

Kaikōura District Council  
**Annual Report**  
for the year ended 30 June 2020



Helping Kaikōura move forward as a great place to live with a strong, well-connected community, that is ecologically exemplary and economically prosperous



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# General Information



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## Kaikōura: a great place to live

The Kaikōura district spans from the Haumuri Bluffs in the south to North of the Kēkerengū valley in the north, covering 2,048 square kilometres of diverse landscape. The inland boundary of our district is the Inland Kaikōura Range, climbing 2,885 metres and snow covered for much of the year.

Historically the district has thrived in the fishing, farming and dairy industries. Today Kaikōura is also a world-class tourism destination, boasting award-winning restaurants, cafés and accommodation facilities, a winery, artisan cheese factory, and retail shops.

The spectacular coastline provides excellent fishing, sporting and recreation. The Kaikōura Canyon, at around 1,300 metres deep, provides the natural habitat for southern right and sperm whales, orca and dusky dolphin, and is also host to over 200 species of marine life.

The township is situated on a peninsula protruding from this rugged coastline. Māori legend tells that it was from this peninsula that Maui fished up the North Island from out of the ocean. Māori history and culture is an integral part of Kaikōura, and there is evidence of Māori settlement in the area up to 1,000 years ago.

Our District*	
Population (Census 2018)	3,912
Rateable properties	2,981
Total rating units (includes non-rateable properties)	3,242
Total capital value of district	\$1,714,355,250
Total land value of district	\$1,007,458,450

\*as at 30 June 2019

Our Council~	
Represented by	1 Mayor & 7 elected representatives
Total equity	\$197,790,001
Total assets	\$211,679,395
Number of staff	38.4 FTE
Utilities & services	1 Landfill 8 Public water supplies 1 Sewerage system

~as at 30 June 2020



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## 2019/2020 Highlights and achievements

### 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.

### 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, Rorrisons and Evans bridges upgraded from one to two lanes, and Hawthorne and Rorrisons 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
- 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

### 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.

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## From the Chief Executive

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.



Figure 1 Powhiri at the Marae for newly elected council

### COVID-19 - Uncertain beginning to 2020 for 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 was severely curtailed.

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.

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 4.0%. This was hard work but has resulted in improved rates affordability for our commercial businesses affected by COVID-19.

### Infrastructure Rebuild and 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. The infrastructure rebuild is anticipated to be handed over to Council from October 2020. The Memorial Hall and OpShop buildings were strengthened and refurbished. A grant from NZ Lotteries was secured for the refurbishment of the Scout Hall and work is currently in progress.

### Provincial 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. Demolition of the old buildings is in progress at Wakutu Quay. A Governance Group was stood up to oversee these two projects and Chris Sturgeon has been appointed as the Project Lead. This continues to be an exciting project for our District and, once complete, will form a vibrant connection with the West End, the new Sudima hotel and the newly rebuilt and refurbished Mayfair Theatre.

### 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. Freedom camping is an important part of our local economy but the issues we've seen over the last few years have made it clear we must find a way to protect our home from those who behave badly and leave rubbish, human waste or environmental damage behind them. Developing the bylaw with the working group means that at every step we've heard the voices of tangata whenua, businesses, youth, our community and the New Zealand Motor Caravan Association and other key stakeholders.

Council undertook a graduated enforcement approach where enforcement officers have discretion to decide which enforcement tool is best to help prevent non-



compliance in the future. Council successfully secured over \$250,000 from the government to support work around responsible freedom camping this summer. This funding significantly reduced the costs to ratepayers of ensuring the bylaw is successful. It allowed us to install good signs and employ camping ambassadors to ensure people follow the rules and make sure the areas we allocate for camping are set up for success.

### Natural Hazards Chapter District Plan review

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. Final technical reports were received in relation to the natural hazards review. Council planners met with Te Runanga O Kaikōura and the Natural Hazards Advisory Group. 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. Additional workshops then occurred to explore the policy options for the District Plan. Workshops were undertaken by Council staff and supported by Environment Canterbury, and external planning consultants.

### 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.

The management of solid waste is one of the most complex activities undertaken by Council because of the wide range of service delivery options available, and identifying which option is best is not straightforward.

The Kaikoura community has previously invested significant effort and passion in pursuit of ‘Zero Waste’ objectives and the suggestion of a shift to a focus on affordability is therefore potentially a radical change upon which extensive consideration and consultation is required. That consultation has commenced, but it has become clear that more will be required before any decisions are made, and that a significant degree of compromise is likely.

### 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. 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.

Council did not receive any further funding to progress a new operating model but had utilised existing funding to address asset management, implement records management in the new year and inform the Long-term Plan 2021-2031.

### Thanks, and appreciation

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.

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.



Angela Oosthuizen  
Chief Executive Officer



# Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

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

The Auditor-General is the auditor of Kaikōura District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 21 December 2020. This is the date on which we give our report.

#### Qualified opinion

#### ***Qualified opinion on the financial information – Limitation in relation to impairment and revaluation movements in the prior year***

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report:

- the financial statements on pages 80 to 130:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2020;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.
- the funding impact statement on page 138, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the statement about capital expenditure for each group of activities on pages 22 to 76, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan.
- the funding impact statement for each group of activities on pages 22 to 76, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's three-year plan.



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**Qualified opinion on the statement of service provision (reported as Council Activities)**

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report, the Council Activities on pages 17 to 76:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

**Report on the disclosure requirements**

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 131 to 137, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's three-year plan and annual plans.

However, we draw attention to the fact that the benchmark results and Schedule 10 disclosures for the 2017 to 2019 years were compiled using figures from the financial information, which we issued modified audit opinions on.

**Basis for our qualified opinion****Financial information – Impairment and revaluation movements in the prior year**

Our audit report on the 30 June 2018 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 that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense and note 7; and

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- the reversal of impairment losses from earthquake damage (included in gains) for the 2019 year that has been recognised in the surplus/(deficit) section of the statement of comprehensive revenue and expense and note 7.

### **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, 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 draw 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 have been unable to obtain sufficient appropriate evidence over the reported performance against these performance measures.

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the audited information.

### **Emphasis of matter – Impact of Covid-19**

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out on page 79 of the Annual Report. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- **Investment property**  
Note 18 on page 109 describes the significant uncertainties highlighted by the valuer, related to estimating the fair values of the District Council and Group's investment property.

### **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.



In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

### Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan and three-year plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Council Activities, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future

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events or conditions may cause the District Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 5 to 8, 79 and 141 to 145 but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed, which is compatible with those independence requirements. Other than these engagements, 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



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## Statement of Compliance

The Council and management of Kaikōura District Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, except for the adoption date of the Annual Report.

The Council and management of Kaikōura District Council accept responsibility for the preparation of the annual financial statements and service performance reports, and the judgements used in them.

The Council and management of Kaikōura District Council accept responsibility for establishing and maintaining a system of internal control designed to provide assurance as to the integrity and reliability of financial reporting.

The annual report was adopted on 21 December 2020.

Angela Oosthuizen  
Chief Executive  
21 December 2020

Craig Mackle  
Mayor  
21 December 2020

# Council Activities



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## What we do: Our groups of activities

The Council delivers a range of services on behalf of the community. This section reports on those services, what we planned to do, what we did and our key projects.

The Council delivers core services as required by the Local Government Act 2002. It also delivers 'public good' services undertaken with the support of residents and ratepayers. Our services are grouped into 12 activity groups.

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

In each of the three financial years following the earthquake, disruption to data sources and monitoring systems and challenging workloads meant the Council was only able to report on actual performance for 30%, 36%, and 54% of our performance measures for each year respectively.

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.

Our annual Resident Satisfaction Survey showed that overall, 53% of community members were satisfied with the Council's performance in 2019/2020. This result was on par with the previous years and with a slight trend for improvement.

Overall, Kaikōura residents and property owners were satisfied with life in their district: feeling safe, having their essential needs met, and engaging with their local environment. People have been increasingly positive about the post-earthquake infrastructure re-build programme and insurance claim resolution, and business confidence remained optimistic (noting the survey was conducted in Nov 2019 to Jan 2020 before COVID-19 had begun to impact New Zealand).

The Council continued to provide an important and valued role in supporting the needs of community members – which had a measurable influence on residents' quality of life. Key areas for improvement are still apparent, however, and mainly related to enhancing the District as a place to live in and move around: local development initiatives (economic and community), and infrastructure (roads and footpaths, including increased accessibility).

Year	Number of measures		
	2017/2018	2018/2019	2019/2020
Actual performance measure reported	41	63	61
Estimated performance measure reported	3	1	0
Incomplete performance measure reported	24	26	23
Result not available	11	23	29
Not applicable	3	1	1



Helping Kaikōura move forward from the November 2016 earthquake continues to shape the Council's priorities. This year's top focus was rebuilding and repairing infrastructure and facilities and delivering and improving essential services. The rebuild entered its peak phase in terms of the volume of work underway.

### COVID-19 impact on Council activities

The NZ government agency declared a State of National Emergency on 25 March 2020 due to the virus spreading in several clusters around NZ. The next day the country was put into Alert Level 4 lock down.

In anticipation of the evolving situation, Council's remote working systems were improved to provide for all staff to work from home.

During Level 4 and Level 3 almost all staff were able to work from home in a business as usual mode, while other staff were deployed to the COVID-19 response. Library and Customer Services staff took up the role of community support, delivering food parcels and medicines to people over 70 who for various reasons were unable to leave their homes during lockdown. Staff also ensured the Easter Bunny could deliver eggs, to lift the spirits of young families.

Regulatory enforcement staff worked on scanning files and records, and the Building Control team were able to work through their

accreditation audit during the lockdown period and successfully achieve accreditation.

We closed all public toilets, playgrounds, halls and the Council office and library for the duration of Level 4 and 3 lock-down. Our contractor, Innovative Waste, continued to provide essential three-waters maintenance services, and was tasked to provide a kerbside rubbish collection, in addition to the usual recycling collection, in the interests of public health.

During Level 2, most of our business activity resumed with the required health and safety protocols in place and our staff began returning to their usual place of work. Level 1 predominantly saw a return to normal activity.

Work on our major capital projects resumed on 28 April 2020 following the move to Level 3. Council staff have worked with our contractors to mitigate the lost time during Level 4. Most of the time lost on these projects has been regained in May and June, however it was inevitable that some projects have been delayed into the 2020/2021 financial year. One of the biggest challenges faced was the fact that construction workers based overseas were unable to enter NZ to progress the rebuild projects due to the restrictions placed on people entering the country.

In the table of performance indicators on the previous page, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

## Roading

Provide for the safe and reliable movement of people and goods throughout the District, connecting communities and accessing property.

### What we do

The Roothing group of activities includes;

- Roads & bridges
- Footpaths & cycleways
- Streetlights

The Council maintains 205km of local roads and 40 bridges in our district. Approximately half of our roads are sealed. Of the bridges, 29 are single lane and 5 apply weight restrictions. The New Zealand Transport Agency (NZTA) owns and maintains State Highway One, which includes Churchill Street and Beach Road (within the township), and post-quake has also taken control of the Inland Road. That road will be returned to Council control once it has been fully repaired and restored.

### Key issues in 2019/2020

Our local roads have continued to be used to haul aggregates and other materials needed for the reconstruction of State Highway 1 north and south of Kaikōura. A significant amount of the local road network has been used as haul routes over the past year, primarily on the Kaikoura Flats area. The number of heavy vehicles using these roads daily has increased by a very significant magnitude leading to accelerated pavement deterioration and damage.

This has led to a reduced level of service on those roads and a need for increased management input.

The Ultra-fast broadband roll-out is scheduled to be completed during 2020/2021. Council working with

Chorus to enable footpath repairs and rehabilitation to be undertaken with a cost-share arrangement.

### What we did

A significant amount of resealing was undertaken on the sealed roading network with the majority of reseals being undertaken on Old Beach Rd.

A programme of road metalling was carried out across the district to existing unsealed pavements. Some of these were long overdue for metalling and grading to provide new shape and life to these pavements.

Six bridges across the district were replaced and minor structural repairs were undertaken on 14 existing bridges that were damaged in the 2016 earthquake.

### What we planned to do but didn't

The proposed footpath repair and rehabilitation programme was delayed due to the COVID-19 pandemic. The budget to complete this programme was carried over into the 2020/21 financial year and will be undertaken once the programme has been finalised. This programme can be completed now that a comprehensive rating survey and sweeping exercise has been undertaken.

The LED streetlight replacement programme was not completed as planned. The enhanced NZTA subsidy rate of 85% is still available until June 2021. A business case to gain approved funding is being prepared and the physical replacement of streetlights will be carried out following NZTA approval.

## Community outcomes supported



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Residents and visitors enjoy an improved quality of life in our District.



provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Three bridge replacements completed during the year included increase from single lane to double lane, improving safety of road users	Nuisance of noise, and also dust on unsealed roads
Economic	The bridge replacements and investment in road rehabilitation enables efficient delivery of goods and services	
Environmental	Roads controls traffic flow to defined road corridors. Significant drainage renewals were completed to protect adjacent property from flooding and improve access resilience during weather events	Disrupts natural drainage patterns

## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrades to meet additional demand:			
Minor improvements	52	-	
Upgrades to improve level of service:			
Streetlight LED upgrades	97	-	Carried over to 2019/2020
Renewal/replacement of existing assets:			
Road rehabilitation	307	-	
Sealed surface renewals	300	303	
Unsealed surface renewals	180	158	
Kerb & channel (drainage) renewals	100	72	
Traffic services	38	52	
Footpath renewals	140	4	Carried over to 2019/2020
	1,065	589	
<b>Total capital projects</b>	<b>1,214</b>	<b>589</b>	

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The change from the previous year in the number of fatalities and serious injury crashes on the local road network expressed as a number <sup>1</sup>	+1	Reduction of more than one	-1	Yes
The average quality of ride on the sealed local road network, measured by smooth travel exposure <sup>2</sup>	89%	> 85%	91%	Yes
The average quality of ride on the sealed road network measured by NAASRA roughness <sup>1</sup>	117	< 125	101	Yes
The percentage of customer service requests relating to roading, footpath and associated faults responded to within one week	Not available	>90%	Not available	Not available
The number of customer service requests received about the Council's roading network	177	< 365	236	Incomplete
The number of complaints received due to a service request not being actioned properly	5	< 37	4	Incomplete
The percentage of the sealed network that is resurfaced per annum	.82%	> 5%	8%	Yes
The percentage of footpaths that are poor condition (grade 4 or 5)	5%	< 10%	7.6%	Yes
The percentage of streetlights not functioning during an audit of any part of the network	No audit completed	< 2%	No audit completed	Not available
The percentage of regulatory road signs incorrect or missing during an audit of the road network	0%	0.5%	0.3% <sup>3</sup>	Incomplete

<sup>1</sup> There were no fatalities or serious injury crashes on local roads for the year (down from one in the previous year)

<sup>2</sup> Smooth travel exposure means a measure of the percentage of vehicle kilometres travelled on roads that occurs above the targeted conditions for those roads. The Council sets its targeted conditions based on NAASRA counts. The rougher the road, the higher the NAASRA counts per km. A NAASRA count of greater than 150 typically indicates a road that is becoming a concern in terms of its roughness. Note the NAASRA roughness count is done every three years. The results are based on the results measured in May 2018, but the traffic count was completed in 2019.

<sup>3</sup> Only a partial audit of the road network was completed. There were no issues with signs within the audited area.



## Funding Impact Statement: Roading

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	940	1,026	1,135
Subsidies & grants for operating purposes	1,094	533	811
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	35	36	42
<b>Total operating funding (A)</b>	<b>2,069</b>	<b>1,595</b>	<b>1,988</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,640	1,019	1,360
Finance costs	35	35	10
Internal charges and overheads applied	117	112	273
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,792</b>	<b>1,166</b>	<b>1,643</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>278</b>	<b>429</b>	<b>346</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	179	329	301
Development and financial contributions	-	15	6
Increase/(decrease) in debt	77	(68)	426
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>257</b>	<b>276</b>	<b>733</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	100	51	-
- To improve the level of service	152	29	-
- To replace existing assets	283	625	589
Increase/(decrease) in reserves	-	-	489
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>535</b>	<b>705</b>	<b>1,078</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(278)</b>	<b>(429)</b>	<b>(346)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,643</b>
Plus depreciation			1,229
<b>Expenditure as per Note 1</b>			<b>2,872</b>

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## Water services

Provide water infrastructure that meets the needs of the community, ensures a healthy standard of living, and minimises effects on the environment

### What we do

There are eight water supplies in Kaikōura:

- Kaikōura Urban
- Kaikōura Suburban
- Ocean Ridge
- East Coast
- Kincaid
- Fernleigh
- Oaro
- Peketa

The Council has a responsibility to ensure that water supplied to consumers is safe to drink. It is also our role to ensure a continuous supply of water, with minimal interruptions, prompt response to service requests, and good consumer satisfaction with water pressure, taste, odour and clarity of drinking water.

### Key issues in 2019/2020

High usage within the Kaikoura urban network continues to be an issue. Assessment of water demand indicates that this is primarily associated with leakage across the network. Council staff are working with our Three Waters maintenance contractor to identify problem areas. This includes bulk metering of zones throughout the network and leakage detection surveys.

Total coliforms in the Ocean Ridge water supply prompted an investigation into the cause. Enhanced monitoring of the supply was

implemented, and cleaning of the treated water reservoir was undertaken following advice from the Drinking Water Assessor. No further issues have arisen.

Ongoing boil water notices are in place for East Coast, Fernleigh and Suburban water supply zones.

### What we did

Some minor water reticulation mains were replaced in various areas of the network in Kaikoura urban supply.

Upgrades to Radios and RTU units at water treatment plants were undertaken and integrated with the existing SCADA system. This ensure that operators can remotely view the operation and performance of these treatment plants and are alerted via automatic alarms if any issues arise so they can respond accordingly.

### What we planned to do but didn't

The proposed installation of a new water reticulation network for the suburban water supply, to join to Kaikoura Urban scheme was not completed due to delays caused by COVID-19 lockdown. Money for this has been carried over into the new financial year and will be completed in the latter half of 2020. This will enable the permanent boil water notice currently in place for the suburban water scheme to be lifted.

## Community outcomes supported

	<p>Our community is resilient, safe and well and has their essential needs met</p>		<p>Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.</p>
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meet the needs of our community.



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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Clean, potable water is fundamental to the health of all residents and visitors	
Economic	Clean water on demand is essential for many businesses to function (including visitor accommodation, commercial activity and primary industries)	
Environmental	Water is used for irrigation	Over-use can create water shortages and require water restrictions

## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
<b>Upgrades to improve level of service:</b>			
Kaikōura Urban SCADA upgrade	34	26	Urban SCADA includes the base station
Suburban SCADA upgrade	3	1	
Suburban reservoir storage	159	51	This project has carried over to 2020/2021
Kaikōura Urban safety plan upgrades	3	-	
Ocean Ridge chlorination upgrade	70	9	
Ocean Ridge SCADA upgrade	2	3	
Ocean Ridge safety plan upgrades	3	-	
East Coast SCADA upgrades	2	-	
East Coast safety plan upgrades	7	-	
Kincaid SCADA upgrade	8	5	
Kincaid safety plan upgrades	3	-	
Fernleigh SCADA upgrade	5	7	
Fernleigh safety plan upgrades	3	-	
Oaro SCADA upgrade	3	2	
Oaro safety plan upgrades	3	-	
Peketa SCADA upgrade	1	1	
Peketa treatment upgrade	25	6	UV power supply and flow meter upgrade
Peketa new bore & treatment plant	200	25	Options and investigations
<b>Total improvements</b>	<b>534</b>	<b>136</b>	
<b>Renewal/replacement of existing assets:</b>			
Kaikōura Urban bore & pump renewals	50	5	
Kaikōura Urban pipe renewals	400	25	Various pipelines and connections
East Coast pipe renewals	-	7	100 metres of pipe replaced
Kincaid water renewals	20	-	
Oaro renewals	47	3	Pump renewal
<b>Total renewals</b>	<b>517</b>	<b>40</b>	
<b>Total major projects</b>	<b>1,051</b>	<b>176</b>	

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## Performance indicators

Water Scheme	Compliant with the Drinking Water Standards?					
	Microbiological Compliant			Protozoal Compliant		
	2018	2019	2020	2018	2019	2020
Fernleigh Rural	Yes	No	No	No	No	No
Kaikōura Urban	Yes	Yes	Yes	No	No	No
East Coast Rural	No	No	No	No	No	No
Kincaid	No	Yes	No	No	No	No
Oaro	No	Yes	Yes	No	No	No
Ocean Ridge	No	Yes	Yes	No	No	No

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The extent to which the water supply complies with part 4 of the NZ Drinking Water Standards (bacteria compliance criteria)	67%	100%	50%	No
The extent to which the water supply complies with part 5 of the NZ Drinking Water Standards (protozoal compliance criteria)	0%	100%	0%	No
The extent to which the water supply complies with the testing and monitoring requirements of the NZ Drinking Water Standards	Not available	100%	25%	No
The percentage of real water loss from networked reticulation systems	Not available	< 30%	62%	No
The average consumption of drinking water per day per resident	Not available	< 200 litres	Not available	Not available
<b>Fault response times:</b>				
Where a local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:				
Attendance for urgent call-outs, from the time that the local authority receives notification to the time that service personnel reach the site	No urgent callouts	< 1 hour	Not available	Not available
Resolution of urgent call-outs, from the time the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	No urgent callouts	< 2 days	Not available	Not available
The <b>percentage</b> of urgent callouts responded to within one hour from the time of notification to the time service personnel <b>attend</b> the site	No urgent callouts	98%	Not available	Not available
Attendance for non-urgent call-outs, from the time we received notification to the time that service personnel reach the site	1 day	< 1 day	Not available	Not available

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	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Resolution of non-urgent call-outs, from the time the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	3 days	< 1 week	Not available	Not available
<b>Percentage</b> of non-urgent callouts responded to within 48 hours from the time of notification to the time service personnel <b>attend</b> the site	Not available	98%	Not available	Not available

For the purposes of the above performance indicators, urgent call-outs include major pipe bursts, and non-urgent call-outs include minor leaks and equipment maintenance. The water loss calculation was carried out using the processes within the Water NZ Benchloss suite (an Excel workbook). Water supply flow data was taken from KDC's flow and reservoir records. Population data was taken from the Statistics NZ website.

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
<b>Complaints and requests for service<sup>4</sup>:</b>				
The number of customer service requests received about Council water supply schemes per year	101	< 365	141	Incomplete
The number of complaints received about drinking water <b>clarity</b> , per year per 1,000 connections	0.4591	< 1	13	Incomplete
The number of complaints received about drinking water <b>taste</b> , per year per 1,000 connections	0.4591	< 5	0.9182	Incomplete
The number of complaints received about drinking water <b>odour</b> per year per 1,000 connections	0.4591	< 5	0.4591	Incomplete
The number of complaints received about drinking water <b>pressure or flow</b> , per year per 1,000 connections	1.3774	< 10	0.4591	Incomplete
The number of complaints received about drinking water <b>continuity of supply</b> , per year per 1,000 connections	3.2140	< 5	2.2956	Incomplete
The number of complaints received per year about the Council's response to any of these issues, per 1,000 connections	2	< 37	6.887	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service requests and complaints results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and there is currently no method for measuring water loss from the system or actual water consumed, and therefore results are not available.

<sup>4</sup> There are 2,178 properties connected to Council-owned and operated water supplies in the district

# Funding Impact Statement: Water services

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	1,187	1,534	1,404
Subsidies & grants for operating purposes	-	-	-
Fees and charges	3	4	15
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>1,190</b>	<b>1,538</b>	<b>1,419</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	779	720	671
Finance costs	52	57	11
Internal charges and overheads applied	282	255	309
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,112</b>	<b>1,032</b>	<b>991</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>79</b>	<b>506</b>	<b>428</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	121
Development and financial contributions	-	24	10
Increase/(decrease) in debt	180	253	359
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>180</b>	<b>277</b>	<b>490</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	239	371	116
- To replace existing assets	22	421	60
Increase/(decrease) in reserves	(2)	(9)	742
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>259</b>	<b>783</b>	<b>918</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(79)</b>	<b>(506)</b>	<b>(428)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>991</b>
Plus depreciation			446
<b>Expenditure as per Note 1</b>			<b>1,437</b>

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## Sewerage

Protect the health of the District’s residents and environment by providing an efficient and effective means of collecting, treating and disposing of sewage effluent in larger urban communities

### What we do

This group of activities includes the collection, treatment and disposal of sewage, as well as stock effluent facilities.

The Council operates one wastewater system for the Kaikōura township, including the South Bay and Ocean Ridge areas. The system collects wastewater from individual properties and treats it to suitable standards, before discharging the treated wastewater back into the environment. The sewage system can cope with the demands of up to 10,000 people.

### Key issues in 2019/2020

Most issues associated with the wastewater network continue to be addressed as part of the earthquake repair including the replacement and repair of pumps stations and reticulation with a large amount of these projects already completed.

Odour issues in various areas of the network continue to present challenges. These issues are primarily associated with pump stations.

Wastewater can deteriorate to an anaerobic state which causes gasses such as hydrogen sulphide (rotten egg smell) to form. Council will continue to identify problem areas and resolve these with a variety of methods to reduce these issues.

### What we did

Some pump replacements were undertaken due to the pumps reaching the end of their serviceable lives. Some minor work to address sites with odour issues were also undertaken.

Upgrades to Radios and RTU units at pump stations were undertaken and integrated with the existing SCADA system. This ensures that operators can remotely view the operation and performance of these and are alerted via automatic alarms if any issues arise so they can respond accordingly.

### What we planned to do but didn't

Most of the work planned for the wastewater programme was completed as planned. Some outstanding work on sites with odour issues were delayed due to COVID-19 lockdown and will now be completed in the 2020/2021 financial year.

## Community outcomes supported



We value, protect and enhance Kaikōura’s unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.

All Council's work over 2018-2021 supports one or more of our community outcomes, helping make sure we ....



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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Safe and sanitary treatment and disposal of effluent is essential for the health and safety of the whole community	Odour continues to be an issue in some areas
Economic	Sanitary effluent disposal is essential for the commercial sector to function	
Environmental	An efficient treatment and disposal system ensures that what is returned to the environment is not harmful	
Cultural	These systems ensure that offensive matter is disposed of	

## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrades to improve level of service:			
Wastewater SCADA upgrade	40	8	
Renewal/replacement of existing assets:			
Sewer pump & pipe renewals	40	23	Pump renewals
Total capital projects	80	31	

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The number of dry weather sewage overflows, expressed per 1,000 sewer connections	1.29	0	0	Yes
<b>Resource consents compliance (discharge from the sewerage system, measured by the number of actions taken against the Council in relation to those consents)</b>				
- The number of abatement notices	0	0	0	Yes
- The number of infringement notices	0	0	0	Yes
- The number of enforcement orders	0	0	0	Yes
- The number of convictions	0	0	0	Yes
<b>Fault response times</b>				
Where the local authority attends to sewerage overflows resulting from a blockage or other fault in the sewerage system, the following median response times measured:				
Attendance time: from the time the local authority receives notification to the time that service personnel reach the site	Not available	< 1 hour	Not available	Not available
Resolution time: from the time the local authority receives notification to the time	Not available	< 1 day	Not available	Not available

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	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
that service personnel confirm resolution of the blockage or other fault				
The percentage of urgent callouts, being service failure, supply fault or overflow, responded to within one hour from the time of notification to the time that service personnel depart to the site.	Not available	98%	Not available	Not available
The percentage of non-urgent callouts, being minor breaks and equipment maintenance, responded to within 48 hours from the time of notification to the time that service personnel attend site	Not available	98%	Not available	Not available
Complaints and requests for service				
The number of complaints received about sewage <b>odour</b> , expressed per 1,000 connections <sup>5</sup>	1.9380	< 2	4.5219	Incomplete
The number of complaints received about sewage <b>system faults</b> , expressed per 1,000 connections	1.2920	< 3	10.9819	Incomplete
The number of complaints received about sewage system <b>blockages</b> , per 1,000 connections	1.2920	< 3	0.6459	Incomplete
The number of complaints received about the Councils (or the Councils service providers) <b>response to the above issues</b> , per 1,000 connections	0	< 3	1.2920	Incomplete
The number of customer service requests <b>received</b> about Council wastewater schemes per year	13	< 365	26	Incomplete
The number of complaints received per year due to a service request not being actioned properly	0	< 37	2	Incomplete

During the year there were some issues with the sewer earthquake works along Beach Road, and these issues generated a higher volume of calls than normal.

In the above tables of performance indicators, incomplete and not available are defined as follows:  
**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

<sup>5</sup> There are 1,548 properties connected to the Kaikōura sewerage system.



## Funding Impact Statement: Sewerage

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	683	740	805
Subsidies & grants for operating purposes	14	13	13
Fees and charges	18	17	16
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>715</b>	<b>770</b>	<b>834</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	419	428	369
Finance costs	62	56	14
Internal charges and overheads applied	145	131	249
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>626</b>	<b>615</b>	<b>632</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>90</b>	<b>155</b>	<b>202</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	26	10
Increase/(decrease) in debt	(70)	(75)	423
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(70)</b>	<b>(49)</b>	<b>433</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	1
- To replace existing assets	20	80	30
Increase/(decrease) in reserves	-	26	604
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>20</b>	<b>106</b>	<b>635</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(90)</b>	<b>(155)</b>	<b>(202)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>632</b>
Plus depreciation			213
Less Impairment			-
<b>Expenditure as per Note 1</b>			<b>845</b>

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## Stormwater

We protect the health and property of the District’s residents and the environment, by providing an efficient and effective means of collecting and disposing of stormwater in larger urban communities

### What we do

The stormwater system predominantly protects the Kaikōura Township, including South Bay and Ocean Ridge, and comprises of approximately 17km of reticulation system that discharges to land, sea and other water courses.

The system comprises a number of small piped and open drain networks most of which discharge to sea or to Lyell Creek. The system includes that provided by kerb and channel on the roads, swales such as those found in the Seaview and Ocean Ridge subdivisions, and large drains such as Phairs Drain and Sullivans Gully.

### Key issues in 2019/2020

The earthquake sustained damage to the stormwater infrastructure in Kaikōura.

Climate change and increase in rainfall intensity and severity of storm events will lead to more frequent events when the stormwater network exceeds capacity. Some areas of the system are also contributing to increased inflow and infiltration into the sewer network.

### What we did

The Earthquake Rebuild Team have undertaken a number of projects to repair and renew sections of the stormwater network which suffered damage. Those projects are discussed in the Horizontal Infrastructure Rebuild section of this report.

These projects are drawing to a close with the last of the physical works expected to be completed towards the end of September 2020.

### What we planned to do but didn't

There were no specific capital renewals planned and no urgent work needed to be undertaken. Any identified renewals will be undertaken once the Stormwater Management Plan has been completed and the rebuild team have completed their programme of renewals and repairs.

## Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.

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## Effects on community wellbeing

	Positive effects	Negative effects
Economic	Protection from flooding ensures that economic activity such as delivery of goods and services is unaffected by weather events	
Environmental	Stormwater protects individual property as well as harbour, waterways and the surrounding environment	

## Major projects 2019/2020

Project	Planned \$000	Spent \$	Comment
Upgrades to improve level of service:			
Stormwater upgrades	100	-	
Renewal/replacement of existing assets:			
Pipe & network renewals	10	-	
	110	-	

No specific projects were planned, and no urgent renewals were required during the year.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The number of flooding events, where water enters habitable properties	0	< 1	0	Yes
For each flooding event, the number of habitable floors affected, expressed per 1,000 properties connected to the stormwater system	0	< 3	0	Yes
The percentage of major flood protection and control work that is maintained, repaired and renewed to the key standards defined in the Council's relevant planning documents	Not applicable – see the definition of major flood protection below <sup>6</sup>			

<sup>6</sup> **Major flood protection and control works**, for the purposes of the performance measure mandated by the Non-Financial Performance Measures Rules (2013), means works that meet two or more of the following criteria:

- Operating expenditure of more than \$250,000 in any one year
- Capital expenditure of more than \$1 million in any one year
- Scheme and asset replacement value of more than \$10 million, or
- Directly benefitting a population of at least 5,000 people

The Council's budgets, asset values, and population are such that we are highly unlikely to ever meet the threshold for major flood protection and control works to be reported against.

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Compliance with the Council's resource consents for discharge from the stormwater system, measured by the number of actions taken against the Council in relation to those consents, namely;				
- The number of abatement notices	0	0	0	Yes
- The number of infringement notices	0	0	0	Yes
- The number of enforcement orders	0	0	0	Yes
- The number of convictions	0	0	0	Yes
Fault response times				
The median response time to attend a flooding event, from the time of notification to the time that service personnel reach the site	Not available	< 1 hour	Not available	Not available
The percentage of urgent callouts, being service failure, supply fault or overflow, responded to within one hour from the time of notification to the time that service personnel depart to the site.	Not available	98%	Not available	Not available
The percentage of non-urgent callouts, being minor breaks and equipment maintenance, responded to within 48 hours from the time of notification to the time that service personnel attend site	Not available	98%	Not available	Not available
Complaints and requests for service				
The number of <b>complaints</b> received about the performance of the stormwater system, expressed per 1,000 connections <sup>7</sup>	0.541	< 3	2.1668	Incomplete
The number of <b>customer service requests received</b> about Council stormwater schemes	19	< 200	13	Incomplete
The number of complaints received per year due to a service request <b>not being actioned properly</b>	0	< 20	0	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.

<sup>7</sup> There are 1,848 properties connected to the Kaikōura stormwater system

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# Funding Impact Statement: Stormwater

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	133	111	105
Subsidies & grants for operating purposes	-	-	-
Fees and charges	3	3	1
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>136</b>	<b>114</b>	<b>106</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	81	57	47
Finance costs	-	6	-
Internal charges and overheads applied	45	41	38
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>126</b>	<b>104</b>	<b>85</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>10</b>	<b>10</b>	<b>21</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	10	4
Increase/(decrease) in debt	-	100	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>110</b>	<b>4</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	100	-
- To improve the level of service	-	-	-
- To replace existing assets	10	10	-
Increase/(decrease) in reserves	-	10	25
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>10</b>	<b>120</b>	<b>25</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(10)</b>	<b>(10)</b>	<b>(21)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>85</b>
Plus depreciation			53
<b>Expenditure as per Note 1</b>			<b>138</b>

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## Refuse & Recycling

Our goal is to progressively decrease the volumes of solid waste sent to landfill in the District, with a view to ultimately achieving zero waste to landfill

### What we do

KDC provides essential services to ensure that residents and ratepayers have means to dispose of waste materials in a way that is not harmful to health and wellbeing. These services include operation of a landfill, composting and re-use facilities in Kaikoura, provision of recycling services in the Kaikoura urban area and at some rural centres, and provision of public rubbish bins for street litter.

### Key issues in 2019/2020

Reductions in global markets for recycling, combined with other diminished revenue streams and increased costs for KDC's refuse and recycling contractor, Innovative Waste Kaikoura (IWK) have created significant challenges in respect of both the affordability and efficiency of existing KDC refuse and recycling services.

During the year there was an initial indication that maintaining existing KDC refuse and recycling services under a new contract with IWK would potentially require a rise in rates of around 3%, which was considered unacceptable on the grounds of both the cost to the community and the likely associated level of effectiveness, given the declining range of materials accepted for recycling. This has initiated a broad consideration of potential changes to these services to maintain costs at levels lower or similar to what is currently being paid.

Another area of focus has been on determining the future of the landfill, based on observations suggesting it had been filled to near its final capacity.

### What we did

Routine refuse and recycling services were satisfactorily delivered during 2019/2020, including during the lockdown undertaken in response to

COVID-19. Reductions in viable markets did however result in paper and certain types of plastics no longer being accepted for recycling, and the need to provide kerbside rubbish collection services to urban residents during lockdown also resulted in significant cost increases during this period.

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. The management of solid waste is one of the most complex activities undertaken by Council because of the wide range of service delivery options available, and identifying which option is best is not straightforward.

The Kaikoura community has previously invested significant effort and passion in pursuit of 'Zero Waste' objectives and the suggestion of a shift to a focus on affordability is therefore potentially a radical change upon which extensive consideration and consultation is required. That consultation has commenced, but it has become clear that more will be required before any decisions are made, and that a significant degree of compromise is likely.

### What we planned to do but didn't

In the 2019/20 annual plan, \$500,000 was budgeted to advance works on landfill site (development of a transfer station) in preparation for a potential closure of the Scarborough site within three years.

Further investigation has however indicated that the remaining life of the landfill could last to 2030 or even beyond, and therefore site development is not yet required, particularly given the uncertainty regarding the future form of service delivery that is associated with the affordability challenge.

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Similarly, a 2019/20 Annual Plan budget of \$45,000 for additional recycling stations has not been spent because of uncertainty regarding the

degree to which recycling will feature in the future level of service.

### Effects on community wellbeing

	Positive effects	Negative effects
Social	Rubbish disposal is essential to prevent issues such as rodent infestation and health problems	Community expectations have been difficult to meet amidst an evolving global oversupply of recyclable materials, fewer NZ markets, and increased costs for collecting and disposing of waste
Environmental	Our environment is cleaner, safer and more attractive due to our ability to dispose of our rubbish, and recycle	The landfill site accumulates waste in a concentrated form, and so creates odour and leachate issues

### Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrade to meet growth demands			
New recycling stations	45	7	
Upgrade to improve level of service:			
Landfill site development	500	19	Site layout & concept designs
	545	26	

Investigations post-quake suggested that the landfill’s remaining life could be as short as 2 years, and so the Council made provision for \$500k, to be funded by loan, to reconfigure the site as a transfer station to begin transporting waste to other facilities (such as Kate Valley in Canterbury). Subsequent investigations are now indicating the landfill may have capacity for at least another ten years, and so no site development work was needed.

### Community outcomes supported



We value, protect and enhance Kaikōura’s unique natural environment and biodiversity and sustainably manage disposal of waste.

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## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Residual solid waste produced (kilogram/year) per resident	516.7 kg	< 152 kg	418 kg	No
<b>Compliance with the Council's resource consents for discharge from the sewerage system, measured by the number of actions taken against the Council in relation to those consents, namely;</b>				
The number of abatement notices issued	0	0	0	Yes
The number of infringement notices issued	0	0	0	Yes
<b>Fault response times</b>				
The percentage of urgent callouts, being hazardous or environmental waste dumping on public land, responded to within one hour from the time of notification to the time that service personnel depart to the site	Not available	98%	Not available	Not available
The percentage of non-urgent callouts, being illegal dumping on public land, responded to within 48 hours from the time of notification to the time that service personnel attend site	Not available	98%	Not available	Not available
<b>Complaints and requests for service</b>				
The number of customer service requests received about recycling collections per year	5	< 100	6	Incomplete
The number of complaints received per year (complaint being due to a service request not being actioned appropriately)	1	< 10	0	Incomplete

In the above tables of performance indicators, incomplete and not available are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

**Not available** (Only on CSR measures) – Call out response times have not been recorded or not accurately captured in the service request system for the financial year, and therefore results are not available.



# Funding Impact Statement: Refuse & Recycling

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	365	332	280
Targeted rates	247	242	256
Subsidies & grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	14	14	11
<b>Total operating funding (A)</b>	<b>627</b>	<b>588</b>	<b>547</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	424	380	515
Finance costs	1	16	-
Internal charges and overheads applied	190	176	119
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>616</b>	<b>572</b>	<b>634</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>11</b>	<b>16</b>	<b>(87)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	315	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(7)	249	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>308</b>	<b>249</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	7
- To improve the level of service	311	-	18
- To replace existing assets	8	265	-
Increase/(decrease) in reserves	-	-	(113)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>319</b>	<b>265</b>	<b>(87)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(11)</b>	<b>(16)</b>	<b>87</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>634</b>
Plus depreciation			122
<b>Expenditure as per Note 1</b>			<b>756</b>

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## Community facilities

Rebuilding, improving and maintaining our physical facilities that support and develop the Kaikōura district

### What we do

This group of activities includes:

- Parks & reserves including cemetery
- Public toilets
- Public Halls
- Civic Centre
- Housing for the elderly
- Swimming pool
- Harbour
- Airport

We aim to provide facilities that are safe, welcoming and attractive, accessible, culturally appropriate, and affordable on an ongoing basis.

### Key issues in 2019/2020

- Improving the quality and reliability of toilet facilities in high use locations
- Carrying out deferred maintenance on the Council’s housing for the elderly
- Work with community to agree and carry out improvements to Scout Hall

### What we did

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.

### What we planned to do but didn’t

We did not repair the South Bay public boat ramp. This was held off while a proposal to the Provincial Growth Fund (PGF) was progressed for the whole South Bay harbour and Wakatu Quay (scheduled for the 2020/2021 Year).

Construction of formal helicopter landing areas and moving the grass runway landing locations north to comply with the Civil Aviation Authority Part 157 determination has been slower than scheduled, because of unavailability of resources, compounded by the lockdown. Resolution of a dispute with the hangar supplier was progressed, including acceptance of repair drawings for building consent.

### Community outcomes supported



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Residents and visitors enjoy an improved quality of life in our District.



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.

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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Our public halls, sports fields, parks and reserves create provide social hubs for people to congregate	
Economic	Commercial users rely heavily on the harbour and airport facilities	
Environmental	Parks and open spaces make our district even more attractive, and public toilets protect areas from human waste	
Cultural	Wherever possible, cultural aspects are incorporated into how our facilities are designed, maintained and enjoyed	

## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrade to meet increased demand:			
South Bay slipway & boat park upgrade	300	16	South Bay jetty fender
	300	16	
Upgrade to improve level of service:			
Airport safety improvements	150	72	
North Wharf safety improvements	100	-	Now on hold pending Wakatu Quay redevelopment
Scout (Drill) Hall improvements	38	11	
Memorial Hall major upgrade	750	822	This major refurbishment and strengthening project spanned two financial years with a total spent of \$1.162 million, with funding support from NZ Lotteries of \$750k
New recycling stations, signage, etc	-	1	
Pay & Display machine upgrades	-	5	
	1,038	911	
Renewal/replacement of existing assets:			
Tennis courts	100	-	
West End amphitheatre	85	-	
Housing for the elderly refurbish	30	28	Re-roof, and insulate ceilings
Airport terminal building renewal	100	46	
Airport hangar major repair	60	10	Engineering advice
34 Esplanade former offices	60	-	
	435	84	
Total capital projects	1,773	1,011	

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## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The number of Memorial Hall bookings (excluding Council use) per annum	39 <sup>8</sup>	75	24	No
The percentage of Council housing tenants who fit criteria one (the highest priority) in the Council's housing for the elderly policy	100%	100%	100%	Yes
The percentage of pesticides used that are biodegradable	100%	100%	Not available	Not available
The percentage of cleaning chemicals purchased that are biodegradable	57.1%	> 90%	Not available	Not available
The percentage of tracks and cycleways that are poor condition (grade 4 or 5)	5%	< 10%	5%	Yes
The number of customer service requests received about the Council's community facilities per annum	234	< 500	255	Incomplete
The number of complaints received about the Council's community facilities (due to a service request not actioned properly) per annum	4	< 50	38	Incomplete

In the above tables of performance indicators, incomplete measures are defined as follows:

**Incomplete** – Customer service request results reported are based on data derived from the service request system. However not all service requests were recorded in the system for the financial year, and therefore the results are incomplete.

<sup>8</sup> The Memorial Hall incurred some earthquake damage and was closed for repair and upgrading work from May 2019, reopening in September 2019.

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## Funding Impact Statement: Community facilities

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	787	693	738
Targeted rates	467	400	439
Subsidies & grants for operating purposes	-	-	38
Fees and charges	782	880	611
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	10
<b>Total operating funding (A)</b>	<b>2,036</b>	<b>1,973</b>	<b>1,836</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,061	1,064	1,289
Finance costs	291	276	88
Internal charges and overheads applied	515	487	454
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,866</b>	<b>1,827</b>	<b>1,832</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>171</b>	<b>149</b>	<b>4</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	1,115	60	375
Development and financial contributions	-	8	1
Increase/(decrease) in debt	79	(188)	2,423
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,234</b>	<b>(120)</b>	<b>2,799</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	1,926	771	16
- To improve the level of service	-	-	116
- To replace existing assets	920	581	879
Increase/(decrease) in reserves	(1,441)	(1,323)	1,792
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,405</b>	<b>29</b>	<b>2,803</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(171)</b>	<b>(149)</b>	<b>(4)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,832</b>
Plus depreciation			694
Less Impairment			-
<b>Expenditure as per Note 1</b>			<b>2,525</b>

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## Commercial activities

Forestry resources, investments and leased properties are managed in a cost-effective manner to provide the optimum financial return on these assets

### What we do

This group of activities includes leased properties (Wakatu Quay, 25 Beach Rd), the small forest plantation at South Bay, and the Marlborough Regional Forestry joint venture.

### Key issues in 2019/2020

- Completing the upgrade of 25 Beach Rd (the Op Shop)
- Establishing a steering group to progress the Wakatu Quay development

### What we did

The Council's application to the Provincial Growth Fund (PGF) was successful, with up to \$10.88 million granted to develop Wakatu Quay into a commercial precinct. The exact nature of the development has not been decided, and so a steering group consisting of key stakeholders has been established to finalise best commercial and community use of the area.

This is an exciting opportunity to replace a derelict cluster of buildings with modern facilities which may include retail, hospitality, cultural and community aspects (to be confirmed).

Alongside the Wakatu Quay project, the PGF has granted up to \$1 million to conduct a feasibility study to assess future development options at the South Bay marina. Depending on the results of the study, this may signal a much larger multi-million-dollar redevelopment of the South Bay harbour facility.

The Op Shop building has been brought up as near as practicable to earthquake, fire, accessibility and electrical codes and now provides a clear ground floor plate for the Op Shop. Op Shop operations continued during KDC contract works.

### What we planned to do but didn't

Demolition of the old fisheries buildings at Wakatu Quay was planned to have been done by the end of June 2020 to make way for the PGF-funded redevelopment of the area. The tender process was established, and the tender was granted in July. Demolition will be complete by the end of September 2020.

## Community outcomes supported

Commercial activities do not directly support our community outcomes, however by operating our assets on a commercial basis, and in a financially sustainable manner, supports growth and development.

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## Effects on community wellbeing

	Positive effects	Negative effects
Social	The South Bay forest is a popular area for recreational activity	
Economic	A primary driver for these activities is to provide a return on ratepayer investment	
Environmental	Forestry stabilises sandy ground and acts as a carbon sink	Pine forests deplete nutrients in the soil over time

## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrade to improve level of service:			
25 Beach Road (Op Shop) improvements	338	416	This project spanned two financial years at a total cost of \$575k
	338	416	

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The proportion of revenue from commercial activities as a percentage of total revenue	7%	> 2.0%	2.64%	Yes

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## Funding Impact Statement: Commercial activities

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	(461)	(377)	(374)
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees and charges	19	24	15
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	1,198	734	712
<b>Total operating funding (A)</b>	<b>756</b>	<b>381</b>	<b>352</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	940	571	817
Finance costs	-	-	7
Internal charges and overheads applied	116	110	90
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,056</b>	<b>681</b>	<b>914</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(300)</b>	<b>(300)</b>	<b>(561)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	40
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	338
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>378</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	200	-	416
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	(500)	(300)	(599)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(300)</b>	<b>(300)</b>	<b>(184)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>300</b>	<b>300</b>	<b>561</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>914</b>
Plus depreciation			30
<b>Expenditure as per Note 1</b>			<b>944</b>

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## Leadership & governance

Provide a governance structure for effective leadership and advocacy and provide accountable stewardship of the Council's assets and resources

### What we do

This group of activities includes the Mayor and Councillors, the Chief Executive, support services such as asset management, finance and IT, and communications.

The Kaikōura District is governed by the Council consisting of one Mayor and seven councillors, each elected at large (there are no wards with separate representation). The Council's aim is to provide an effective and fit for purpose system of governance and democratic local decision making that facilitates the involvement of the community, residents and ratepayers and mana whenua.

Within this activity is the Chief Executive, whose role as the employer is to provide a workplace that meets health and safety obligations, legal responsibilities, and manages risk.

The activities of Finance, Information Technology, GIS/Mapping, Works & Services, Human Resources and Vehicles are included here. Each are core centralised functions that touch every activity of Council

Communications are a vital activity to enable our residents to be informed, to be heard, and to be involved in decision making.

Council aims to have effective and fit for purpose services, processes and systems that prioritise affordability and sustainability.

### Key issues in 2019/2020

A new Mayor and Council were elected in October 2019.

The annual satisfaction and wellbeing survey was completed between November 2019 and January 2020. This showed an overall improvement in many areas with overall satisfaction with Council's performance increasing to 53%.

The advent of the COVID-19 pandemic and its dramatic effect on the community and local economy presented significant challenges to the Mayor, Councillors, leadership and Council services and staff from March 2020.

### What we did

Lead by the Mayor and Council significant efforts were made to enhance the partnership with Te Runanga o Kaikōura and this is working very positively.

The advent of the COVID-19 pandemic and its dramatic effect on the community and local economy from March 2020 required a revised focus for Council.

Following the Council and staff's efforts supporting the community and Kaikōura Health in the response to COVID-19, the Council and Te Runanga o Kaikōura co-ordinated an Economic Recovery Governance Group – comprising a wide range of business and community leaders.

The Council, CEO, senior management and finance team revised the draft 2020/21 Annual plan – reducing the 10% rates increase in the 3 Year Plan to 4%, including reductions in Council staff. In addition, rates relief packages were created to support the community.

The Works & Services team was further strengthened – with additional expertise and experience in this fundamental Council service delivery activity.

The Financial and Corporate Sustainability project continued, led by Council and with a Steering Group using senior external expertise. With COVID-19 meaning potential Government funding did not eventuate, the project was reshaped to optimise the remaining DIA funding for the project. Included in this are reviews and projects aimed to improve Council processes, compliance and capability, particularly asset management and records management systems.

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The focus has moved to ensuring the best possible information is available to inform the Long-Term Plan’s 10-year budget. This, the first since 2015, will give the best assessment of the scale and timing of the Council’s future financial requirements – and the affordability of those for ratepayers, which is the key financial concern raised by the FCS project.

impact of COVID-19 driving interest rates down. As a result of that, the delay in Infrastructure Rebuild due to CoVID-19, and good cashflow management from the finance team, significant savings in interest costs were achieved along with less loan funding than anticipated.

We joined the Local Government Funding Agency during the year, reaping immediate benefits not only from its reduced borrowing rates, but the

### Community outcomes



Our community participates in decisions and planning in a way that benefits our future.

### Effects on community wellbeing

	Positive effects	Negative effects
Social	Every decision the Council makes has an effect on the economic, environmental, social and cultural wellbeing of our community. It is the Council’s responsibility to ensure that this effect is a positive one.	
Economic		
Environmental		
Cultural		

### Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
Upgrade to level of service:			
Computers & IT equipment	40	27	
Renewal/replacement of existing assets:			
Office furniture and equipment	14	5	
Asset management software system	-	133	This system has an operational budget of \$140k, however the system has been capitalised as an intangible asset
Vehicles and plant	38	42	Two new vehicles purchased
Total renewals/replacements	52	180	
Total major projects	92	207	

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Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The percentage of survey respondents who are satisfied with the Mayor, Councillors and staff	48%	75%	59%	No
Compliance with the Local Government Act	85%	100%	95%	No
Number of regular hui's with Iwi Executive	1	6	43	Yes
Council meetings allow for public participation through public forum	100%	100%	100%	Yes
The percentage of survey respondents who are satisfied that the Council consults with residents on important issues	47%	90%	46%	No

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## Funding Impact Statement: Leadership & governance

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	425	669	683
Targeted rates	-	-	-
Subsidies & grants for operating purposes	800	500	533
Fees and charges	34	48	67
Internal charges and overheads recovered	2,090	1,982	2,402
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>3,349</b>	<b>3,199</b>	<b>3,685</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,669	2,978	3,958
Finance costs	46	53	-
Internal charges and overheads applied	294	290	348
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,009</b>	<b>3,321</b>	<b>4,307</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(660)</b>	<b>(122)</b>	<b>(621)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	139
Development and financial contributions	-	-	-
Increase/(decrease) in debt	710	215	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>710</b>	<b>215</b>	<b>139</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	40	41	161
- To replace existing assets	48	53	47
Increase/(decrease) in reserves	(38)	-	(690)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>50</b>	<b>94</b>	<b>(483)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>660</b>	<b>122</b>	<b>621</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>4,307</b>
Plus depreciation			107
Less Overhead recoveries			(2,402)
<b>Expenditure as per Note 1</b>			<b>2,012</b>

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## Regulatory Services

We protect public health and safety by ensuring compliance with legislation and local bylaws. We deliver assurance by ensuring the decisions made are fair, sound, and protect the Council and ratepayers

### What we do

This group of activities consists of:

- Building control
- Traffic & parking control
- Dog & stock control
- Food premises & environmental health
- Liquor licensing
- Other TA regulatory functions

### Key issues in 2019/2020

COVID-19 lockdowns had the following impacts:

- Freedom camping enforcement concluded earlier than the full summer season
- Parking enforcement of the West End car park was stopped and is due to restart on 1<sup>st</sup> September 2020
- There has been a slight decrease in building consent applications and inspections

The audit of the Building Consent Authority was carried out under trying conditions during the level 4 lockdown. Council staff worked diligently during the lockdown period to provide all necessary information for the auditors, and BCA accreditation was achieved.

### What we did

#### Building Control

All new buildings within the District must comply with the Building Act 2004 and building codes and regulations, to provide the assurance that our homes and businesses are structurally sound, accessible and weatherproof. The national building codes ensure the community is well positioned in the building recovery following the 14th November Earthquake. By complying with the building code and Building Act 2004 resilience and assurance can be built into our

building stock. The Building Consent Authority goes through a two-yearly accreditation process with MBIE and IANZ. MBIE and IANZ are due back in 2022. Work to ensure compliance with our Kaikoura District Council Building Consent Authority Manual has been continuing since the last successful audit to ensure that we can show what we are doing is in accordance with our manual.

#### Dog and Stock Control

There is currently 1175 known dogs in the District. As per previous years our Officers have spent a lot of time educating and following up un-registered dogs in our district. We worked hard at getting our current impound facility for dogs fit for purpose. Regulatory Enforcement Officers are on call 24/7.

#### Liquor Licensing

Liquor Licensing Council ensures that the sale and supply of alcohol is managed responsibly with the purpose of minimising alcohol-related harm, and that licensed premises are top quality hosts. Council recognises the requirements of the Sale and Supply of Alcohol Act 2012 to establish and maintain arrangements between the Licensing Inspector, Police and Medical Officer of Health to ensure the ongoing monitoring of licences and the enforcement of the Act, together with the need to develop and implement strategies to reduce alcohol-related harm. The Council's Licensing Inspectors maintain advocacy in a tri-agency approach to ensure that the alcohol industry performs to the requirements of the Act.

#### Food premises, liquor licencing, environmental health

Council has a responsibility to administer and undertake its registration, verification and

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enforcement functions pursuant to the Food Act 2014, Food Regulations 2015 and the respective Food Notices (Guidelines) issued by the Ministry for Primary Industries (MPI). The Council will continue to carry out its functions as a co-regulator with MPI. We will work closely with the food industry, as businesses change their way of operating post COVID-19 and to ensure that they are all registered and verified in accordance with the Act. This will be a positive and encouraging approach with a focus on compliance and ensuring that all foods sold are safe and suitable. The transitional period for the Food Act 2014 is now complete and all our food business are now operating under the new legislation. The community has received the changes well and are working towards acceptable outcomes. This verification process is aimed to be a positive visit that encourages and assists operators to meet the requirement of the Act and provide safe and suitable food.

**Parking control**

Council employ 2 FTE’s Regulatory Enforcement Officers with traffic warden duties as part of their role, to minimise irresponsible parking practices, particularly in the West End. Council requested nil parking enforcement post COVID-19 lockdown however this will resume 01 September. Council must ensure people are parking with consideration for others, and enforcing the use of parking for the disabled spaces, time-limited parking areas, loading zones, etc. Pay and display parking in the town centre is complemented by free parking spaces throughout the West End and another parking area over a footbridge opposite Lyell Creek.

**Noise Control**

Our Regulatory Enforcement Officers carry out noise complaint investigations, a good number of these being weekend call outs during the late evening or early hours of the morning.

**Litter and Illegal Dumping**

Regulatory Enforcement Officers have been involved in a number of littering issues which have included working alongside our Environmental Health Officers with particular regard to human defecation on a number of local beaches. Sending out notification letters to residents where illegal dumping has identified addresses.

**Other licenced premises**

General registered and inspected premises such as hairdressers and camping grounds. The general registered premises will continue to be registered and inspected.

**Building Warrant of Fitness annual audits**

Regulatory Enforcement Officers are undertaking Building Warrant of Fitness (BWof) and 3-yearly annual audits. A BWof is a statement from a building owner that confirms the systems specified in the building’s compliance schedule have been maintained and checked for the previous 12 months. Council have not undertaken annual audits of premises containing specified systems since the earthquakes. The revenue that can be generated from this will be implemented 2020 as Council consider it only fair to re-introduce this fee after we have undertaken the 2019 period as a free service enabling our customers to get better ready for the role out of that service in the future.

Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Residents and visitors enjoy an improved quality of life in our District.

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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Regulations exist to protect the health and safety of the whole community by ensuring compliance with legislation and that required standards are met	
Economic	Efficient building consent processes enable development to proceed	Regulation can result in compliance costs and delays
Environmental	Enforcement of the Responsible Camping Bylaw helps to prevent bad behaviours	

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Estimated parking occupancy rate in the West End pay & display carpark during November to February	33,551	> 20,000	32,071	Yes
The number of complaints about dogs (wandering, barking nuisance, rushing, etc)	94	< 135	155	No
The percentage of licensed liquor premises assessed as low to medium risk	90%	> 83.7%	100%	Yes

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## Funding Impact Statement: Regulatory services

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	195	441	383
Targeted rates	68	99	59
Subsidies & grants for operating purposes	322	-	-
Fees and charges	391	404	724
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	37	37	26
<b>Total operating funding (A)</b>	<b>1,013</b>	<b>981</b>	<b>1,193</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	832	737	995
Finance costs	-	-	-
Internal charges and overheads applied	238	243	129
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,069</b>	<b>981</b>	<b>1,123</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(56)</b>	<b>-</b>	<b>69</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	(56)	-	69
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(56)</b>	<b>-</b>	<b>69</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>56</b>	<b>-</b>	<b>(69)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,123</b>
Plus depreciation			-
<b>Expenditure as per Note 1</b>			<b>1,123</b>

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## Community development

Move seamlessly from social recovery to community development and enable the community to take collective action and generate solutions to common problems

### What we do

This group of activities consists of:

- Customer services
- Community development
- Civil defence emergency management
- Community grants, events & fundraising
- Youth development
- Kaikōura District Library

We focus on community support and resilience of all residents and visitors to the district, in line with our vision statement, and we plan for and provide civil defence emergency management within the district.

### Key issues in 2019/2020

Loss of three part-time customer service officers and the part-time Community Development Officer reduced our available support to the community and internally.

COVID-19 related issues increased workloads in the community development area during and after lock-down.

### What we did

We focused on providing good customer service support by employing a full-time, entry level Customer Services Officer.

The seven MBIE temporary accommodation units were gifted to KDC and will be managed by Te Whare Putea until February 2021.

### Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Our community participates in decisions and planning in a way that benefits our future.



Residents and visitors enjoy an improved quality of life in our District.

Community development moved seamlessly from social recovery after the earthquake to welfare support during and after COVID-19 lock-down.

The Kaikōura Rebuild Navigator position delivering support for home repairs and rebuilds came to an end after 18 months. This grant funded position helped 80 homeowners through their rebuild and insurance settlement issues.

Robust civil defence emergency management was provided and implemented during the COVID-19 lockdown. We provided additional support to Kaikōura Health and helped with their increased administration needs during Levels 4, 3 and 2.

We invested in a major technology upgrade in the District Library to enable more online services, including e-books and increased after-school support for families.

### What we planned to do but didn't

We applied for external funding for four community projects, but only secured funding for two - \$16,000 for Violence Free Coordination and \$136,000 for Scout Hall earthquake repairs.

We planned to set up a Community Services Committee, but COVID-19 recovery took precedence, and this was postponed.

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## Effects on community wellbeing

	Positive effects	Negative effects
Social	Social wellbeing is the very purpose of community services activities	
Cultural	Community development protects and enhances cultural wellbeing	

## Customer services

### What we do

Our Front of House staff are first point of contact for most people phoning the council or coming to the office. The team also provide receipting and administrative support in photocopying, booking meeting venues, etc.

### Key issues in 2019/2020

We focused on providing good customer service support with timely responses.

### What we did

We employed a full-time, entry level Customer Services Officer, replacing the loss of three part-time customer service officers.

### What we planned to do but didn't

We did not continue with the Customer Services Improvement Project. COVID-19 brought this to a halt. We are also implementing an asset management programme that will deal with customer service requests in this area.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The percentage of survey respondents who are satisfied, or very satisfied, with the Council's customer services team	93%	91%	62%	No

## Community grants, events & fundraising

### What we do

Our team continually seeks external funding for Council and community purposes. We administer local funds such as the Sport Rural Travel Fund, the George Low Trust, and the Creative Communities Scheme.

### Key issues in 2019/2020

- Lack of event funding for one-off unplanned opportunities like the HRH Prince Charles' visit in November 2019.
- COVID-19 has put immense pressure on organisations needing funding to survive.
- Lack of community capacity to run local events.

### What we did

We successfully supported local clubs through our local funds, and our reporting has improved. We streamlined all community fund processes.

We were successful with the Earthquake Relief Fund application for the earthquake damage to the Scout Hall, securing \$136k for major repairs.

The Violence Free MSD funding was extended for another 6 months due to the effects of COVID-19.

The main community events we organised were:

- three-year earthquake anniversary event,
- the HRH Prince Charles visit,
- Kaikōura Economic Recovery Governance Group community meetings.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The number of externally funded community projects	7	4	1	No

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## Civil Defence/Emergency Management

### What we do

Civil defence is all about promoting strong, resilient and connected communities that can prepare, respond and recover well from any emergency. Within the Council, we keep our Emergency Operations Centre (EOC) in a state of preparedness, and our staff ready to lead a coordinated emergency response. This includes building close relationships with the community and local partner agencies, so that together we can help ensure effective response and recovery.

### Key issues in 2019/2020

With the focus in 2019/2020 on staff training, liaising with local first responders, and public education, our challenges have been the pressure on management staff time in relation to training, particularly with the impact of COVID-19 alert levels taking precedent in the last half of the reporting year.

### What we did

We increased staff EOC training and improved our EOC capability. We initiated a Community Response Team Program.

### Planned exercises/events:

- Exercise Pandora (Tsunami scenario)
- Get Ready Week

Our EOC teams were very much involved in planning and connecting with our communities throughout the COVID-19 response, particularly our Social Recovery team who worked throughout the lockdown to assist people who were vulnerable and/or isolating.

### What we planned to do but didn't

We planned more training but pressures on management and staff time resulted in less training than anticipated.

Tsunami evacuation signage for the township was ready to be installed but was inevitably delayed when the COVID-19 lock downs were initiated.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The percentage of survey respondents with an emergency kit	82%	90%	85%	No
The number of leadership team meetings and/or civil defence meetings attended per year	3	6	11	Yes
The number of all-of-staff exercises held per year (e.g. Exercise Pandora)	0	1	1	Yes
The average number of hours civil defence training per staff member per year	2-10 hours	12 hours	5.36 hours	No

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## Kaikōura District Library

### What we do

The District Library, located on the middle floor in the Civic Centre at 96 West End, is a busy space that is increasingly being used for small events, learning opportunities, book readings, children’s programmes, computer literacy training and more.

### Key issues in 2019/2020

There is an expectation that increased community events in the library were necessary to turn the library into a modern library space – without extra event funding.

We had a major IT upgrade to keep functioning and become a modern library.

### What we did

The Kaikōura District Library Guiding Document for operating our library was completed and all our processes are now up to date.

We purchased a new IT upgrade and have e-book capacity.

Community events in the library were increased. We now have an event every day of the week.

### What we planned to do but didn’t

We planned to have e-book capacity available before lock-down, but due to COVID-19, we will only have this service available in the new financial year.

Project	Planned \$000	Spent \$000	Comment
Replacement of existing assets:			
Library books	26	26	New books & DVDs

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The number of library event opportunities provided to the community	29	32	162	Yes
The number of lending items per capita	7.4	7.7	8	Yes



## Community Development

### What we do

With the four well-beings of economic, environmental, cultural and social well-being returning to the Local Government Act 2002, the role of community development has been reinvigorated as a central purpose of councils.

The Community Development activity forms the hub of various community services and includes social recovery (both from the earthquake and COVID-19), family violence coordination, outreach support, rebuild navigation and supporting or facilitating local non-government organisations.

### Key issues in 2019/2020

Our challenges were:

- Staff shortages with the departure of one of the Community Development Officers before lockdown.
- Increased workloads in the Community Services team during level 4 and 3 COVID-19 lock-down, supporting all community welfare needs.
- Lack of support for newcomers to the Kaikōura district.
- Postponement of the Community Services Committee.
- Lack of coordinated event support.

### What we did

A term of reference document for the Community Service Committee as the one place

for an authentic community voice was developed and approved by Council.

The Community Development Officers continued to work with individuals and community groups around funding, housing support, events and advocacy, increasing community event support.

Newcomers support started in the library with a weekly morning tea and the development of a Kaikōura Newcomers Strategy.

Te Whare Putea was supported to continue to manage the seven MBIE housing units.

Advocacy for the pensioners in the Council Pensioner Cottages was increased.

During the COVID-19 lockdown the Community Services and Library teams coordinated robust volunteer and welfare support for emergency housing, pharmacy and food deliveries. We also coordinated the Easter Bunny egg delivery to help lift the spirits of young families.

### What we planned to do but didn't

Community use of old Council building has still not been clarified, but some organisations like Plunket Kaikōura are now housed in the Kawakawa Room across from the library.

### Performance indicators

There are no specific performance indicators for Community Development, however this role acts as coordinator for all activities within the Community and Customer Services group of activities.

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## Youth Development

### What we do

The Council supports the Kaikoura Youth Council and Te Ha O Maturanga to deliver youth-focussed initiatives, training and personal development.

### Key issues in 2019/2020

- The staff member supporting the Kaikoura Youth Council left KDC
- Looking for opportunities to connect, to have fun and to build resilience as the effects of COVID-19 hit home.

### What we did

The new Community Development Officer supported the Youth Council, especially around event planning.

Kaikōura Youth Council continued to provide opportunities for youth to engage with others, make valued contributions and gain confidence and optimism.

Youth Council members were encouraged and supported to undertake youth development opportunities and grow their leadership skills. They contributed a strong youth voice to wider community through being part of committees and working groups.

### What we planned to do but didn't

KDC event support was missing due to lack of time. The new Youth Council support person is already working with the Youth Council on event planning.

We investigated options for a youth space and for the ongoing maintenance of the temporary skate ramp at Gooches Beach playground but have not come up with a robust plan. These are on the agenda again for the near future.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Number of Youth Council meetings facilitated	37	10	30	Yes
Number of Youth Council activities supported	11	5	16	Yes
Number of committees with youth representation	4	3	5	Yes

# Funding Impact Statement: Community development

For the year ended 30 June 2020

	2018/2019 Long Term Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	660	629	801
Targeted rates	10	10	21
Subsidies & grants for operating purposes	35	8	123
Fees and charges	47	48	21
Internal charges and overheads recovered	205	210	-
Fuel tax, fines, infringement fees & other	2	2	-
<b>Total operating funding (A)</b>	<b>959</b>	<b>907</b>	<b>967</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	974	752	1,024
Finance costs	-	-	-
Internal charges and overheads applied	127	129	4
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,101</b>	<b>881</b>	<b>1,028</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(142)</b>	<b>26</b>	<b>(61)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	1
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	26	26	26
Increase/(decrease) in reserves	(168)	-	(86)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(142)</b>	<b>26</b>	<b>(60)</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>142</b>	<b>(26)</b>	<b>61</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,028</b>
Plus depreciation			49
Less Overhead recoveries			-
<b>Expenditure as per Note 1</b>			<b>1,077</b>

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## District development

Ensure that the District’s natural and physical environment is sustainably managed, by ensuring that standards and guidelines set down in legislation and regulations are met

### What we do

This group of activities includes:

- Strategy & policy
- District planning
- Environmental planning
- Statutory planning
- Economic development
- Tourism & marketing

We ensure a resilient, safe and enjoyable environment for people to live and play by administering the District Plan. In the District Plan we can:

- Decide where and how we allow future development
- Understand how our community plans for natural hazards like floods and earthquakes
- Develop the kind of community we want to leave our children

If an activity does not meet District Plan requirements we then work alongside developers to make sure developments have the greatest possible net benefit to the community through resource consents.

### What we did

Presented to students, interest groups and international delegates about how the District manages different environmental issues, and how we promote our District.

Used our local knowledge to assist the Restoration Liaison Group in giving effective feedback to groups who are managing the reinstatement of road and railway following damage in the 2016 earthquakes.

### Key issues in 2019/2020

Working with our community in the development of a responsible camping bylaw

Understanding Kaikōura natural hazards as a result of the 2016 earthquake

Beginning a review of EarthCheck to ascertain whether this programme is still fit for purpose.

### Community outcomes supported



We value, protect and enhance Kaikōura’s unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.



Our community participates in decisions and planning in a way that benefits our future.



Residents and visitors enjoy an improved quality of life in our District.

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## Effects on community wellbeing

	Positive effects	Negative effects
Economic	This activity plans for growth and provides frameworks to enable economic benefits to flourish	The Resource Management Act and national/regional policy statements can result in compliance costs and delays
Environmental	Planning frameworks protect against the impact of growth on the environment	
Cultural	Ongoing engagement with Te Runanga o Kaikōura ensures cultural matters are considered in planning and development decisions	

## Strategy, Policy & Environmental Planning

### What we do

Council is required to review bylaws by statute to ensure they are effective and efficient. In addition to review of bylaws Council from time to time requires new bylaws which can be made to protecting the public from nuisance; Protecting, promoting, and maintaining public health and safety; Minimising the potential for offensive behaviour in public places.

As well as review of bylaws strategy and policy undertakes specific environmental planning and has been responsible for our EarthCheck certification process. Earthcheck is a world-leading scientific benchmarking certification and advisory group for the travel and tourism industry. Earthcheck was developed from the United Nations Environment Program and is based on Agenda 21.

### Key issues in 2019/2020

The two key issues for the 2019/2020 year have been the development of the Kaikoura Responsible Freedom Camping Bylaw 2019 and the review of Councils involvement in Earthcheck.

Responsible camping has been a hot topic for holiday destinations throughout New Zealand. The Freedom Camping Act (2011) allows Council to develop a bylaw which prevent camping for three reasons:(i) to protect the area:(ii) to protect the health and safety of people who may visit the area:(iii) to protect access to the area. The legislation prevents Council from

undertaking a blanket ban of freedom campers. In February 2019 Council agreed to develop a bylaw to provide additional tools to address the negative impacts of responsible camping.

The Earthcheck programme involves an environmental certification process. Council is required to measuring a range of performance indicators to gain an understanding our how our community is progressing against agreed benchmarks. Progress towards benchmarks is formally assessed by Earthcheck, benchmarking must occur within 12 months of data being submitted by Council. Council last benchmark data was for the period 1st July 2014 to 30 June 2015.

### What we did

We successfully developed and made operative Kaikōura Responsible Freedom Camping Bylaw 2019. This bylaw required working with our community and key national stakeholders to understand the nature of the problems that freedom camping was causing. Once we had a full understanding of the range of issues a bylaw was developed for public notification. The key to the success of the bylaw development was the Responsible Camping Working Group (RCWG). This group was formed in August 2018 from a public expression of interest and invitations to key national organisation.

After the 2018/2019 summer season the RCWG advised Council that a bylaw was the only suitable tool left to address problems which were arising. In the February 2019 Council Meeting,

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Council based on the advice of the Responsible Camping Working Group agreed pursue the investigation of a bylaw to be enforce for the 2019/2020 summer. A bylaw was then developed with advice from the RCWG. Over 170 submissions were received. Submissions were heard by Council and the bylaw can into enforce on 18th December 2019. A significant amount of work was then required to develop a plan for summer in combination with the regulatory arm of the Council.

The November 2016 Earthquakes has placed considerable financial pressure on Council, and so Councillors asked for a review of Earthcheck. In May 2020 a report was presented to Council. The report raised matters of which have arisen from the resident’s satisfaction survey and the impact of COVID-19 and the “Jobs for Nature” central government initiative. Council resolved to Cease membership with the Earthcheck

Programme and focus more on opportunities associated with the Jobs for Nature initiative.

### What we planned to do but didn’t

In terms of bylaws we still have a significant amount of work ahead to review existing bylaws.

For Earthcheck the Three-Year Plan contains a number of performance indicators which relate to air quality, energy use and greenhouse gas emissions. We have not been able to obtain the information required to report these measures and given that the Council has now resolved not to continue its participation in the Earthcheck programme, this is no longer a priority.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
District energy use in gigajoules per person	913.344 GJ	84.4	Not available	Not available
District greenhouse gas production (CO2 per person in tonnes)	62.035	4.03	Not available	Not available
Air quality – nitrogen oxide (NO2) in kilograms per hectare	17.52	0.855	Not available	Not available
Air quality – sulphur dioxide (SO2) in kilograms per hectare	1.83	0.0695	Not available	Not available
Air quality – particulates (PM10) in kilograms per hectare	1.49	3.08	Not available	Not available
Solid waste produced per person per year (kg)	516.7 kg	75.5 kg	Not available	Not available
The percentage of the Kaikōura District’s biodiversity that is under protection	50.20%	49.60%	Not available	Not available
The percentage of water way samples passing the “quality standard”	75.50%	78.50%	Not available	Not available

## District Planning

### What we do

The Kaikōura District Plan is used to manage development and provide for protection of natural and physical resources within the Kaikōura District.

District Plans are required to be reviewed every 10 years to keep up to date with community views and legislation. Our Plan was made operative in June 2008 and has since had two plan changes which became operative in March 2011.

Council has decided on a rolling review which allows sections of the Plan to be reviewed as opposed to reviewing the Plan as a whole. The Natural Hazards Chapter is the first being reviewed. The Natural Hazard chapter is a cornerstone chapter in that the content of this chapter will set the direction for other chapters.

### Key issues in 2019/2020

The November 2016 earthquake escalated the need for technical information to inform the natural hazards provisions of the District Plan. The review has not looked at effects of sea level rise due to the lack of technical data given the uplift which occurred in the District. The review focuses on earthquake fault rupture, liquefaction, debris inundation and flooding. The review seeks to create greater resilience in the local community and ensure our Plan is consistent with national direction. A key issue has been bringing the community along the journey to gain a better understanding of natural hazards.

### What we did

Final technical reports were received in relation to the natural hazards review. Council planners met with Te Runanga O Kaikōura and the Natural Hazards Advisory Group. 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. Additional workshops then occurred to explore the policy options for the District Plan. Workshops were undertaken by Council staff and supported by Environment Canterbury, and external planning consultants.

### What we planned to do but didn't

We intended to publicly notify the Natural Hazards Plan review in March 2020. Although the community workshops were very successful for those who attended, the numbers of people who attended were lower than expected. For example, no parties attended the Kekerengu Community Hall meeting. This was disappointing as the workshop had been designed to address a range of hazards which had directly impacted much of the northern part of our district.

As a result of low and no attendance, it was decided that an advisory letter would be sent to property owners who have hazards present prior to notification. Due to delays with COVID-19 the letter was not sent until 28th July 2020.

### Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Maintain or enhance resident satisfaction (measured by the percentage of survey respondents satisfied with District Planning)	34%	80%	42%	No
Progress on the natural hazards content of the District Plan (Natural hazards District Plan review to be completed by 2020/2021 financial year)	Technical reports have been delayed	Plan change completed	Delayed	No

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## Natural Hazards

### What we do

As a result of the November 2016 Earthquake Council received \$1.5m from Central Government to assist property owners who had an unacceptable level of life safety risk. These owners have been unable to stay in their property since the earthquake. The programme of works seeks to reduce risk to more acceptable levels with the aim of allowing property owners use of their properties where possible.

The project has three key aspects of work:

1. Purchase of properties where no ability exists to mitigate unacceptable life safety risks
2. Mitigation of unacceptable life safety risk by the removal of rocks
3. Mitigation of unacceptable life safety risk by the construction of structures

Work involved exploring methods to reduce the level of risk and undertaking physical works to reduce the risk. Where risks could not be reduced properties were purchased.

### Key issues in 2019/2020

The key issues have been ensuring that information is translated between technical experts and property owners. This requires time working with property owners. Much of this project has been spent working with property owners and technical experts to develop meaningful in budget solutions to either allow for physical works or to allow properties to be

purchased. Where technical solutions could not be found purchases of property was required.

### What we did

Using the government funding, we purchased and removed one dwelling on railway leased land and had the lease cancelled to prevent future residential use of the land. We purchased two freehold properties where unacceptable levels of risk could not be mitigated. We removed rocks to allow a dwelling to be reoccupied and we engaged technical experts to develop mitigation measure to reduce the level of risk for other properties. Mitigation measures resulted in the design of structures to reduce to the level of risks for properties. Both technical report and designs required peer reviewed and a public tender process run prior to letting of contracts.

### What we planned to do but didn't

We had intended that demolition of the two buildings would have been completed. These properties have been made secure and Council is currently exploring options for demolition. These two building are located within a known archaeological area.

We had also intended to construct mitigation measures in the form of bunds and gabion baskets and other structures to catch rocks. Construction was delayed ensuring technical experts and landowners fully understood the project. In addition, some delays occurred obtaining all necessary resource consents and archaeological authorities for physical works.

### Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Ensure that strategies for mitigation of risk or retreat occurs for properties with unacceptable life safety risks	100%	100%	100%	Yes

## Statutory Planning

### What we do

Our planning team provides support to our community to implement policy direction. We process resource consents for subdivision and land use. The consent process aims to ensure that the developments are sustainable and effects on the environment are avoided, remedied or mitigated.

We also give advice to potential investors by way of pre-application meetings, providing a public planning enquiry service, and processing of Project Information Memorandums (PIMs) and Land Information Memorandums (LIMs).

### Key issues in 2019/2020

The key issue has been the variety of consent applications received as Kaikōura continues to rebuild for the November Earthquake.

Construction of the Sudima Hotel and general business confidence in the early part of the 2019/2020 financial year resulted in relatively high volumes of accommodation and tourist related developers either seeking advice or obtaining consents from Council. The direction changed rapidly with COVID-19. The planning team were still experiencing a high number of calls, however we were unable to undertake site visits due to the lockdown provisions, and some of the larger possible projects have not proceeded.

### What we did

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.

### What we planned to do but didn't

We aim to process all resource consents within statutory timeframes. Resource consents can be complex as the decision made will impact on individual's property rights and the environment. Although we intended to process all consents within statutory timeframes some consents did not meet these timeframes. Council issued 61 decisions and of these 8 were impacted by the COVID-19 Alert Level 3 lockdown which came into force 27th April and covered the period until 13th May when Alert Level 2 came into force. During this period staff were unable to undertake site visits and technology limitations prevented the issue of decisions. Overall, 62% of consents were issued within statutory timeframes. Council staff are currently reviewing processes to ensure better compliance with the deadlines.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
The percentage of resource consents processed within statutory timeframes	70.8%	100%	62%	No

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## Economic Development

### What we do

The Council works with local and regional groups and businesses to support collaboration, and attract government and private sector investment, in order to enable economic growth and employment within the district.

We work to aid Kaikōura’s transition post-quake to restored economic activity – with the aim to achieve future ongoing sustainable economic prosperity. This includes building on Kaikōura’s current strengths as well as supporting moves to diversify the District’s economy.

The long-term goal is to enable the development of a resilient, well-structured, future-facing district economy. Our future economy will be based on best practice and innovative environmental management with the aim of attracting values-based investment into existing and new economy sectors.

### Key issues in 2019/2020

In January 2020 the Government announced the success of our applications to the Provincial Growth Fund (PGF).

The COVID-19 pandemic and lockdowns from March 2020 severely impacted our local economy. This had been preceded by a summer season where economic activity had bettered pre-quake levels to that point.

### What we did

The Council’s successful application to the PGF was for the Kaikōura Marine Development Programme – comprising a Wakatu Quay development (granted up to \$9.88 million), and a feasibility study for South Bay Harbour (up to \$1.1 million). Council established a governance group for these projects, with largely community membership.

To urgently address the COVID-19 effects the Council and Te Runanga o Kaikōura co-ordinated an Economic Recovery Governance Group – comprising a wide range of business and community leaders.

### Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Build conference and event business to assist with year-round visitation	Ongoing support of developments	By June 2020 be recognised as a new conference destination	The 118-bed Sudima Hotel is under construction (delayed by COVID-19). The hotel comprises a conference room and restaurant facilities	In progress
Grow new product areas	PGF applications have been made for Wakatu Quay and South Bay harbour development, zip-line attraction and mountain bike trail developments	By June 2020 new business attracted	Our application to the PGF was successful, with up to \$10.88M granted for Wakatu Quay development plus \$1M for a South Bay feasibility study	Yes

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## Tourism & Marketing

### What we do

The Council provides substantial funding support to Destination Kaikōura (DK) and the Kaikōura i-Site. This is so Kaikōura is marketed as a world-class visitor destination to both international and domestic visitor markets, and that once visitors arrive here, they are welcomed and assisted to enjoy the best possible experience.

The Council supports growth in the visitor economy by encouraging private sector investment in new accommodation and activity attractions. We seek to enable the visitor proposition through district infrastructure, attractive parks and reserves, and event support.

We facilitate new developments including those which assist reducing the seasonality of the sector.

### Key issues in 2019/2020

The COVID-19 pandemic had an unprecedented impact on visitor numbers. International visitor numbers fell to almost zero from March 2020. As the lockdown levels reduced from 4 to 3, and

then to 2, domestic travellers showed their support for the NZ tourism economy, and Kaikōura was a beneficiary. For attractions that are geared more to international visitors (such as Whale Watch), the loss of patrons was immediate and devastating – with a flow on impact through the sector.

Government support for those iconic operators has been vital to sustain them in the interim.

### What we did

Until COVID-19 took effect Council continued to support new ventures such as the Sudima Hotel, and the successful PGF applications.

DK attended three events in Australia, reaching 63,000 consumers. A \$1.5M television campaign was launched, a collaborative project with Tourism NZ, Air NZ, Christchurch NZ and RTO's. Good Morning World, a TV series, was broadcast on Australia's Channel 7.

DK worked with providers to develop a Top of the South bus coach product and hosted 34 agents from Flight Centre Canada in Kaikoura.

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Grow international and domestic visitor spend year-on-year for three years	\$118m	Achieve or exceed 100% pre-quake visitor spend (\$113m)	\$108m	No
Increase length of stay (guest nights)	2.09	Length of stay 2.0 nights per visit (pre-quake 1.65)	2.2	Yes
Collaborative partnership marketing	Hosted 35 media organisations, and participated in Tourism NZ events, international roadshows and the International Marketing Alliance	Continue work with RTOs, Tourism NZ to grow visitor numbers	Ongoing collaboration	Yes
Percentage of environmentally friendly tourism operators	18%	18%	18%	Yes

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# Funding Impact Statement: District development

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	430	409	497
Targeted rates	554	626	506
Subsidies & grants for operating purposes	1,741	-	229
Fees and charges	107	110	115
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	-
<b>Total operating funding (A)</b>	<b>2,832</b>	<b>1,145</b>	<b>1,347</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,624	940	1,133
Finance costs	-	-	-
Internal charges and overheads applied	208	205	194
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,832</b>	<b>1,145</b>	<b>1,326</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	236
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	(215)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>(21)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,326</b>
Plus depreciation			-
<b>Expenditure as per Note 1</b>			<b>1,326</b>

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## Earthquake event rebuild

Rebuilding quality infrastructure that meets the needs of the community whilst achieving long term affordability for the Council

### What we do

We rebuild earthquake damaged Council-owned horizontal infrastructure including:

- Roading and bridges
- Footpaths and streetlights
- Water supply
- Sewerage
- Stormwater

We restore pre-earthquake levels of service across the infrastructure network wherever possible and improve levels of service where funding allows.

We deliver a safe and high quality rebuild programme within the funding envelope agreed with our funding partners, and we collaborate with stakeholders to achieve successful outcomes.

### Key issues in 2019/2020

COVID-19 meant physical construction works were put on hold for five weeks causing delays and later compression of the programme to finish as close to within programme as we could. The pandemic also caused border restrictions preventing Australian contractors to enter New Zealand to complete works at Fords Reservoir and Peninsula Reservoir.

Structural repair to fourteen bridges saw an unexpected increase in cost due to further damage than expected found when works commenced.

Wet weather and Kaikoura's isolated location delayed sealing of bridge replacements.

### What we did

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.

### What we planned to do but didn't

A few projects were not quite completed before the end of the financial year, spilling over into July 2020, namely roading and bridge replacement works.

The Council went out to the public to consult on whether the Clarence Valley access project would go ahead, or which option will be progressed, in the Draft Annual Plan 2020/2021. The outcome of that consultation confirmed to proceed with the NZTA approved project. A final solution design is now underway, with build expected to start in 2021/2022.

### Community outcomes supported



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.

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## Rebuild – Roothing

### What we do

Our role is to rebuild the earthquake damaged Council-owned roading infrastructure, and to restore pre-earthquake levels of service across the infrastructure network wherever possible. We improve levels of service where funding allows and deliver a safe and high quality rebuild programme within the funding envelope agreed with our funding partners. We collaborate with stakeholders to achieve successful outcomes.

### Key issues in 2019/2020

COVID-19 meant physical construction works were put on hold for five weeks causing delays and later compression of the programme to finish as close to within programme as we could.

Structural repair to the fourteen bridges saw an unexpected increase in cost due to further damage than expected found when works commenced.

Wet weather delayed sealing of replaced bridges.

### What we did

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:

#### 6 x Bridges replacements

Six bridges were replaced throughout the district with three being upgraded from single to two-lane and two gaining footpaths for safer access for walkers. Total project value \$5.5M.

#### Minor structural repair to bridges

Fourteen bridges throughout Kaikōura received enough damage to necessitate repair, but not replacement. Repair works ranged from minor crack injection to structural stabilising of abutments. Total project value \$1.9M.

#### EQ Roothing programme

Repairs / replacement of all damaged sealed & unsealed roads, kerbs, channels and culverts across the district. Total project value \$9M. Nothing was budgeted in 19/20 AP as it was expected to finish before the end of year.

#### Clarence Valley Access (business case and preliminary design)

Investigation was undertaken to progress the indicative business case option 2 and 2a to concept design stage in preparation for public consultation on the draft annual plan. Commitment of funding from NZTA up to 95% was achieved for these options. Total project value \$0.85M. Spent in 19/20: \$0.4M. \$4.6M was budgeted in 19/20 that included a provision for physical works rolled over from the previous year.

### What we planned to do but didn't

Council had not made a firm decision on whether the Clarence Valley access project will go ahead, or which option will be progressed. This was included in the Draft Annual Plan and put out for public consultation.

### Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
<b>Roothing</b>			
Bridge repairs (x 14)	355	1,323	Middle Creek work is ongoing
Bridge replacement (x 6)	4,395	4,186	
Clarence Valley access	4,590	349	Carried over to 2020/2021
Road and drainage renewals	-	280	
	9,340	6,139	

## Rebuild – Three-waters

### What we do

Our role is to rebuild earthquake damaged 3-Waters Council-owned horizontal infrastructure including water, sewer and stormwater assets. We aim to restore pre-earthquake levels of service across the infrastructure network wherever possible and to improve levels of service where funding allows. We deliver a safe and high quality rebuild programme within the funding envelope agreed with our funding partners, and collaborate with stakeholders to achieve successful outcomes.

### Key issues in 2019/2020

The COVID-19 pandemic caused border restrictions preventing Australian contractors to enter New Zealand to complete works at Fords and Peninsula Reservoirs.

### What we did

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:

#### **New pressure sewer system along Beach Road**

A new pressure sewer system was installed along Beach Road to replace the gravity fed pipeline damaged behind the properties. The line extends from the Hawthorne Road to Mill Road pump stations covering about 1.6km. Sewerage is collected by 28 smaller tanks on private properties & driveways and pumped into the new pressure main on Beach Road. Total project value \$7.29M. Spent in 19/20: \$5.59M. Budget 19/20: \$5.34M.

#### **Wastewater Treatment Plant**

The wastewater treatment plant required repairs following the earthquake to reinstate operation and sufficient performance. A new aeration lagoon replaces the one that collapsed in the earthquake, complete with new aeration equipment. The oxidation pond was relocated and received a new baffle curtain. Total project value \$3.19M. Spent in 19/20: \$2.19M. Budget 19/20: \$2.97M.

#### **Fords Reservoir**

Work included decommissioning, demolition and disposal of two damaged reservoir structures and the Fords Reservoir site in Seaview, replacing them with one new tank. Total project value \$1.55M. Spent in 19/20: \$0.8M. Budget 19/20: \$0.94M.

The following physical works contracts have also been started and/or awarded this year:

#### **Three-Waters reticulation repairs contract**

Repair of the network of pipe for the stormwater, wastewater and water supply has commenced and phase one is intended to be completed by the end of October 2020.

#### **New inlet main across from Middle creek and WWTP inlet main**

A pressurised sewer inlet main pipeline feeding the wastewater treatment plant from the urban sewer network.

### What we planned to do but didn't

The Lyell Creek pump station refurbishment works have been pushed to 2020/2021. This project was initially to be delivered under the Lyell Creek pressure sewer contract, but due to a substantial change in scope it was decided not to proceed and re-procure the project separately in order to get greater commercial tension and hopefully bring delivery costs down.

The pandemic also caused border restrictions preventing Australian contractors to enter New Zealand to complete works at Fords reservoir (5% remaining) and start the lining of the Peninsula Reservoir.

The whole of the 3-Waters reticulation repairs project has been shifted into the first quarter of 2020/2021. In addition to a couple of months of delays due to the COVID-19 pandemic, the scoping and procurement of this programme of works has been voluntarily slightly postponed until after the completion of all major 3W infrastructure projects. This allowed council to gain further certainty around overall Infrastructure Rebuild programme affordability before committing to a fixed scope of works

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## Major projects 2019/2020

Project	Planned \$000	Spent \$000	Comment
<b>Water supplies</b>			
Reticulation (pipe work)	253	6	Largely shifted to 2020/2021
Fords reservoir	942	554	COVID-19 border restrictions prevented Australian contractors to enter NZ to complete the works
Peninsula reservoir	190	22	
Alternate bore renewal	-	101	Test, connect and tie-in to Mackles bore
Mackles bore (intake)	68	21	
	1,453	704	
<b>Wastewater</b>			
Lyell Creek sewer main	5,123	5,647	The budget excludes \$222k of manholes (see below)
Reticulation (pipe work)	414	86	Largely shifted to 2020/2021
Treatment plant & aeration lagoon	2,972	2,160	
Structures (treatment ponds & pump stations)	667	185	Manholes scope reduced, but the budget includes \$222k of WW structure (see above)
	9,176	8,078	
<b>Stormwater</b>			
Renewals	-	7	
	-	7	
<b>Total renewals/replacements</b>	<b>19,969</b>	<b>8,789</b>	

## Performance indicators

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Rebuild programme completed on time and within budget	65% underspent Spent \$5.2 million against a forecast \$14.7 million	Rebuild complete by June 2020	Rebuild now projected to be complete by December 2020, with the exception of Fords Reservoir which is delayed by COVID-19 restrictions on overseas workers entering NZ	No, due to the impact of COVID-19
The rebuild is delivered safely	Zero fatalities	Zero fatalities	Zero fatalities	Yes

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	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved?
Compliance with statutory requirements	No transgressions on resource consent conditions	No major transgressions on consent conditions	No major transgressions on consent conditions	Yes
Customer satisfaction with rebuild outcomes	50%	Over 80% satisfaction in ratepayer survey	59%	No
Handover of acceptable asset data on time and to KDC requirements	Not measurable as no major projects completed in 2018/19	Council asset management system updated within three months of project completion	Not measurable as no major project completed three months before 30 June 2020	Not available
Quality rebuild outcomes	No measurable rework	Less than 5% rework across the rebuild programme	Less than 1% rework across the rebuild programme	Yes

### Effects on community wellbeing

	Positive effects	Negative effects
Social	Restoring services that were lost due to the earthquake has also restored our social wellbeing – water, sewer, and roads are essential for societies to function	
Economic	The rebuild has brought contractors and other organisations to the district in large numbers; effectively a new economic base after the earthquake	
Environmental	The rebuild has restored essential services such as sewer lines, pump stations and the wastewater treatment plant, and so human waste is collected, treated and disposed of as the sewer system intended	
Cultural	As the rebuild has progressed, a number of cultural artefacts or remains have been discovered, enabling those items to be culturally acknowledged.	The unplanned discovery of artefacts and remains is a culturally sensitive area that must be appropriately managed.

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## Funding Impact Statement: Earthquake event

For the year ended 30 June 2020

	2018/2019 Three-Year Plan \$000	2019/2020 Three-Year Plan \$000	2019/2020 Actual \$000
<b>Sources of operating funding</b>			
General rates, UAGCs, rates penalties	-	-	-
Targeted rates	290	230	138
Subsidies & grants for operating purposes	1,138	254	3,948
Fees and charges	-	-	172
Internal charges and overheads recovered	-	-	-
Fuel tax, fines, infringement fees & other	-	-	4
<b>Total operating funding (A)</b>	<b>1,428</b>	<b>484</b>	<b>4,262</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,453	296	1,611
Finance costs	85	94	18
Internal charges and overheads applied	22	21	196
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,560</b>	<b>411</b>	<b>1,825</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(132)</b>	<b>74</b>	<b>2,438</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	13,884	7,176	10,965
Development and financial contributions	-	-	-
Increase/(decrease) in debt	957	313	1,455
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>14,840</b>	<b>7,488</b>	<b>12,420</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	2,394	400	5
- To replace existing assets	13,249	8,369	14,923
Increase/(decrease) in reserves	(934)	(1,207)	(69)
Increase/(decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>14,708</b>	<b>7,562</b>	<b>14,858</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>132</b>	<b>(74)</b>	<b>(2,438)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>			
<b>Total application of operating funding (B)</b>			<b>1,825</b>
Plus depreciation			3
<b>Expenditure as per Note 1</b>			<b>1,828</b>

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# Financial Information

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## Financial overview

The year to 30 June 2020 produced a surplus of \$11.5 million, predominantly due to the grants and subsidies from the Crown and the NZ Transport Agency to fund the horizontal infrastructure rebuild following Kaikōura's 7.8 magnitude earthquake of November 2016. Those grants and subsidies (specific to the earthquake rebuild) totalled \$14.9 million. Overall, grants and subsidies are over 60% of the Council's total revenue for the 2020 financial year.

While these revenues, and the total surplus, are significant in the Statement of Comprehensive Revenue and Expense, the bulk of these grants and subsidies are used for capital projects (asset purchases, renewals and upgrades) which do not appear on that Statement.

Rebuild projects totalled over \$14.9 million, including almost \$8.1 million of wastewater pipes, treatment ponds and pump station renewals, and \$6.1 million of roads and bridge repair and replacement.

The Council joined the Local Government Funding Agency (LGFA) in December 2019 and refinanced all its existing debt through LGFA. As a result of that transition, for several months the Council carried the lowest cost of debt of any local authority in NZ, enjoying interest rates lower than 1%. Since that time several other LGFA member local authorities have borrowed at similar rates.

## COVID-19 impact on financial statements

The Council incurred \$30k in additional costs in response to COVID-19 through emergency welfare costs, \$13k of which was funded by the National Emergency Management Agency (NEMA), and a portion recovered from those individuals who received assistance in their homes.

The Council closed all public toilets and playgrounds during the Level 4 lockdown, which resulted in small savings in cleaning costs. Innovative Waste was tasked with providing a weekly kerbside rubbish collection service during the lockdown period (in addition to the kerbside recycling collection) in the interests of public health, as people were not able to take their rubbish to the landfill during lockdown. This incurred additional cost.

Two capital projects incurred stand-down costs for the duration of the lockdown.

Tenants of Council properties who suffered loss of income due to COVID-19 received partial lease or rent concessions, and there was almost no revenue from airport landing fees or West End pay & display parking during the lockdown. Council parking wardens ceased issuing parking infringements until 1 September 2020.

Overall, the impact on the Council's financial performance has been evaluated per the table below.

COVID-19 Impact on Revenue		COVID-19 Impact on Expenditure	
Lease & rent revenue	18,638	Direct welfare costs	29,533
Pay & display parking fees (estimated)	5,000	Less NEMA subsidy and recoveries	(10,425)
Airport landing fees (estimated)	2,500	Net COVID-19 response costs	19,108
Other (hall hire cancellations, etc)	394	Savings in public toilet cleaning	(9,336)
Loss of revenue	26,532	Kerbside rubbish collection	39,442
		Capital project stand-down costs	210,000
<b>Total financial impact of COVID-19</b>	<b>251,790</b>	Additional costs	<b>278,322</b>

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## Statement of Comprehensive Revenue & Expense

For the year ended 30 June 2020

	NOTE	COUNCIL			GROUP	
		2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Revenue</b>						
Rates	2	7,798	7,876	7,101	7,876	7,101
Fees & charges	3	1,551	1,759	1,635	2,741	2,558
Development & financial contributions		81	31	20	31	20
Grants & subsidies	4	21,870	17,637	7,820	17,822	8,068
Interest revenue	5	19	2	44	2	44
Other revenue	6	787	815	1,250	967	1,250
Gains	7 / 12	-	892	3,327	892	3,327
<b>Total revenue</b>		<b>32,106</b>	<b>29,012</b>	<b>21,197</b>	<b>30,331</b>	<b>22,368</b>
<b>Expenses</b>						
Personnel costs	8	3,593	4,077	3,304	5,338	4,538
Depreciation & amortisation	9	2,173	2,946	2,514	3,063	2,620
Finance costs	5	316	152	197	155	202
Other expenses	10	10,350	9,801	10,624	9,575	10,545
Losses	7	-	429	-	429	-
<b>Total expenses</b>		<b>16,432</b>	<b>17,405</b>	<b>16,639</b>	<b>18,560</b>	<b>17,905</b>
<b>Operating surplus/(deficit)</b>		<b>15,674</b>	<b>11,607</b>	<b>4,558</b>	<b>11,771</b>	<b>4,463</b>
Environment Canterbury share of Marlborough Regional Forestry (Surplus)/Deficit	11	-	(104)	(76)	(104)	(76)
<b>Surplus/(Deficit) before tax</b>	<b>1</b>	<b>15,674</b>	<b>11,503</b>	<b>4,482</b>	<b>11,667</b>	<b>4,387</b>
Income tax expense	29	-	-	-	57	16
<b>Net Surplus/(Deficit) after tax</b>		<b>15,674</b>	<b>11,503</b>	<b>4,482</b>	<b>11,724</b>	<b>4,403</b>
<b>Other comprehensive revenue &amp; expense</b>						
Gains/(losses) on asset revaluation	7 / 12	-	16	20,502	16	20,502
Impairment reversal/(impairment charge)	7	-	-	-	-	-
<b>Total other comprehensive revenue &amp; expense</b>		<b>15,674</b>	<b>16</b>	<b>20,502</b>	<b>16</b>	<b>20,502</b>
<b>Total comprehensive revenue &amp; expense</b>		<b>15,674</b>	<b>11,519</b>	<b>24,984</b>	<b>11,740</b>	<b>24,905</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2020

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$00	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Equity at start of year</b>	<b>169,946</b>	<b>186,271</b>	<b>161,287</b>	<b>186,996</b>	<b>162,091</b>
<b>Comprehensive revenue &amp; expense</b>					
Net surplus/(deficit)	15,674	11,503	4,482	11,724	4,403
Gains/(losses) on asset revaluation	-	16	20,502	16	20,502
Total comprehensive revenue & expense	<b>15,674</b>	<b>11,519</b>	<b>24,984</b>	<b>11,740</b>	<b>24,905</b>
<b>Equity at end of year</b>	<b>185,620</b>	<b>197,790</b>	<b>186,271</b>	<b>198,736</b>	<b>186,996</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.



## Statement of Financial Position

As at 30 June 2020

	NOTE	COUNCIL			GROUP	
		2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	13	500	4,331	1,925	4,633	2,119
Receivables	14	3,956	3,094	2,251	3,185	2,332
Prepayments	15	98	204	229	204	229
Other financial assets	16	-	-	-	-	-
Work in Progress		-	-	-	51	-
<b>Total current assets</b>		<b>4,554</b>	<b>7,629</b>	<b>4,405</b>	<b>8,073</b>	<b>4,680</b>
<b>Non-current assets</b>						
Other financial assets	16	-	57	9	57	9
Forestry assets	17	2,583	2,957	2,405	2,957	2,405
Investment property	18	2,513	2,070	1,915	2,070	1,915
Property, plant & equipment	19	187,767	198,890	184,499	199,754	185,403
Intangible assets	20	-	76	130	76	130
<b>Total non-current assets</b>		<b>192,863</b>	<b>204,050</b>	<b>188,958</b>	<b>204,914</b>	<b>189,862</b>
<b>Total assets</b>		<b><u>197,417</u></b>	<b><u>211,679</u></b>	<b><u>193,363</u></b>	<b><u>212,987</u></b>	<b><u>194,542</u></b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables and deferred revenue	21	1,658	4,449	3,368	4,544	3,502
Employee entitlements	22	180	357	276	527	441
Borrowings	23	658	4,000	430	4,015	470
Provisions	24	-	-	10	-	10
Current tax liability	29	-	-	-	58	-
<b>Total current liabilities</b>		<b>2,496</b>	<b>8,806</b>	<b>4,084</b>	<b>9,144</b>	<b>4,423</b>
<b>Non-current liabilities</b>						
Borrowings	23	8,736	3,000	1,147	3,000	1,147
Deferred tax liability	29	-	-	-	23	115
Provisions	24	-	1,616	1,468	1,616	1,468
Other term liabilities	25	565	468	393	468	393
<b>Total non-current liabilities</b>		<b>9,301</b>	<b>5,084</b>	<b>3,008</b>	<b>5,107</b>	<b>3,123</b>
Equity	26	185,620	197,790	186,271	198,736	186,996
<b>Total equity</b>		<b>185,620</b>	<b>197,790</b>	<b>186,271</b>	<b>198,736</b>	<b>186,996</b>
<b>Total liabilities &amp; equity</b>		<b><u>197,417</u></b>	<b><u>211,679</u></b>	<b><u>193,363</u></b>	<b><u>212,987</u></b>	<b><u>194,542</u></b>

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## Statement of Cash Flows

For the year ended 30 June 2020

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b><u>Operating Activities</u></b>					
Receipts from rates (excl. water meter charges)	7,668	7,972	6,887	7,972	6,887
Interest received	19	2	44	2	44
Receipts from other revenue	23,142	7,759	8,488	9,148	9,662
Payments to supplier and employees	(14,153)	(13,847)	(12,899)	(15,010)	(13,932)
Interest paid	(316)	(152)	(122)	(155)	(129)
GST (net) and company tax	-	119	124	114	110
<b>Net cash from operating activities</b>	<b>16,360</b>	<b>1,853</b>	<b>2,522</b>	<b>2,071</b>	<b>2,642</b>
<b><u>Investing Activities</u></b>					
Grants received for purchase of assets	-	11,589	2,475	11,589	2,475
Purchase of property, plant & equipment	(25,061)	(16,246)	(5,115)	(16,356)	(5,274)
Sale of property, plant & equipment	-	15		39	
Purchase of forestry assets	-	(35)		(35)	
Sale of forestry assets	-	363	-	363	1
Purchase of investment properties	(338)	(575)	-	(575)	-
Purchase of intangible assets	-	(7)	(9)	(7)	(9)
Purchase of other financial assets	-	(48)		(48)	
Acquisition of term deposits	-	-	-	-	-
<b>Net cash from investing activities</b>	<b>(25,399)</b>	<b>(4,944)</b>	<b>(2,649)</b>	<b>(5,030)</b>	<b>(2,807)</b>
<b><u>Financing Activities</u></b>					
Proceeds from borrowings	5,342	6,353	-	6,366	-
Repayment of borrowings	(305)	(855)	(1,692)	(893)	(1,723)
<b>Net cash from financing activities</b>	<b>5,037</b>	<b>5,498</b>	<b>(1,692)</b>	<b>5,473</b>	<b>(1,723)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(4,002)</b>	<b>2,406</b>	<b>(1,819)</b>	<b>2,514</b>	<b>(1,888)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>4,503</b>	<b>1,925</b>	<b>3,744</b>	<b>2,119</b>	<b>4,007</b>
<b>Cash &amp; cash equivalents at the end of the year (note 13)</b>	<b>500</b>	<b>4,331</b>	<b>1,925</b>	<b>4,633</b>	<b>2,119</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.



## Statement of Accounting Policies

### Basis of Preparation

The financial statements have been prepared on an ongoing concern basis, and the accounting policies have been applied consistently throughout the period.

### Statement of Compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting reduced disclosure regime, as appropriate for public benefit entities that have expenses of less than \$30 million and do not issue debt or equity securities, or hold funds in a fiduciary capacity as part of our primary business. These statements comply with PBE reduced disclosure regime.

### Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructure assets, investment property, forestry assets and financial instruments.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000).

### Standards issued and not yet effective that have not been early adopted

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and is effective for financial years beginning on or after 1 January 2021, with earlier adoption permitted. The main changes under the standard relevant to the Council are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

The Council has not yet assessed in detail the impact of the new standard.

### Reporting Entity

The Kaikōura District Council group consists of the ultimate parent, Kaikōura District Council, and its subsidiary, the Kaikōura Enhancement Trust, a charitable trust owned by the Council. That trust in turn owns 100% of Innovative Waste Kaikōura Ltd. The Kaikōura Community Facilities Trust (KCFT), was established in 2009 with the objective to determine what facilities the community requires and where these are best located. That trust had been active in terms of driving the project but is financially dormant; meaning it currently has no financial transactions, assets, or liabilities. The KCFT has now been deregistered, and a new Kaikōura Community Charitable Trust (KCCT) has been established in its place by a motivated community group. The KCCT is not a Council-Controlled Organisation, and so is not part of the Group. The Council has an 11.5% interest in the Marlborough Regional Forestry joint venture.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council are for the year ended 30 June 2020. The financial statements were authorised for issue by the Council on 18 November 2020.

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### Changes in accounting policies

PBE IPSAS 34 – 38 replace the existing standards for interests in other entities (PBE IPSAS 6 – 8). The new standards are effective for annual periods beginning on or after 1 January 2019. The Council has applied these new standards in preparing the 30 June 2020 financial statements. There has been no significant impact on applying the new standards.

There have been no other changes in accounting policies.

### Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

### Subsidiaries

The Council consolidates as subsidiaries in the group financial statements, all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

The Council's investments in its subsidiaries are carried at cost in the parent entity financial statements.

### Joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. For jointly controlled entities the Council recognises in its financial statements its share of the assets that it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

Of the Council's interest in the Marlborough Regional Forestry joint venture, 13.37% is held in trust on behalf of Environment Canterbury. This is recognised as a non-current liability in the financial statements.

### Revenue

Revenue is measured at the fair value of consideration received. The specific accounting policies for significant revenue items are explained below:

#### Rates revenue

Rates are set annually by a resolution from the Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Rates collected on behalf of Environment Canterbury are not recognised in the financial statements as the Council is acting as agent for Environment Canterbury.

#### Water billing revenue

Water billing revenue is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

#### New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the NZ Transport Agency, (NZTA) which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. The Council has not recognised the expenditure incurred by NZTA in the operation of the Inland Road – Route 70 since November 2016 earthquake as NZTA has total control over the Inland Road. Had NZTA not had control over the Inland Road,



the Council would have recognised the amount incurred as subsidy income and expenditure, either as operational or capital expenditure.

#### Other grants and subsidies received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

#### Donations and bequests

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability is released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

#### Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

#### Sale of goods

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale (excluding GST).

#### Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

#### Agency arrangements

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

#### Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recorded net of imputation credits.

#### Development contributions

The revenue recognition point for development and financial contributions is at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

#### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

#### Foreign currency transactions

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange

gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### Income tax

Income tax expense includes components relating to both current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

### Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.



Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

#### Derivative financial instruments and hedge accounting

The Council does not engage in the use of derivative financial instruments and hedging activities.

#### Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- Fair value through surplus or deficit
- Loans and receivables
- Held to maturity investments
- Fair value through other comprehensive revenue and expense

The classification of a financial asset depends on the purpose for which the instrument was acquired.

#### Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

The Council's investments in this category include bank term deposits.

#### Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

The Council includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity
- Shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

#### Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

#### Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first-in first-out (FIFO) method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant and equipment.

#### Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

#### Property, plant and equipment

Property, plant and equipment consists of:

- Operational assets  
These include land, buildings, harbour assets, library books, plant and equipment, and motor vehicles.
- Restricted assets  
Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets  
Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. The asset classes recorded at cost are office equipment, vehicles and plant, park furniture and other assets, library books, artwork and harbour assets.



## Revaluation

Those asset classes that are revalued are valued on a three yearly cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

- Operational land and buildings**  
 As key properties, the Civic Centre, the former office building, and the memorial hall were valued to component level by Cameron Ferguson, (Registered Valuer, B.Com, VPM) of Quotable Value NZ as at 30 June 2019. The balance of land and buildings were valued effective as at 30 June 2019 by Cameron Ferguson, (B.Com, VPM) of Quotable Value NZ, at fair value as determined from market-based evidence. Carrying values for those specific assets are shown less accumulated depreciation and plus any subsequent additions at cost.
- Restricted land and buildings**  
 The most recent valuation was performed by Cameron Ferguson, (Registered Valuer, B.Com, VPM) of Quotable Value NZ, and the valuation is effective as at 30 June 2019 at fair value as determined from market-based evidence.
- Infrastructure**  
 This includes roads, bridges & footpaths, water systems, sewerage systems and stormwater systems, stated at fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation of water, sewer and stormwater infrastructure was performed by Jodi Enright (NZCE BE ME, CMEngNZ), of Stantec New Zealand Ltd, and the valuation is effective as at 30 June 2019. Roothing assets were valued by Nigel Lister (BSc & PGDipSci (Surveying), BEng (Civil)), of Stantec New Zealand Ltd, valued effective as at 30 June 2019. Both valuations were peer reviewed by Brian Smith (B Com CA), of Brian Smith Advisory Services. For some roading and three water assets there has been significant impairment caused by the November 2016 earthquake. Fully impaired assets have been excluded from the June 2019 valuation, however partially impaired assets have been included at impaired depreciated replacement cost, with the impairment value based on estimated repair costs.

## Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at the date of acquisition.

## Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The estimated useful economic lives of major classes of assets have been estimated as follows:

Infrastructural assets	Years	Rate (rounded)
<i>Roothing</i>		
Land and road formation		Not depreciated
Base course		4.11%
Bridges	50 – 100	2.02%
Sealed top layer	7	20.15%
Kerb and channels	37	2.25%

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provide suitable infrastructure.



improve quality of life.



meet the needs of our community.



improve the local economy.



value the environment + biodiversity.



have community participation.

Drainage	57	2.42%
Traffic facilities	4	16.38%
Seawalls	50	3.62%
Footpath structure		Not depreciated
Footpath surface	25	5.54%
Street lighting	17	5.37%
<i>Sewerage/wastewater</i>		
Equipment and oxidation ponds	50	From 2% to 6%
Pump stations	17 - 100	From 2% to 7%
Rising mains & gravity reticulation	25 – 77	From 1% to 4%
<i>Water</i>		
Pump stations	12 – 25	From 4% to 8%
Pipes & reticulation	7 – 99	From 1% to 14%
<i>Stormwater</i>		
Catchment mains & reticulation	70 – 99	From 1% to 2%
Structures	19 – 75	From 1% to 6%
<b>Operational assets</b>		
Buildings – structure	50	2%
Buildings – services	15 – 33	From 3% to 7%
Buildings – internal fit out	4 – 33	From 6% to 25%
Harbour seawall & wharf	30 – 50	From 2% to 4%
Computer equipment	5	20%
Plant, vehicles and machinery	5 - 50	From 2% to 20%
Land		Not depreciated
Library books	12	8%
Library non-books	5	20%
<b>Restricted assets</b>		
Parks & reserves buildings	50	2%
Parks & reserves land		Not depreciated
Parks furniture & other assets	8 – 50	From 2% to 12%
Artwork		Not depreciated

In relation to infrastructural assets, depreciation has been calculated at a component level based on the estimated remaining useful lives as assessed by the Council's engineers and independent registered valuers. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

#### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

#### Deemed cost

Land under roads, was valued based on fair value of adjacent land determined by Connell Wagner Ltd effective 30 June 2001. On transition to NZ equivalents to IFRS on 1 July 2006, the Council elected to use the fair value of land under roads as at 30 June 2001 as deemed cost. Land under roads is no longer revalued.

#### Library collections

Library Books were valued at 30 June 2007 using actual cost per book, by the Kaikōura District Librarian, and this value has been deemed cost at that date. Library collections are no longer revalued.

#### Accounting for revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.



The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the other comprehensive revenue and expense and revaluation reserve for that class of asset.

#### Forestry assets

Forestry assets owned via the Marlborough Regional Forestry joint venture, and also the Council's own forestry assets, are independently revalued annually at fair value less estimated point of sale costs. These valuations are performed by Forme Consulting Group for the joint venture (2019: by Buck Forestry Services Ltd), and by Merrill & Ring Ltd for the South Bay plantation. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit.

#### Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Gains and losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

#### Intangible assets

- Carbon credits  
Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.
- Software acquisition  
Acquired computer software licences are capitalised on the basis of costs to acquire and bring to use the specific software. Costs associated with maintaining computer software, staff training on software use, and website development and maintenance, are recognised as an expense when incurred. Computer software has a 5-year useful life, and a 20% straight line amortisation rate.

#### Impairment of property, plant and equipment and intangible assets

Non-financial assets that have an indefinite useful life, are not yet available for use and are not subject to amortisation are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash flows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

### Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

### Borrowings

Borrowings are initially recognised at their fair value net of transactions costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

### Employee entitlements

- Short-term benefits

Employee benefits that the Council expects to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

- Long-term benefits

#### Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the board of trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/(deficit) will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

The Actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions change from zero to 1 times (100%) of the employee's contribution from 1 April 2019.

### Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle



the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

### Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Public equity – accumulated funds
- Special reserves
- Special funds
- Asset revaluation reserves
- Fair value through other comprehensive revenue and expense reserves

### Special and Council-created reserves

Special reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Council-created reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the courts. Transfers to and from these reserves are at the discretion of the Council.

### Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

### Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive revenue and expense instruments.

### Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### Budget figures

The budget figures are those approved by the Council in its 2019/2020 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

### Cost allocation

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are allocated to Council activities on a percentage of use basis.

### Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments, with original maturities of three months or less, in which the Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and cash payments made for the supply of goods and services. Agency transactions (the collection of Regional Council rates) are recognised as receipts and payments in the statement of cash flows because they flow through the Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the Council.

### Critical accounting estimates and assumptions

In preparing these financial statements, the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **COVID-19 impact on value of assets**  
The Council has performed a fair value assessment of asset values between valuation years, for all of its asset types. The assessment shows that COVID-19 is unlikely to have had a material impact on the value of Council-owned assets (roads, three water infrastructure, land and buildings), and that a valuation outside the normal three-yearly cycle is not required.
- **Landfill aftercare provision**  
Note 24 discloses an analysis of the exposure of the Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.
- **Infrastructural assets**  
There are a number of assumptions and estimates used when performing optimised DRC valuations over infrastructural assets.

These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by the Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset;
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under-estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural



Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives further assurance over useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

- Impairment**  
 The Council has not yet completed detailed assessments of its community facilities and some harbour assets. This meant that, in the absence of detailed damage information, the determination of the impairment of these assets required the Council to broadly estimate the proportion of the assets that are damaged. This uncertainty required it to exercise judgement making an estimate of the damage and the impairment determination
- Earthquake related asset expenditure**  
 Management is required to exercise judgement when determining whether earthquake related expenditure to assets is repairs and maintenance, which should be expensed in the current year, or capital expenditure. In performing this assessment, management makes judgements about the expected length of service potential of the asset, including the likelihood of it becoming obsolete as a result of other more permanent repairs.

**Critical judgements in applying the Council's accounting policies**

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2020:

- Classification of property**  
 The Council owns a number of properties, which are maintained primarily to provide housing to pensioners or other service delivery objectives. The receipt of rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives which includes the Council's social housing policy. These properties are accounted for as property, plant and equipment.

## Notes to the Financial Statements

### 1 Summary revenue and expense for groups of activities

	COUNCIL		
	2020 REVENUE \$000	2020 EXPENSE \$000	2020 NET RESULT \$000
<b>Activity revenue &amp; expense</b>			
Roading	2,295	2,872	(577)
Water supplies	1,550	1,437	113
Sewerage	845	845	-
Stormwater	110	138	(28)
Refuse & recycling	269	756	(487)
Community facilities	1,474	2,525	(1,051)
Commercial activities	767	944	(177)
Leadership & governance	739	2,012	(1,272)
Regulatory services	810	1,124	(314)
Community & customer services	166	1,077	(911)
Strategy & policy	850	1,326	(476)
Earthquake event	15,227	1,827	13,400
<b>Total activity revenue &amp; expense</b>	<b>25,103</b>	<b>16,883</b>	<b>8,220</b>
<b>Non-activity revenue &amp; expense</b>			
Plus general rates, uniform annual general charges, and penalties (less remissions)			3,008
Plus interest and dividends received			9
Plus net gain on forestry assets			881
Plus/(less) gains on investment properties			(420)
Plus/(less) gains/(losses) on sale or disposal of assets			1
Plus/(less) Environment Canterbury share of MRF surplus/deficit			(104)
Plus/(less) bad debt movement in provision			(83)
Less bad debt expenses (net of bad debts recovered)			(3)
Less IRD Penalties			(4)
<b>Total non-activity revenue &amp; expense</b>			<b>3,284</b>
<b>Net surplus/(deficit) per Statement of Comprehensive Revenue &amp; Expense</b>			<b>11,503</b>



## 2 Rates

	COUNCIL & GROUP		
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
General rate	1,475	1,489	1,039
Uniform annual general charge	1,473	1,480	1,375
Earthquake rate	20	20	172
Earthquake levy	119	118	119
Roading rate	973	981	702
District planning rate	214	216	269
Kaikoura water annual charge	871	868	511
Kaikoura water loan charge	42	42	81
Suburban water unit charge	36	37	26
Ocean Ridge water charge	46	39	79
East Coast water unit charge	86	86	86
Kincaid water unit charge	120	121	141
Fernleigh water unit charge	26	26	27
Oaro water unit charge	32	33	69
Peketa water charge	9	9	41
Stormwater rate	104	105	134
Sewerage loan rate	137	138	133
Sewerage charges	670	667	584
Commercial rate	369	374	349
Accommodation sector charge	65	74	57
Registered premises charge	38	38	36
Stock control rate	13	13	26
Footpath & streetlight rate	153	154	243
Harbour rate	84	85	73
Town centre rate	67	68	101
Kerbside recycling charge	177	169	178
Rural recycling charge	51	54	37
Public rubbish bin charge	32	32	32
Civic centre rate	167	158	180
Rate penalties	70	124	127

Continued ...

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	COUNCIL & GROUP		
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Rates (continued) ...</b>			
Rates remissions, rebates & write offs	(70)	(85)	(40)
Water meter charges	130	143	113
<b>Total revenue from rates</b>	<b>7,798</b>	<b>7,876</b>	<b>7,101</b>

Overall, rates were consistent with the annual plan when viewed by individual rate code, with the total variance found in penalties and water meter charges, both of which were more than forecast. Following the November 2016 earthquake, the Council has granted remissions totalling \$211,449 over the last four years for property unsafe to occupy, for example. In the 2020 financial year, earthquake-related remissions were \$10,947 (2019: \$61,022). Earthquake-related remissions are no longer available.

### 3 Fees and charges

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Building & resource consent fees	339	637	476	637	476
Lease & rental revenue	452	313	329	313	329
License fees	219	189	191	189	191
Parking and slipway fees	133	131	138	131	138
Other fees and charges	408	489	500	1,471	1,424
<b>Total fees and charges</b>	<b>1,551</b>	<b>1,759</b>	<b>1,635</b>	<b>2,741</b>	<b>2,558</b>

Building consent fees continued at a level substantially higher than forecast, as the earthquake rebuild work is ongoing for both residential and commercial landowners. The outsourcing of building consent processing is charged to applicants, which also inflates revenue from building consents.

The budget for lease and rental revenue includes the rent for the Council and library space within the civic centre (which is Council owned); this cost has been reclassified as an internal charge rather than appearing as both a revenue and expense line.

Despite the COVID-19 level 4 and level 3 lockdowns, most of Council's revenue streams were largely unaffected. Building consent fees, for example, continued throughout the lockdown period; although building inspections were halted the consent processing carried on with staff working from home. The Council did provide some lease concessions to tenants, and there were virtually no landings at the Kaikōura Airport.



## 4 Grants & subsidies

The Council is very fortunate to have received substantial funding assistance from multiple organisations, agencies, and kind donors, in response to the November 2016 earthquake. Grants and subsidies from the Crown have been vital in completing our rebuild projects – particularly water and sewerage infrastructure rebuilds. The NZ Transport Agency (NZTA) subsidies have provided funding assistance at 95% of the total cost of rebuilding local roads, including bridge replacements and road renewals.

The Department of Internal Affairs (DIA) has fully funded the Council financial and corporate sustainability review of \$1.3 million over two years (\$500k in the 2020 financial year). NZ Lotteries have supported the Memorial Hall upgrade, and the design cost for the swimming pool due to be built in 2020/2021.

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
NZ Crown (Department of Prime Minister & Cabinet, Ministry of Civil Defence & Emergency Management)	10,433	8,983	300	9,148	546
NZ Transport Agency (NZTA)	10,285	7,155	2,856	7,155	2,856
Department of Internal Affairs (DIA)	500	500	2,739	500	2,739
North Canterbury Transport Infrastructure Recovery (NCTIR)	200	187	570	187	570
NZ Lottery grants	413	471	536	471	536
Ministry for the Environment (via Environment Canterbury)	-	-	463	-	463
Ministry of Business, Innovation & Employment	-	226	304	226	304
Ministry of Social Development (MSD)	-	25	27	25	27
Other grants, subsidies & donations	39	90	25	110	27
<b>Total grants &amp; subsidies</b>	<b>21,870</b>	<b>17,637</b>	<b>7,820</b>	<b>17,822</b>	<b>8,068</b>

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## 5 Interest revenue & finance costs

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Interest revenue</b>					
Interest on term deposits	19	2	44	2	44
<b>Total financing revenue</b>	<b>19</b>	<b>2</b>	<b>44</b>	<b>2</b>	<b>44</b>
<b>Financing expense</b>					
Interest on borrowings	316	148	122	151	126
Penalties Paid	-	4		4	
Unwinding of landfill provision	-	-	76	-	76
<b>Total financing expense</b>	<b>316</b>	<b>152</b>	<b>197</b>	<b>155</b>	<b>202</b>
<b>Net finance cost</b>	<b>(297)</b>	<b>(150)</b>	<b>(154)</b>	<b>(153)</b>	<b>(158)</b>

The Council paid \$4k in late penalties to the IRD for late payment of PAYE in one instance.

## 6 Other revenue

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Share of Marlborough Regional Forestry joint venture other revenue	735	712	1,173	712	1,173
Wage Subsidy	-	-	-	152	-
Petrol tax	38	42	40	42	40
Waste minimisation levies	14	11	14	11	14
Infringement fees, fines and other	-	50	23	50	23
<b>Total other revenue</b>	<b>787</b>	<b>815</b>	<b>1,250</b>	<b>967</b>	<b>1,250</b>

The Council accounts for its 11.5% of the Marlborough Regional Forestry joint venture revenue. Other revenue includes a dividend from shares in Civic Financial Services of \$8k, and sale of closed road land to the adjacent landowner of \$10k.



## 7 Fair value gains and losses

	COUNCIL & GROUP		
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
<b>Gains</b>			
Forestry asset revaluation gains	-	881	555
Investment property revaluation gains	-	8	450
Gain on sale/disposal of asset	-	2	-
Gain from vested asset	-	1	-
<i>Reversal of Impairment losses from earthquake damage:</i>			
Assets fully impaired (reversed)	-	-	404
Impairment recognised due to insufficient revaluation reserves	-	-	1,918
<b>Total Gains</b>	-	<b>892</b>	<b>3,327</b>
<b>Losses</b>			
Loss on sale/disposal of asset	-	-	-
Investment property revaluation losses	-	(429)	-
<i>Impairment losses from earthquake damage:</i>			
Investment properties	-	-	-
Impairment losses in excess of revaluation reserves	-	-	-
<b>Total Losses</b>	-	<b>(429)</b>	-
<b>Gains/(Losses) through other comprehensive income expense</b>			
Impairment reversal/(charge) to revaluation reserve	-	-	-
Gain/(Losses) on asset revaluations	-	16	20,502
<b>Total (Gains)/Losses through other comprehensive expense</b>	-	-	<b>20,502</b>
<b>Net Gains/(Losses)</b>	-	<b>479</b>	<b>23,829</b>

The November 2016 earthquakes caused substantial damage district-wide, including damage to assets owned by the Council. Impairment values have been prepared based on actual values where an asset had been rebuilt, or on the rebuild programme forecast. All roading, three-water infrastructure, and land and buildings were revalued as at 30 June 2019, and that revaluation took impairment damage into account. The valuations in 2020 related only to normal annual valuations of forestry and investment property.

## 8 Personnel expense

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Salaries, wages and honorarium	3,507	3,839	3,292	5,100	4,526
Employer contributions to defined contribution plans	86	94	85	94	86
Increase/(decrease) in employee entitlements	-	144	(73)	144	(74)
<b>Total personnel expense</b>	<b>3,593</b>	<b>4,077</b>	<b>3,304</b>	<b>5,338</b>	<b>4,538</b>

Employer contributions to defined contribution plans include contributions to Kiwisaver and Super Trust of NZ. Salaries, wages and honorarium include remuneration expenses relating to the Chief Executive, elected members, and Council employees. See note 27 for further disclosure on these expenses. Note that the budget for personnel expenses does not include honoraria, but the actuals reported do include honoraria. The Annual Plan 2019/2020 discloses the honoraria budget within Other Operating Expense.

## 9 Depreciation & amortisation by group of activity

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Roading	821	1,229	785	1,229	785
Water Services	349	446	461	446	461
Sewerage Services	379	212	259	212	259
Stormwater	56	53	50	53	50
Refuse & Recycling	1	122	381	239	487
Community Facilities	447	694	402	694	402
Commercial Activities	-	30	32	30	32
Leadership & Governance	85	108	91	108	91
Regulation & Control	-	-	-	-	-
Safety & Wellbeing	35	49	50	49	50
District Development	-	-	-	-	-
Earthquake event	-	3	3	3	3
<b>Total depreciation &amp; amortisation</b>	<b>2,173</b>	<b>2,946</b>	<b>2,514</b>	<b>3,063</b>	<b>2,620</b>



## 10 Other expenses

	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Audit fees to principal auditor:					
- Audit for the Council	90	94	93	119	116
- Audit for other Council- Controlled Entity	2	5	2	5	2
Contractors	2,931	3,043	2,760	3,045	2,760
Donations and Grants paid out	314	341	397	467	617
Insurance premiums	396	414	337	446	369
Legal fees	130	107	113	107	113
Receivables written off	10	4	31	5	31
Movement in provision for impairment of receivables	87	83	87	83	87
Operating lease expense	18	29	29	35	34
Share of MRF joint venture expenses	510	763	1,087	763	1,087
Personnel related expenses	380	349	235	349	235
Other operating expense	3,271	2,831	3,071	2,415	2,712
Freedom Camping	91	115	-	115	-
Earthquake – recovery phase	-	3	11	3	11
Earthquake – external resources and damage assessments	239	498	1,680	498	1,680
Earthquake – demolition expenses	270	16	-	16	-
Earthquake – Initial Response	-	1	-	1	-
Earthquake – Natural Hazards	200	217	-	217	-
Earthquake – emergency repairs	1,411	886	691	886	691
<b>Total other expenses</b>	<b>10,350</b>	<b>9,801</b>	<b>10,624</b>	<b>9,575</b>	<b>10,545</b>

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biodiversity.



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participation.

## 11 Environment Canterbury's share of the Marlborough Regional Forestry joint venture surplus/(deficit)

The Council holds an 11.5% share in the Marlborough Regional Forestry (MRF) joint venture (see note 30). Of that share, the Council holds 13.37% share on behalf of Environment Canterbury, and their share of any surplus or deficit. Any gains or losses on asset revaluation (note 12), are shown in the statement of comprehensive revenue and expense, and the total share is disclosed as a non-current liability (note 25).

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Marlborough Regional Forestry joint venture surplus/(deficit)	780	567
<b>Environment Canterbury share @ 13.37%</b>	<b>(104)</b>	<b>(76)</b>

## 12 Gains/(losses) on asset revaluation

The Council revalued most of its asset classes as at 30 June 2019, as part of a normal three-yearly revaluation cycle. For the 2020 financial year, the Council has performed a fair value assessment of asset values between valuation years, for its main asset types (roads, three water infrastructure, land and buildings). The assessment shows that COVID-19 is unlikely to have had a material impact on the value of Council-owned assets, and that a valuation outside the normal three-yearly cycle is not required.

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Land	-	2,090
Buildings	-	3,737
Roading	-	12,383
Stormwater	-	434
Water	-	1,815
Sewerage	-	1,832
Marlborough Regional Forestry joint venture revaluation	19	149
Environment Canterbury share of MRF revaluation (13.37%)	(3)	(20)
<b>Total gains/(losses) on asset revaluation</b>	<b>16</b>	<b>22,420</b>

This note shows the true revaluation gain. For the 2019 comparatives, this should be read in conjunction with Note 7 fair value gains and losses, for the revaluation gain less the reversal of impairment.



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## 13 Cash & cash equivalents

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash at bank and in hand	2,302	1,882	2,604	2,076
Term deposits with a maturity of three months or less at acquisition	2,001	-	2,001	-
MRF bank accounts	28	43	28	43
<b>Total cash &amp; cash equivalents</b>	<b>4,331</b>	<b>1,925</b>	<b>4,633</b>	<b>2,119</b>

### *Financial assets recognised in a non-exchange transaction that are subject to restrictions*

The Council holds unspent funds, included in cash at bank and investments, of \$6,483,248 (2019: \$1,783,116), that are subject to restrictions. These unspent funds relate to grants received, targeted rates accumulating and/or loans drawn for special projects, and other funds where the spending of funds is separately monitored. These special funds and special reserves are detailed on pages 117-121.

## 14 Trade & other receivables

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Rates receivables	905	760	905	760
Debtor receivables	2,501	1,745	2,592	1,826
Debtor accruals	209	184	209	184
Receivables prior to impairment	<b>3,615</b>	<b>2,689</b>	<b>3,706</b>	<b>2,770</b>
Less provision for impairment	(521)	(438)	(521)	(438)
<b>Total trade &amp; other receivables</b>	<b>3,094</b>	<b>2,251</b>	<b>3,185</b>	<b>2,332</b>
<b>Total receivables comprise:</b>				
Receivables from non-exchange transactions – this includes rates, grants & subsidies, and development contributions	2,820	1,218	2,841	1,218
Receivables from exchange transactions – including fees and charges, lease revenue and consent fees	274	1,033	344	1,114
	<b>3,094</b>	<b>2,251</b>	<b>3,185</b>	<b>2,332</b>

Debtor receivables includes significant invoices for subsidies from the Crown and NZTA. Those invoices were paid after balance date.

**Non-exchange transactions** are primarily rates and other taxes, levies, grants, donations, infringements and fines, where there has not been an exchange of goods, services, or use of assets of an equal value.

**Exchange transactions** are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Movements in the provision for impairment of receivables are as follows:

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
At 1 July	438	351	438	351
<i>Additional provisions</i>				
Increase/(decrease) in provision	83	87	83	87
Receivables written off	-	-	-	-
<b>Total provision</b>	<b>521</b>	<b>438</b>	<b>521</b>	<b>438</b>

## 15 Prepayments

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Prepayments	204	229	204	229
<b>Total prepayments</b>	<b>204</b>	<b>229</b>	<b>204</b>	<b>229</b>

## 16 Other financial assets

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Current portion</b>				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	-	-	-	-
<i>Total current portion</i>	-	-	-	-
<b>Non-current portion</b>				
Unlisted shares in Civic Financial Services Ltd	9	9	9	9
Borrower Notes	48	-	48	-
<i>Total non-current portion</i>	<b>57</b>	-	<b>57</b>	-
<b>Total other financial assets</b>	<b>57</b>	<b>9</b>	<b>57</b>	<b>9</b>

The Council joined the Local Government Funding Agency Ltd (LGFA) in December 2019, as a non-guaranteeing member. During the year, the Council borrowed \$3,000,000 in security stock, and retains \$48,000 (1.6%) in borrower notes. Those borrower notes are repaid by LGFA when the loans mature. Other borrowings with LGFA of a further \$4m are commercial papers which do not retain borrower notes.

Due to the immaterial size and nature of the Council's investment in Civic Financial Services Ltd, the Council has estimated the fair value of this investment based on Civics' net asset backing as at 30 June. There were no impairment provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.



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## 17 Forestry assets

The Council has an 11.50% interest in a joint venture agreement on the Marlborough Regional Forestry (MRF). Of the Council's share of MRF, 13.37% is held on behalf of Environment Canterbury. The forestry assets are at varying stages of maturity. The joint venture continued its normal logging activity during the year, the Council's share of the sales revenue after direct costs was \$780,005 (2019: \$567,075).

The Council owns a small eight-hectare pine forest at South Bay. The Council has not logged trees from South Bay for many years, and so net logging sales returned \$nil during the year (2019: \$nil).

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Opening balance 1 July	2,405	2,279
Increases due to purchases	35	73
Gains/(Losses) arising from changes in fair value attributable to physical changes	621	172
Gains/(Losses) arising from changes in fair value attributable to price changes	258	383
Decreases due to sales (harvest)	(363)	(502)
<b>Closing balance 30 June</b>	<b>2,957</b>	<b>2,405</b>

### Valuation assumptions

Forme Consulting Group valued the Marlborough Regional Forestry assets at 30 June 2020 using the estate based net present value method (last year the valuation was performed by Buck Forestry Services). Forestry estate land and improvements owned by Marlborough Regional Forestry were valued as at 30 June at fair value. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A pre-tax discount rate of 7.5% (2019: 8%) has been used in discounting the present value of expected future cash flows;
- The forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis;
- The cash flows have been adjusted for inflation; and
- Costs are current average costs. No allowance has been made for cost improvements in future operations

The South Bay forest has minimal value in its standing trees, being used mainly as a recreation area with no active logging planned. Peter Gilbert, Merrill & Ring Ltd revalued the forest as at 30 June for the 2019 and 2020 years.

### Sensitivity analysis

The sensitivity of crop value to discount rate is shown below:

	As at 30 June 2020		
	7%	7.5% (as used)	8%
Discount rate:			
The Council's 11.5% share of MRF tree crop value (\$000's)	3,065	2,744	2,461

## 18 Investment property

The Council's investment properties are 25 Beach Road (currently occupied by the Opshop), and the land at Wakatu Quay.

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Opening balance 1 July	1,915	1,465
Additions from subsequent expenditure	575	-
Disposals	-	-
Fair value gains/(losses) on valuation	(420)	450
Loss on impairment	-	-
<b>Closing balance 30 June</b>	<b>2,070</b>	<b>1,915</b>

The Council has not identified any investment properties that it intends to sell.

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
<b>Current portion</b>		
Investment property held for sale	-	-
<b>Non-current portion</b>		
Investment property	2,070	1,915
	<b>2,070</b>	<b>1,915</b>

Investment properties are valued annually at fair market value by Cameron Ferguson (Registered Valuer, B.Com (VPM)) of Quotable Values Limited as at 30 June. The valuer is experienced and competent in undertaking asset valuation work in accordance with valuation and accounting standards. The fair value of investment property was determined using the highest and best use method; which is defined as the most probable use of the asset that is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value.

The valuer has noted in his valuation report that it has been prepared with 'significant valuation uncertainty' due to the impacts and uncertainties of the global pandemic COVID-19.



## 19 Property, plant & equipment

Land and buildings were valued at fair value as at 30 June 2019, by Cameron Ferguson of Quotable Values.

Stormwater, water supplies and sewerage systems were valued as at 30 June 2019 by Ali Siddiqui of Stantec New Zealand. Roading assets were valued as at 30 June 2019 by Ali Siddiqui of Stantec New Zealand. Library books were valued at 30 June 2007 by the District Librarian and this value has been deemed cost as at that date; library books are not revalued. Marlborough Regional Forestry PPE is valued annually. The Council does not revalue office equipment, plant and machinery, artworks, or harbour assets.

Land values include restricted land, which are parks and reserves owned by the Council but cannot be disposed of due to legal or other restrictions. At 30 June 2020 this land has a carrying value of \$4,747,420 (2019: \$4,746,050). Building values include restricted buildings, playgrounds, and other structures, that at 30 June 2020 have a carrying value of \$2,501,780 (2019: \$2,996,660).

Land under roads of \$18,237,242 (2019: \$18,237,242) is included under Roading in the tables on the following pages. The Council has elected to use the fair value of land under roads as at 30 June 2001 as deemed cost. Land under roads is no longer revalued.

Following the earthquake, "Route 70 – Inland Road" which was operated and maintained by the Council, an agreement was made between New Zealand Transport Agency (NZTA) and the Council to transfer the powers of the Council to NZTA to operate the Inland Road with the purposes of providing vehicle access to Kaikōura and providing an alternative to State highway 1. Both these are functions of NZTA and not of the Council.

This is a unique arrangement which does not fall neatly within one accounting standard, therefore the Council has applied judgement in determining the appropriate accounting treatment for the following areas:

- (a) Operational expenditure
- (b) Capital expenditure
- (c) Carrying value and depreciation
- (d) Impairment

The Inland Road continues to be maintained by NZTA, with an agreed date of 1 December 2020 for handover from NZTA back to the Council. The expectation is that the road will only be handed over in a permanent resilient state.

### (a) Operational expenditure

No operational expenditure has been recognised in the Annual Report as this expenditure relates to an NZTA function as they are managing and controlling the road.

### (b) Carrying value and depreciation

While the Council does not currently control the Inland Road, the Council does still own the asset and is providing service potential to the community, and as depreciable assets are depreciated annually. The carrying value remains on the basis of prior to the earthquakes less an allowance for depreciation and impairment.

### (c) Impairment

Some of the road assest were impaired as a result of the earthquake. The Council recognised an impairment provision as at 30 June 2017 and this has been reassessed based on the work NZTA has undertaken in operating the road.

### (d) Capital expenditure

Capital expenditure has been incurred as a result of the works undertaken by NZTA. The project is considered a single resilient solution project, therefore the Council will account for the capital improvement costs when the project is complete and in effect the improvements vested in the Council.

2020	Cost/ revaluation 1 Jul 2019 \$000	Accumulated depreciation 1 Jul 2019 \$000	Carrying amount 1 Jul 2019 \$000	Current year additions \$000	Current Year disposals \$000	Current year depreciation \$000	Current year revaluations \$000	Cost/ revaluation 30 Jun 2020 \$000	Accumulated depreciation 30 Jun 2020 \$000	Carrying amount 30 Jun 2020 \$000
Land	12,347	-	12,347	238	-	-	-	12,585	-	12,585
Buildings	14,025	-	14,025	1,347	-	(516)	-	15,372	(516)	14,856
Landfill Provision	931	(373)	558	137	-	(97)	-	1,068	(470)	598
Office equipment	413	(289)	124	37	-	(39)	-	450	(328)	122
Vehicles & plant	538	(390)	148	48	(15)	(33)	-	571	(408)	163
Park furniture & other	395	(105)	290	3	-	(16)	-	398	(121)	276
Library books	603	(515)	88	18	-	(48)	-	621	(563)	57
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	7,900	(589)	7,311	16	-	(165)	-	7,916	(754)	7,162
Roading	118,528	-	118,528	4,734	-	(1,229)	-	123,262	(1,229)	122,031
Stormwater	4,055	-	4,055	-	-	(53)	-	4,055	(53)	4,002
Water supplies	12,260	-	12,260	506	-	(445)	-	12,766	(455)	12,321
Sewerage	9,371	-	9,371	6,788	-	(212)	-	16,159	(212)	15,947
MRF PPE	1,739	(383)	1,356	609	-	(30)	(532)	1,816	(413)	1,403
Work in progress	3,949	-	3,949	3,327	-	-	-	7,276	-	7,276
<b>Council total</b>	<b>187,143</b>	<b>(2,644)</b>	<b>184,499</b>	<b>17,808</b>	<b>(15)</b>	<b>(2,883)</b>	<b>(532)</b>	<b>204,404</b>	<b>(5,512)</b>	<b>198,890</b>
Subsidiary buildings	432	(152)	280	-	-	(8)	-	432	(160)	272
Subsidiary plant & equip	1,388	(764)	624	102	(40)	(93)	-	1,450	(858)	592
<b>Group total</b>	<b>188,963</b>	<b>(3,560)</b>	<b>185,403</b>	<b>17,910</b>	<b>(55)</b>	<b>(2,984)</b>	<b>(532)</b>	<b>206,286</b>	<b>(6,532)</b>	<b>199,754</b>



2019	Cost/ revaluation 1 Jul 2018 \$000	Accumulated depreciation 1 Jul 2018 \$000	Carrying amount 1 Jul 2018 \$000	Current year additions \$000	Current year transfers \$000	Current year depreciation \$000	Current year disposals/ impairments \$000	Cost/ revaluation 30 Jun 2019 \$000	Accumulated depreciation 30 Jun 2019 \$000	Carrying amount 30 Jun 2019 \$000
Land	10,021	-	10,021	236	-	-	2,090	12,347	-	12,347
Buildings	9,763	(288)	9,477	459	164	(215)	4,140	14,025	-	14,025
Landfill Provision	-	-	-	931	-	(373)	-	931	(373)	558
Office equipment	398	(257)	141	15	-	(32)	-	413	(289)	124
Vehicles & plant	497	(369)	128	41	-	(21)	-	538	(390)	148
Park furniture & other	395	(90)	305	-	-	(15)	-	395	(105)	290
Library books	582	(467)	115	21	-	(48)	-	603	(515)	88
Artwork	89	-	89	-	-	-	-	89	-	89
Harbour	7,895	(424)	7,471	5	-	(165)	-	7,900	(589)	7,311
Roading	107,691	(1,509)	106,182	747	-	(785)	12,384	118,528	-	118,528
Stormwater	3,779	(108)	3,671	-	-	(50)	434	4,055	-	4,055
Water supplies	11,850	(994)	10,856	43	8	(461)	1,814	12,260	-	12,260
Sewerage	8,170	(436)	7,734	64	-	(259)	1,832	9,371	-	9,371
MRF PPE	1,500	(351)	1,149	110	-	(32)	129	1,739	(383)	1,356
Work in progress	765	-	765	3,356	(172)	-	-	3,949	-	3,949
<b>Council total</b>	<b>163,395</b>	<b>(5,293)</b>	<b>158,102</b>	<b>6,028</b>	<b>-</b>	<b>(2,456)</b>	<b>22,823</b>	<b>187,143</b>	<b>(2,644)</b>	<b>184,499</b>
Subsidiary buildings	419	(144)	275	12	-	(8)	-	431	(152)	279
Subsidiary plant & equip	1,315	(743)	572	151	-	(98)	-	1,466	(841)	625
<b>Group total</b>	<b>165,129</b>	<b>(6,179)</b>	<b>158,950</b>	<b>6,191</b>	<b>-</b>	<b>(2,562)</b>	<b>22,823</b>	<b>189,040</b>	<b>(3,637)</b>	<b>185,403</b>

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### Core infrastructure asset disclosures

The Local Government (Financial Reporting and Prudence) Regulations 2014 require separate disclosure for water supply, sewerage, stormwater drainage, flood protection and control work, and roads and footpaths. In addition, water and sewerage asset disclosures must be further split between treatment plants and facilities, and other assets. These are separately disclosed in the following table. The Council does not own any assets associated with flood protection and control works.

Included within the Council infrastructure assets above are the following core Council-owned assets:

	Closing book value at 30 June \$000	Additions constructed by the Council \$000	Additions transferred to the Council \$000	Replacement cost estimate for revalued assets \$000
<b>2020</b>				
Water supply:				
- treatment plants & facilities	2,990	473	-	5,272
- other assets	9,331	33	-	19,682
Sewerage:				
- treatment plants & facilities	7,067	3,819	-	5,621
- other assets	8,880	2,969	-	8,357
Stormwater drainage	4,003	-	-	5,462
Roads and footpaths	122,031	4,734	-	126,633
<b>2019</b>				
Water supply:				
- treatment plants and facilities	2,669	43	-	5,272
- other assets	9,591	8	-	19,682
Sewerage:				
- treatment plants and facilities	3,368	64	-	5,621
- other assets	6,004	-	-	8,357
Stormwater drainage	4,056	-	-	5,462
Roads and footpaths	118,527	747	-	126,633

Replacement cost differs to the closing book value (carrying amounts) because the closing book values are determined using depreciated replacement cost. Replacement costs were determined at 30 June 2019 for all disclosed categories.



## 20 Intangible assets

### Computer software

In November 2015 the Council implemented a new software solution, Ozone, supplied by Datacom NZ Ltd. This whole-of-Council software solution provides financial, rates, customer service and regulatory modules.

During the year, the Council upgraded its library software, Liberty, which now provides an improved cataloguing system, and E-books will be installed during 2020/2021.

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>COMPUTER SOFTWARE</b>				
Opening balance 1 July	130	180	130	180
Additions	7	9	7	9
Disposals	-	-	-	-
Amortisation	(60)	(58)	(60)	(58)
<b>Closing balance 30 June</b>	<b>77</b>	<b>130</b>	<b>77</b>	<b>130</b>

## 21 Payables and deferred revenue

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Current portion</b>				
<b>Payables and deferred revenue under exchange transactions:</b>				
Trade payables, deferred revenue and accrued expenses	2,442	2,464	2,537	2,598
Marlborough Regional Forestry creditors	55	67	55	67
Salaries and wages	-	-	-	-
<b>Total</b>	<b>2,496</b>	<b>2,531</b>	<b>2,592</b>	<b>2,665</b>
<b>Payables and deferred revenue under non-exchange transactions:</b>				
Rates paid in advance	157	134	157	134
Goods & services tax	203	(54)	203	(54)
Deposits and bonds held	271	281	271	281
Environmental Canterbury liability	244	207	244	207
Grant liabilities	1,079	269	1,079	269
<b>Total</b>	<b>1,952</b>	<b>837</b>	<b>1,952</b>	<b>837</b>
<b>Total current portion</b>	<b>4,449</b>	<b>3,368</b>	<b>4,544</b>	<b>3,502</b>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

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## 22 Employee benefit liabilities

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Accrued salaries & wages, PAYE and FBT	27	97	94	159
Annual leave	223	164	326	267
Sick leave	2	3	2	3
Long service leave	20	11	20	12
Change Proposal – redundancy provision	85		85	
<b>Total employee benefit liabilities</b>	<b>357</b>	<b>276</b>	<b>527</b>	<b>441</b>

### Key assumptions in measuring long service leave obligations

It is assumed that long service leave will be taken within twelve months. No discount rate has been applied, and leave obligations are stated at current rates of pay.

## 23 Borrowings

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<i>Current</i>				
Secured loans	4,000	430	4,015	470
Short term loan (cash advance)	-	-	-	-
<b>Total current borrowings</b>	<b>4,000</b>	<b>430</b>	<b>4,015</b>	<b>470</b>
<i>Non-current</i>				
Secured loans	3,000	1,147	3,000	1,147
<b>Total non-current borrowings</b>	<b>3,000</b>	<b>1,147</b>	<b>3,000</b>	<b>1,147</b>
<b>Total borrowings</b>	<b>7,000</b>	<b>1,577</b>	<b>7,015</b>	<b>1,617</b>

### Security

The Council joined the Local Government Funding Agency (LGFA) in December 2019 as a non-guaranteeing member. The Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the Council's Long-Term Plan. The Council has also retained a committed cash advance facility with the Bank of New Zealand, secured by negative pledge.

At balance date, \$7,000,000 in borrowings has been drawn with LGFA. No loans are held with the BNZ (2019: \$1,576,843).



### Maturity analysis and effective interest rates

The following is a maturity analysis of the Council's borrowings.

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Less than one year	4,000	430	4,015	470
<i>Weighted average effective interest rate</i>	<i>0.783%</i>	<i>6.15%</i>	<i>0.79%</i>	<i>6.1%</i>
Later than one year but not more than five years	3,000	1,147	3,000	1,147
<i>Weighted average effective interest rate</i>	<i>1.31%</i>	<i>4.49%</i>	<i>1.31%</i>	<i>4.49%</i>
Later than five years	-	-	-	-
<i>Weighted average effective interest rate</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

There is no significant difference in the carrying amount and the fair values of borrowings in each year. There are no internal borrowings.

## 24 Provisions

### Provision for landfill aftercare costs

The Council gained resource consent to operate the landfill and has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site has closed, estimated closure is expected to be 2030. The cash outflows for landfill post-closure are expected to occur between 2030 and 2065. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a multi-factored discount rate ranging from 1.6% to 3.42% (2019: 1.74%), and a multi-factored inflation rate ranging from 0.83% to 1.84% (2019: 1.90%).

CURRENT VS. NON-CURRENT	COUNCIL & GROUP	
	2020 \$000	2019 \$000
<i>Current</i>		
Landfill aftercare costs	-	10
<i>Non-current</i>		
Landfill aftercare costs	1,616	1,468
<b>Total provisions</b>	<b>1,616</b>	<b>1,478</b>

MOVEMENTS IN PROVISIONS	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Opening balance 1 July	1,478	472
Amount used	-	-
Unwinding of landfill provision	-	68
Additional provisions made	138	938
<b>Closing balance 30 June</b>	<b>1,616</b>	<b>1,478</b>

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## 25 Other term liabilities

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
<i>Current</i>		
Current portion of other term liabilities	-	-
<i>Non-current</i>		
Share of interest in MRF held on behalf of Environment Canterbury	468	393
<b>Total other term liabilities</b>	<b>468</b>	<b>393</b>

## 26 Equity

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Public equity	105,668	98,866	106,414	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
<b>Total equity</b>	<b>197,790</b>	<b>186,271</b>	<b>198,736</b>	<b>186,996</b>

### Public Equity

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Opening balance 1 July	98,866	92,683	99,591	93,487
Net surplus/(deficit)	11,503	4,482	11,724	4,403
Change to opening balance of special funds and reserves	(881)	-	(881)	-
Transfers (to)/from special reserves	(4,913)	1,018	(4,913)	1,018
Transfers (to)/from special funds	1,093	683	1,093	683
Transfer (to)/from revaluation reserve	-	-	-	-
<b>Closing balance 30 June</b>	<b>105,668</b>	<b>98,866</b>	<b>106,414</b>	<b>99,591</b>

### Special Reserves and Special Funds

Special reserves are balances set aside by legislation and are held for specific purposes which the Council has funded by way of targeted rates, such as water maintenance.

Special funds are also funds set aside by the Council for specific purposes, but which are generally funded by sources other than rates, e.g. grants and development contributions.

For 2020, the opening balances of special reserves and special funds have been reviewed and updated, as shown in a separate column on the following pages. The review has eliminated the use of surplus cash to repay debt, and has restored these reserves and funds to a true position.



	Purpose	Opening balance \$,000s	Change in opening balance	Revised Opening balance	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special reserves</b>							
Kaikōura water	All costs for the Kaikōura, Ocean Ridge, Suburban, Oaro, and Peketa water supplies	19	(401)	(382)	1,639	(978)	279
East Coast water	Maintenance, administration, upgrading and loan costs	(15)	16	1	94	(80)	15
Kincaid water	Maintenance, administration, and upgrading costs	179	10	189	152	(86)	255
Fernleigh water	Maintenance, administration, and upgrading costs	(48)	(12)	(60)	83	(28)	(5)
Roading	Maintenance and upgrading of local roads and bridges	310	(47)	263	2,003	(2,088)	178
Roading events	Responding to flooding and other events, and repairing damage to roads and bridges	58	-	58	100	(11)	147
Footpaths & streetlights	Maintenance, administration, upgrading and loan costs	45	(319)	(274)	618	(133)	211
Recycling	Recycling collection and sorting, and recycling stations	(12)	49	37	222	(248)	11
District Plan	All costs in relation to the District Plan	170	-	170	166	(244)	92
Stormwater	Maintenance, administration, upgrading and loan costs	104	4	108	110	(85)	133
Sewerage	Maintenance, administration, upgrading and loan costs	59	(439)	(380)	1,244	(638)	226
Tourism & Marketing	Support for the i-Site and Destination Kaikōura	(43)	4	(39)	186	(181)	(34)
Commercial Rate	A portion of the cost of providing traffic control, public toilets, public rubbish bins	(19)	(93)	(112)	104	(122)	(130)

	Purpose	Opening balance \$,000s	Change in opening balance	Revised Opening balance	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special reserves (continued)</b>							
Harbour	South Bay & North Wharf maintenance, administration, upgrading and loan costs	21	(1,562)	(1,541)	1,630	(256)	(167)
Registered Premises	The net cost of food and liquor premises inspection and certification	13	-	13	112	(167)	(42)
West End town centre	Car park, village green, public toilets and town centre maintenance, administration, upgrading and loan costs	6	(186)	(180)	318	(124)	14
Civic centre	Maintenance, administration, upgrading and loan costs	(383)	(770)	(1,153)	1,306	(168)	(15)
Stock control	All costs including enforcement and control	22	-	22	11	(2)	31
Earthquake – Roothing	Roothing rebuild associated with the November 2016 quake	(798)	306	(492)	6,865	(6,978)	(605)
Earthquake – Rebuild director	Project management and resourcing the rebuild	(351)	(162)	(513)	1,314	(748)	53
		<b>(663)</b>	<b>(3,602)</b>	<b>(4,265)</b>	<b>18,277</b>	<b>(13,365)</b>	<b>647</b>

Several special reserves have negative balances (such as the Earthquake Roothing reserve, amongst others). This is purely a timing issue as the costs must be incurred and paid before the subsidy can be claimed back from the Crown and NZTA.

	Purpose	Opening balance \$,000s	Change in opening balance	Revised Opening balance	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special funds</b>							
Social services	Social projects & committee costs	6	-	6	1	-	7
Tourism strategy	Tourism strategy costs	35	-	-	-	-	35
Creative communities	Arts funding available by application	6	-	6	20	(21)	5



	Purpose	Opening balance \$,000s	Change in opening balance	Revised Opening balance	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special funds (continued)</b>							
George Low bequest	Sports & recreation funding available by application	55	5	60	4	-	64
Economic development	Strategic economic projects, business liaison, coordination	57	-	57	136	(193)	-
Forestry	Strategic investment	1,082	129	1,211	240	(540)	911
Significant natural areas	Biodiversity projects	29	-	29	-	(7)	22
Parks & reserves	Upgrades and new parks/reserves assets	70	3	73	1	(10)	64
Pensioner flats	Maintenance, upgrades, administration and loan costs	(99)	4	95	312	(114)	103
Investment property	Maintenance, upgrades, administration and loan costs	(66)	-	(66)	613	(547)	-
Community facilities	Maintenance, upgrades, administration and loan costs	(281)	2,578	2,297	413	(1,252)	1,458
Vehicles and plant	New/replacement vehicles and plant	(30)	-	(30)	21	(46)	(55)
Waste minimisation levy	Waste minimisation project	41	-	41	11	-	52
Landfill development	New/upgrades to landfill	81	-	81	-	-	81
Landfill aftercare	Landfill closure expenses	131	-	131	8	-	139
Library grants	Library resources	5	(2)	3	1	(1)	3
Family violence	Service coordination	(4)	-	(4)	50	(16)	30
NZ Lottery – Outreach	Outreach coordination	5	(1)	4	8	(12)	-
Natural hazards project	Settlement and remediation for landowners	1,200	(195)	1,005	0	(539)	466
Mayoral fund	Discretionary funds	8	-	8	1	(2)	7
Responsible Camping	Grant funding for bylaw & enforcement	-	-	-	339	(223)	116

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	Purpose	Opening balance \$,000s	Change in opening balance	Revised Opening balance	Transfers in \$,000s	Transfers out \$,000s	Closing balance \$,000s
<b>Special funds (continued)</b>							
Financial Sustainability	Financial & Corporate Sustainability (FCS) DIA funded review	-	265	265	500	(470)	295
Earthquake fund	Earthquake recovery	36	-	36	12	-	48
Three waters EQ fund	Water, sewer and stormwater rebuild	(94)	1,727	1,633	9,166	(9,012)	1,787
Mayoral EQ relief	Hardship grants	53	-	53	-	(25)	28
Earthquake waste grants	Earthquake waste – facilities and waste coordination	2	-	2	-	(2)	-
Winter warmer project	Weather-proof and heating work for EQ damaged homes	66	(3)	63	-	(9)	54
EQ recovery support	Earthquake recovery work	2	(2)	-	-	-	-
Rebuild navigator	Support landowners with insurance settlements	(6)	-	(6)	58	(57)	(5)
Communications	Earthquake-related comm's	6	-	6	-	(6)	-
Legal challenges	Court costs and legal advice	50	-	50	50	-	100
Building accreditation	Building control authority accreditation	-	(25)	(25)	80	(18)	37
Wakatu Quay	PGF funded Wakatu Quay project	-	-	-	-	(16)	(16)
		<b>2,446</b>	<b>4,483</b>	<b>6,929</b>	<b>12,045</b>	<b>(13,138)</b>	<b>5,836</b>



## Asset Revaluation Reserves

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Opening balance 1 July	85,622	65,121
Revaluation gains/(losses)	19	20,521
Environment Canterbury's share of MRF Revaluation (gains)/losses	(3)	(20)
<b>Closing balance 30 June</b>	<b>85,639</b>	<b>85,622</b>

The Asset Revaluation Reserves consist of:

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Land	5,369	5,369
Buildings	3,651	3,651
MRF Land & Improvements	192	175
Library Books	65	65
Roading	70,334	70,334
Stormwater	1,451	1,451
Water Supply	4,577	4,577
Sewerage	-	-
	<b>85,639</b>	<b>85,622</b>

## 27 Remuneration

### Chief Executive

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$201,453 (2019: \$211,204). Remuneration in 2019 included lease of a vehicle, which expired in June 2019. For 2020, the Chief Executive is provided with full use of a vehicle, which is subject to fringe benefit tax, but the vehicle has been purchased by the Council.

### Elected Representatives

Local Government Elections were held in October 2019. The former Mayor, Winston Gray, and former Councillor Celeste Harnett did not stand for re-election. The remaining standing Councillors were re-elected, and two new representatives, Councillor Vicky Gulleford and Councillor Robby Roche were duly elected to serve their first term. Councillor Craig Mackle was elected Mayor in October 2019. The Mayor and Councillors of the Kaikōura District Council received the following honorarium and attendance fees.

	COUNCIL	
	2020 \$000	2019 \$000
Mayor Craig Mackle	61	18
Deputy-Mayor Julie Howden	30	18
Councillor Vicki Gulleford	18	-

Councillor Lisa Bond	25	18
Councillor Tony Blunt	25	18
Councillor Neil Pablecheque	25	18
Councillor Robby Roche	18	-
Councillor Derrick Milton	25	18
Ex-Mayor Winston Gray	29	59
Ex-Councillor Celeste Harnett	6	18
<b>Total elected representative remuneration</b>	<b>262</b>	<b>185</b>

### Council employees

At balance date, the Council employed 29 full-time employees (2019: 31), with the balance of staff representing 9.4 full-time equivalent employees (2019: 7.8). A full-time employee is determined on the basis of a 40-hour working week.

COUNCIL			
Total annual remuneration by band for employees as at 30 June:			
	2020		2019
<\$60,000	19	< \$60,000	28
\$60,000 - \$79,999	11	\$60,000 - \$119,999	11
\$80,000 - \$139,999	9	\$120,000 - \$259,999	4
\$140,000 - \$219,999	3		
Total employees	42	Total employees	43

We have added in a new remuneration band for 30 June 2020, this does not correspond with 2019 as we cannot disclose remuneration bands of less than 5 employees. During the year, the Council made severance payments to three employees: \$19,080, \$28,500, \$39,391 totalling \$86,971 (2019: Nil).

## 28 Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Loans and receivables</b>				
Cash & cash equivalents	4,331	1,925	4,633	2,119
Trade & other receivables	3,094	2,251	3,185	2,332
Other financial assets	57	9	57	9
	<b>7,481</b>	<b>4,185</b>	<b>7,875</b>	<b>4,460</b>
<b>Financial liabilities at amortised costs</b>				
Trade & other payables	4,449	3,644	5,071	2,872
Secured loans	7,000	1,577	7,015	1,617
MRF share held on behalf of Environment Canterbury	468	393	468	393
	<b>11,916</b>	<b>5,614</b>	<b>12,554</b>	<b>4,882</b>



## 29 Taxation

The Council's harbour activities attract taxation. A deferred tax asset has not been recognised in relation to unused tax losses of \$896,192 (2019: \$543,886), which are available to carry forward and offset against future taxable profits. The tax effect of the losses is \$250,934 (2019: \$152,288), based on a tax rate of 28%.

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Components of tax expense recognised in statement of comprehensive revenue and expense:</b>				
Current Taxation	-	-	35	-
Deferred Taxation	-	-	(92)	(15)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>(57)</b>	<b>(15)</b>
<b>Components of deferred tax recognised directly in equity:</b>				
Income tax expense	-	-	(57)	(15)
<b>Relationship between tax expense and accounting profit</b>				
Surplus/(deficit) before tax	11,503	4,032	11,667	3,937
Tax at 28%	3,221	1,129	3,267	1,102
<i>Add/(less) tax effect of:</i>				
(Non-taxable Income)	(3,221)	(1,129)	(3,228)	(1,119)
Non-deductible expenditure	-	-	(86)	2
Tax loss not recognised	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-	(57)	(15)
<b>Movement in tax (refund)/payable:</b>				
Balance at start of year	-	-	-	6
Taxation (paid)/refunded	-	-	-	(6)
Provided for this year	-	-	35	-
Under/(over) provision prior year	-	-	-	-
Balance at the end of the year	-	-	35	-

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Movement in temporary differences	2020 Group only			
	Balance 30/6/2019	Recognised in income	Recognised in equity	Balance 30/6/2020
Property, plant and equipment	(165)	111	-	(54)
Employee benefits	27	4	-	31
Accrued expenses	-	-	-	-
Losses to carry forward	23	(23)	-	-
	<b>(115)</b>	<b>92</b>	<b>-</b>	<b>(23)</b>
	2019 Group only			
	Balance 30/6/2018	Recognised in income	Recognised in equity	Balance 30/6/2019
Property, plant and equipment	(147)	(17)	-	(165)
Employee benefits	17	10	-	27
Accrued expenses	-	-	-	-
Losses to carry forward	-	23	-	23
	<b>(130)</b>	<b>15</b>	<b>-</b>	<b>(115)</b>

Innovative Waste Kaikōura Limited recognises its tax obligations.

### 30 Joint venture

#### *Marlborough Regional Forestry*

The Council has an 11.5% participating interest in the Marlborough Regional Forestry joint venture. Of the Council's share, 13.37% is held on behalf of Environment Canterbury. The Council's interest in the joint venture is accounted for as a jointly controlled operation, and are as follows:

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Current assets	100	132
Non-current assets	4,147	3,568
Total assets	<b>4,247</b>	<b>3,701</b>
Current liabilities	55	67
Non-current liabilities	695	695
Total liabilities	<b>750</b>	<b>762</b>
<b>Share of net assets employed</b>	<b>3,497</b>	<b>2,939</b>
<b>Share of net surplus/(deficit)</b>	<b>780</b>	<b>567</b>

The Council has no capital commitments, contingent liabilities, or contingent assets in relation to Marlborough Regional Forestry.



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## 31 Related party transactions

### Intergroup

#### Innovative Waste Kaikōura Ltd

During the year, through the ordinary course of business, the Council has paid \$1,281,693 (excluding GST) in fees and grants to Innovative Waste Kaikōura Ltd (2019: \$1,586,045) and received \$4,950 (excluding GST) from Innovative Waste Kaikōura Ltd (2019: \$5,441). The transactions include the day to day operations of the resource recovery centre and landfill, the kerbside recycling collection, normal maintenance and operations of the three waters (water supplies, stormwater and wastewater), public toilet cleaning, and emptying of public rubbish bins.

At year end there was \$13,828 (including GST) (2019: \$103,965) payable by the Council to Innovative Waste Kaikōura Ltd and \$5,693 (including GST) (2019: \$Nil) receivable by Council from Innovative Waste Kaikōura Ltd.

#### Kaikōura Enhancement Trust

The Enhancement Trust is 100% owned by the Council. The Council pays the annual audit fee for the Enhancement Trust, which in 2020 is \$5,727 (2019: \$2,000).

#### Key management and members of the Council

Key management, for the purposes of this disclosure, is the Chief Executive, Mayor and Councillors. Details on the key management personnel compensation is provided in Note 27.

	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Chief Executive ( <i>one full-time equivalent member</i> )	201	211
Elected representatives ( <i>eight full-time equivalent members</i> )	262	188
<b>Total key management personnel remuneration</b>	<b>463</b>	<b>399</b>
<b>Total full-time equivalent key management personnel</b>	<b>9</b>	<b>9</b>

Due to difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, processing of consent applications, etc.). No provision has been required, nor any expense recognised for impairment of receivables for any receivables to related parties (2019: \$nil).

## 32 Commitments as lessee, and contingent liabilities

No restrictions are placed on the Council by the following leasing arrangements.

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<i>Non-cancellable operating leases as lessee</i>				
Not later than one year	23	21	23	34
Later than one year and not later than five years	83	40	83	41
Later than five years	-	-	-	-
	<b>106</b>	<b>61</b>	<b>106</b>	<b>75</b>

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### Capital commitments

The earthquake rebuild programme entered its most intensive construction phase during the 2020 financial year, with the original timeline assuming these projects would all be substantially complete by 30 June 2020. Several factors impacted on progress, not least of which was the COVID-19 lockdown. The largest project, the Lyell Creek sewer main, was completed within the year, but the wastewater treatment plant and aeration lagoon carried over to 2021 financial year.

The original five bridges scheduled for replacement were increased to six, with Hawthorne Road, Rorrison's Road, Gillings Lane, Scotts Road, and Evans Bridge completed by 30 June. Wards 2 Bridge (on Mt Fyffe Road) opened to traffic in the second week of July. Hawthorne, Rorrison's and Evans bridges were widened from one lane to two, with pedestrian footpaths added to Hawthorne and Rorrison's.

The remainder of projects listed below are well underway with completion expected by December 2020, with the exception of Fords Reservoir which has been significantly delayed by the COVID-19 restrictions on overseas workers entering New Zealand to complete the work.

CONTRACTS	COUNCIL & GROUP	
	2020 \$000	2019 \$000
Lyell Creek sewer main	-	4,629
Six bridges design and build	279	3,155
Wastewater treatment plant & aeration lagoon	786	2,410
Fords Kaikōura Urban water reservoir	77	809
Totara Lane sewer pump station	-	46
3 Waters project	76	-
Peninsula Reservoir	141	-
Minor structural repairs for 14 bridges	495	-
3 Waters reticulation earthquake repairs	836	-
	<b>2,690</b>	<b>11,049</b>

### Housing NZ Corporation funding

Housing New Zealand Corporation has provided \$497,776 (2019: \$497,776) towards the construction of social housing. This advance would be payable if the Council were to withdraw its investment in the joint funded social housing. The advance was stated as grant revenue in the 2009 financial year.

### Superannuation schemes

The Council is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. If all the other participating employers cease to participate in the Scheme, the Council could be responsible for any deficit of the Scheme. Similarly, if only some employers cease to participate in the Scheme, the Council could be responsible for an increased share of any deficit.

As at 31 March 2020, the scheme had a past service deficit of \$2.77 million excluding Employer Superannuation Contribution Tax (2019: \$1.8 million deficit). This deficit was calculated using a discount rate equal to the expected return on assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

Based on the latest review, completed as at 31 March 2019, the Scheme's Actuary recommended (and endorsed by the board) employer contributions to the Scheme change from 1 times (100%) to 3.0 times (300%) of the employees' contribution from 1 April 2020 with further scheduled increases in 2021 and 2022.



### 33 Commitments as lessor, and contingent assets

#### *Airport hangar construction*

Structural deficiencies have been discovered in the airport hangar at Kaikōura Airport, located at Peketa. The Council is seeking damages against the construction company, however at balance date there has not been any settlement.

#### *The New Zealand Emissions Trading Scheme*

The New Zealand Emissions Trading Scheme (ETS) became law on 28 September 2008 with the passing of the Climate Change Response (Emissions Trading) Amendment Act 2009 (the Act). The Act provides for carbon credits to be allocated to owners of pre 1990 forest land pursuant to the New Zealand governments' Allocation Plan. Marlborough Regional Forestry is registered. Additionally, MRF has registered its post 1989 forestry which will entitle it to emission units as carbon is sequestered through forestry growth. The Council has no other post 1989 forestry that is eligible to enter in the Scheme.

Under the ETS, both the Council and MRF will have an obligation to account for any emission released as a consequence of deforestation of pre 1990 land by surrendering credits equal to the extent of that emission. The Council has no liability for deforestation as at 30 June 2020, either on its own account or as a joint venture partner in MRF.

#### *Non-cancellable operating leases as lessor*

The Council has a small number of leases as lessor, including sports fields, office spaces, campground land, and airport facilities. They are shown in the table below according to renewal date or final expiry date, whichever is the sooner.

	COUNCIL		GROUP	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Not later than one year	202	197	197	197
Later than one year, but not later than five years	525	605	522	605
Later than five years	471	550	471	550
	<b>1,198</b>	<b>1,352</b>	<b>1,190</b>	<b>1,352</b>

### 34 Insurance on assets

#### *Buildings and building contents*

The assets covered by the Council's material damage policy carry a total depreciated value as at 30 June 2020 of \$38,181,732 (2019: \$30,887,561), and have a total sum insured of \$40,763,126 (2019: \$38,352,809). The insured value takes into account the cost to replace/rebuild the assets including demolition (if any). The carrying value of buildings has been revalued as at 30 June 2019. The remainder of assets (e.g. building contents such as furniture, artwork and computer equipment) are stated at their last known market value less depreciation, and after impairment (if any). The Council has an excess of \$10,000 for any one claim.

#### *Vehicles and plant*

Vehicles and plant have a total asset value at 30 June 2020 of \$123,224 (2019: \$148,000), with insurance cover for replacement value of \$146,000 (2019: \$162,165). Insured cover includes windscreen replacement for all vehicles.

#### *Water, sewerage, and stormwater assets*

These activities have a total asset value for insurance purposes of \$62,676,823 (2019: \$62,676,823), with protection under the NZ Local Authority Protection Programme (LAPP) for a disaster being covered up to \$125 million, or 40% of the total loss – whichever is the least. The remaining 60% of a loss would be covered by

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central government. Structural above-ground assets such as water reservoirs and sewer pump stations are not covered in this section; they are included in the material damage policy for buildings and building contents. The LAPP policies provide cover for pipe networks and underground assets only. These assets have a total depreciated value as at 30 June 2020 of \$18,723,715 (2019: \$19,116,518).

### *Roads, bridges and footpaths*

These assets have a total carrying value at 30 June 2020 of \$103,893,307 excluding land under roads, and after impairment, (2019: \$118,526,863). For normal maintenance work, the Council receives 51% subsidy from the NZTA. The subsidy for emergency repairs and reinstatement to repair the damage caused by the earthquake, is 95%. With a rebuild programme estimated at over \$25 million, this leaves the Council to find \$1.25 million, from reserves in the first instance and then from loans. As at 30 June 2020, the Council has no cash in the roading special reserve, having spent all available funds on emergency roading repairs (2019: \$Nil).

There is \$3,368,616 of assets that the Council considers to be uninsured within this group of activities (2019: \$3,524,256). These include sea walls and footpaths.

## 35 Explanation of major variations against budget

The effect of the November 2016 earthquake continues to dominate the Council's operations and has a massive impact on the Council's financial position and performance. Pleasingly the overall programme of \$39 million has been delivered on budget, and despite having significant delays at the start of the programme, has finished almost on time. The variances against budget are primarily limited to timing differences (the rebuild spans four financial years), and also variances as to classifications of capital work versus operational costs. The programme was due to be completed by the end of June 2020 and was on track to finish by the end of July were it not for the COVID-19 lockdowns that halted progress on many projects.

The significant variances to budget are detailed below.

### *Statement of Comprehensive Revenue & Expense*

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, 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.

Other expenditure variances were;

- A fair value loss on the building at 25 Beach Road, of \$429k. That building was substantially upgraded during 2018 and 2019 at a total cost of \$575k, but its independent valuation at 30 June 2020 is only \$235k because it is leased to the Kaikoura Community Opshop at substantially less than market rental. The Council is of the view that the return to the community through Opshop fundraising is of higher value than a market rent would achieve.
- Personnel expenses are \$484k higher than budget – partially because the budget for Mayor and Councillor honoraria was incorrectly classified as "Other Expenses" (rather than "Personnel Expense")



in the Annual Plan, but also due to severance payments to three employees during the year (see Note 27) and provisions for annual leave entitlements (see Note 8).

- Loan interest costs were \$169k less than budgeted because the Council was using all available cash to repay debt, and delays in the earthquake rebuild has meant there was not the need to raise loans until later in the year.

### 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.

Last year, the Council received a report which extensively reviewed the likely cost and timing for capping and redevelopment of the Scarborough Street landfill. That report suggested a useful life of only two years, as well as a significant increase in capping costs, resulting in a substantial increase in the provision for landfill aftercare. The writer of that report has since suggested that the remaining useful life is likely to be at least 10 years, and so the provision movement has reversed.

### 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.

## 36 Post Balance Date Events

On 11 August 2020 four new cases of COVID-19 were identified in Auckland. From midday on 12 August 2020 Auckland went into a Level 3 lockdown and the rest of New Zealand including the Kaikoura District went into a Level 2 lockdown. There is a reasonable likelihood that small COVID-19 clusters may keep emerging in communities around New Zealand and that the Kaikoura District will be required to move in and out of the various alert level restrictions. The Council assesses that COVID-19 has had, and will continue to have, minimal impact on its financial performance and position (2019: No significant post balance date events).

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# Annual Report Disclosure Statement

For the year ending 30 June 2020

## What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. Please refer to those regulations for more information, including definitions of some of the terms used in this statement.

## Rates affordability benchmark

The Council meets the rates affordability benchmark if –

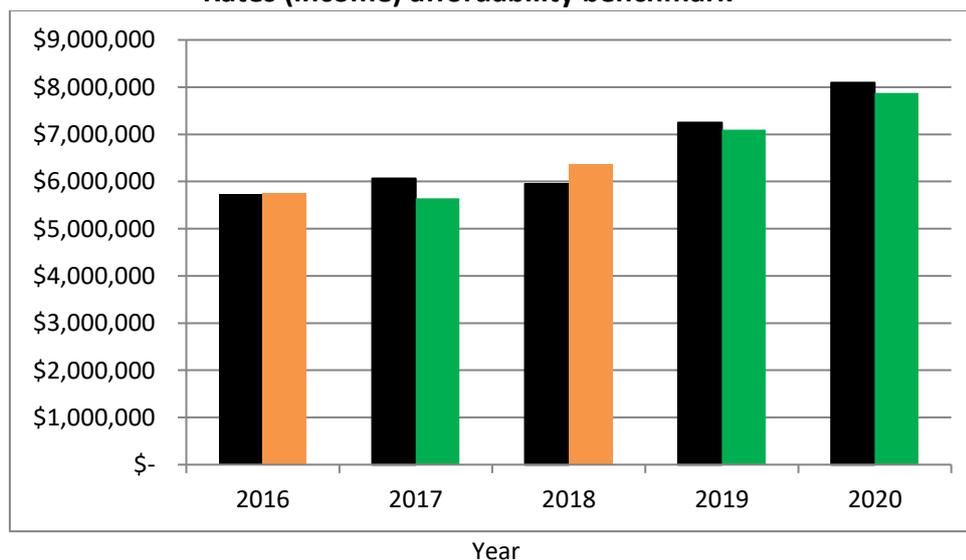
- actual rates income equals or is less than each quantified limit on rates; and
- actual rates increases equal or are less than each quantified limit on rates increases.

The Council went beyond the limits set by its financial strategy in 2016, because of its decision to fund the Canterbury District Health Board's shortfall for the Kaikōura Hospital. Community support for the hospital was overwhelming, and so the Council felt their decision to breach its rates limit was justified.

## Rates (income) affordability

The following graph compares the Council's actual rates income with the quantified limit on rates increases contained in the financial strategy included in the Council's Three-Year Plan. The Council set its limit on rates increases to 14% in order to meet the costs of our earthquake rebuild. In dollar terms this sets a cap of \$8,095,607. The Council's actual rates for the 2020 financial year were \$7,876,193, which is within the cap.

**Rates (income) affordability benchmark**



Quantified limit on rates income



Actual rates income (at or within limit)



Actual rates income (exceeds limit)



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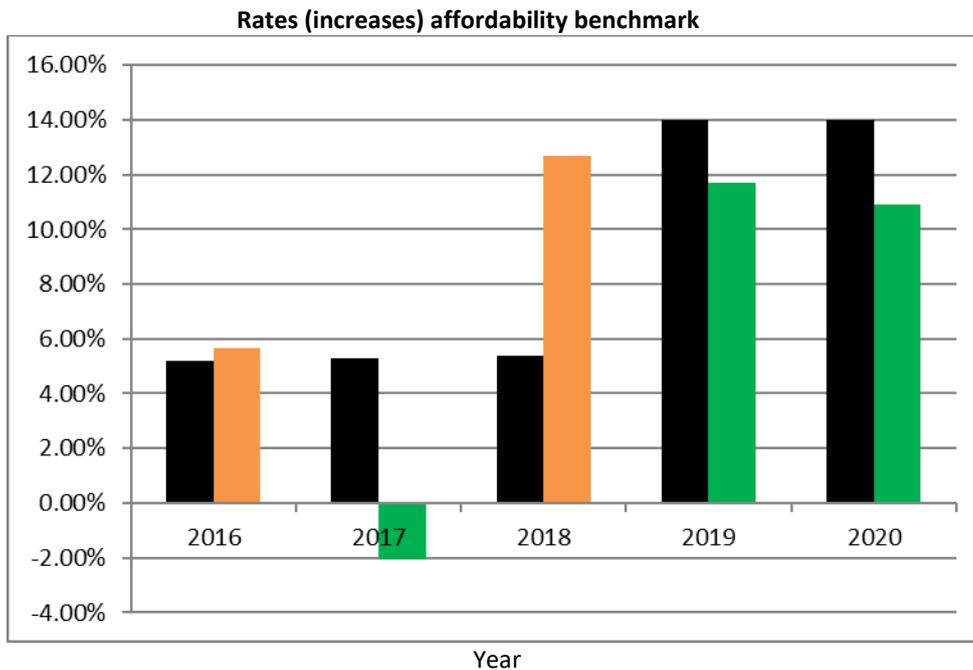
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### Rates (increases) affordability

The following graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council’s Three-Year Plan. The quantified limit is 14%, and the actual increase was 10.91%.



Quantified limit on rates increase
  Actual rates increase (at or within limit)
  Actual rates increase (exceeds limit)

### Comment

In 2016, the Council exceeded its rates limits in order to meet its commitment to fund the Canterbury District Health Board’s shortfall for the new Kaikōura health facility and hospital. In 2017, the CDHB returned \$2 million to the Council to repay the hospital loan, and the Council was able to fully remit the hospital annual charge. The impact of that rates adjustment was a total rates **decrease** for 2017 compared to 2016.

For the 2018 financial year, the rates increase was almost 12% over that of 2017. The Council introduced two new rates – the earthquake rate based on capital value, and the earthquake levy which is a fixed dollar amount. Rates penalties applied to overdue rates were much higher than had been predicted, and rates remissions for earthquake damage were substantially less than had been forecast. These factors combined were the main contributors to the rates increase exceeding the rates limit for 2018.

For the 2019 and 2020 financial years, the Council set its limit on rates increases to 14% so as to meet the costs of our earthquake rebuild programme. The actual increases are within the cap at 11.69% and 10.91% respectively.

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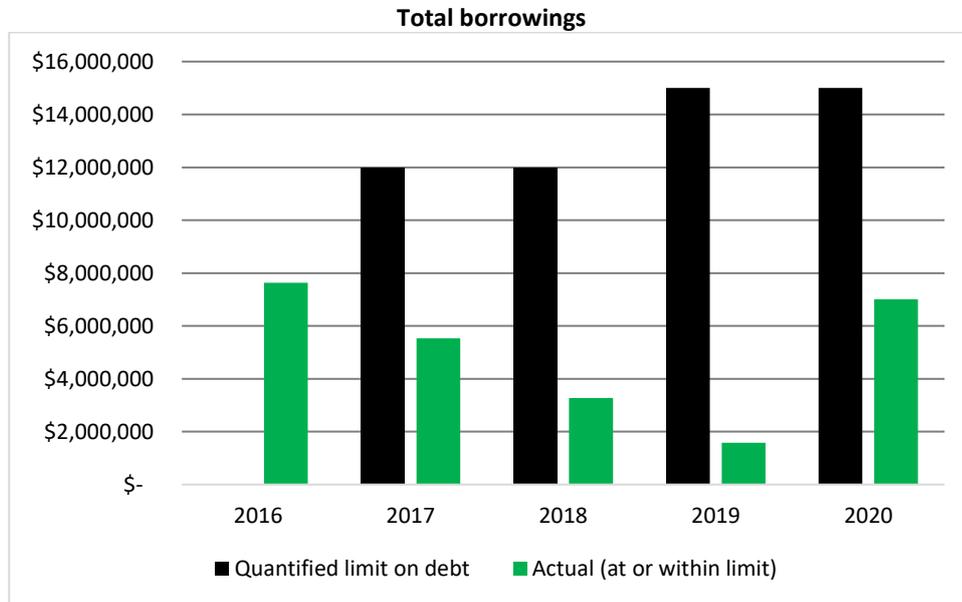


### Debt affordability benchmark

The Council meets the debt affordability benchmark if –

- total borrowings do not exceed \$15 million; and
- loan interest expense is less than 10% of total revenue.

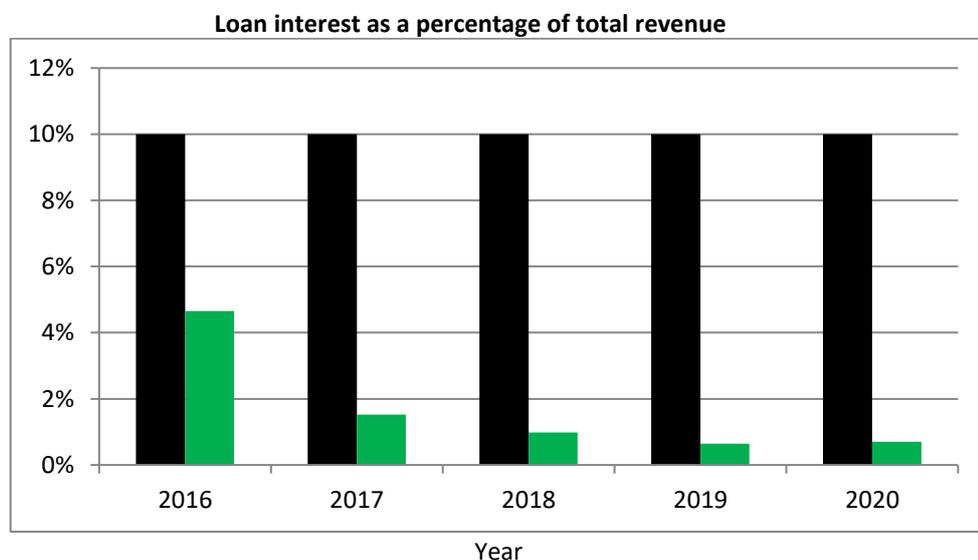
The following graph compares the Council’s actual borrowing with the quantified limit on borrowing stated in the financial strategy included in the Three-Year Plan. The quantified limit is \$15 million.



#### Comment

The Council increased its debt limit from \$12 million to \$15 million for the Three-Year Plan 2018-2021 in preparation for new borrowings to fund the earthquake rebuild. In reality, due to the delay in the rebuild works, the Council has used available cash to reduce debt while we prepare for the rebuild to commence.

The following graph compares the Council’s actual borrowing with a quantified limit on loan interest as a percentage of total revenue. Loan interest expense is less than 1% due to savings by paying off debt.



Quantified limit on debt



Actual debt (at or within limit)



Actual debt (exceeds limit)



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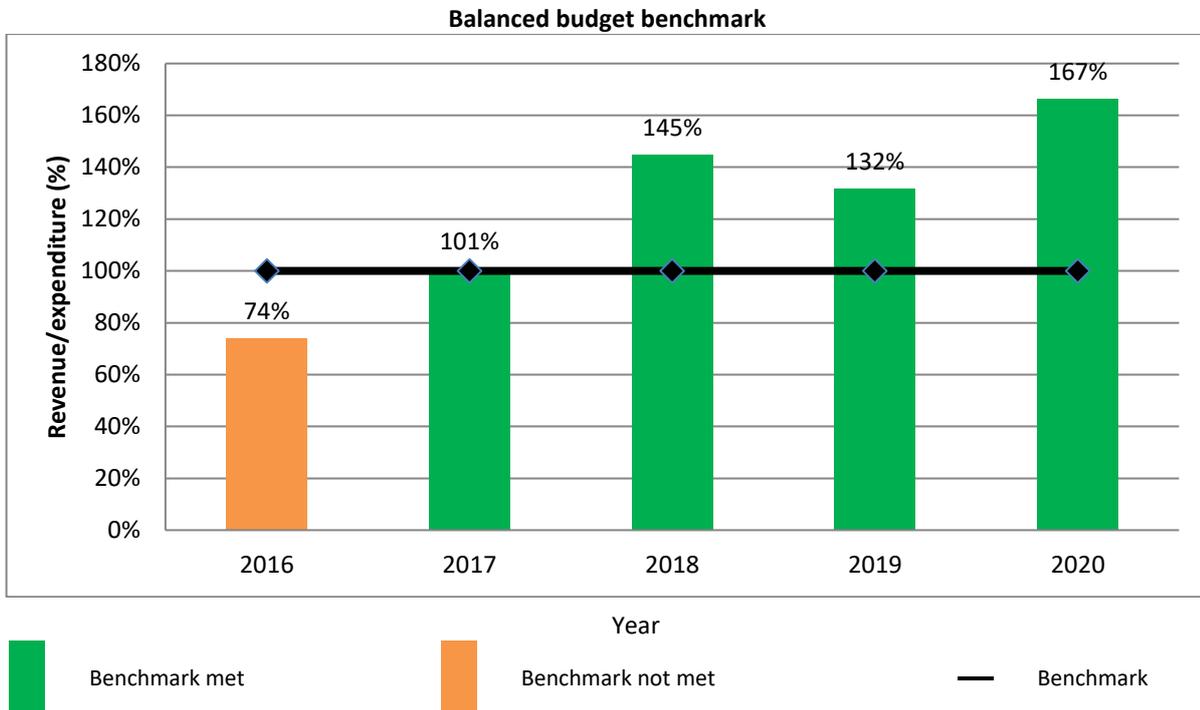


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## Balanced budget benchmark

The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

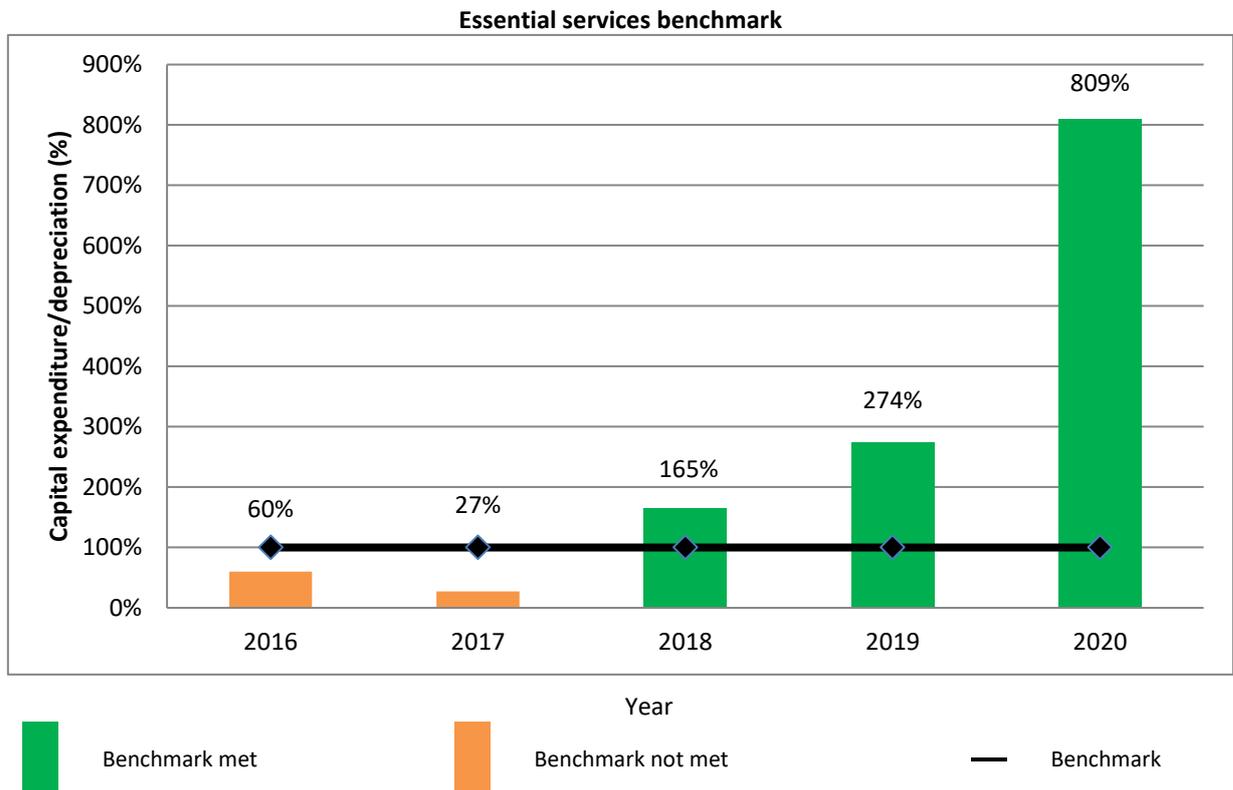
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



For the last four years, the Council has received substantial grants and subsidies to complete the earthquake rebuild projects. Those grants and subsidies are stated as operating revenue in the Council’s financial statements, but the rebuild expenses are capital expenditure rather than operating expenses, and so are not included in the above equation.

## Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Comment

The above graph highlights the extent to which the earthquake rebuild projects have dominated the Council's operating and capital spend. In the 2017 financial year, the emergency response to the earthquake meant all previously planned capital projects were put on hold or cancelled, and work instead focussed on immediate restoration of services – which are an operating expense and therefore do not form part of the above equation.

As the rebuild projects commenced (during 2018 and 2019), significant amounts began to be spent on the capital renewal of damaged infrastructure. The 2020 financial year represents the peak of the rebuild spend, and dwarfs both annual depreciation and prior year capex.

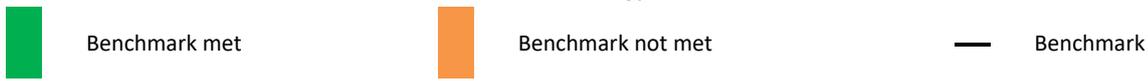
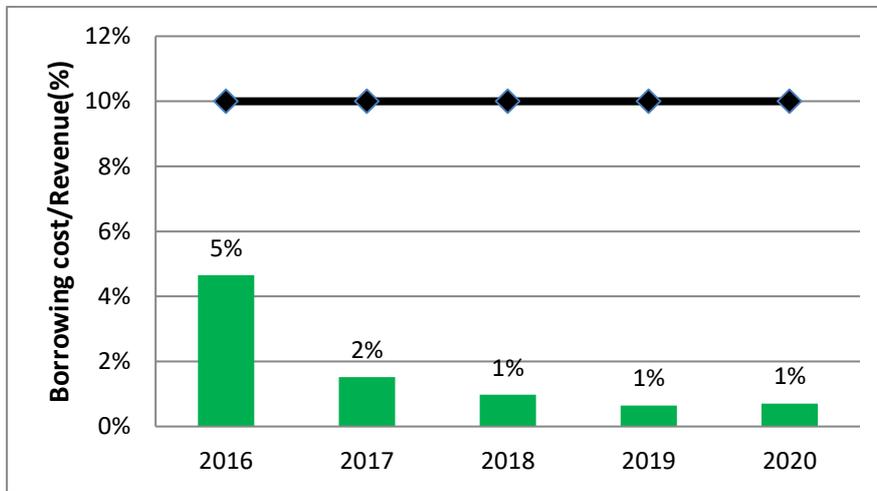


### Debt servicing benchmark

The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council’s population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its borrowings costs equal or are less than 10% of its revenue.

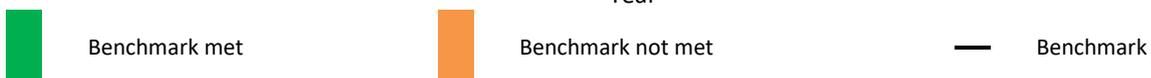
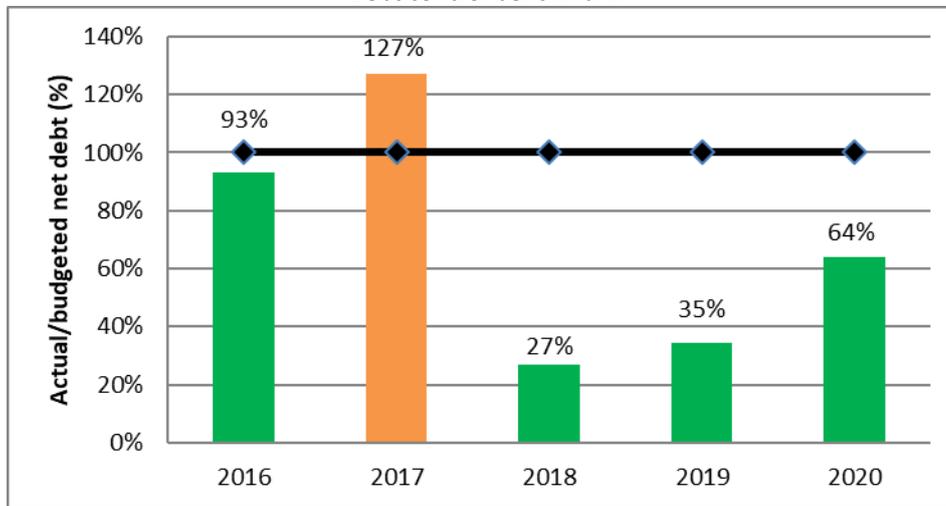
**Debt servicing benchmark**



### Debt control benchmark

The following graph displays the Council’s actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities – which includes trade and other payables; less financial assets but excluding trade and other receivables. The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

**Debt control benchmark**



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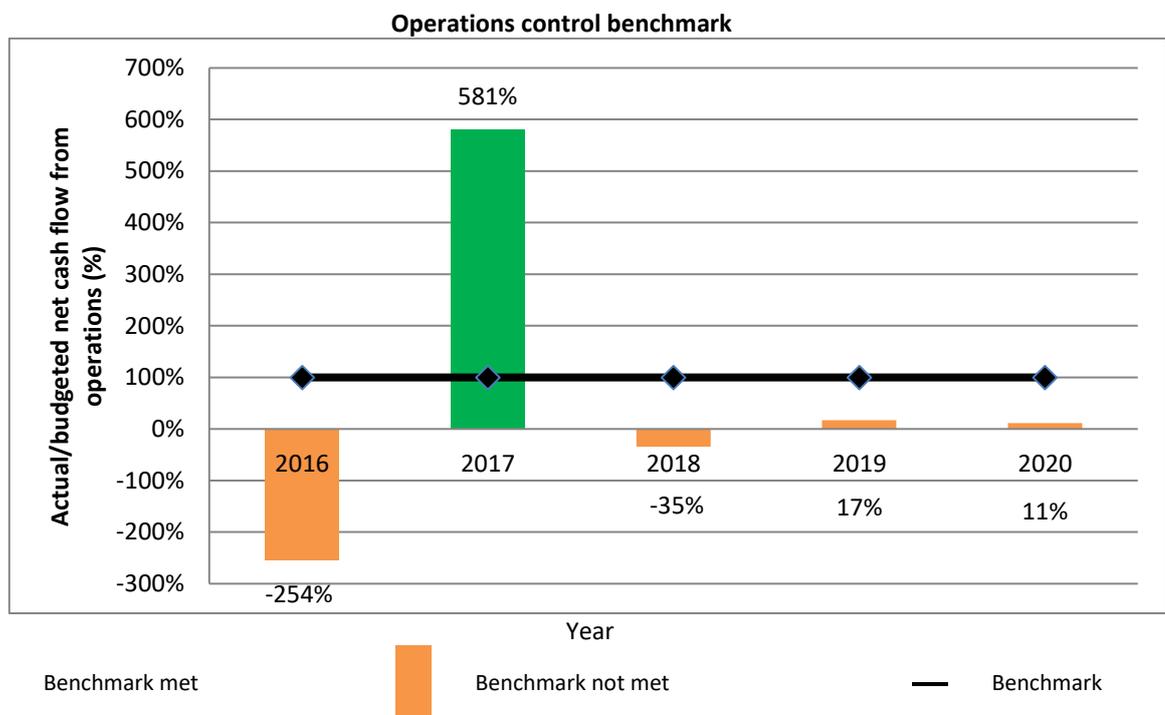
*Comment*

The Council has been able to repay most of its loans due to the delays in the rebuild, and so our net debt is much lower than had been planned.

**Operations control benchmark**

This graph displays the Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



*Comment*

In 2017, cash flow from operations had been substantially better than forecast, with several millions in grants, subsidies, and donations received to enable the Council to undertake emergency earthquake repairs. In 2018, grants were focussed on capital rebuild projects while operating expenses for the event continued at high levels; this had the effect of decreasing the net cash inflow from operating activities.

For both 2019 and 2020, cash flow from operations was well below predictions, due to the Crown and NZTA subsidies being so difficult to predict both in terms of timing as well as whether the subsidies are for capex or operational work during the forecast period.



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## Funding Impact Statement

For the years ended 30 June (whole of Council)

	2019 Annual Plan \$000	2019 Actual \$000	2020 Annual Plan \$000	2020 Actual \$000
<b>Sources of operating funding</b>				
General rates, UAGCs, rates penalties	2,402	2,529	2,948	3,008
Targeted rates (incl. water meter charges)	4,580	4,572	4,850	4,868
Subsidies & grants for operating purposes	5,143	5,345	3,789	5,695
Fees & charges	1,404	1,635	1,534	1,759
Interest & dividends from investments	75	44	19	2
Fuel tax, fines, infringement fees & other receipts	1,286	1,250	802	815
<b>Total operating funding (A)</b>	<b>14,890</b>	<b>15,375</b>	<b>13,942</b>	<b>16,146</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	14,896	13,810	13,938	13,790
Finance costs	572	122	323	152
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>15,468</b>	<b>13,932</b>	<b>14,261</b>	<b>13,941</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>(578)</b>	<b>1,443</b>	<b>(319)</b>	<b>2,205</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	15,533	2,475	18,145	11,942
Development and financial contributions	-	21	82	31
Increase/(decrease) in debt	1,927	(1,700)	5,097	5,423
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>17,460</b>	<b>796</b>	<b>23,324</b>	<b>17,396</b>
<b>Application of capital funding</b>				
Capital expenditure				
- To meet additional demand	1,051	258	1,057	260
- To improve the level of service	4,310	704	2,337	834
- To replace existing assets	15,585	4,956	22,006	16,552
Increase/(decrease) in reserves	(3,064)	(3,678)	(2,395)	1,956
Increase/(decrease) in investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>16,882</b>	<b>2,239</b>	<b>23,005</b>	<b>19,601</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>578</b>	<b>(1,443)</b>	<b>319</b>	<b>(2,205)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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# Other Information



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## Kaikōura Enhancement Trust

Kaikōura Enhancement Trust is a charitable trust established in 2000, for the purposes of progressing environmental projects. It does not intend to generate a profit.

The trust, when established, was considered to be a Council Controlled Organisation (CCO) under the provisions of the Local Government Act 2002, because the Council appoints its trustees. The Council has resolved to exempt the Kaikōura Enhancement Trust from being a CCO.

The trust's objectives are generally:

- The collection and disposal of waste in an ecologically sound manner including but not limited to management of refuse facilities and including sewerage treatment programmes;
- To protect, enhance and sustain the natural and physical resources of the Kaikōura District particularly through sustainable waste management practices and more widely to encourage development of similar practice in other areas;
- The establishment, improvement and promotion of recycling programmes and programmes generally to reduce waste;
- Raise public awareness of the effects of alternative waste disposal methods through education and generally to create public awareness of sustainable management of resources;
- To make grants or provide other assistance for the research, development, distribution and implementation of alternative waste disposal methods, including waste reduction methods;
- To promote ecologically sound waste management processes and practices generally;
- To do all such things as may be necessary and consistent with creating a better living environment whilst sustaining the natural environment for future generations.

The most significant objectives of the trust are performed through its subsidiary, Innovative Waste Kaikōura Ltd, the company responsible for the day-to-day management of the district's landfill and recycling facility.

The trust will continue to be involved in environmental issues that meet the above objectives. It is the nature of the trust that these projects may be spontaneously approved during the course of any given year, generally subject to sufficient funds being sourced or otherwise with the specific approval from the trustees.

The financial activity of the trust is included in the Council's group financial statements.



## Innovative Waste Kaikōura Ltd

Innovative Waste (IWK) is 100% owned by the Kaikōura Enhancement Trust, and is responsible for the day-to-day objectives of that Trust. The financial activity of Innovative Waste is included in the Council's group financial statements.

IWK is a leading provider of waste management services, public toilet maintenance, recycling services, 3 waters maintenance services, reserve planting and maintenance services and general maintenance services.

### Objectives

IWK's key objectives are:

- To implement safe working practices to maintain a safe working environment for staff, contractors, customers and others and to recognise the Council's legal obligations under the Health and Safety at Work Act 2015.
- To maintain a strong market presence in the areas of waste minimisation, maintenance and management of public utilities.
- To provide cost effective and efficient service delivery that meets the district and clients' expectations and maintains contract longevity.
- To provide advice and support to local businesses to divert waste from landfill.
- To operate in an environmentally friendly manner.
- To be recognised nationally as a leader in environmental sustainability
- To operate water supply and wastewater facilities in an environmentally sustainable manner.
- To ensure that the business operates in a way that generates appropriate financial returns and dividend streams for the shareholder. To implement sound strategic and financial planning to ensure the capacity is available to meet the three waters, waste and recycling needs of the Kaikōura District in a commercially viable manner.
- To assist the Council in empowering, educating and encouraging the community in recycling surplus resource and waste in the community.

### Nature and Scope of Activities

IWK is in the business of minimising waste and maintaining and managing public infrastructure. The company's main service offerings currently are as follows:

- Waste minimisation and management through the provision of recycling services and landfill management
- Environmental rehabilitation preservation and development through the Trees for Travellers programme
- Maintaining water and wastewater infrastructure predominately for local authorities
- Maintaining public toilet facilities in Kaikōura.
- Parks and reserves.

IWK's current area of operation is in the upper South Island. The company is open to investigating opportunities elsewhere in New Zealand where they are advantageous and where there are synergies with the existing business and will enhance the company's financial position. IWK may consider entering into joint venture when appropriate in order to capitalise on commercial opportunities.

IWK has determined a number of performance measures in its Statement of Intent for the year to 30 June 2020, and actual performance is reported as follows.

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## Financial Performance Targets

	2018/2019 Actual	2019/2020 Target	2019/2020 Actual	Achieved
Revenue	\$2,513,723	\$1,953,864	\$2,268,731	Achieved
Net Profit After Tax	\$(45,463)	\$9,116	\$161,731	Achieved
Return on Equity	(6%)	1%	8%	Achieved
Shareholder funds/total assets	60%	57%	70%	Achieved
Equity	\$712,970	\$669,866	\$874,601	Achieved
Debt to Debt plus Equity	5%	9%	2%	Achieved
Earnings per Share	\$(455)	\$91	\$1,671	Achieved
Dividend Ratio	0%	10%	0%	Not achieved

## Operational Performance Targets

Target	Performance target to achieve the output	Achievements as at 30 June 2020
Client satisfaction	98% of all urgent or callouts to the contract are responded to within one hour or two hours respectively from the time of notification to the time that service personnel depart to the site	<b>Results not available</b> All service requests are logged through KDC's Ozone programme and advised via phone and/or email to IWK. All responses are then checked on a weekly/monthly basis with KDC. All urgent requests are attended to immediately.
	98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time of notification to the time that service personnel attend site	<b>Results not available</b> All non-urgent call outs are responded to within 24 hours.
	Service requests received about recycling are less than 20 per year	<b>Achieved</b> Service requests regarding recycling are rung through to KDC to be recorded in Ozone. Three requests received.
Contractual or legal obligations	Compliance with and provision of all KPI information as per contracts	<b>Results not available</b> No current contracts have any KPIs attached to them
	Obtaining an unqualified audit opinion	<b>Results not available</b> Audit still to be completed for 2019/20 year, however due to the ongoing issues with capturing the correct information in relation to Service Requests Performance Measures (above)
Service Performance	Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions	<b>Achieved</b> No non-compliance notices or infringements issued to KDC.



	The number of complaints received per year being due to a service request not being actioned appropriately is less than 10.	<b>Achieved</b> Nil complaints in total
Health & Safety	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates	<b>Achieved</b> TRIFR rate for 2018/19 was 18.41 (3 TRI x 200,000/32,590 (hours worked)). TRIFR rate for 2019/20 was 0.00 (0 TRI x 200,000/26,572 (hours worked))
	LTIFR (LTI per 200,000 hours worked) <6	<b>Achieved</b> LTIFR rate for 2019/20 was 0.00 (0 LTI x 200,000/26,572 (hours worked))
Staff Engagement	Establish baseline of staff satisfaction through annual survey (2019 4.0)	<b>Achieved</b> Average engagement score of 4.2

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## Māori Participation in Decision Making

The Council is fortunate to have a positive relationship with Te Rūnanga o Kaikōura, and communication between both parties is open, frequent, and participative.

These committees are supported by Iwi representation.

- ***Kaikōura Water Zone Committee***
- ***Airport Committee (no representative appointed as at 30 June 2020)***

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