

Annual Report Summary for 2017/2018

Summary of Buller District Council's achievements for 2017/2018

Message from the Mayor & Chief Executive

This 2017/2018 Buller District Council Summary annual report describes how Buller District Council and the Group has performed over the past year, what Council has done well, what needs more work and the challenges Council has met along the way.

The full annual report includes our financial performance and position, our non-financial performance including mandatory key performance indicators for significant infrastructure areas, and highlights for the year providing much greater detail. A full copy of the Annual Report is available on our website and from Council offices.

2017/2018 has been a tough year for the Buller District Council, the departure of the previous Chief Executive and the various water infrastructure issues that all seemed to come along at once was in no way assisted by not just one, but two, major storm events that caused a huge impact across the district. The effect of the storms is especially reflected in the consequential effect on project delivery and costs.

Despite these difficulties Council has continued to deliver the extensive normal 'business' of Council, as well as completing the massive amount of work required to complete the Long Term Plan with just 60 staff, this was a remarkable year of achievements for the Council.

The overall result is the total operating revenue was \$23.5m which was in line with the budget. Council's total operating expenditure was \$26.4m which exceeded budget by \$3.3m. Overall Buller District Council has a \$3m deficit compared to a predicted surplus in the 2017/2018 Annual Plan of \$386,000.

When Council signed off the 2017/2018 Annual Plan it was very clear that the seven community water supplies were top priority. Delivering results has been very problematic.

Through late 2017 and early 2018 the reservoir supplies for Westport Water were under threat and however the Three Waters team and staff at WestReef were very successful in maintaining and improving supply. The replacement of the pipeline from the reservoirs to the treatment plant along with other repairs and diversions between source and reservoirs stretched and challenged staff in the field. We currently await tenders for an overland pipe option and thereafter installation.

Reefton Water supply underwent some system improvements (with further work to come), while Punakaiki Water supply has had significant investment including \$175,000 government funding towards additional treated water storage capacity. The upgraded supply will be far more resilient and will get us through until a long-term 'fit for purpose' alternative is available.

Waimangaroa Water supply options have been investigated and the giant elephant in the room is affordability for such a small community.

Council remains committed to providing quality water supplies throughout the district and it will require further advocacy with a range of stakeholders, including Government.



Garry Howard
Mayor



Keith Marshall
Chief Executive Officer

What is Council's debt situation?

Net debt (debt less term deposits) was \$11.4m at balance date. The 2017/2018 Annual Plan budget estimated that net debt would be \$14.3m for this period.

The lower net debt levels are due to projects funded by external debt that have not yet been completed, including capital expenditure for Westport water of \$2.4m. The district revitalisation projects were funded by internal instead of external debt.

Financial Highlights

Council's total operating revenue was \$23.5m, which was in line with the budget, and total operating expenditure was \$26.4m which exceeded budget by \$3.3m.

Total operating revenue was in line with predictions. Subsidies and grants income were greater than anticipated due to unbudgeted grants from Development West Coast (DWC) for district economic initiatives. This was offset by Investment income that was less than budgeted due to a smaller distribution from Buller Holdings Limited due to the operating and cessation costs of Westport Harbour Limited being absorbed into the Holdings group.

Total operating expenditure was over budget for the year. This was impacted by significant non cash entries of over \$1.5m relating to the market interest rate movement effect on Councils fixed interest debt, asset write-offs and depreciation movements resulting from asset revaluations. In addition there were distributions of unbudgeted grants from DWC of over \$0.5m.

Total Comprehensive Revenue and Expense includes an increment for revaluation of Council infrastructure assets. This was carried out at the start of the 2017/2018 year and added significantly to Councils closing equity balances.

Overall Buller District Council has a \$3m deficit compared to a predicted surplus in the 2017/2018 Annual Plan of \$386,000.

Financial results as at 30 June 2018

Summary of Statement of Comprehensive Revenue & Expenses <i>for the year ended 30 June 2018</i>	Parent 2017/2018 Actual \$'000	Parent 2017/2018 Budget \$'000	Parent 2016/2017 Actual \$'000	Group 2017/2018 Actual \$'000	Group 2016/2017 Actual \$'000
Total Operating Revenue	23,465	23,470	24,730	30,921	28,820
Total Operating Expenditure *	26,426	23,084	23,261	33,682	28,943
Net Surplus (Deficit) from Continuing Operations	(2,961)	386	1,469	(2,761)	(123)
Surplus (Deficit) from Discontinued Operations	0	0	0	(143)	(335)
Net Surplus (Deficit) Before Taxation	(2,961)	386	1,469	(2,904)	(458)
Income Tax Expense	0	0	0	(73)	260
Net Surplus (Deficit) After Taxation	(2,961)	386	1,469	(2,831)	(718)
Other Comprehensive Revenue & Expense - Increase in Asset Revaluation & Other Reserves	26,350	0	3	27,722	3
Total Comprehensive Revenue & Expense	23,389	386	1,472	24,891	(715)
* Includes finance costs of	963	1,115	1,139	963	1,139

Summary of Statement of Changes in Equity <i>for the year ended 30 June 2018</i>	Parent 2017/2018 Actual \$'000	Parent 2017/2018 Budget \$'000	Parent 2016/2017 Actual \$'000	Group 2017/2018 Actual \$'000	Group 2016/2017 Actual \$'000
Equity As At 1 July	318,476	325,979	317,004	314,285	315,000
Total Comprehensive Revenue & Expense	23,390	386	1,472	24,891	(715)
Equity At The End Of The Year	341,866	326,365	318,476	339,176	314,285
Accumulated Funds	166,340	166,725	169,441	161,233	164,206
Reserves	5,549	5,385	4,992	5,549	4,992
Asset Revaluation Reserve	169,976	154,255	144,043	172,394	145,087
Total Equity	341,865	326,365	318,476	339,176	314,285

Summary of Statement of Financial Position <i>as at 30 June 2018</i>	Parent 2017/2018 Actual \$'000	Parent 2017/2018 Budget \$'000	Parent 2016/2017 Actual \$'000	Group 2017/2018 Actual \$'000	Group 2016/2017 Actual \$'000
Total Current Assets	20,948	19,720	20,654	25,116	23,326
Total Non Current Assets	352,456	342,070	327,616	347,825	323,482
Total Assets	373,404	361,790	348,270	372,941	346,808
Total Current Liabilities	8,911	4,595	12,143	9,612	13,613
Total Non Current Liabilities	22,628	30,830	17,651	24,153	18,910
Total Equity	341,865	326,365	318,476	339,176	314,285
Total Liabilities And Equity	373,404	361,790	348,270	372,941	346,808

Summary of Statement of Cash Flows <i>for the year ended 30 June 2018</i>	Parent 2017/2018 Actual \$'000	Parent 2017/2018 Budget \$'000	Parent 2016/2017 Actual \$'000	Group 2017/2018 Actual \$'000	Group 2016/2017 Actual \$'000
Net Cash Inflow (Outflow) From Operating Activities	4,886	5,027	6,303	5,675	6,520
Net Cash Inflow (Outflow) From Investing Activities	(6,276)	(7,660)	(6,296)	(5,271)	(6,432)
Net Cash Inflow (Outflow) From Financing Activities	1,264	2,478	(70)	(77)	(70)
Net Increase (Decrease) In Cash Held	(126)	(155)	(62)	327	18
Opening Cash Balance At 1 July	3,245	1,185	3,308	5,681	5,663
Closing Cash Balance	3,119	1,030	3,245	6,008	5,681

Capital expenditure & infrastructure

Council continued to maintain assets and upgrade them when required. 2017/2018 was again a challenging year due to two significant weather events which impacted on the delivery of some capital projects. Council budgeted to spend \$7.2m on capital expenditure in its Annual Plan. A total of \$5.7m was spent on capital expenditure in 2017/2018.

Roading capital expenditure totaled \$1.9m for 2017/2018 compared to the budgeted spend of \$2m. Reseals, footpath upgrades, bridge approach work and remedial work on the Karamea highway were completed according to plan.

Council purchased harbour land and buildings for \$1.3m off Westport Harbour Limited, a subsidiary, when that entity was wound up during the year. This was not budgeted for in the Annual Plan.

Over the course of the year, across all areas of infrastructure and other Council activities, Council replaced \$5.9m of assets and spent \$0.5m on capital expenditure that improved the level of service provided throughout the district compared to a capital budget of \$7.2m predicted in the Annual Plan.

Working with our communities

Rates overhaul

Council commenced a review of rates in 2014. Given the number of submissions and the feedback received in January 2015, Council listened to ratepayers who asked Council to revise the proposal and take more time to understand all implications of any new rating proposal.

Council has continued to work on the project and continued to work on a new rates system throughout November and December 2017. We want to make sure we get it right and we end up with an appropriate and equitable rating system that is based on the principles of a good rating system.

Subsidies and Grants

Development West Coast grants totalling \$483,000 were received on behalf of Council to redistribute. These funds were not budgeted for in the Long Term Plan. The grants relate to the Economic Development Stimulus Fund and are used to promote economic growth in the district by creation and support of employment and new business ventures.

Supporting the community

Your Council has a key role advocating 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 in the district.

Council identified the importance of advocating for the district and its residents based on the premise that well presented solutions get the attention and consideration by Government and other organisations.

Rather than accepting proposed initiatives from central government, Council proactively worked to get the best result for the district during the year. Participation in the Provincial Growth Fund, Intergrated Family Health Care facility, Freedom Camping, Three Waters, West Coast Road Transport Plan, Punakaiki Master Plan, One District Plan, West Coast Regional Council LTP, Flooding and Coastal Erosion are a few examples of Council advocacy.

Council has continued to work on behalf of its constituents to advocate for a number of new initiatives such as Waste to Energy, Kawatiri Westport-Charleston Track, Reefton Powerhouse Project and anticipates results in the not too distant future.

The roll-out of broadband through the installation of fibre is now underway in Reefton and will continue throughout areas in the Buller District. This is due to advocacy and work with MBIE and Crown Fibre Holding.

Our Council also actively pursued further shared services with the other West Coast Councils.

Leadership and Governance

A by-election was held in February 2018 for the Seddon Ward, resulting in Councillor Rosalie Sampson being elected to Council.



WEST COAST NEW ZEALAND
UNTAMED NATURAL WILDERNESS



How are our infrastructure assets performing?

Stormwater

There were no overflows in the system due to weather events which also compromised wastewater systems. All faults were dealt with within stipulated response times and all other performance targets were met during the year. Renewals were less than budgeted in the Long Term Plan due to staff required on other urgent projects including water supplies.

Wastewater/Sewerage

Renewals and new capital expenditure was less than budgeted due to staff capacity which required focus on water projects. Council provided safe and adequate wastewater and sewerage facilities for the community and met all key performance indicators except for one relating to blockages in lateral pipes.

Water Supplies

Ngakawau-Hector

Discussions between the Ngakawau-Hector Water Society, the Buller District Council and the Ministry of Health (MoH) have been ongoing with respect to establishing the correct registration for the water supply. The Ngakawau-Hector water supply has now been officially re-registered to the Ngakawau-Hector Water Society.

Punakaiki

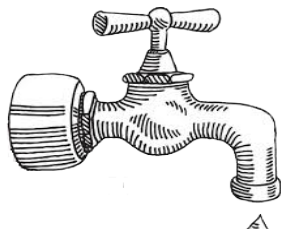
Due to ongoing operational issues with the existing water treatment plant, an operational review was undertaken. This review resulted in a number of operational improvements being made to the water treatment plant as well as additional treated water storage for the Punakaiki community.

Westport

Council has resolved to defer the immediate replacement of the trunk main until the performance of the main deteriorates to the extent that the optimal time to replace the main is obtained.

During the summer of 2016/2017 the Westport water supply ran extremely low resulting in water restrictions. This was exacerbated by a breach to the raw water line which compounded the supply problem. The water supply for Westport and Carters Beach has relied on pumping from Keoghans Pump Station since early January 2017 to maintain supply.

Plans for reinstatement of the Westport raw water supply line are now well advanced, with tender documents for a Overland Pipe Gravity Flow system released with those tenders due to close in October 2018. Construction is expected over 2018/2019.



Waimangaroa

Investigation into a new source for the Waimangaroa Water supply continues with consultation between the Buller District Council and the Waimangaroa water board and community ongoing.

Council did not meet all of the key performance indicators to provide reliable and adequate water for all water supplies due to the issues raised above.

Council provided an adequate quantity of water, met Resource Consent conditions, responded to urgent faults within specified timeframes and provided water with the minimum environmental impact. Council did not always meet non-urgent fault response times and Drinking Water Standards all of the time, and water restrictions and urgent shut downs on some supplies meant the reliable supply of water Key Performance Indicators were not always be met.

Solid Waste

The contracted service for solid waste has resulted in more recycling and less refuse transferred from the district. Council recorded \$56,000 increased capital expenditure on bulk recycling bins which were budgeted in the Annual Plan but not in the Long Term Plan.



Roading

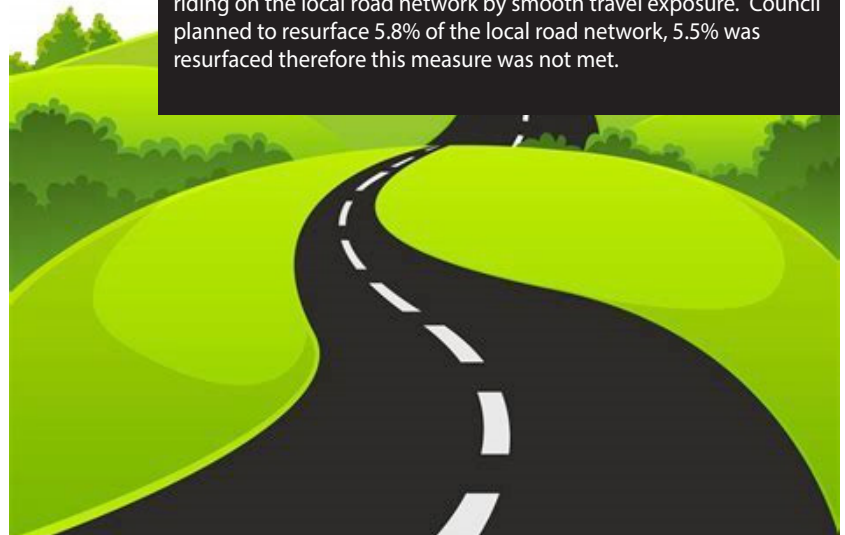
Buller is a large district with numerous settlements and small towns along its coastline and in the hinterland. It is only able to function economically and socially because of a vital local roading network maintained by Council. Just 604km of Council roads link into the main State Highways. Only half of those local roads are sealed, with the other half unsealed. These local roads incorporate 153 bridges and large culverts.

This year remedial upgrades to the Karamea Highway included drainage facilities, pavement rehabilitation and reseals.

- Emergency works were undertaken district-wide to address drainage work and remedial structures, caused by adverse weather events.
- Footpaths in Westport, Reefton and Karamea were progressively renewed/resurfaced to provide a safe environment.
- Local road improvements were at Mirfins Bridge to protect the bridge approaches.
- Reseals throughout the district were also undertaken.

Council met all but one of the roading key performance indicators to provide a safe and comfortable road and footpath network.

Council met key performance footpath condition ratings, and met key performance measures which check the average quality of riding on the local road network by smooth travel exposure. Council planned to resurface 5.8% of the local road network, 5.5% was resurfaced therefore this measure was not met.



The year in review 2017/2018 performance

- **Total revenue** was **\$23.5m** which was in line with budget.
- **Operating expenditure** totalled **\$26.4m** compared to a budget of \$23.1m.
- **Total revenue from rates** was **\$13.7m**.
- A revaluation of infrastructure assets was undertaken this year resulting in \$0.8m higher depreciation expense and \$26.3m increased revaluation reserves.
- Council budgeted for a \$386,000 surplus, but achieved a deficit of \$3m. This was impacted by non-cash entries of \$1.5m relating to market interest rate movements on fixed interest debt, asset write-offs and depreciation movements. In addition there were distributions of unbudgeted grants from DWC of over \$0.5. The balance is made up of a combination of costs including ongoing water supply issues, two significant storm events and the cost of integrating the Harbour activities into Council.



Measuring up

Council measures its performance each year using a core set of indicators that are determined in the Long Term Plan.

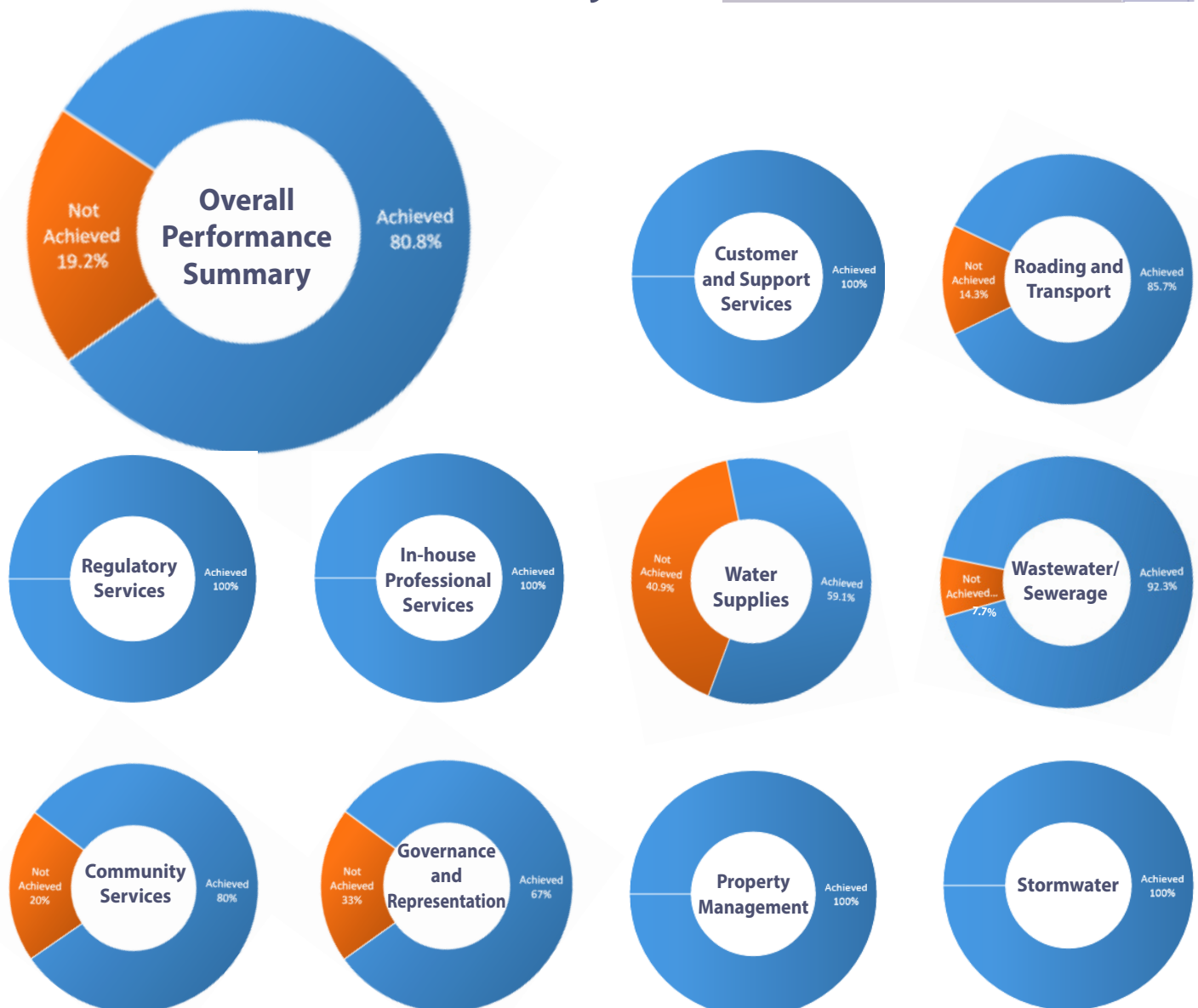
We have 73 performance measures we report on across 10 groups of activities.

We achieved 59 of the 73 measured.

Of the 14 not achieved, nine related to water supplies, reflecting ongoing issues with quality and reliability. One wastewater system KPI was not met. Rooding and Transport KPI achievement improved compared to the prior year, only not quite meeting one KPI. One Community Services KPI was not met, this reflects reduced numbers of active library member. Two Governance KPIs were not met as a community survey did not meet satisfaction targets for consultation and information received from Council.



Performance Summary



Notes to the accounts

1. 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.
2. All figures reported in the summary are presented in New Zealand dollars and are rounded to the nearest thousand dollar amount.
3. 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.
4. The specific disclosures included in the summary financial report have been extracted from the full financial report adopted on 31 October 2018 and authorised for issue by the Buller District Councillors on that date. This summary has been prepared in accordance with Public Benefit Entity (PBE) FRS 43: Summary Financial Statements.
5. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The report dated 31 October 2018 has received an unmodified audit report. A copy of the full financial report may be obtained from Council's offices or on the Council's website (www.bullerdc.govt.nz).
6. This summary financial report has been examined by the auditor for compliance with the full financial report. An unmodified auditors report is included with this summary.
7. 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 28 November 2018.
8. 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.
9. There have been no changes in accounting policies for the period.
10. Post Balance Date Events:
 - In October 2018 the Ngakawau/Hector Water Society Incorporated was reinstated as the registered supplier with the Ministry of Health for the Ngakawau-Hector Water Supply.
 - On 3 September the Westport Harbour Limited liquidation was completed and the company was formally removed from the New Zealand Companies Register.

(2016/2017 - subsequent to balance date a process has commenced to wind up Westport Harbour Limited and disestablish the business. This company makes up part of Council's investment in Buller Holdings Limited but its cessation is not expected to affect the current overall value of Council's investment in Buller Holdings. The residual Harbour activities will be administered by another company within the subsidiary group and the Council owned dredge vessel Kawatiri will be placed on the market for sale.)
11. Contingent Liabilities: 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 ceases on 11 June 2027.
 - Council has provided Sounds Air with a guarantee for \$108,000 should passenger numbers on flights to and from Westport Airport fall below 2.9 passengers per flight during a 12 month period.
 - Council has one outstanding leaky home claim for which it may be liable. The property is a residential property in the Reefton area constructed in 2008. The extent of the liability was unknown at balance date (2016/2017: one leaky home claim, Reefton area residential property constructed in 2008).
 - Council has one resource consent decision subject to appeal in the Environment Court for which it may be liable for costs should the appeal be upheld. The resource consent decision relates to an open cast coal mine in the Te Kuha area. The extent of any potential liability was unknown at balance date. The court process was put on hold on 22 June 2018 at the request of the resource consent applicant and remains on hold post balance date. (2016/2017: no resource consent decisions subject to appeal).
 - Council is a participating employer in the National Provident Fund's Defined Benefit 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, the Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, Council could be responsible for 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 is no prescribed basis for allocation.
 - Westreef had \$30,000 in Performance Bonds outstanding with Westpac as at 30 June 2018 (2016/2017: \$30,000).
 - The other members of the Group had no contingent liabilities as at 30 June 2018. The other members of the group include Buller Recreation Limited, Buller Health Trust, Buller Holdings Limited, Westport Harbour Limited which ceased operations during the year) and Tourism West Coast Inc.
12. Contingent Assets: The Buller District Council and the Group has no contingent assets as at 30 June 2018 (2016/2017: nil).



Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Buller District Council and group's summary of the annual report for the year ended 30 June 2018

The summary of the annual report was derived from the annual report of the Buller District Council and group (the District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on page 2 and pages 4 to 6:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary performance information.

Opinion

In our opinion:

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

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 31 October 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary annual report, we have reported on the full annual report, we have audited the District Council's 2018-28 long term plan and performed a limited assurance engagement related to the District Council's debenture trust deed. Other than this reporting and these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.



Jacques Coetzee,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
29 November 2018



BULLER
DISTRICT COUNCIL
Te Kaunihera O Kawatiri

For further information contact your elected members:

Garry Howard (Mayor)

Phone: 027 447 4371

Email: garry@bdc.govt.nz**Westport Ward:****Shayne Barry** (Councillor)

Phone: 022 694 4592

Email: shayne.barry@bdc.govt.nz**Jamie Cleine** (Councillor)

Phone: 027 415 8614

Email: jamie.cleine@bdc.govt.nz**Greg Hart** (Councillor)

Phone: 021 255 5452

Email: greg.hart@bdc.govt.nz**Robyn Nahr** (Councillor)

Phone: 027 426 6171

Email: robyn.nahr@bdc.govt.nz**Sharon Roche** (Councillor)

Phone: 027 659 9050

Email: sharon.roche@bdc.govt.nz**Phil Rutherford** (Councillor)

Phone: 03 789 7087

Email: phil.rutherford@bdc.govt.nz**Inangahua Ward:****Dave Hawes** (Councillor)

Phone: 021 269 5643

Email: dave.hawes@bdc.govt.nz**Graeme Neylon** (Councillor)

Phone: 027 431 4659

Email: graeme.neylon@bdc.govt.nz**Seddon Ward:****Emily Miazga** (Councillor)

Phone: 027 274 4370

Email: emily.miazga@bdc.govt.nz**Rosalie Sampson** (Councillor)

Phone: 027 356 7388

Email: rosalie.sampson@bdc.govt.nz**Council representative:****Dean Phibbs**

Manager Corporate Services

Phone: 03 788 9679

Email: dean.phibbs@bdc.govt.nz

BULLER
DISTRICT COUNCIL
Te Kaunihera O Kawatiri

www.bullerdc.govt.nz

Westport office:

6-8 Brougham Street, PO Box 21, Westport 7866

t: 03 788 9111 or 0800 807 239

Reefton office:

66 Broadway, PO Box 75, Reefton 7851

t: 03 732 8821 or 0800 808 821