Audit New Zealand, issued a qualified opinion on the Council's service performance information because of lack of sufficiently reliable systems and processes in place during the year to accurately report on a number of performance measures. The Council also has a qualified opinion due to the uncertainty on impairment and revaluation movements recognised in prior year. An Emphasis of matter relating to the impact of Covid-19 on the Council was also noted, this relates to Investment Property and the uncertainties relating to the valuation. The full annual report was authorised for issue by the Council on 21 December 2020.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$,000). This Summary Annual Report complies with PBE FRS43 Summary Financial Statements, and the full Annual Report was prepared in accordance with public benefit entity accounting standards with reduced disclosure requirements (Tier 2).

This summary report cannot be expected to provide as complete an understanding of the Council and group's financial and service performance, financial position and cash flows as the full Annual Report.

The full version of the Annual Report is available on our website; www.kaikoura.govt.nz or via the Council office.

Financial results and explanation for budget variances

The Council's financial operating result for the year ended 30 June 2020 was an \$11.5 million surplus, against a budgeted surplus for the same period of \$15.674 million.

Revenue was \$29.0 million, \$3.1 million less than the budgeted \$32.1 million. One reason is the timing of earthquake rebuild projects, which meant that claims from the Crown and NZTA were not made, and so grants and subsidies are \$4.2 million less than budget. Those claims will only be reimbursed by the Crown and NZTA as the project expenses are paid. There are \$892k in fair value gains that had not been budgeted, that relate to gains in forestry and investment property valuations. Despite the COVID-19 lockdowns, user fees and charges were \$208k above budget for the year (mostly from building consent fees). Other than these variances, over-all the Council's revenue streams have been largely on track with budget.

Operating expenditure of \$17.4 million is \$1 million more than budget; almost entirely due to depreciation, which had been reviewed with the independent asset valuations completed at 30 June 2019. Those valuations include a reassessment not only of asset values, but also of remaining useful lives. Further, a new asset was created in 2019 to account for the capacity of the landfill, per accounting standards, and that asset is also subject to depreciation. The combination of these factors increased depreciation, particularly for roading and solid waste.

Statement of Financial Position

Thanks to the ongoing support of the Crown and NZTA for earthquake rebuild, plus grants from MBIE and others for various projects, our available cash increased to \$4.3 million, and debt was held at \$7.0 million; a far stronger financial position than had been predicted.

Statement of Cash Flows

Cash increased over the year by \$2.4 million, to a balance of \$4.33 million at 30 June 2020.

- Net cash from operating activities generated \$1.85 million.
- \$5.5 million in loans were raised during the year, both in anticipation of the earthquake rebuild projects increasing payments to suppliers, and also to restore special funds and reserves to a true position having eliminated use of material damage cash settlements to repay debt.

How well did Council perform?

Across our groups of activities this year, the Council achieved 41 out of 114 performance measures (36%).

This year, the Council was able to accurately report on 54% of its performance measures (61 of 114).

For the remaining performance measures, 23 measures were incomplete (part-year, part area, or only KDC results excluding contractors). In 30 cases no results were available, or the measure was not applicable.

Roads & bridges

We received 236 customer service requests for roading issues during the year. 91% of our sealed local roads met our target for smooth travel exposure.

Water supplies

Our customer service requests are achieving well against targeted performance, in terms of both the number of complaints, and the time taken to respond to service requests; however not all service requests or complaints were adequately recorded, or the time taken was not accurately captured. This means we had to disclose our performance against target as either incomplete, or not available. We are working on improving the way we capture and record this information so that it is more meaningful for future and our aim is to have complete information for the 2022 year.

Sewerage services

The number of complaints regarding sewer odour and system faults were higher than last year, however during the year there were some issues with the sewer earthquake works along Beach Rd, and these issues generated a higher volume of calls than normal.

Recycling

The total weight of waste produced per person has decreased by 19% from last year to 418kg, this is still very high compared to our target of less than 152kg. The increase in waste produced is still likely related to earthquake demolition and changes in the global market for recyclable products.

Community facilities

We carried out deferred and general maintenance on all public toilets.

For the Torquay Street housing for the elderly, we installed bathroom and kitchen extractor fans via the Winter Warmers program and serviced all heat pumps.

We met with Scout Hall users to understand their needs and in turn begin to develop a scope and seek costings for works to upgrade the Scout Hall.

We carried out general maintenance on Council-owned buildings and developed and awarded a tender for the demolition of Wakatu Quay.

Airport operations and associated revenue stopped during COVID-19 lockdown but have otherwise continued at pre-COVID-19 levels. Regular mowing has continued to keep grass lengths within specification. Severe wear of the grass runway landing locations occurred towards the end of the very prolonged summer drought. Restoration of grass cover will be required.

Regulatory services

There is currently 1175 known dogs in the district.

The number of complaints about dogs increased 65% to 155 calls, which exceeds our target of less than 135.

The summer period saw our environmental clean-up team having to attend to human waste on beaches, and general rubbish clean ups, but in general the

behaviour of Freedom Campers to our district was vastly better than previous years.

Community & customer services

62% of respondents to our resident survey said they are satisfied, or very satisfied, with the Customer Services team this is below our target of 91%.

District development

We successfully developed and made operative Kaikōura Responsible Freedom Camping Bylaw 2019. Over 170 submissions were received. Submissions were heard by Council and the bylaw can into enforce on 18th December 2019.

The November 2016 earthquake escalated the need for technical information to inform the natural hazards provisions of the District Plan. The review focuses on earthquake fault rupture, liquefaction, debris inundation and flooding.

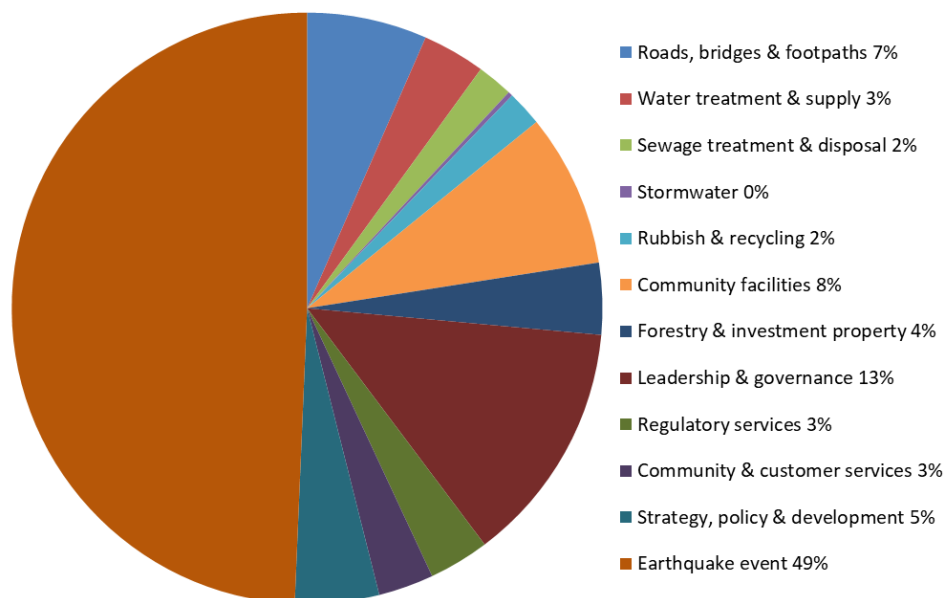
We processed resource consent, project information memorandums, land information memorandums and provided information on the district plan. We kept Te Runanga O Kaikōura informed of the resource consent applications we have received. We received no objects or appeals in relation to resource consents.

Earthquake rebuild

Physical works of key projects commenced around the start of the financial year and most completed by the end of June 2020 despite the implication of the pandemic. This included the new pressure sewer main along Beach Road, the Wastewater Treatment Plant, Totara Lane Pump Station, and minor structural repair to fourteen bridges.

NZTA approved \$12.6m funding towards Clarence Valley Access, but only for either option 2 or 2A.

Where we spent our money



Capital projects

During the year we completed or commented the following projects,

Projects completed:

- Road surfacing, drainage and traffic services (\$0.589M)
- Memorial Hall Major Upgrade (\$0.822M)
- Airport Safety Improvements, Hangar and Terminal (\$0.128)
- 25 Beach Rd (Op Shop) Improvements (\$0.416M)
- Asset Management System (\$0.133M)
- Lyell Creek Sewer Main (\$6.8M)
- Bridge Replacements – Greenburn, Rorrison Rd, Hawthorne, Evans Rd, Gillings Lane (\$3.964M)

Work in progress:

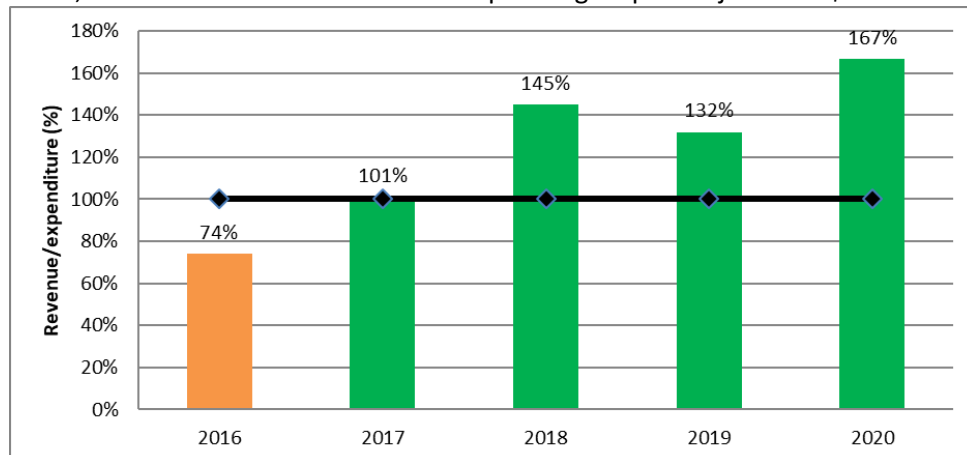
- Bridge replacement – 2 bridges (\$2.373M)
- Fords reservoir (\$1.321M)
- Wastewater treatment plant (\$2.585M)
- Clarence Valley Bridge (\$0.349M)

Balanced budget benchmark

A balanced budget means operating revenue is equal to, or greater than, operating expenses. Grants and subsidies of over \$17.5 million, plus rates of \$7.9 million, user fees of \$1.8 million and other revenue brought total revenue to \$29 million.

Operating expenses were over budget, with \$17.4 million spent against a budget of \$16.4 million (this does not include capital expenses).

Overall, the Council's activities led to an operating surplus of just over \$11.5 million.



Much of the grants and subsidies are committed to be used for the replacement of assets damaged by the earthquake. These are capital expenses, and so do not form part of the balanced budget calculation. Further, most of those capital costs relate to rebuild projects that are in progress, and so full costs are not final as at 30 June 2020.

Cash for the year ended 30 June increased from \$1.9 million in 2019, to \$4.3 million in 2020. During the same period the Council increased its total borrowings from \$1.58 million, to \$7 million when joining with the LGFA.

Summary financial statements

	Council		2019 Actual \$000	Group	
	2020 Budget \$000	2020 Actual \$000		2020 Actual \$000	2019 Actual \$000
Summary Statement of Comprehensive Revenue & Expense					
Total Revenue	32,106	29,012	21,197	30,331	22,368
Total Expenses (excl financing)	16,116	17,253	16,442	18,405	17,703
Financing expenses	316	152	197	155	202
Operating surplus/(deficit)	15,674	11,607	4,558	11,771	4,463
Ecan share of MRF surplus	-	(104)	(76)	(104)	(76)
Net surplus/(deficit) before tax	15,674	11,503	4,482	11,667	4,387
Income tax	-	-	-	57	16
Net surplus/(deficit) after tax	15,674	11,503	4,482	11,724	4,403
Gains on asset revaluation	-	16	20,502	16	20,502
Impairment losses	-	-	-	-	-
Total Comprehensive Revenue & Expense	15,674	11,519	24,984	11,740	24,905

Summary Statement of Changes in Equity					
Equity at start of year	169,946	186,271	161,287	186,996	162,091
Total comprehensive revenue & expense	15,674	11,519	24,984	11,740	24,905
Equity at end of year	185,620	197,790	186,271	198,736	186,996

Summary Statement of Financial Position					
Current assets	4,554	7,629	4,405	8,073	4,680
Non-current assets	192,863	204,050	188,958	204,914	189,862
Total Assets	197,417	211,679	193,363	212,987	194,542
Current liabilities	2,496	8,806	4,084	9,144	4,423
Non-current liabilities	9,301	5,084	3,008	5,107	3,123
Equity	185,620	197,790	186,271	198,736	186,996
Total Liabilities & Equity	197,417	211,679	193,363	212,987	194,542

Summary Statement of Cashflows					
Net cash from operating activities	16,360	1,853	2,522	2,071	2,642
Net cash from investing activities	(25,399)	(4,944)	(2,649)	(5,030)	(2,807)
Net cash from financing activities	5,037	5,498	(1,692)	5,473	(1,723)
Net increase/(decrease) in cash held	(4,002)	2,406	(1,819)	2,514	(1,888)
Opening cash at start of year	4,503	1,925	3,744	2,119	4,007
Closing cash balance	500	4,331	1,925	4,633	2,119

	2020 Actual \$000	2019 Actual \$000	2020 Actual \$000	2019 Actual \$000
Equity				
<i>Year end equity is split into the following reserves:</i>				
Public equity	105,668	98,866	106,614	99,591
Special reserves & special funds	6,483	1,783	6,483	1,783
Asset revaluation reserves	85,639	85,622	85,639	85,622
	197,790	186,271	198,736	186,996

CEO Angela Oosthuizen said, "2019/2020 has been a challenging year but our team has worked hard to complete the earthquake remediation work and upgrade the majority of community facilities. Extensive external funding has been secured for exciting developmental projects that will move our District forward."

Key achievements for the Council over 2019/20 included securing approximately \$10.88million of funding from the Provisional Growth Fund for the Kaikoura Marine Development project. Another highlight included the introduction of Adapt our Asset management software system and the significant efforts made to enhance the partnership with Te Runanga o Kaikōura.

Thanks to the Council team, the councillors and our community for working in collaboration to help lead key community projects such as the Kaikōura community swimming pool, Mayfair Theatre and many other community initiatives. Thanks too to the many volunteers and community groups who give tirelessly of their time to fund raise, work with our youth to form pathways and the many others who work passionately in conservation related areas.

The full report is available through the Council website www.kaikoura.govt.nz.