

Buller District Council

Annual Report Summary

for the year ending 30 June 2015

FINANCIAL HIGHLIGHTS for the year ended 30 June 2015

Total Revenue was \$24.4m, \$0.7m below budget and total operating expenditure was \$25.5m. Overall this meant Council has a \$1m net deficit compared to a predicted surplus of \$1.6m. Operating revenue (excluding non-capital related income items namely asset revaluations and write-offs), was reduced mainly due to the development slowdown that resulted from the economic decline in the District. The anticipated financial assistance was not achieved due to the delayed onset of drinking water upgrade projects in Waimangaroa, Ngakawau-Hector and South Grey. Reasons not solely attributable to the Council. Expenditure was higher than budget due to asset disposals, losses on investment property and a loss on derivative contracts.

Although the overall accounting result was lower than expected, reviewing the controllable expenditure reveals a \$56,000 favourable variance. The under expenditure includes expenses for the Karamea Drinking Water Standards investigation (\$93,000) as a result of the community vote to not proceed with their drinking water upgrade. The net under expenditure for controllable items totalled \$149,000 below budget. The uncontrollable market forces on property, asset and derivative revaluations have resulted in a book value loss of \$1.5m with asset disposals accounting for a further \$1.1m. This demonstrates success with one of the key elements of the financial strategy which is stringent financial discipline by the Council, management and staff.

Losses on derivative contracts and on revaluations of investment land are directly related to the market conditions, not within the control of the Council. Depreciation and asset write-offs are non-cash items. These entries while they impact the overall accounting deficit have no immediate impact on the ratepayer.

Financial Position and Equity

Summary of Statement of Financial Position as at 30 June 2015	Parent 2014/2015 Actual \$'000	Parent 2014/2015 Budget \$'000	Parent 2013/2014 Actual \$'000	Group 2014/2015 Actual \$'000	Group 2013/2014 Actual \$'000
Total Current Assets	18,737	17,760	18,131	21,760	20,990
Total Non Current Assets	328,941	342,332	331,240	325,707	329,024
Total Assets	347,679	360,092	349,371	347,467	350,014
Total Current Liabilities	3,306	9,686	4,593	4,302	5,564
Total Non Current Liabilities	26,276	25,000	25,637	27,751	27,168
Total Equity	318,097	325,406	319,141	315,434	317,282
Total Liabilities & Equity	347,679	360,092	349,371	347,467	350,014

Summary of Statement of Changes in Equity for the year ended 30 June 2015	Parent 2014/2015 Actual \$'000	Parent 2014/2015 Budget \$'000	Parent 2013/2014 Actual \$'000	Group 2014/2015 Actual \$'000	Group 2013/2014 Actual \$'000
Equity as at 1 July	319,141	323,779	309,905	317,282	308,209
Total Comprehensive Revenue & Expense	(1,044)	1,627	9,236	(1,848)	9,073
Equity at the end of the year	318,097	325,406	319,141	315,434	317,282
Accumulated Funds	169,498	172,553	171,120	165,791	168,217
Reserves	4,411	3,112	3,836	4,411	3,836
Asset Revaluation Reserve	144,188	149,741	144,185	145,232	145,229
Total Equity	318,097	325,406	319,141	315,434	317,282

Net debt has remained fairly static at \$10.1m. The budget estimated that net debt would have risen to \$16.7m. The lower debt levels are due to repayment of debt during 2014/2015 and deferrals of the Drinking Water Upgrades and other minor capital projects.

Comprehensive Revenue and Expense

Summary of Statement of Comprehensive Revenue & Expense for the year ended 30 June 2015	Parent 2014/2015 Actual \$'000	Parent 2014/2015 Budget \$'000	Parent 2013/2014 Actual \$'000	Group 2014/2015 Actual \$'000	Group 2013/2014 Actual \$'000
Total Operating Revenue	24,442	25,104	25,115	28,641	29,375
Total Operating Expenditure *	25,489	23,477	24,623	30,367	29,498
Net Surplus (Deficit) Before Taxation	(1,047)	1,627	492	(1,726)	(123)
Income Tax Expense	0	0	0	125	(89)
Net Surplus (Deficit) After Taxation	(1,047)	1,627	492	(1,851)	(54)
Other Comprehensive Revenue & Expense					
- Increase in Asset Revaluation & Other Reserves	3	0	8,744	3	9,107
Total Comprehensive Revenue & Expense	(1,044)	1,627	9,236	(1,848)	9,073
*Includes finance costs of:	1,471	1,337	1,505	1,472	1,505

Cashflow

Summary of Statement of Cashflows for the year ended 30 June 2015	Parent 2014/2015 Actual \$'000	Parent 2014/2015 Budget \$'000	Parent 2013/2014 Actual \$'000	Group 2014/2015 Actual \$'000	Group 2013/2014 Actual \$'000
Net cash Inflow (outflow) from Operating	7,164	6,788	6,918	9,100	8,420
Net cash Inflow (outflow) from Investing	(6,588)	(5,692)	(4,548)	(7,992)	(5,117)
Net cash Inflow (outflow) from Financing	(50)	(1,935)	(1,955)	(49)	(1,955)
Net Increase (Decrease) in Cash Held	526	(839)	415	1,059	1,348
Opening Cash Balance at 1 July	2,499	2,690	2,084	4,689	3,341
Closing Cash Balance at 30 June	3,025	1,851	2,499	5,748	4,689

MAYOR AND CHIEF EXECUTIVE MESSAGE

It is with pleasure that we present you with the 2014/2015 Buller District Council Summary Annual Report, and thank you for taking the time to read it. It represents Council's report, in summary form, on the achievements during the period 1 July 2014 to 30 June 2015. It is an important aspect of Council's accountability to you, our constituents. The summary annual report describes how the Council has performed over the past year, what we've done well, what needs more work, the challenges, and where we're heading. The report includes our financial position, our non-financial performance, and highlights for the year. The Full Annual Report outlines, in detail, Council's financial performance as well as non-financial measures and is available on our website and from Council offices.



Mayor Garry Howard



Chief Executive Paul Wylie

WORKING WITH OUR COMMUNITIES

Rates Overhaul

We knew this would be a difficult and a contentious project. Given the number of submissions and the feedback we received in January 2015, Council listened to ratepayers who asked Council to take more time to understand all implications of any new rating proposal.

We have continued to work on this project and we hope to consult on a new rating system in early 2016. We want to make sure we get it right and we end up with a fairer, more equitable rating system, given the Rating Act limits options on how rates can be applied.

Community Facilities

In 2015 our Council and Sounds Air announced their partnership in bringing the West Coast a new airline service following the departure of Air New Zealand in April 2015. The advantages for Coasters are a schedule which we determined, a guaranteed six year term with rights of renewal, and the potential to negotiate further flights and/or destinations as demand dictates - all within the security of a long term partnership. The Sounds Air service has been very well received with good patronage from business, residents and visitors.

Leadership and Governance

During the year the retirements of Barry Fowler and Kim Bolton resulted in a recent by-election for the Inangahua Community Board. Voters in the Inangahua Ward voted for two new members to join the Board. We congratulate Susan Barnett and Alun Bollinger on their appointment to our community board. We also wish to thank Barry and Kim for their contributions on the Community Board in Reefton.

Supporting the Community!

Your Council has a key role to advocate on behalf of the Buller community, and to facilitate development, while ensuring the required facilities are in place to allow for new opportunities that will almost certainly arise.

Below are some of the key things that Buller District Council has been focussing on to assist our region move forward.

By Facilitating of Existing and New Business....

If we are to keep the successful businesses that we already have, and attract new business we have to have the right attitude, be positive, welcoming and open doors, to allow existing business to thrive and new business to establish.

Our Council has embraced the philosophy of "red carpet not red tape". We agreed to have a dedicated person or Economic Development Project Assistance, as part of a combined strategy with the four West Coast Councils and Development West Coast.

By Advocating for funding of Information Technology....

Without good broadband we are not in the game. Possibly one of the biggest enablers of business on the West Coast will be the provision of broadband at speeds compatible with anyone else in New Zealand.

All four West Coast Councils combined their efforts, and with the assistance of Tai Poutini Polytechnic, are bidding to access funding from the Government Ultra-Fast Broadband, Rural Broadband and Mobile Blind Spot Funds. If we are successful we hope to achieve high speed broadband for 90% of the West Coast and mobile coverage over the Main State Highway network. This will not only help existing business but will encourage new business to set up anywhere in the district, and may even allow people to work from home even if their job is based out of the district.

PLANNING AHEAD

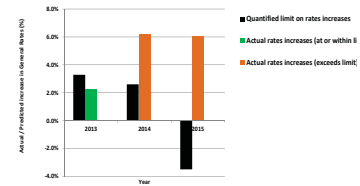
Long Term Plan

Council adopted its 2015-2025 Long Term Plan on 30 June 2015. We kept rates affordable while still maintaining momentum. The Long Term Plan showed a small decrease in the average rates bill for 2015/2016 and any increases in the years after that, are predicted to be less than the rate of inflation. On the expenditure side, we clearly set out as priorities improved water supplies throughout the District, and getting the long awaited urban design improvements underway. While we are maintaining the capital programme to bring our infrastructure up to scratch, we have been able to keep debt down and balance the books to ensure a good financial position.

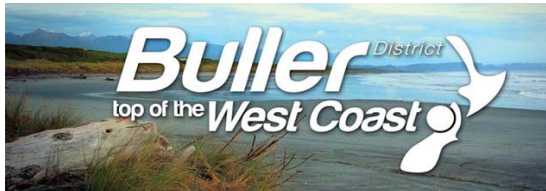
YOUR RATES

Rates Increases Affordability Benchmark

We had stated in the Long Term Plan what our rate limits were in comparison to what we had forecast in the Long Term Plan.



During 2013/2014 there was a delay in the commencement of the contracted waste management approach which resulted in additional unbudgeted costs. The Long Term Plan had predicted a decline during 2014/2015. Slower economic activity resulted in a reduction in planning income (\$599,000), a change in the way Council funds Solid Waste increased General Rates (\$315,000) and assistance for the Rates Overhaul project increased General Rates.



HOW ARE OUR INFRASTRUCTURE ASSETS PERFORMING?

Stormwater

There were a number of overflows in the system due to weather events which also compromised wastewater systems. However most faults were dealt with within stipulated response times. The phased upgrade of Derby Street in Westport progressed.

Solid Waste

The new contracted approach to waste has resulted in more recycling and less refuse transferred from the district. Rural solid waste is performing well. All performance targets were met during the year.

Roading

Remedial and emergency work on the Karamea Highway was a significant project as well as the roading upgrade of Derby Street. Roothing continues to operate within its performance measures.

Water

Stage one of the Westport Water upgrade was completed. Rural water upgrades are expected to be a priority subject to government subsidy and acceptance by the community. Water assets performed well except for some positive tests for E-coli.

Wastewater/Sewerage

In tandem with other infrastructure services Derby Street between Brougham and Rintoul Streets was upgraded. The wastewater system in Westport is to be analysed to address performance issues in wet weather events where there is high stormwater runoff. Overall the systems met performance expectations in the majority of their performance measures.

CAPITAL EXPENDITURE AND INFRASTRUCTURE

Focus on Water

This year saw the completion of the accelerated Stage 1 of the Westport Water Upgrade (\$5m spent to end of June 2015, with \$3.3m work in progress in 2015/2014). The contract progressed well in terms of budget and timelines.

However some financial assistance applications have not been successful. Little Wanganui and South Grantly some drinking water upgrades did not achieve the assistance requested.

A severe storm event that washed away the Conns Creek intake, meant the planned upgrade for Waimangaroa was not viable, while ownership issues and concerns about design have delayed the South Grantly and Ngakawau-Hector drinking water upgrades. The Karamea project also did not proceed.

Major projects this year have also included:

- Roothing (\$1.8m being replacements of assets and \$200,000 improving the level of service).
- Remedial upgrades to the Karamea Highway (\$509,000). This is still progressing.
- Overall Council replaced \$3.6m of infrastructure Assets and spent \$1.9m on Capital Expenditure that improved the level of service provided. This expenditure is across all areas of infrastructure; roading, water and wastewater, and all other Council activities.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

- Part 6 Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of information contained in its full financial report.
- All figures reported in the summary are presented in New Zealand dollars and are rounded to the nearest thousand dollar amount.
- Comparative information for the previous reporting period is shown for all items disclosed in the summary financial statements, except when such information is not disclosed in the full financial statements.
- The specific disclosures included in the summary financial report have been extracted from the full financial report adopted on 28 October 2015. This summary has been prepared in accordance with Public Benefit Entity (PBE) FRS-43: Summary Financial Statements.
- The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The report dated 28 October 2015 has received an unqualified audit report. Copy of the financial report may be obtained from the Council's Offices or on the Council's website (www.bullerdc.govt.nz).
- This summary financial report has been examined by the auditor for consistency with the full financial report. An unmodified auditor's report is included with this summary.
- The information included in the summary financial report has been extracted from the audited full annual report and authorised for issue by the Chief Executive on 5 November 2015.
- Council's summary financial report has been prepared in accordance with NZ GAAP. It is the first report prepared using Tier 1 PBE Accounting Standards.
- Council's full financial statements have been prepared in accordance with NZ GAAP. They comply with PBE Accounting Standards as applicable for a Tier 1 Public Benefit Entity.
- There have been no changes in accounting policies for the period.
- Post Balance Sheet Events
 - There are no significant events occurring after balance date that impact on the reported financial information for the year ended 30 June 2015 for Buller District Council and the Group (2013/2014: nil).
- Contingent Liabilities for the Council and Group are as follows:
 - Council has recognised a Housing New Zealand contribution of \$400,000 as a contingent liability. The funds were used for pensioner housing upgrades. The amount will be required to be paid back to Housing New Zealand if Council does not utilise the funds on a pensioner housing project or divests the completed project within a 20 year timeframe. This liability ceased on 11 June 2027.
 - Council has provided Sounds Air with a guarantee for \$150,000 should passenger numbers on flights to and from Westport Airport fall below 2.9 passengers per flight, during a 12 month period.
 - Council has provided the Coaltown Trust with a guarantee for \$500,000.
 - Council has no outstanding leaky home claims for which it may be liable (2013/2014: no leaky home claims).
 - Council is a participating employer in the National Provident Fund's Defined Benefits Plan Contributors Scheme (the scheme) which is a multi-employer defined benefit superannuation scheme. In the unlikely event that the other participating employers cease to participate in the scheme, Council could be responsible for the entire deficit in the scheme, or an increased share of the deficit. The Fund has advised that 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 deficit will affect future contributions by employers, as there are no prescribed basis for allocation. Westreef had \$385,000 in Performance Bonds outstanding with Westpac as at 30 June 2015 (2013/2014: \$651,000).
 - The Group has no other contingent liabilities as at 30 June 2015 (2013/2014: nil).
- Contingent and Other Assets
 - The Buller District Council and the Group has no contingent assets as at 30 June 2015.
 - In 2013/2014, Buller District Council had a contingent asset relating to construction of the Solid Energy Centre hockey turf. The turf has not met expectations as a playing surface. Council has met with contractors involved in the original construction of the hockey ground to seek settlement, however no estimate of a settlement could be made at balance date.
 - In 2013/2014, A significant storm event in April 2014 resulted in a potential claim with Councils insurers for damage to Council assets. As at balance date this claim amounted to \$12,000 above Councils deductible on the insurance policy. Payment will be contingent on Councils insurer accepting the claim in full.

Independent Auditor's Report

AUDIT NEW ZEALAND
MAORI WHAKAMAORI
Māori Whakamaori

To the readers of
Buller District Council's and group's summary annual report for the year ended 30 June 2015

The summary annual report was derived from the annual report of the Buller District Council (the District Council) for the year ended 30 June 2015. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report:

- the summary statement of financial position as at 30 June 2015;
- the summaries of changes in comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as how are our infrastructure assets performing) of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 28 October 2015.

Opinion
In our opinion:

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

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to the report date of 28 October 2015 (the reporting date).

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

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

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

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

John Mackay
Audit New Zealand
On behalf of the Auditor-General Christchurch, New Zealand

5 November 2015