



Chatham Islands Council

Annual Report

2017/18



chatham islands council

Our people, our Islands, our future

Profile of the Chatham Islands

The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

The Chatham Islands consist of two main inhabited islands, Chatham Island and Pitt Island. Pitt Island lies 23km south east of Chatham Island and both islands are surrounded by a number of smaller islands, all within a radius of approximately 50km. The main island, Chatham, has an area of 90,000 hectares. Pitt Island has an area of 6,300 hectares.

The Islands were formed by a volcanic up-thrust and the land surface is predominantly flat with a number of peaks, the largest peak rising to 188 metres. A significant landmark of Chatham Island is 'Te Whanga' which is a large lagoon that covers approximately 20,000 hectares or about one-fifth of the Island. There are five settlement areas on the main Island – Waitangi, Te One, Owenga, Port Hutt and Kaingaroa.

The 'livelihood' for the majority of Islanders is dependent on fishing and farming. Their continued welfare and the Islands' viability are linked with the sustainable management of the natural and physical resource base.

Chatham Islands Council is the smallest local authority in New Zealand. It has both district and regional council responsibilities.



The Islands at a glance

Usually 640 people live in the Chatham Islands.

Its population is the smallest in size out of the 53 districts in New Zealand.

The most common occupational group on the Chatham Islands is Labourers, compared with Professionals in New Zealand as a whole.

In total, 59% of households have access to the Internet, compared with 77% of households throughout New Zealand.

In the Chatham Islands, 4% of households have access to a cellphone, compared with 77% for New Zealand. This is because there is no cell phone coverage on the Chatham Islands.

Among households in private occupied dwellings, 54% own the dwelling, with or without a mortgage; the equivalent figure is 65% for New Zealand as a whole.

The unemployment rate in Chatham Islands territory is 2.5% for people aged 15 years and over, compared with 7.1% for all of New Zealand.

Source: Statistics New Zealand 2013 Census Data

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Introduction

Welcome to the 2017/18 Annual Report. This is an account of Chatham Islands Council's financial and service performance in the year from 1 July 2017 to 30 June 2018. It outlines what we committed to achieving in the Long-Term Plan for the year and describes how we delivered it. The report can be divided into four sections:

1. The overview, including a summary of our strategic approach, function and highlights of the year.
2. Financial statements, detailing the Council's position and performance in financial terms.
3. Service performance summaries, which detail the work completed in each major area of Council activities.
4. Financial accountability at an activity level is detailed in our funding impact statements in Appendix 1.

The Chatham Islands Council's key financial accountability documents are as follows:

The Long-Term Plan and Annual Plan

The 10-year Long-Term Plan and the Annual Plan set out in detail how the Council manages its funding. They cover what projects are to be undertaken and how this is to be funded.

These plans also document how the Council consults with its community including Moriori and Māori. It identifies the Council's plans for the medium and long-term, including coping with uncertainty and changing circumstances.

Annual Report

The Annual Report details what was achieved compared with the objectives set in the Long-Term Plan or Annual Plan. It is the Council's key financial accountability document. It also provides ratepayers and other interested parties with a report on how well the Council's assets are being looked after and how well the Council is performing as an organisation. The Annual Report informs readers about the Council's progress towards achieving its vision.

Our strategic approach

The Council's vision

The Council's aim is to work towards creating a resilient and sustainable community that embraces diversity and builds growth for our people, our Islands and our future.

These are the Council's priorities for ensuring that:

- we lead with integrity and respect,
- we work collectively for the greater good of the community to achieve community aspirations,
- we strive towards a sustainable future and actively pursue opportunities that can enhance the wellbeing and prosperity of our community, and
- we are accountable to our community and transparent in our decision-making.



Mayor and Chief Executive's report

It is with pleasure that we present to you the Chatham Islands Council Annual Report for 2017/18.

It is a must-read document if you are interested in the progress being made towards Chatham Island Council's goals of creating a resilient and sustainable community that embraces diversity and builds growth for our people, our Islands and our future.

The Chatham Islands Council is unique in that approximately 88% of its funding comes from Central Government agencies to support on-island projects and to meet its statutory obligations as a Council with both regional and district functions. This year, we developed our 2018-28 Long-Term Plan in consultation with the community. One of the significant uncertainties in our funding model related to the level of funding support we would receive from Central Government agencies. In May 2018 the level of Central Government funding support was confirmed at prior year funding levels. This does not fully cover our roading programme, nor does it allow for investment in other on-island infrastructure, which is desperately needed. An application will be made to the Government to increase its annual contribution for 2019/20, to cover our expected operational funding shortfall and prudently provide for an on-island infrastructural investment programme. If the level of assistance is below this level, Council may need to consider whether any shortfall will be funded by reducing expenditure and levels of service to affordable levels, or temporarily funding the shortfall through debt.

Roading projects continue to be our major activity with between \$3.5 and \$4 million spent annually. The seal repairs from Pages Corner through to Te One have held well and it was good to get the works completed on Tuku Road and Wharf Road following the completion of the Waitangi Wharf project. We acknowledge the work of our engineers Stantec and contractors Fulton Hogan on this activity.

The implementation of the Waste Management Strategy is nearing completion with the establishment of the waste recovery and processing building. The transfer stations at Owenga and Kaingaroa are up and running though there is still a need for further education about waste sorting. The year ahead will see the commissioning of a bailing machine and the closing/rehabilitation of the old dump sites.

The planning/design works for the proposed combined offices and museum are progressing with plans and budgets hopefully ready for consideration in October.

Rate affordability for rates and Council dues also remains at the forefront of our minds, with Council committed to limiting rating increases to reflect inflationary movements, and no proposed increase in Council dues. We believe this is fair and in line with contributions from mainland New Zealand.

We have continued to build relationships with our regional partners including the Chatham Islands Enterprise Trust, Ngati Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust and other on-island Central Government agencies.

We wish to again highlight our appreciation to all those who work for and with the Council for their passion, hard work, and ongoing support that they have provided to our community including the various Government agencies for their ongoing financial assistance.

Alfred Preece
Mayor

Owen Pickles MNZM JP
Chief Executive

13 December 2018



Moriori and Māori engagement

The Council has an obligation to take into account the principles of the Treaty of Waitangi – Te Tiriti o Waitangi – and to recognise and provide for the special relationship between and with Moriori, Māori, their culture, traditions, land and taonga.

The obligation to consult includes recognising those who hold mana whenua or ancestral rights of land ownership. Within the Chatham Islands, the Council recognises the Hokotehi Moriori Trust and Ngāti Mutunga o Wharekauri Iwi Trust as groups that represent mana whenua within the territory.

The Council recognises the obligation to actively promote Moriori and Māori participation in the decision-making process.

The key goals of the Council in progressing relationships with Imi/Iwi are:

- Working towards formalising working relationships.
- Building capacity to enhance participation in the decision-making process.
- Providing information to assist Moriori and Māori to effectively contribute to the decision-making process.
- Providing education and raising awareness among staff and elected members so that they can gain an appreciation of the Moriori and Māori values and traditions in relation to the Local Government Act 2002 and the Resource Management Act 1991.
- Consulting with Moriori and Māori on key decisions.

The Council also recognises an obligation to the Chatham Islands community under the Long-Term Plan 2015–25 in enhancing and acknowledging the importance of tchakat henu/tangata whenua.

The Council's policy on Moriori, Māori and Chatham Islands Council was revised and adopted in 2018 as part of the Long-Term Plan 2018–28.



2017/18 in review

The 2017/18 financial year was one of change and challenges for the Council.

Waste Management Strategy

Our Waste Management Strategy has now been implemented and is in operation. A sanitary landfill complying with health and environmental standards has now been constructed, along with two transfer stations at Kaingaroa and Owenga. A waste processing and recovery facility has been provided at Te One.

Roading

On-island roading works have progressed in accordance with our asset management plan. This year we have focused on the quality issues associated with the sealed road network.

The ongoing sustainability of funding support for roading infrastructure continues to create challenges for us. Financial assistance received from the New Zealand Transport Agency (NZTA) has now been set at 88% of costs by the Minister of Transport. Historically, the level of support was 91%, this difference of approximately \$120,000 per annum must also be funded by Council. The Council has had to fund the difference from targeted rates and general funds, which has impacted on the Council's ability to provide other services to the community.

Emergency Management Operations Centre

The Emergency Management Operations Centre project development remains ongoing. However, the build has not yet commenced pending full funding for the project being secured.

Sustainable water

Council has been exploring where there are gaps in our current service; specifically, we have investigated water supply extensions for the areas of Waitangi and Te One. The Council has been working with the Ministry of Health to support water scheme upgrades for Waitangi and Te One. As yet, financial support has not been agreed and therefore these projects have been delayed. The purpose of the water upgrades is to address issues of non-compliance with minimum water standards, while responding to community concerns on the impacts of water quality on our health and safety.

Review of the Resource Management document

The draft Chatham Islands Resource Management document (CIRMD) is now partially operational, awaiting approval from the Minister for the Environment, before the document can be formally adopted by Council.

The Minister has withheld approval pending additional compliance work with the National Policy Statement on coastal and fresh water management.

Council offices and community complex

The Council and Chatham Islands Enterprise Trust are working with an on-island company with the view to lease a purpose-built office facility for the administration and museum part of the facility. An agreement has been negotiated which expects to be completed by late 2019. A one-off funding grant of \$1 million from the Ministry of Culture and Heritage towards the new museum remains secure.

The remaining elements of the community complex will be built later, as funding allows.

Social housing

Work towards the establishment of a housing project continues. Council collaborated with other Island groups and organisations to formalise an agreement with the Chatham Islands Enterprise Trust, Hokotehi Moriori Trust and Ngāti Mutunga Wharekauri Iwi Trust to progress the project. This project is led by Ngāti Mutunga.

Other Island infrastructure

The Council is working with other Island groups and Government to upgrade the airport runway, improve broadband services, and to find a sustainable/affordable source for electricity.

Looking forward

Over the next 10 years Council will endeavour to progress current projects that contribute to enhancing the wellbeing of the community and realising the community outcomes.

Key projects include:

- The completion of a water project that provides a sustainable and compliant water supply for Te One, Owenga and Waitangi.
- A new Emergency Management Operations Centre.
- A new museum and administration facility.
- Roading projects.
- The implementation of the Islands Housing Solutions project.
- Successful Island relationships that achieve infrastructure outcomes such as the airport runway, high speed broadband and mobile telephone service covering all the Islands, and cost-efficient energy sources.



2017/18 in review

Financial summary

The Chatham Islands Council has recognised an operating surplus of \$0.6 million for the year (excluding asset revaluations), this being the difference between our total operating income less our operating expenditure. In the previous year, the surplus was \$0.8 million.

Our operating surplus excludes the cost of purchasing capital assets, such as the cost of improving our roading infrastructure. With \$2.9 million in capital assets purchased during the year, our ability to operate in a financially sustainable manner has been impacted. A summary of our sources and applications of funding, from an operating and capital perspective are detailed in our Council and activity funding impact statements from page 55.

We expected to achieve a surplus of \$1.8 million in our 2017/18 Annual Plan; the variance is primarily due to budgeted capital works being delayed until financial support was confirmed. Further explanation regarding the variance between actual and budget figures is provided in note 18 on page 31.

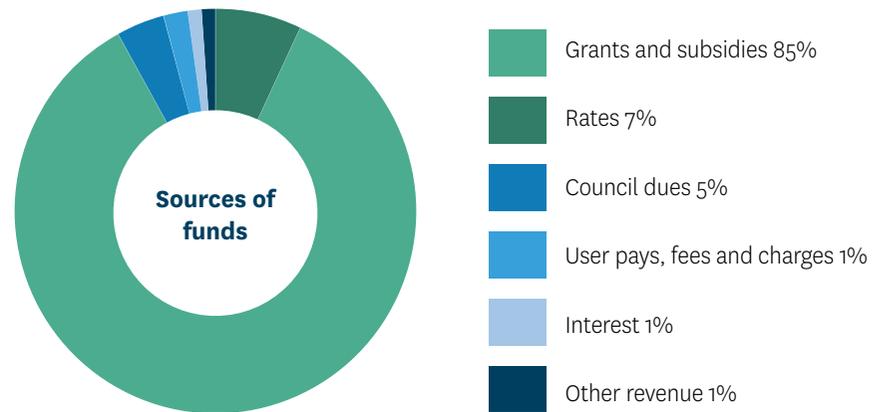
The Council does not have an investment portfolio or population base to independently support its on-island activities and meet required levels of service. Consequently, it is reliant on external support from Central Government to ensure the Council continues to operate in a financially sustainable manner.

Sources of funds

Council receives income from a range of sources, but is primarily reliant on Central Government grants to remain operational. The budget assumed sufficient funding would be provided during the year to support on-island projects, including infrastructural development integral to improving facilities for our community.

Grants for capital projects are below budget, with funding for several key projects not confirmed, therefore the on-island works did not proceed.

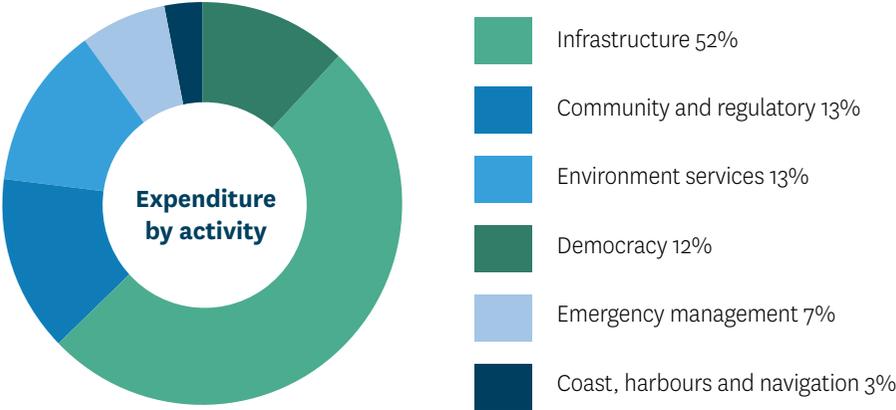
A summary of our funding sources for the year is detailed in the graph below:





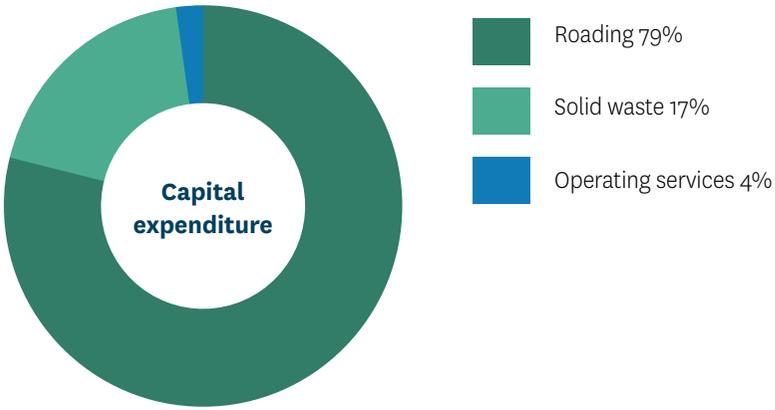
Allocation of funds

Operating expenditure by activity is summarised in the graph below; the largest portion of expenditure relates to on-island infrastructure works, particularly the roading network.



Capital expenditure

The graph below summarises the Council’s capital expenditure programme by area. The majority of capital expenditure relates to maintaining and improving our roading infrastructure. At the end of the financial year, the Council’s operational and infrastructural assets are valued at \$82.8 million, compared with \$58.9 million for the previous financial year. Of this variation, \$22.7 million is from the in-year asset revaluation.



To the readers of Chatham Islands Council's annual report for the year ended 30 June 2018

The Auditor General is the auditor of Chatham Islands Council (the Council). The Auditor General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to report on the information in the 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 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 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 13 December 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 16 to 31:
 - > present fairly, in all material respects:
 - » the Council's financial position as at 30 June 2018;
 - » the results of its 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 55, 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 Council's annual plan;

- the statement of service performance on pages 36 to 54:
 - > presents fairly, in all material respects, the Council's levels of service for each group of activities for the year ended 30 June 2018, 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; and
- the statement about capital expenditure for each group of activities on pages 56 to 60, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council's long term plan; and
- the funding impact statement for each group of activities on pages 56 to 60, 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 Council's long term plan.

Report on the disclosure requirements

We report that the 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 32 to 35, which represent a complete list of required disclosures and accurately reflects the information drawn from the Council's audited information and, where applicable, the Council's long term plan and annual plans.



Basis for our opinion on the audited information

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 opinion on the audited information.

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 Council 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 Council's annual 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 Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

Independent Auditor's report

- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the 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 Council'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 events or conditions may cause the Council 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 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 2 to 11, 15 and 62 to 64, 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 Council in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the Council's 2018-28 long-term plan. Other than these engagements, we have no relationship with, or interests in, the Council.



Julian Tan

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

Financial statements

Statement of compliance and responsibility

Compliance

Councillors and management of Chatham Islands Council confirm the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with during the year, with the following exception:

- Under section 98(3) of the Local Government Act 2002, Council is required to complete and adopt its Annual Report within four months of the end of the financial year. Council was unable to comply with this requirement for the year ended 30 June 2018.

Responsibility

Councillors and management of Chatham Islands Council accept responsibility for the preparation of the annual financial statements and the judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and service performance reporting.

In the opinion of the Councillors and management of Chatham Islands Council, the financial statements fairly reflect the financial position of the Council as at 30 June 2018, and the results of its operations, cash flows and the service performance achievements for the year ended on that date.



Alfred Preece
Mayor

13 December 2018



Owen Pickles MNZM JP
Chief Executive



Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2018

	Note	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Revenue				
Rates	2	556	575	548
Grants & subsidies	2,18	6,753	8,033	7,668
Council Dues		370	290	336
User pays, fees & charges		113	158	161
Interest		78	72	126
Other revenue		83	112	37
Total revenue	1	7,954	9,240	8,876
Expenditure				
Depreciation and amortisation	8	1,678	1,854	1,570
Employment benefits	3	1,001	887	1,233
Financial costs		17	23	25
Other expenditure	4	4,675	4,644	5,270
Total expenditure	1	7,371	7,408	8,097
Total surplus/deficit		583	1,832	778
Comprehensive revenue and expense				
Increase/(decrease) in revaluation reserve	8,13	22,706	-	-
Total other comprehensive revenue and expense		22,706	-	-
Total comprehensive revenue and expense		23,289	1,832	778

Statement of changes in equity for the year ended 30 June 2018

	Note	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Equity at the start of the year		58,373	61,491	57,595
Total comprehensive revenue and expense		23,289	1,832	778
Equity at the end of the year	13	81,662	63,323	58,373

Statement of financial position as at 30 June 2018

	Note	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Current assets				
Cash & cash equivalents	5	26	23	83
Cash funds held in trust	5	55	72	70
Cash investments	6, 18	1,508	-	1,467
Current trade and other receivables	7	744	516	889
Total current assets		2,334	611	2,509
Non-current assets				
Non-current trade and other receivables	7	44	137	72
Property, plant & equipment	8, 18	82,785	63,669	58,816
Total non-current assets		82,829	63,806	58,888
Total Assets		85,163	64,417	61,397

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.



Statement of financial position as at 30 June 2018 (continued)

	Note	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Current liabilities				
Bank overdraft	5	358	-	241
Trade & other payables	9, 18	2,612	614	2,145
Employee entitlements	10	93	65	90
Current portion of provisions	11	118	50	146
Current portion of term liabilities	12	60	62	61
Total current liabilities		3,240	791	2,683
Non-current liabilities				
Provisions	11	-	-	25
Term liabilities	12	261	303	316
Total non-current liabilities		261	303	341
Total liabilities		3,501	1,094	3,024
Net assets		81,662	63,323	58,373
Public equity				
Accumulated funds & reserves		81,662	63,323	58,373
Total public equity	13	81,662	63,323	58,373

Statement of cash flows for the year ended 30 June 2018

	Note	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Cash flow from operating activities				
Receipts from rates revenue		560	574	538
Receipts from Council Dues		384	289	351
Receipts from grants and subsidies		6,639	8,014	7,668
Interest received		78	72	126
Receipts from other revenue		465	260	85
Payments made to employees		(1,002)	(885)	(1,204)
Interest paid		(17)	(23)	(25)
Other payments to suppliers		(4,335)	(4,633)	(5,061)
Net cash flow from operating activities		2,772	3,668	2,478
Cash flow from investing activities				
Purchase of fixed assets		(2,864)	(3,650)	(2,521)
Sale/(purchase) of other assets		(41)	(1,076)	(1,467)
Net cash flow from investing activities		(2,905)	(4,726)	(3,988)
Cash flow from financial activities				
Loans raised		-	-	-
Repayment of loans		(56)	(66)	(47)
Net cash flow from financial activities		(56)	(66)	(47)
Increase/(decrease) in cash held		(189)	(1,124)	(1,557)
Opening cash balance		(88)	1,219	1,469
Closing cash balance	5	(277)	95	(88)

Goods and Services Tax: The GST component of operating activities reflects the net GST paid to and received from Inland Revenue. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information.

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Financial statements

Statement of accounting policies

For the year ended 30 June 2018

Reporting entity

Chatham Islands Council is a Unitary Local Authority under the Chatham Islands Council Act 1995 and the Local Government Act 2002 and is domiciled and operates in New Zealand.

Chatham Islands Council has designated itself as a public benefit entity for financial reporting purposes. The primary objective of the Council is to provide goods and services for community or social benefit rather than to make a financial return.

The financial statements of Chatham Islands Council are for the year ended 30 June 2018. The financial statements were authorised for issue on 13 December 2018.

Basis of preparation

The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). This includes preparing the accounts on a going concern basis.

Chatham Islands Council has elected to prepare the financial statements in accordance with Tier 2 PBE accounting standards as it is not publicly accountable or large and therefore reduced disclosure requirements will apply.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain infrastructural assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000). The functional currency of Chatham Islands Council is New Zealand dollars.

Critical financial assumptions, judgements and estimations

The financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. These estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and, if applicable, future periods if the revision affects both current and future periods.

Budget figures

The budget figures in the financial statements are those approved by Chatham Islands Council as part of the annual planning process. The Council has approved no additional expenditure outside the planning process.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. The recognition criteria for specific revenue items are described below:

- Rates revenue is recognised when it is levied. General rates and targeted rates are non-exchange transactions
- The New Zealand Transport Agency (NZTA) roading subsidies are recognised when the conditions pertaining to eligible expenditure have been fulfilled. These subsidies and grants are non-exchange transactions
- Government assistance and grants are recognised when eligibility is established. Grants are non-exchange transactions
- Other grants and bequests are recognised when control over the asset is obtained. Grants are non-exchange transactions.

Borrowing costs

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



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.

Chatham Islands Council does not have any finance leases.

Taxation

Chatham Islands Council is a public authority and consequently is exempt from the payment of income tax, except for income derived from Council Controlled Organisations.

Goods and services tax

All amounts in the financial statements are exclusive of GST, except for debtors and creditors, which are shown inclusive of GST. The net amount of GST recoverable from or payable to the IRD is included as part of receivables or payables in the Statement of Financial Position.

The net amount of GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Cash and cash equivalents

Cash and cash equivalents include 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade and other receivables are measured at cost, less any provision for impairment.

A provision for impairment is established when there is evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the amounts expected to be collected.

Other financial assets

Cash investments include investments in bank with maturities exceeding three months. They are initially measured at the amount invested, adjusted for interest received.

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 have 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.

Financial assets at fair value through surplus or deficit

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

Property, plant and equipment

The initial or subsequent cost of an item of property, plant and equipment is recognised as an asset where it is probable that future economic benefits or service potential will flow to the Council. Costs that do not meet these criteria are expensed. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially recognised at fair value.

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

Asset classes that are revalued are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. The valuation cycle for revalued asset classes is normally five years. 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, this balance is expensed in the statement of comprehensive revenue and expense.

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The Council has the following classes of assets:

Operational assets

Land and buildings were valued at deemed cost by way of Government Valuation, as at 1 July 1989. Subsequent additions are valued at cost. All other operational assets are valued at cost less accumulated depreciation.

Infrastructure assets

Roading: Roothing assets (excluding land under roads) were revalued by Stantec Ltd (Registered Engineers) at depreciated replacement cost, as at 30 June 2018. Subsequent additions are included at cost. Land under roads is recorded at cost and is not depreciated.

Storm water and sewerage reticulation: The reticulation systems were valued by Stantec Ltd (Registered Engineers) as at 30 June 2018. The valuation provided is depreciated replacement cost. Subsequent additions are included at cost.

Solid waste: Solid waste assets were valued by Stantec Ltd (Registered Engineers) as at 30 June 2018. The valuation provided is depreciated replacement cost. Subsequent additions are included at cost.

Water: The reticulation systems were valued by Stantec Ltd at depreciated replacement cost as at 30 June 2018. Subsequent additions are included at cost.

Harbour: Harbour assets were valued by Stantec Ltd at depreciated replacement cost as at 30 June 2018. Subsequent additions are included at cost.

Depreciation

Depreciation is provided on a straight-line basis on all assets. Rates are calculated to allocate the asset's cost or valuation less estimated residual value over their estimated useful life, as follows.

Asset	Years
Operational assets	
Vehicles	5-10 years
Furniture/fitings	5-10 years
Buildings	25-50 years
Office equipment	5 years
Parks and reserves	25 years
Solid waste	25 years

Asset	Years
Infrastructure assets	
Roothing	
Top surface (seal)	10 years
Pavement (base course) Sealed Unsealed	66 years Not depreciated
Pavement Unsealed (wearing course)	5 years
Sub-base and formation	Not depreciated
Culverts	75-100 years
Footpaths and kerbs	60 years
Signs	25 years
Street lights	50 years
Retaining walls	50 years
Bridges	30-50 years
Water reticulation	
Pipes, valves, hydrants	25 years
Pump stations	5-25 years
Tanks	80 years
Sewerage reticulation	
Pipes	80 years
Manholes	60 years
Sand filter	26 years
Storm water system	
Pipes	40-60 years
Harbour	
Owenga Wharf	50 years



Intangible assets

Intangible assets are primarily the costs associated with acquiring computer software, which is valued at cost less accumulated amortisation.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows.

Asset	Years
Computer software	5 years

Impairment of property, plant and equipment and intangible assets

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.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive revenue and expense.

Trade and other payables

Short-term payables are recorded at their face value.

Employee benefit liabilities

Provision has been made in respect of the Council's liabilities for annual leave, at balance date. This has been calculated on an actual entitlement basis. Chatham Islands Council recognises a liability for sick leave as the amount of unused entitlement accumulated at balance date that the Council anticipates employees will use in future periods in excess of the days they are entitled to.

Provisions

Chatham Islands Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; in such cases, it is probable that expenditures 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 future expected expenditure.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. 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 balance date.

Public equity

Equity is the community's interest in Chatham Islands 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:

- Retained earnings
- Restricted reserves
- Asset revaluation reserves.

Restricted 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 Chatham Islands Council. Restricted reserves are those subject to specific conditions accepted as binding by Chatham Islands Council and that may not be revised by Chatham Islands 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. Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Council Controlled Organisations

The Council has created a newly established Council Controlled Organisation, the Chatham Islands Mayoral Disaster Relief Fund Trust, as a body to receive grants to respond to emergency events on the Chatham Islands. For the year ended 30 June 2018, the entity was dormant and had no assets or liabilities, nor has the entity made any other transactions during the year. The Council has not exempted this organisation from reporting under Section 7 of the Local Government Act 2002, and therefore the financial result for the Council group is consistent with the reported Council figures.

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NOTE 1: SUMMARY OF REVENUE AND EXPENDITURE BY ACTIVITY

The cost of service for each of the Council's activities has been derived by allocating revenue and expenditure items directly to each activity statement, where directly attributable. Other indirect items, are those that cannot be identified in an economically feasible manner to an activity. These items are allocated to each activity using cost drivers. This may result in disproportionate gains or losses at an activity level where revenue and expenditure categories are matched.

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Revenue by activity			
Democracy	1,158	3,218	881
Infrastructure	4,239	4,417	4,330
Community and Regulatory	1,584	574	854
Environment	261	701	925
Emergency Services	388	205	1715
Coasts, Harbours and Navigation	324	126	171
Total Revenue	7,954	9,240	8,876
Expenditure by activity			
Democracy	870	718	882
Infrastructure	3,863	4,561	3,481
Community and Regulatory	949	826	897
Environment	963	861	928
Emergency Services	496	259	1706
Coasts, Harbours and Navigation	230	183	204
Total Expenditure	7,371	7,408	8,098
Net Surplus/(Deficit)	583	1,832	778

NOTE 2: REVENUE

Rates is further broken down in the table below:

Rates Revenue	Actual 2017/18 \$000	Actual 2016/17 \$000
General Rates	287	285
Targeted rates		
Roading	53	53
Solid Waste	64	63
Water	67	66
Sewerage	65	64
Total Targeted Rates	249	246
Rates Penalties	20	17
Total Rates Revenue	556	548

Rating base information

The following rating base information is disclosed using rating base information at the end of 30 June 2017.

	30 June 2017
The number of rating units	695
The total land value of rating units	68,885,800
The total capital value of rating units	141,653,550



NOTE 2: REVENUE (CONTINUED)

Grants and subsidies is further broken down in the table below:

Grants and Subsidies	Actual 2017/18 \$000	Actual 2016/17 \$000
Department of Internal Affairs	3,206	3,270
NZTA roading subsidy	3,313	3,223
Fire & Emergency New Zealand	128	1,158
Other	106	17
Total Grants & Subsidies	6,753	7,668

For the Council, the principal grants and reimbursements are from the following sources:

- The Department of Internal Affairs provides an annual contribution to meet the Council’s statutory obligations. The funding assistance arrangement is a continuing relationship with Central Government, with a direct correlation between the grant received and the services the Council can offer on-island.
- The New Zealand Transport Agency (NZTA), which reimburses part of the Council’s costs for maintaining the local roading infrastructure. The reimbursements from NZTA are for costs already incurred with no unfulfilled conditions or other contingencies relating to the reimbursements.

NOTE 3: EXPENDITURE – EMPLOYMENT BENEFITS

Key management personnel of the Council include the Mayor, Councillors and the Chief Executive. The assessed total full time equivalent of the key management personnel is assessed as ten for the year ended 30 June 2018 (as at 30 June 2017, ten). Due to the difficulty in determining the full time equivalent figure for the Mayor and Councillors, the figure is based on head count.

Mayoral and Councillor remuneration

The following people held office as elected members of the Council’s governing body during the reporting period:

Name	Position	Actual 2017/18	Actual 2016/17
Alfred Preece	Mayor	52,436	51,782
Jeffery Clark	Deputy Mayor	21,339	20,993
Eoin Chisholm	Councillor	16,127	15,835
Monique Croon	Councillor	16,358	16,066
Keri Day	Councillor	16,016	15,724
Richard Joyce	Councillor	16,348	11,724
Nigel Ryan	Councillor	16,340	16,048
Jason Seymour	Councillor	15,263	10,366
Eva Tuck	Councillor	16,348	11,724
Nathaniel Whaiteri	Councillor	-	4,885
Greg Horler	Councillor	-	4,638
Total Honoraria		186,575	179,784

The Remuneration Authority is responsible for setting the remuneration levels for elected members. The elected members receive an annual salary, as opposed to a combination of meeting fee payments and annual salary, elected members receive no other non-monetary benefits. Furthermore, there have been no appointments of elected members to other boards, with the purpose of representing Council’s interests, related party transactions are disclosed as part of note 14.

NOTE 3: EXPENDITURE – EMPLOYMENT BENEFITS (CONTINUED)**Chief Executive remuneration**

The total remuneration of the Chief Executive for the year ended 30 June 2018 was \$188,062 (as at 30 June 2017 \$182,979).

Other employee numbers and remuneration bands:

As at 30 June 2018, the Council employed nine full time and three full time equivalent employees (as at 30 June 2017, the comparative figures of employment were ten full time and two full time equivalent employees).

The table below identifies the number of people employed by the Council at the end of the financial year and identifies the breakdown of remuneration levels of employees into bands, where a band contains less than five staff members, the band is combined.

Band	Actual 2017/18
< \$59,999	7
\$60,000 - \$119,999	6
\$120,000 - \$199,999	1
	14

Band	Actual 2016/17
< \$59,999	6
\$60,000 - \$139,999	7
\$140,000 - \$199,999	1
	14

Severance payments

For the year ended 30 June 2018, the Council made no severance payments (for the year ended 30 June 2017, nil).

NOTE 4: EXPENDITURE – OTHER SIGNIFICANT ITEMS:

Included within expenditure are the following notable items:

Other Expenses	Actual 2017/18 \$000	Actual 2016/17 \$000
Audit fees - financial statement	72	71
Audit fees - other	48	-
Donations and grants	130	70
Bad debts	15	-
Lease expense	41	41
Waitangi West fire	99	1,037

NOTE 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the statement of cash flows.

	Actual 2017/18 \$000	Actual 2016/17 \$000
Cash at bank and on hand	26	83
Funds held in trust	55	70
Bank overdraft	(358)	(241)
Total cash and cash equivalents	(277)	(88)

The Council holds funds in trust generated by the Chatham Islands Radio Society (now ceased) to support the provision of television reception for Islanders and run an on-island radio service, at year-end total funds available were \$55 thousand (2016/17: \$70 thousand).

NOTE 6: CASH INVESTMENTS

The Council's investment programme is limited to holding term deposits with the on-island ANZ bank. Where the investment term exceeds three months at year end, the investment is classified as a cash investment.

Included within the cash investments balance is a grant to fund construction of the museum element of the Council offices and community complex. The grant is held in an interest bearing account, at year-end the total balance available was \$1.2 million (2016/17 \$1.2 million). Construction responsibilities have changed to when the grant was awarded (as outlined in note 9: trade and other payables). The museum grant will be applied to the museum part of the proposed complex or if that doesn't go ahead, to a standalone museum project.

NOTE 7: TRADE AND OTHER RECEIVABLES

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore the carrying value of debtors and other receivables approximates their fair value.

	Actual 2017/18 \$000	Actual 2016/17 \$000
Rates	105	108
Sundry debtors ¹	92	104
Sundry accruals	431	317
Warm Homes loans advanced current	20	18
GST refund	97	342
Total current trade and other receivables	744	889
Trade and other receivables non-current		
Warm Homes loans advanced non-current	44	72
Total Non-Current Trade and Other Receivables	44	72
Consisting of:		
Receivables from non-exchange transactions ²	724	871
Receivable from exchange transactions ²	64	90

¹ Council has no impairment provision. The movement in the provision for the impairment of trade and other receivables for 2017/18 was nil (2016/17 nil).

² Non-exchange transactions includes outstanding amount for rates, grants, infringement, and fees and charges that are partly subsidised by rates. Exchange transactions includes outstanding amount for commercial sales, and fees and charges that have not been subsidised by rates.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Insurance of Assets	Actual 2017/18 \$000	Actual 2016/17 \$000
Total value of assets covered by insurance contracts	2,906	2,486
The maximum amount to which assets are insured under Council insurance policies	5,888	5,907

The Council is not covered by any financial risk sharing arrangements in relation to its assets.

The Council self-insures a portion of its assets. The majority of Council's self insured assets are roading infrastructural assets; they are not insured as any remedial work required will be carried out via the NZTA funded roading programme.

No property, plant and equipment is pledged as security for liabilities. There are no restrictions over the title of these assets.

Infrastructural revaluation

During the 2017/18 financial year, the Council revalued its roading, sewerage, solid waste and water infrastructural assets. The Council revalue their infrastructural assets every four or five years. The Council considers this allows for a reasonable balance between the cost of revaluing their infrastructural assets with the accounts reflecting an appropriate fair value. This revaluation cycle is less frequent than most Councils. A less frequent revaluation cycle may result in greater movement between revaluations, and is more likely to be subject to variances from methodology changes.

The Council's 2017/18 roading revaluation resulted in a revaluation movement of \$21.6 million. This increase was mainly attributed to:

- A change in the revaluation methodology to utilise standard widths as the system information was considered unreliable,
- Updated sub-base depths that reflected current engineering design/construction practice for replacements,
- A significant change in the unit rates due to cost-price increases (including transportation of materials to the Island), and a change in contractor with a different cost structure, since the prior revaluation.

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NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements for each class of property, plant and equipment are as follows.

Actual 2017/18	Opening Cost/ Revaluation \$000	Accumulated Depreciation \$000	Carrying Value at the Start of the Year \$000	Additions/ Transfers \$000	Impairment/ Disposals at Cost \$000	Depreciation \$000	Revaluation \$000	Closing Accumulated Depreciation \$000	Carrying Value at the End of Year \$000
Operational Assets									
Land	271	-	271	-	-	-	-	-	271
Buildings	1,473	(724)	749	-	-	(30)	-	(754)	719
Furniture and Fittings	128	(103)	25	1	-	(6)	-	(109)	20
Plant and Office Equipment	178	(132)	46	66	-	(25)	-	(157)	87
Vehicles	189	(87)	102	60	-	(17)	-	(104)	145
Parks and Reserves	99	(69)	30	-	-	(4)	-	(73)	26
Total Operational Assets	2,338	(1,115)	1,223	127	-	(82)	-	(1,197)	1,268
Infrastructural Assets									
Roading	58,881	(6,684)	52,197	2,363	-	(1,405)	21,620	-	74,775
Solid Waste	1,623	(184)	1,439	454	-	(74)	617	-	2,436
Storm water	14	(11)	3	-	-	-	-	(11)	3
Sewerage	1,397	(472)	925	-	-	(53)	217	-	1,089
Water	2,084	(427)	1,657	46	-	(33)	53	-	1,723
Harbour	1,470	(147)	1,323	-	-	(31)	199	-	1,491
Total Infrastructural Assets	65,469	(7,925)	57,544	2,863	-	(1,596)	22,706	(11)	81,517
Work in progress	49	-	49	(49)	-	-	-	-	-
Property, Plant and Equipment	67,856	(9,040)	58,816	2,941	-	(1,678)	22,706	(1,208)	82,785

CORE ASSETS 2017/18

Included within the infrastructure assets are the following core Council assets.

Actual 2017/18	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
Water				
Treatment Plants and Facilities	379	-	-	603
Other Assets	1,344	46	-	1,697
Sewerage				
Treatment Plants and Facilities	485	-	-	1,175
Other Assets	604	-	-	992

CORE ASSETS 2017/18 (CONTINUED)

Actual 2017/18	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
Storm water				
Storm Drainage	3	-	-	13
Roads and Footpaths				
Roads and Footpaths	74,775	2,363	-	92,631
TOTAL	80,587	2,386	-	97,111



NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Actual 2016/17	Opening Cost/ Revaluation \$000	Accumulated Depreciation \$000	Carrying Value at the Start of the Year \$000	Additions/ Transfers \$000	Impairment/ Disposals at Cost \$000	Depreciation \$000	Revaluation \$000	Closing Accumulated Depreciation \$000	Carrying Value at the End of Year \$000
Operational Assets									
Land	271	-	271	-	-	-	-	-	271
Buildings	1,473	(694)	779	-	-	(30)	-	(724)	749
Furniture and Fittings	128	(96)	32	-	-	(7)	-	(103)	25
Plant and Office Equipment	154	(112)	42	24	-	(20)	-	(132)	46
Vehicles	109	(74)	35	80	-	(13)	-	(87)	102
Parks and Reserves	99	(65)	34	-	-	(4)	-	(69)	30
Total Operational Assets	2,234	(1,041)	1,193	104	-	(74)	-	(1,115)	1,223
Infrastructural Assets									
Roading	56,539	(5,322)	51,217	2,342	-	(1,362)	-	(6,684)	52,197
Solid Waste	1,596	(167)	1,429	27	-	(17)	-	(184)	1,439
Storm water	14	(11)	3	-	-	-	-	(11)	3
Sewerage	1,397	(419)	978	-	-	(53)	-	(472)	925
Water	2,084	(394)	1,690	-	-	(33)	-	(427)	1,657
Harbour	1,470	(116)	1,354	-	-	(31)	-	(147)	1,323
Total Infrastructural Assets	63,100	(6,429)	56,671	2,369	-	(1,496)	-	(7,925)	57,544
Work in progress	-	-	-	49	-	-	-	-	49
Property, Plant and Equipment	65,334	(7,470)	57,864	2,522	-	(1,570)	-	(9,040)	58,816

CORE ASSETS 2016/17

Included within the infrastructure assets are the following core Council assets.

Actual 2016/17	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
Water				
Treatment Plants and Facilities	362	-	-	475
Other Assets	1,295	-	-	1,566
Sewerage				
Treatment Plants and Facilities	412	-	-	881
Other Assets	513	-	-	950

CORE ASSETS 2016/17 (CONTINUED)

Actual 2016/17	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
Storm water				
Storm Drainage	3	-	-	13
Roads and Footpaths				
Roads and Footpaths	52,197	2,342	-	73,578
TOTAL	54,782	2,342	-	77,463

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NOTE 9: TRADE AND OTHER PAYABLES

The Council's trade and other payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value, these are summarised in the table below:

	Actual 2017/18 \$000	Actual 2016/17 \$000
Payables under exchange transactions		
General Creditors	1,536	1,055
Payables under non-exchange transactions		
Revenue in Advance	1,076	1,076
General Suspense	-	14
Total	1,076	1,090
Total Payable	2,612	2,145

The Council received a grant from the Ministry of Culture and Heritage of one million dollars to assist in funding construction of the museum within the new Council office and community complex, currently held as revenue in advance. Previously, it was intended the Council would fund the cost of the development and own the building. However, Council is now working with an on-island organisation to lease a purpose built facility, in partnership with the Chatham Islands Enterprise Trust. Whilst the scope and the cost of the building is still under negotiation, it is intended the grant will either be applied to the museum part of the proposed complex or if that does not go ahead, to a standalone museum project.

NOTE 10: EMPLOYEE BENEFIT LIABILITIES

A provision for employee benefit liabilities (holiday leave and outstanding remuneration) is recognised as a liability when benefits are earned but not paid, this includes the following items:

	Actual 2017/18 \$000	Actual 2016/17 \$000
Annual and sick leave	76	72
Accruals for employment benefits	17	18
Total Employment Benefit Liabilities	93	90

Council does not provide any retirement or long service leave benefits to staff.

NOTE 11: PROVISIONS

A provision for the future costs of closing our three landfills sites has been estimated by engineering firm Stantec Limited, who have estimated the provision using the Ministry for the Environment Guide to the management of closing and closed landfills in New Zealand. These landfills are now closed, and costs to maintain and monitor these closed sites are expected to occur imminently, now that the new transfer stations and landfill site has been opened. Consequently, closure costs have been re-estimated in light of current indicative costs to remediate the land and other available best practise estimates.

A provision has also been made for the estimated refund of one year of Council Dues to the Pitt Island Barge Society. Council Dues are repayable on the production of audited accounts by the Pitt Island Barge Society on an annual basis.

A summary of our provisions, including movements in material provisions above are summarised below:

	Actual 2017/18 \$000	Actual 2016/17 \$000
Landfill post closure costs		
Opening balance	146	146
Movement in provision	(53)	-
Closing balance	93	146
Consisting of:		
Current	93	121
Non-current	-	25
Pitt Island Barge Society	25	25
Total provisions	118	171



NOTE 12: BORROWINGS

The Council maintains a prudent borrowings position in relation to our equity and annual revenue. Council will enter into borrowing arrangements where there is sufficient assurance that additional funding assistance can be obtained to repay borrowings.

Council's current borrowings have supported upgrades to Council's current housing stock and the on-island warm homes loan scheme. Interest costs associated with the Council's borrowings is disclosed in note 4.

The Council received a 20-year suspensory loan of \$90,000 from Housing New Zealand that must be repaid if the Council does not meet the conditions of the loan prior to 2029. Due to the uncertain nature of this suspensory loan, the Council will not recognise the loan as revenue until it is certain the funding conditions will be met.

The carrying amount of term liabilities repayable within one year approximates their fair value, as the effect of discounting is not significant.

NOTE 13: EQUITY

The Local Government Act 2002 requires the Council to manage its finances prudently and in a manner that promotes the current and future interests of the community. Our general funds are largely managed as a derivative of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Local Government Act 2002 and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-Term Plan to meet the expenditure needs identified in those plans. The Local Government Act 2002 sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-Term Plan.

NOTE 13: EQUITY (CONTINUED)

Equity reserves include the following notable funds:

	Actual 2017/18 \$000	Actual 2016/17 \$000
General Funds		
Opening Balance	15,737	14,969
Plus Net Surplus for the Year	583	778
Adjust for transfer (to)/from other reserves	-	(10)
Closing Balance	16,320	15,737
Emergency Services Reserve		
Opening Balance	250	250
Adjust for transfer (to)/from other reserves	-	-
Closing Balance	250	250
Mayoral Relief Reserve		
Opening Balance	25	15
Adjust for transfer (to)/from other reserves	-	10
Closing Balance	25	25
Te Whanga Reserve		
Opening Balance	(3)	(3)
Adjust for transfer (to)/from other reserves	-	-
Closing Balance	(3)	(3)
Burial Register Reserve		
Opening Balance	31	31
Adjust for transfer (to)/from other reserves	-	-
Closing Balance	31	31
Assets Revaluation Reserve		
Opening Balance	42,333	42,333
Revaluations/Impairments	22,706	-
Closing Balance	65,039	42,333
Total Equity at End of Year	81,662	58,373

Financial statements

NOTE 13: EQUITY (CONTINUED)

Chatham Islands Council has the following reserve funds:

General Funds – Revenue appropriation account to fund future development.

Emergency Services Reserve - Funds are set aside for emergency events such as natural disasters.

Mayoral Relief Reserve – Funds are set aside for emergency relief.

Te Whanga Opening – Funds set aside for the opening of Te Whanga lagoon.

Burial Register Reserve – Fund to provide for the mapping of burial sites in the Chatham Islands with a view to accurately documenting these historic sites of significance in the form of a register.

Asset Revaluation Reserve – Reserves generated by revaluations in property, plant and equipment and other assets.

NOTE 14: RELATED PARTY TRANSACTIONS

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence.

Related parties comprise of Council and key management personnel, including the Mayor, Councillors and the Chief Executive.

Council has entered into transactions with key management personnel during the year. These transactions were part of a normal supplier relationship and on terms and conditions no more or less favourable than those reasonable to expect the Council would have adopted in dealing with the party on an arm's length basis in the same circumstances.

In addition to the information disclosed above, the Council also provides accommodation to three staff, at a market based rental rate as approved by Council.

NOTE 15: STATEMENT OF CONTINGENCIES

The Council is not aware of any contingent assets or liabilities as at 30 June 2018.

NOTE 16: STATEMENT OF COMMITMENTS

The Council has entered into a lease arrangement, renting land for Council activities. Whilst the terms of this arrangement are subject to annual negotiation, the expected future commitment is as follows:

Contract Commitments	Actual 2017/18 \$000	Actual 2016/17 \$000
Not later than 1 year	42	46
Between 1 and 5 years	175	191
More than 5 years	496	565
	713	802

The Council has no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2018 (as at 30 June 2017, nil).

The Council has in place a number of contracts with external service providers to provide engineering services on infrastructural assets. As the scope of future work is dependent on organisational priorities, funding availability, and because such funding is uncertain, no disclosure has been made.

NOTE 17: SUBSEQUENT EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the end of the reporting period that require adjustment to the financial statements or the notes to the financial statements.

Under section 98(3) of the Local Government Act 2002, the Council is required to complete and adopt its Annual Report within four months of the end of the financial year. Council was unable to comply with this requirement for the year ended 30 June 2018. The Annual Report and Summary Annual Report were not adopted until 13 December 2018.

NOTE 18: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Council's budget figures in its 2017/18 Annual Plan are as follows:

Statement of comprehensive revenue and expense

The grant & subsidies received in year is \$1.3 million less than expectation. Of this, \$1.0 million related to expected funding for the Emergency Management Operations Centre not secured and \$0.4 million related to support from the New Zealand Transport Agency (NZTA) being below the expected level of funding.

Statement of financial position

Property, plant & equipment (excluding revaluation impacts) is less than budgeted by \$3.6 million with key projects being deferred as they were deemed unaffordable due to lack of confirmed central government financial support.

The Council's 2017/18 revaluation resulted in a movement of \$22.7 million. This increase was mainly attributed to movements within the roading revaluation as outlined in note 8.

Cash investments are higher than budget by \$1.5 million, as a grant received to assist with the construction of the museum element of the Council offices and community complex was not utilised. Council was initially expecting to develop the purpose-built facility. However, Council is now working with an on-island organisation to lease a facility, in partnership with the Chatham Islands Enterprise Trust. The grant will be applied to the museum part of the proposed complex or if that doesn't go ahead, to a standalone museum project.

Trade & other payables have increased by \$2.0 million compared to budget, of this figure, \$1.0 million relates to revenue in advance on the grant associated with the construction of the new Council offices and community complex (mentioned above), this facility was expected to be constructed in year. The remainder reflects the Council's tight cash operating situation, reflective of expected financial support being below actual levels. Consequently, the Council has had to manage the operating shortfalls by delaying paying creditors until cash funds are available.



Financial statements

Financial prudence graphs

Annual Report disclosure statement for the year ended 30 June 2018

What is the purpose of this statement?

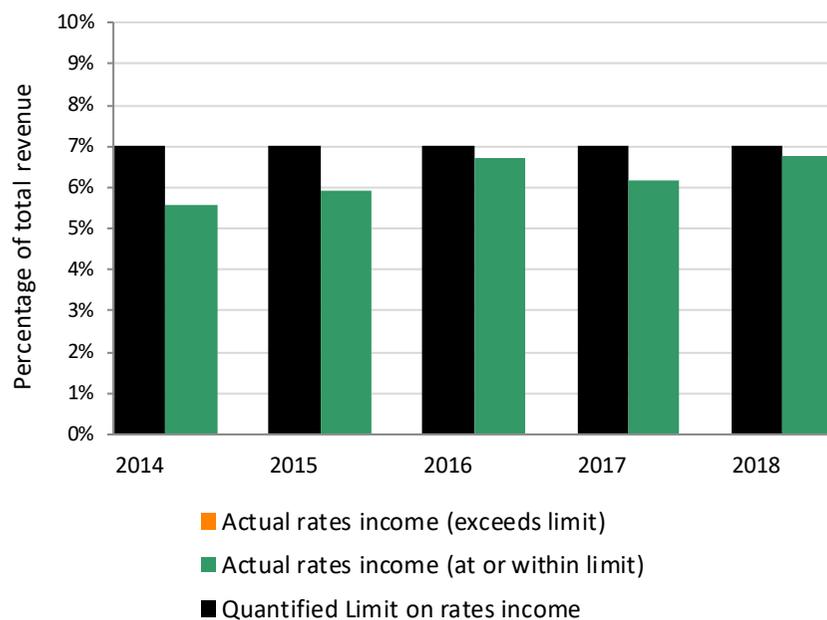
The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the 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: its actual rates income equals or is less than each quantified limit on rates and its actual rates increases equal or are less than each quantified limit on rates increases.

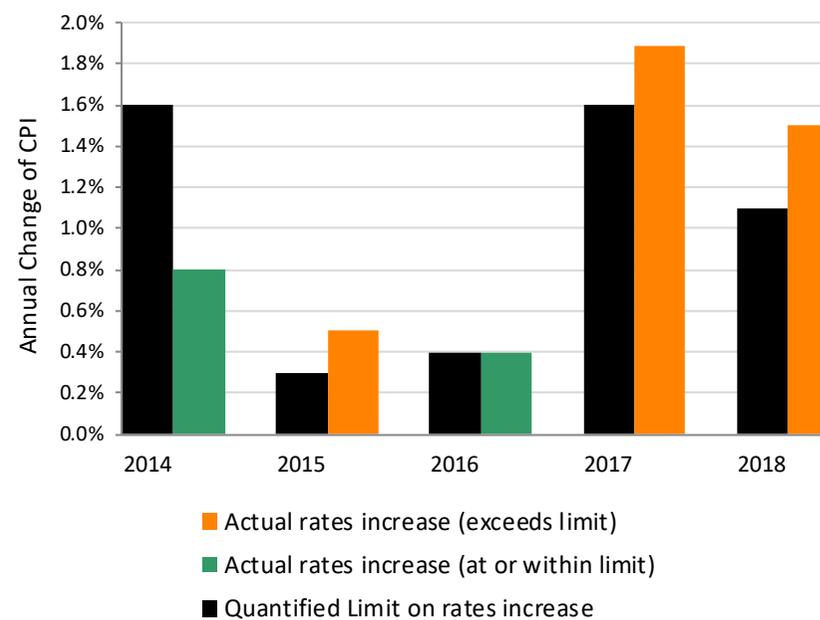
Rates (income) affordability

The following graph compares the Council's planned rates income with a quantified limit on rates contained in the financial strategy included in the 2015-25 Long-Term Plan. The quantified limit is 7% of total revenue.



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 Long-Term Plan. The quantified limit is that rates will not exceed the rate of inflation.

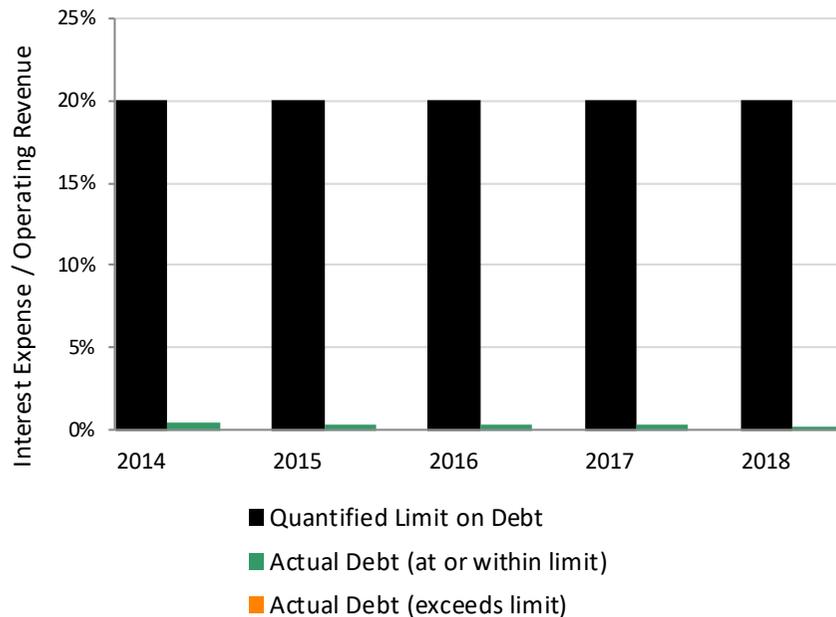




Debt affordability benchmark

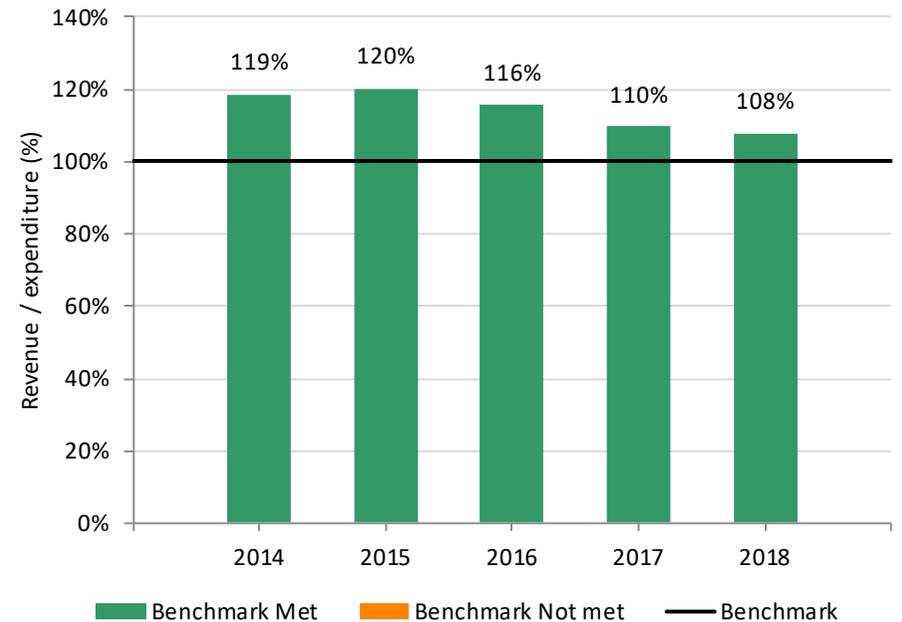
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-Term Plan 2015–25. The quantified limit is that interest expense will not exceed 20% of operating revenue.



Balanced budget benchmark

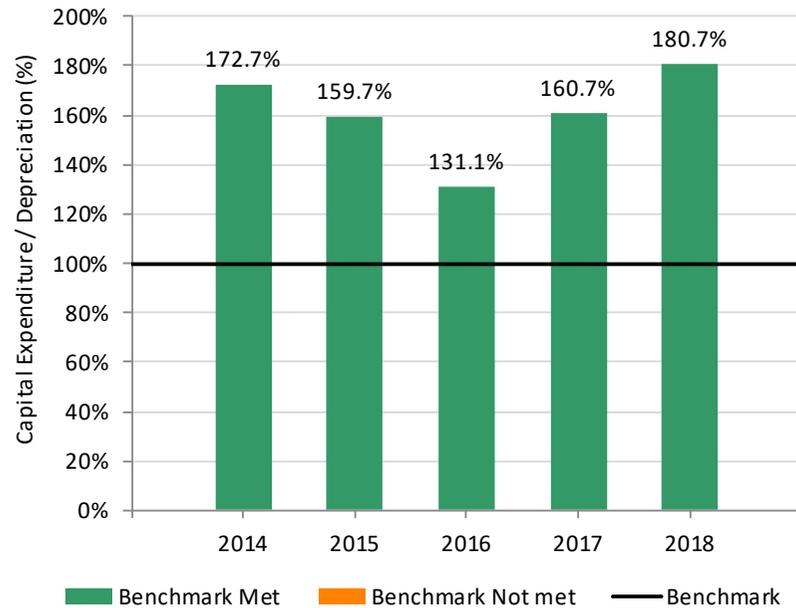
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Financial statements

Essential services benchmark

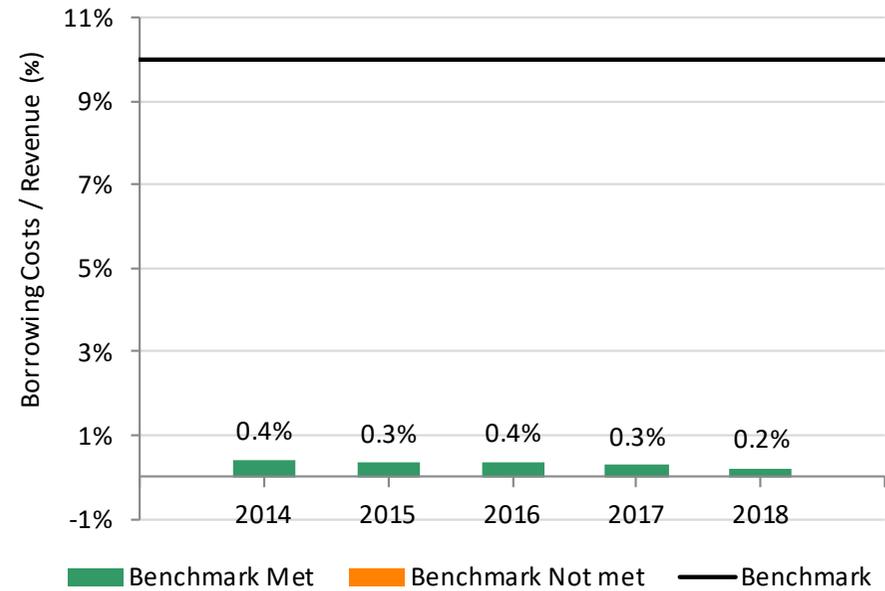
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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).

A local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 10% of its revenue defined as above.

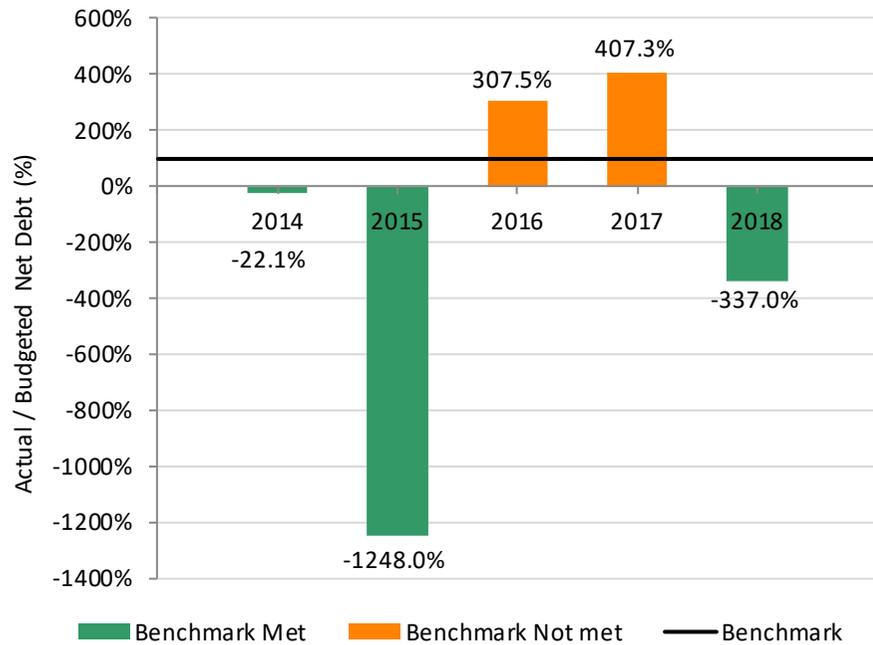




Debt control benchmark

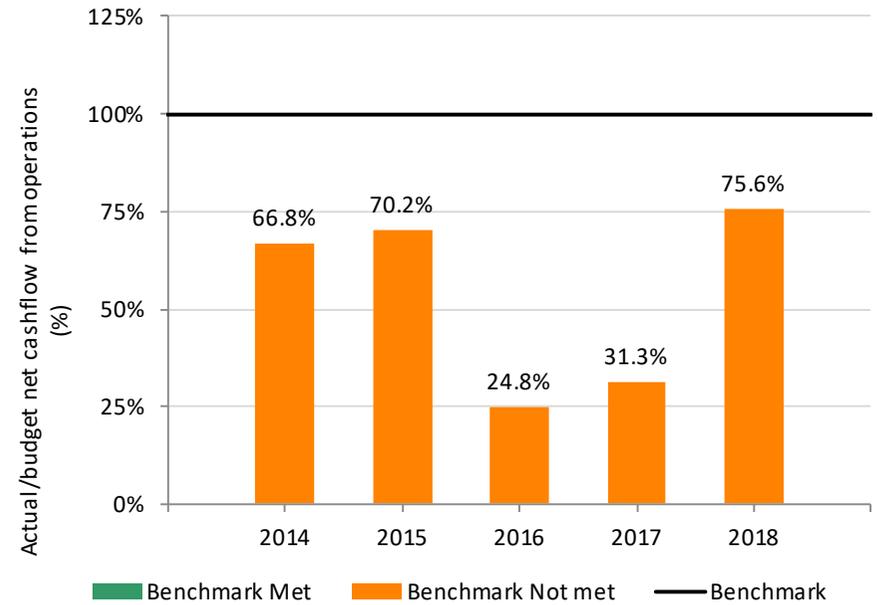
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the Council's actual net cash flows 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.



The operations control benchmark shows whether actual net operating cash flow is equal to or less than planned. The above graph reflects the reality of funding issues faced by the Council over the years. It is impossible for the Council to meet its legislative obligations and to operate in a self-sufficient manner without support from Central Government, given the small ratepayer base and a lack of investments. Many projects that were budgeted had to be postponed due to lack of funding.

Service performance summaries

Democracy services

We aim to meet our statutory responsibilities and provide effective governance and leadership

This activity includes planning and support for the Council and its committees, the provision of information regarding Council business, and the general oversight of the processes that underpin representative local government in the Chatham Islands Territory. This includes elections and consultation with the community.

Key activities for democracy services

- **Governance:** It is recognised that a collaborative approach to addressing Island issues is essential to community wellbeing.
- **Partnership:** The Council will work with its key partners in central government and other Island agencies to promote the interests of the Islanders. It will seek to do this in a manner that is clearly defined and is transparent to Chatham Islands residents.
- **Community representation:** Elected Councillors provide a vital link with individuals and the community. Democratic processes allow the opportunity for the public to have their say. The Council is accountable to the community.
- **Community liaison:** The Council acknowledges and values the importance of tchakat henu/tangata whenua as an integral part of our community.

Community outcomes

Our Long-Term Plan 2015–25 identified the following aspirations for our democratic functions:

- A community that promotes economic development for its fishing, farming and tourism industries
- An enterprising and innovative community that promotes partnerships with leading organisations
- A culturally enriched community that acknowledges and values the importance of tchakat henu/tangata whenua as an integral part of our community.

Progress to achieving our democratic functions

- **Economic development and a sustainable Council:** Fundamental to sustaining financial viability, the Council places reliance on external funding sources to ensure it meets the legislative level of service requirements. The primary reason for this reliance is that the Council does not have an investment portfolio or the population base to support required levels of service unless core funding from Central Government is secured. In May 2018 the level of funding support was confirmed at prior funding levels. This does not fully cover our roading programme, nor does it allow for investment in other on-island infrastructure, which is desperately needed. An application will be made to the Government to increase its annual contribution for 2019/20, to cover our expected operational funding shortfall and prudently provide for an on-island infrastructural investment programme. If the level of assistance is below this level, Council may need to consider whether any shortfall will be funded by reducing expenditure and levels of service to affordable levels, or temporarily funding the shortfall through debt.
- **Building partnerships:** The Council continues to maintain a sound working relationship with the Chatham Islands Enterprise Trust and employs a collective Island approach to finding solutions to addressing the sustainability of our along with other government departments infrastructure for the Islands, along with other island issues.
- **Recognition of Imi/Iwi:** The establishment of a working relationship with Imi/Iwi continues. It is envisaged that protocols for a working relationship between the Council and Imi/Iwi will be developed and formalised. These protocols will assist in progressing matters relating to resource management and the recognition of Imi/Iwi and their relationship with their accustomed environments.
- **Engaging and informing our community:** The Council undertakes the local authority elections, runs decision-making processes such as Council meetings, and informs and engages with our community. The most recent local elections were held in 2016.

During this year, the Council adopted the 2018-28 Long-Term Plan. This provides a platform for meaningful engagement with the community. A summary consultation document was distributed widely through a mail-drop to all households and businesses.

The Council informs the community about our decision-making and activities through our website, the Chatham Islander newspaper, the community e-list and other publications such as Council agendas, the quarterly newsletter 'Uniquely Chathams', and Annual Plan/Annual Report summary documents.

The challenges we face delivering our democratic functions

- We rely on Government assistance to meet the Council's current statutory responsibilities. Securing continued funding support remains uncertain and failing to do so could potentially affect the Council's ability to deliver and maintain the required level of service in the future.
- We need to engage with the community in ways that the community find meaningful. A lack of effective engagement could potentially affect participation and make it more difficult to bring together skills, experiences and knowledge to promote a collective approach to finding solutions.
- We need to increase the community's understanding of Council decision-making processes and opportunities for input. A lack of understanding of the decision-making processes could potentially result in adverse reactions to Council decisions and inhibit opportunities for input.

A funding impact statement for the democracy group of activities is disclosed in Appendix 1.

Performance assessment

We aim to enable residents to be well informed and engaged in decision-making. To assess our performance, we ask for the community's views in relation to whether they believe Council decisions are made in the best interests of the community and on the advocacy provided by the Mayor and Councillors.

We also record levels of participation in elections and monitor the performance of our legislative requirements for governance, reporting and planning. Our performance against key reporting deliverables is detailed on the next page.



Service performance summaries

1. Providing effective governance and leadership to the Chatham Islands community		
1.1	Measure: The percentage of residents who feel confident that Council decisions are made in the best interests of the community.	Target: 85% of residents are confident or very confident (measured by annual survey, on a scale of very confident, confident, unconfident, very unconfident).
	Result: This year's satisfaction result did not meet the 85% target. Overall, 59% of residents expressed confidence in our decision-making process (an increase of 9% on last year), 23% indicated they were unconfident in our processes (a decrease of 8% on last year) and the remaining 18% indicated they had no opinion. Whilst feedback received was insufficient to provide a clear explanation on why the community felt this way indicative information suggests the community are dissatisfied with the current state of the Council Building and emergency response base and the delays in constructing new purpose-built facilities for our combined Council office facility and emergency management operations centre.	
1.2	Measure: Voter turnout.	Target: In top quartile of New Zealand Territorial Authorities greater than 60%
	Result: In the last Local Government Elections held in 2016, voter turnout was 72%, which is above the target of 60%. This provides an indication that our community is engaged in the democratic process. In 2013 the voter turnout was 54%.	

2. Meeting legislative requirements for governance, planning and reporting		
2.1	Measure: The percentage of official meetings of elected representatives conducted in compliance with the Local Government Official Information and Meetings Act 1987 and Council Standing Orders.	Target: 100%.
	Result: During the year, Council fully complied with these legislative requirements. The Local Government Official Information and Meetings Act 1987 requires the Council to make all agendas and reports available two days before a meeting, excluding extraordinary meetings. This is consistent with performance in 2016/17.	
2.2	Measure: Long Term Plan/Annual Plan and Annual Report compliant with the Local Government Act 2002.	Target: Audited without modification/qualification.
	Result: The 2018-28 Long Term Plan was completed, audited and adopted in compliance with the Local Government Act 2002. Audit New Zealand in the audit opinion highlighted our funding uncertainties from central government funding support, which the Council relies on to continue to operate and to provide services to its community. Our 2016/17 Annual Report was audited without modification.	

Looking ahead – key projects

- The Council will continue to work with Central Government to secure future funding support so that the Council can continue to meet its statutory responsibilities, further enabling a sustainable future for the Island community.
- The Council will continue to take a collective approach to upgrading on-island infrastructure and promoting the interests of our Islanders. We will maintain working relationships with Central Government and the Chatham Islands Enterprise Trust to assist with development.
- The Council acknowledges the importance of Mori and Māori in the decision-making process; and developing a sound platform for building a working relationship in which a pathway to the sustainable management of Island resources is effectively followed.



Infrastructure services

We aim to meet our statutory responsibilities and provide access to quality infrastructure services

The Council is responsible for all public roads and service infrastructure on the Chatham Islands. As owner of these networks, the Council has a legal requirement to provide infrastructure to a certain standard.

Key activities of infrastructure services

- **Roading:** The Council plans for movement of people and goods within the territory, providing public roads and roading-related infrastructure and promoting road safety.
- **Solid waste:** The Council provides waste management services for public health reasons and to protect the environment.
- **Water supply:** Operating a public water supply that services the Waitangi village and Kaingaroa; and providing fire fighting capability in part of Waitangi village.
- **Storm water:** The Council minimises damage to property from flooding and reducing erosion and water pollution.
- **Sewerage:** The Council provides for the collection, treatment and disposal of wastewater in Waitangi.

Community outcomes

Our Long-Term Plan 2015–25 identified the following aspirational outcomes for infrastructure services:

- A safe, secure and healthy community with access to quality infrastructure services
- An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries and has access to reliable transportation services
- An environmentally conscious community that protects, sustains and enriches the environment for future generations.

Progress to achieving our infrastructure service functions

- **Access to quality infrastructure:** The Waste Management Strategy establishment is nearing completion with the establishment of the waste recovery and processing building. The transfer stations at Owenga and Kaingaroa are up and running though there is still a need for further education about waste sorting to be completed. The year ahead will see the commissioning of a bailing machine and the closing/rehabilitation of the old dump sites.
- **A safe and secure community:** Water scheme upgrades for Owenga, Waitangi and Te One are a key priority. These will address issues of non-compliance with minimum water standards and respond to community concerns about the impacts on health and safety. To provide sustainable and reliable water sources for these townships, the Council has been working with government agencies to provide financial support for these developments. The Council throughout the period has continued to work to find solutions to supply issues for Waitangi, Te One and Owenga.
- **Reliable transportation services:** The Council's implementation of the Chatham Islands Land Transport Strategy continues. The strategy sets out the features of the current land transport system and strategies for meeting the Islands' needs. The road maintenance programme has been adhered to over the year. Road safety and compliance remain a key focus of the roading programme.
- **Protecting our environment:** The Council continues to manage storm water assets and to minimise the damage to property from flooding, erosion and water pollution. The Waitangi sewerage systems continue to operate to compliance. This also ensures that the Moriori/Māori relationship with their accustomed environment is not affected by any adverse effects the wastewater system may have on the environment.

The challenges we face delivering our infrastructure service functions

- There is uncertainty over the level of grants for roading, and other Central Government support that is the subject of a government review. This in turn could affect our ability to maintain and sustain a viable and compliant Council.

A funding impact statement for the group infrastructure services of activities is disclosed in Appendix 1.

Service performance summaries

Performance assessment

We aim to meet our statutory responsibility with the provision of our infrastructure services. To assess our performance, we ask for the community's views on their levels of satisfaction in relation to the overall extent and safety of our road network and our water schemes. We also assess our performance by the number of complaints received and responded to within specified timeframes, and the level of compliance with resource management conditions and New Zealand Standards relating to roading and water.

1. Roading – a safe, smooth, well-maintained and well-managed road network		
1.1	Measure: The percentage of maintenance and renewal work identified in the Annual Roading Strategy that is undertaken.	Target: 100%.
	Result: Maintenance work was completed to 100% of that set in the Annual Roading Strategy. This is consistent with results in 2016/17.	
1.2	Measure: Number of motor vehicle crashes causing injury where alcohol was not involved or heavily suspected.	Target: Less than three injury crashes.
	Result: Only one motor vehicle crash occurred where alcohol was suspected, in 2016/17 no such events were noted.	
1.3	Measure: The percentage of minor improvement projects identified in the Annual Roading Strategy that are completed.	Target: 100%.
	Result: Minor improvement projects in Hight Place and Waipapaku Bridge were constructed, completed to 100% of the works listed in the Annual Roading Strategy. In 2016/17, 40% of minor improvement projects were constructed, with other work prioritised.	
1.4	Measure: The number of infestations of plant pests within the road reserve found in quarterly inspections.	Target: None.
	Result: No infestations of pest plants have been reported. Plant infestation is based primarily on no observed infestations during Stantec's quarterly network inspections. This is also supported by no public complaints being received. This is consistent with results in 2016/17.	
1.5	Measure: The number of requests or complaints about the road network.	Target: No more than 10 complaints a year.
	Result: Twenty-eight roading complaints have been received during the year covering: dust, signage, road side weeds, road works, potholes, Pitt Island road conditions, loose chip stones, grading and slippery roads. In 2016/17, Council received twenty-four roading related complaints. These complaints provide indications on where our communities priorities sit in relation to our roading strategy and help shape our future programme of roading works.	

1. Roading – a safe, smooth, well-maintained and well-managed road network (continued)		
1.6	Measure: The percentage of the contractor's responses that are made to written requests or complaints within a time that meets its contractual obligations.	Target: 100% within contractual obligation.
	Result: All 100% of our contractor's responses to written requests and complaints were attended to within contractual time periods. This is consistent with results in 2016/17.	
1.7	Measure: The percentage of residents who are satisfied with the chip-sealed road network.	Target: 75% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied).
	Result: This year's satisfaction result did not meet the 75% target. Overall, 59% of respondents were satisfied with our chip-sealed roads (a decrease of 24% on last year), 27% were dissatisfied (an increase of 16% on last year) and 14% indicated no opinion. In 2016/17 the roading contractor Fulton Hogan completed a significant amount of chip-seal work close to when the survey was completed, potentially influencing our community's views.	
1.8	Measure: The percentage of residents who are satisfied with the unsealed road network.	Target: 75% of residents are satisfied or very satisfied.
	Result: This year's satisfaction result did not meet the 75% target. Overall, 20% of respondents were satisfied with our unsealed road network (a decrease of 11% on last year), 56% dissatisfied (an increase of 6% on last year) and 24% provided no opinion. Feedback received from the survey highlighted a discontent from the community over the number of potholes, dogs and stock on the roads.	
1.9	Measure: The percentage of residents who are satisfied with the safety of the road network.	Target: 75% of residents are satisfied or very satisfied .
	Result: This year's satisfaction result did not meet the 75% target. Overall, 39% of respondents were satisfied with the safety of our road network (a decrease of 4% on last year), 42% dissatisfied (an increase of 5% on last year) and 20% provided no opinion. Feedback received from the survey was insufficient to provide a clear explanation as to why our community felt this way.	



2. Providing Roads and Footpaths - mandatory measures

2.1	Measure: Road Safety.	Target: The number of fatalities and serious injury crashes on the local road network is less than two crashes.
	Result: One roading fatality was reported during the year, with no fatalities or serious crashes reported for 2016/17.	
2.2	Measure: Road Condition.	Target: The average quality of ride on a sealed local road network, measured by smooth travel exposure.
	Result: The average ride quality is rated as “good”, with the sealed road average NAASRA ¹ score of 73 (or 109 on the International Roughness Index (IRI)). This measure was not assessed in 2016/17 ² .	
2.3	Measure: Road Maintenance.	Target: The percentage of the sealed local road network that is resurfaced.
	Result: Of the road network, 11% was resurfaced in year, the majority related to roads in Waitangi after the wharf project was completed. In 2016/17, this target was not measured.	
2.4	Measure: Footpaths.	Target: 100% of footpaths are maintained in accordance with the roading maintenance contract specifications. New target for this year.
	Result: All footpath maintenance was completed. Highet Place footpaths were partially renewed, with the finished footpath expected to be complete early 2018/19. In 2016/17 only 70% of footpath maintenance was completed.	
2.5	Measure: Response to service requests.	Target: The Council responds to 100% of customer service requests relating to roads and footpaths within five working days.
	Result: All 100% of our contractor’s responses to written requests and complaints were attended to within five working days. This is consistent with results in 2016/17.	

3. Solid and hazardous waste management – providing convenient and effective resource recovery and waste management facilities for the Chatham Islands that are economically and environmentally sustainable and protect public health.

3.1	Measure: The percentage of the population within 20km of a transfer station or landfill.	Target: 75%.
	Result: Of our residents, 75% live within 20km of the three refuse sites provided at Kaingaroa, Waitangi and Owenga. This is consistent with 2016/17 performance.	
3.2	Measure: The number of complaints about facilities.	Target: No more than two complaints a year.
	Result: No complaints have been received in year. Refuse transfer stations are located at Kaingaroa and Owenga with the main transfer and recycling refuse site in Waitangi. A public awareness initiative had been implemented during the period under review by way of quarterly newsletters regarding waste minimisation, recycling and the short and long-term waste management outcomes. In 2016/17 four complaints were received in year.	
3.3	Measure: The time to respond to written requests or complaints.	Target: 100% within five working days of notification.
	Result: No complaints have been received in year. In 2016/17, all complaints were responded to within five working days of notification.	

¹ National Association of Australian State Road Authorities

² The vast majority of the road network on the Chatham Islands is unsealed (only 13km of sealed road), therefore targets relating to sealed road networks have not been set.

Service performance summaries

4. Water supply – providing a safe and reliable water supply for Waitangi and Kaingaroa		
4.1	Measure: Compliance of monthly water quality testing with New Zealand Drinking Water Standards	Target: 100% compliant
	<p>Result: Result: All testing is fully compliant with the New Zealand Drinking Water Standards. Based on monthly testing throughout the year, no reports of E.coli were identified at either the Waitangi or Kaingaroa sites. This is consistent with achievement in the 2016/17 financial year.</p> <p>The Kaingaroa water scheme complies with the Council’s approved water safety plan, which shows the Council is taking ‘all practicable steps’ to comply with the New Zealand Drinking Water Standards. The Waitangi water scheme has been assessed as no longer having secure bore status and therefore the scheme at this site does not fully comply with the New Zealand Drinking Water Standards. To rectify this assessment, either the bore status will need to be confirmed as secure or if required, the treatment scheme upgraded, this assessment is unlikely to be changed without Central Government funding assistance.</p>	
4.2	Measure: The percentage of customers who are satisfied with the Waitangi and Kaingaroa water supply schemes	Target: 80% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied or very dissatisfied)
	<p>Result: This year’s satisfaction result did not meet the 80% target. Of the respondents who were connected water supplies, 67% were satisfied with the water supply scheme (a decrease of 8% on last year), 28% were dissatisfied (an increase of 27% on last year) and 5% provided no opinion. Feedback from this survey indicated residents were dissatisfied with supply during the summer period and an unpleasant taste of water.</p>	
4.3	Measure: The number of complaints about the water supply.	Target: No more than five complaints a year.
	<p>Result: Two complaints were received related to water supply, one related to a water testing concerns and one relating to loss of water supply. In 2016/17, no complaints were received.</p>	
4.4	Measure: The time taken to respond to complaints and to restore lost supply.	Target: 95% of complaints are responded to within two hours and lost supply restored within eight hours of notification.
	<p>Result: All complaints about water supply were responded to within targeted timeframes. In 2016/17, no complaints were received.</p>	

5. Water Supplies – mandatory measures	
5.1	Measure: Safety of drinking water.
	<p>Target: The Council’s drinking water complies with: a) Part 4 of the drinking water standards (bacteria compliance criteria). b) Part 5 of the drinking water standards (protozoal compliance criteria)</p> <p>Result: For the year in review, the Council was taking all practicable steps to comply with the drinking water standards at Waitangi and Kaingaroa. Both schemes have a Ministry of Health (MoH) approved Water Safety Plan (WSP) in place and complied with all monitoring requirements of the WSP. The Council is working to address issues identified during the MoH’s recent audit as funding permits. Higher standards of compliance are required under parts 4 and 5 of the drinking water standards than the approved WSP. This includes greater frequency of monitoring and, in the case of Kaingaroa, the treatment process. Council’s funding application to address drinking water safety issues have been unsuccessful to date.</p>
5.2	Measure: Maintenance of the reticulation network.
	<p>Target: The percentage of real water loss from the Council’s networked reticulation system does not exceed 20%.</p> <p>Result: One incidence of water loss reported, this did not exceed 20% water loss from the Council’s networked reticulation system.</p>
5.3	Measure: Fault response times.
	<p>Target: Where the Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured:</p> <p>a) Attendance for urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours.</p> <p>b) Resolution of urgent call-outs; the time from when the Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours.</p> <p>c) Attendance of non-urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours.</p> <p>d) Resolution of non-urgent call-outs; the time from when Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours.</p> <p>Result: The following median response times are measured: All urgent call outs were attended to immediately, within two hours and resolved within eight hours. There were no non-urgent call-outs were received in year. In 2016/17, there were no urgent or non-urgent call-outs.</p>



5. Water Supplies – mandatory measures (continued)

5.4	Measure: Customer Satisfaction.
	<p>Target: The total number of complaints received by Council about any of the following:</p> <ul style="list-style-type: none"> a) Drinking water clarity b) Drinking water taste c) Drinking water odour d) Drinking water pressure or flow e) Continuity of supply. <p>The Council's response to any of these issues does not exceed five complaints per year, 5% of connections.*</p> <p>* Percentage has been used as the scale as the Chatham Islands Council coverage is below the per 1,000 mandatory measure level.</p>
	Result: No complaints were received in year, consistent with 2016/17.
5.5	Measure: Demand Management.
	<p>Target: The average consumption of drinking water per day per resident within the territorial authority district. Is less than 500L/person/day.</p>
	<p>Result: In Waitangi, average annual usage is 370L/person/day, whereas in Kaingaroa average usage was 330L/person/day. In 2016/17 Waitangi's average annual usage was 450L/person/day and indicative readings for Kaingaroa were 300L/person/day.</p>

6. Storm water – Managing the level of Te Whanga and minimising flooding

6.1	Measure: The frequency of opening Te Whanga outlet.	Target: Te Whanga outlet is opened as required.
	Result: The Te Whanga outlet was not required to be opened during 2017/18. The outlet had been last opened in 2010/11.	

7. Storm water – Storm water Drainage– mandatory measures

7.1	Measure: System and Adequacy.
	<p>Target: a) The number of flooding events that occur in a territorial authority district does not exceed two per year. b) For each flooding event, the number of habitable floors affected does not exceed two per year.**</p>
	Result: No flooding events occurred. This is consistent with 2016/17.

7. Storm water – Storm water Drainage– mandatory measures (continued)

7.2	Measure: Discharge compliance.	
	<p>Target: Compliance with Council's resource consents for discharge from its Storm water system is measured by the number of: a) Abatement notices. b) Infringement notices. c) Enforcement orders. d) Convictions. Non-compliance reports do not exceed three events per year.</p>	
	Result: No notices issued. This is consistent with 2016/17.	
7.3	Measure: Response times.	
	<p>Target: The median response time to attend a flooding event, measured from the time taken that the territorial authority receives notification to the time that the service personnel reach the site, will not exceed two hours.</p>	
	Result: No events of flooding occurred. This is consistent with 2016/17.	
7.4	Measure: Customer Satisfaction.	Target: The number of complaints received by the Council about the performance of its Storm water system does not exceed five per year.**
	Result: No complaints were received in year. In 2016/17, four complaints were received.	
	**Targets have been set relating to Storm water in order to measure Council performance. However, there are no ratepayers connected to the Council's Storm water system, therefore the mandatory per 1,000 scale cannot be applied.	

8. Sewerage – providing a reliable, environmentally friendly sewerage system

8.1	Measure: Compliance with resource consent conditions (monthly monitoring of the system and an annual soil test).	Target: 100% compliance, other than minor non-compliance with nil or short-term adverse environmental effects.
	Result: Council was fully compliant with annual resource consent limits, with no reports of non-compliance. In 2016/17, there were minor instances of non-compliance with ammonia nitrogen and E.coli levels, assessed as having minimal adverse environmental impacts.	

Service performance summaries

8. Sewerage – providing a reliable, environmentally friendly sewerage system (continued)		
8.2	Measure: The number of complaints about odours or any other nuisances.	Target: No more than two complaints a year.
	Result: No complaints about odours were received. This is consistent with performance in 2016/17.	
8.3	Measure: The number of complaints about the sewerage system.	Target: No more than five complaints a year.
	Result: No complaints about the sewerage system were received. This is consistent with performance in 2016/17.	
8.4	Measure: The time taken to respond to complaints of loss of service and to restore lost service.	Target: 95% of complaints are responded to within two hours and investigated within 12 hours and minor faults remedied within 24 hours of notification.
	Result: No complaints about loss of service were received. This is consistent with performance in 2016/17.	
9. Sewerage and the treatment and disposal of sewerage – mandatory measures		
9.1	Measure: System and adequacy.	Target: The number of dry-weather sewerage overflows from the sewerage system is less than five per year, 5% of properties connected.*
	Result: No sewerage overflows in the year or 0% of properties connected. This is consistent with performance in 2016/17.	
9.2	Measure: Discharge compliance.	
	Target: Compliance with resource consents for discharge from its sewerage system as measured by the number of: a) Abatement notices b) Infringement notices c) Enforcement orders d) Convictions Is fewer than two events per year.	
	Result: No notices issued. This is consistent with 2016/17.	

9. Sewerage and the treatment and disposal of sewerage – mandatory measures (continued)	
9.3	Measure: Fault response times.
	Target: Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response times are measured: a) Attendance time: the time when the territorial authority receives notification to when the service personnel reach the site does not exceed 12 hours. b) Resolution time: the time from when the territorial authority receives notification to when the service personnel confirms resolution of the blockage or other fault does not exceed 24 hours.
	Result: No incidences of blockages or faults had occurred. This is consistent with 2016/17.
9.4	Measure: Customer satisfaction.
	Target: The total number of complaints received by the Council about any of the following: a) Sewerage odour b) Sewerage systems faults c) Sewerage system blockages d) The Council's response to issues with its sewerage system Does not exceed two per year, 2% of properties connected.*
	Result: No complaints regarding the sewerage system were received. This is consistent with 2016/17.
	<i>*Percentage has been used as the scale as the Chatham Islands Council coverage at 100 connections is below the per 1,000 mandatory measure level.</i>

Looking ahead – key projects

- Continue to work towards sustainable and reliable water sources for the townships of Waitangi, Te One and Owenga.
- Continue to provide a safe, smooth, well-maintained and managed road network.



Community and regulatory services

We aim to promote community development and provide regulatory services that meet the community's needs

The Council seeks to promote community development through recreation, the arts and cultural heritage and to enhance the health and safety of the community through an effective and reliable administration of relevant legislation.

Key activities of community and regulatory services

- **Providing services to the community:** Chatham Islands Council considers social and community development to be a cornerstone of the wellbeing of the Chatham Islands community. It views recreation, arts and culture as essential to the health and wellbeing of society and believes that a strong community is knowledgeable of its heritage, and preserves and respects achievements of the past.
- **Processing licensing and building consents:** Wellington City Council ensures compliance with the New Zealand Building Code. Chatham Islands Council has the responsibility to protect and promote public health by undertaking the licensing and inspection of premises to ensure compliance with the Health Act 1956, Sale and Supply of Alcohol Act 2012, Local Government Act 2002 and Hazardous Substances and New Organisms Act 1996 and Council bylaws.
- **Dog and animal control:** The Council carries out animal control functions in accordance with the Dog Control Act 1996, the Impounding Act 1955 and animal control bylaws.

Community outcomes

Our Long-Term Plan 2015–25 identified the following outcomes as aspirations for community and regulatory services:

- A safe, secure and healthy community with access to affordable, quality housing, access to education opportunities for all ages and access to recreation and sports facilities
- An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries
- A culturally enriched community that protects and values the Chatham Islands way of life and traditions, that values and supports the arts as a means of sustaining our heritage and that values its taonga and treasures.

Progress to achieving our community and regulatory functions

- **Access to education opportunities for all ages:** The Council provides a library service that enables access to knowledge.
- **A safe and secure community:** A level of compliance is maintained through the administration of liquor licensing, health registrations and dog and animal control in order to reduce the impact of alcohol, health and animal related harm. A Liquor Ban Bylaw is in place.
- **Access to recreation and sports facilities:** The Council maintains a good working relationship with the Norman Kirk Memorial Reserve committee that oversees the Council's recreational asset, providing a sports and recreation facility for the community. The Council continues to administer the Sport NZ funding.
- **A community that promotes economic development for its fishing, farming and tourism industries:** The Council continues to provide community support by way of in-kind contributions to the Visitor Industry Group.
- **A community that values the Chatham Islands way of life and traditions:** The Council maintains and sustains a morgue, public cemeteries and a burial register. Having the ability to comply with the requirements of the Health Act 1956 and to provide a qualified mortician remains challenging. The Council currently does not comply with this Act. However, the provision of public cemeteries and the acknowledgement of the Chatham Islands' burial traditions are important for Islanders. In these ways, the relationship between the Council and its community on matters of cultural sensitivity can be realised.
- **A community that values and supports the arts as a means of sustaining our heritage:** The Council provides grants and donations that enables participation in the arts through administering the Creative Communities Scheme and in-kind contributions.
- **A community that values its taonga and treasures:** The Council over the year has continued to support the Cultural Heritage Trust and the museum.

Service performance summaries

The challenges we face delivering our community and regulatory services functions

- The Council’s housing stock and Council buildings require on-going maintenance; without such maintenance, the assets could degrade significantly. Replacement of council houses remains uncertain. Maintenance of the Council’s community flats continues.
- While conditions on liquor licences and health registrations may constrain individuals’ choices or actions, benefits accrue to the wider community and the environment from having such conditions.
- The Council continues to be non-compliant with the Health Act 1956 while there is no qualified on-Island mortician.
- There remains uncertainty over the demand for community housing.

A funding impact statement for the community and regulatory services group of activities is disclosed in Appendix 1.

Performance assessment

We aim to meet our statutory responsibility with the provision of our community and regulatory services. To assess our performance, we ask for the community's views on their levels of satisfaction in relation to community and regulatory services. We also assess our performance on compliance with New Zealand Standards, processing within statutory timeframes, frequency of inspections and by the number of complaints received and responded to within specified timeframes.

1. Community services – providing community services		
1.1	Measure: The percentage of residents who are satisfied with community services.	Target: 85% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, or very dissatisfied).
	Result: This year’s satisfaction result did not meet the 85% target. Overall, 55% of respondents were satisfied with the level of community services we provide (a decrease of 1% on last year), 18% indicated they were dissatisfied with their community services (no change from last year) and 28% indicated no opinion. Feedback received was insufficient to provide a clear explanation related to why our community felt this way.	
1.2	Measure: The number of complaints about community services.	Target: No complaints.
	Result: Two complaints were received in year, one related to housing and spouting and one related to the public toilet. In 2016/17, three complaints were received.	
1.3	Measure: Time taken to respond to complaints about operations and facilities and to remedy faults.	Target: 100% are investigated within 12 hours and minor faults remedied within 24 hours of notification.
	Result: The two complaints received were attended to within 24 hours of notification. However, these issues were not resolved within 24 hours of notification as they required time to repair. In 2016/17, three complaints were received and only one was attended to within 24 hours.	
1.4	Measure: Compliance with NZS 5828 for safety of playground equipment.	Target: 100% compliance.
	Result: Council fully complied with this standard, with no incidences of non-compliance being reported. This is consistent with performance in 2016/17.	
1.5	Measure: The occupancy rate for Council housing.	Target: Greater than 95%.
	Result: Council housing was fully occupied for the year. This is consistent with performance in 2016/17.	



2. Community services – providing a local library service		
2.1	Measure: Community satisfaction with the existing library service.	Target: 100%.
	Result: This year’s satisfaction result did not meet the 100% target. Overall, 50% of respondents were satisfied with the library service (no change from last year), 8% indicated they were dissatisfied with the service (an increase of 1% on last year) and 43% had no opinion. Feedback received was insufficient to provide a clear explanation related to why our community felt this way.	
2.2	Measure: Renewal of library books.	Target: Books renewed every six weeks.
	Result: Books were renewed approximately every ten weeks during the year, five renewals of library books were undertaken during the period under review. In 2016/17, books were renewed four times during the year.	
3. Licensing and building – processing liquor licences and building consents		
3.1	Measure: The percentage of applications processed within statutory timeframes.	Target: 95%.
	Result: For liquor licences, 82% of applications were processed within statutory timeframes which is below the 95% target, due to a number of objections to the licensing process requiring further investigation and a statutory liquor licensing hearing occurring in year. In 2016/17 100% of all liquor licences were issued within statutory timeframes. The Chatham Islands Council no longer issues building consents, with Wellington City Council now performing this function. The Chatham Island Council acts as an agent to receive applications and payment of fees; eleven building consents were issued during 2017/18.	
3.2	Measure: The number of Liquor Licensing inspections.	Target: At least one licensed premises inspection annually.
	Result: Two liquor licensing inspections were undertaken during March and June 2018. In 2016/17, two inspections were completed.	
4. Licensing and building – monitoring and enforcing compliance with food premises and building consent conditions		
4.1	Measure: The frequency of inspections of food premises, and premises registered as hairdressers, camping grounds, offensive trades, funeral directors, and mobile traders to assess compliance with public health standards	Target: At least one food and registered premises inspection annually.
	Result: One inspection was completed during May 2018. This is consistent with 2016/17 performance.	
4.2	Measure: The number of complaints about non-compliance with building consent conditions.	Target: No more than five complaints received a year.
	Result: No complaints were received during the year. This is consistent with 2016/17 performance.	
4.3	Measure: Time taken to respond to complaints about non-compliance with consent conditions.	Target: 100% are resolved or have a resolution strategy in place within 21 days of notification.
	Result: No complaints were received during the year. This is consistent with 2016/17 performance.	

5. Dog and animal control – a safe and secure living environment for the community		
5.1	Measure: The number of complaints about dog and animal control.	Target: No more than five complaints a year.
	Result: For the year under review, 50 complaints were received, of these 45 related to stock and five complaints relating to dogs. In 2016/17 28 dog complaints were received. The wandering stock issue resulted from some farm areas lacking sufficient roadside fencing. Historically, the Council has been reluctant to address this risk as it would impose additional costs on farmers and community feedback varied as to whether it required action. To address resident concerns, Council has increased the hours of the dog and stock control ranger and has approved a new bylaw, the Chatham Islands Council Stock Control and Keeping of Poultry, Bees & Pigs and Boundary Fencing Bylaw 2018, effective 1 November 2018.	
5.2	Measure: The time taken to respond to complaints.	
	Target: 100% are responded to as follows: a) Dog attacks and rushes attended to within one hour of notification. b) Possible threats to public safety attended to within five hours. c) Complaints of general nuisance attended to within 48 hours. d) All other complaints investigated within two working days.	
	Result: All complaints about animals were attended to within targeted timeframes: a. Two complaints of worrying sheep were attended to within an hour. b. No complaints received where there was a threat to public safety. c. Three complaints of general nuisance were received and attended to within 48 hours of notification. d. No other incidences of animal complaints were received requiring action. In 2016/17, 13 complaints were received and 12 were responded to within targeted timeframes.	
5.3	Measure: The number of Island-wide inspections (including Pitt Island) carried out each year to make sure dogs are registered and to check animal welfare.	Target: Two inspections.
	Result: One partial inspection (Chatham Island only) was undertaken during June 2017. This is consistent with 2016/17 performance.	
5.4	Measure: The percentage of residents who are satisfied with dog and animal control services.	
	Target: 100% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, or very dissatisfied).	
	Result: This year’s satisfaction result did not meet the 100% target. Overall, 42% of respondents were satisfied with dog and animal control (an increase of 2% on last year), 37% were dissatisfied (no change from last year) and 21% indicated no opinion. Feedback indicated the public were concerned with wandering dogs, stock on the roads and road safety issues associated with this.	
5.5	Measure: The level of cost recovery through registration fees and fines.	Target: 100%.
	Result: Only 80% of animal control costs were recovered through registrations and fines. This was due to higher animal welfare and the review of the dog control by-law and policy. This is lower than the 100% target. In 2016/17, 100% of costs were recovered.	

Service performance summaries

Looking ahead – key projects

- **Staff housing on-Island:** The Chatham Islands Housing Partnership (CIHP) was established in 2017 under the administration of the Ngati Mutunga O Wharekauri Iwi Trust. CIHP Trust draws its members from the two Iwi Trusts, Chatham Islands Council and Chatham Islands Enterprise Trust. The CIHP Trust was established with a \$2 million Government grant, with the aim of assisting the community with the provision of a wide range of housing initiatives, including social housing.
- **Morgue:** The Council continues to look at ways to address issues relating to the morgue and appropriate mortician services. Discussions with Canterbury District Health Board and Manaaki Whanau O Wharekauri are ongoing with a view to address ways to better operate this service.
- **Council community complex:** After listening to our community, the Council proposed the construction of a new purpose built community facility, which included Council offices, museum and other community facilities. Funding constraints have resulted in the facilities development being split into two stages, design and planning works for the Council office and museum are underway, ready for consideration in October. The initial stage of the complex will be built by an independent entity with council renting the purpose build facility. The later stages of this project would include the possibility of an indoor sports stadium, library and additional meeting room space.

Environmental services

We aim to maintain, sustain and protect our natural resources now and for future generations

The Council seeks to maintain and sustain natural resources in order to promote a sound resource base and to protect the environment from threats that could be detrimental to the needs of the community now and in the future.

Key activities of environmental services

- **Managing the community's resources:** The Council is responsible for the monitoring and reporting on the state of the Chatham Islands environment – its land, air, water and coastal resources and compliance with the requirements of the Resource Management Act 1991.
- **Biosecurity control:** The Council carries out work under the Biosecurity Act 1993; this is to ensure the economic and ecological sustainability of the territory. The Council will carry out pest management in accordance with National and Regional Pest Management Strategies.
- **Water quality and hydrology:** The Council monitors and reports on the Chatham Islands environment to identify water quality, river flows and rainfall trends.
- **Protection of historic places:** The Council ensures compliance with the Heritage New Zealand Pouhere Taonga Act 2014 to protect historic areas and wāhi tapu on the Islands. There are 11 registered historic places on the Islands.

Community outcomes

Our Long-Term Plan 2015–25 identified the following as aspirational outcomes for environmental services:

- An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries
- An environmentally conscious community that protects, sustains and enriches the environment for future generations and promotes a safe, healthy and secure community
- A culturally enriched community that acknowledges and values the importance of tchakat henu/tangata whenua as an integral part of our community and values its taonga.



Progress to achieving our environmental services functions

- **A community that promotes economic development for its fishing, farming and tourism industries:** Through its contract with Environment Canterbury, the Council monitors any changes in government policy, such as aquaculture reforms, that may have an impact on the Chatham Islands. The Council also continues to implement the Chatham Islands Pest Management Strategy in compliance with the Biosecurity Act 1993.
- **A community that protects, sustains and enriches the environment for future generations:** The Council promotes the importance of maintaining and sustaining the Chatham Islands' natural environment through informing the community. 'Uniquely Chathams' is a quarterly newsletter that aims to raise awareness and appreciation of the environment.
- **A safe, secure and healthy community:** The Council maintains a contract with Environment Canterbury, which oversees the Council's regional resource management responsibilities.
- **A community that acknowledges and values the importance of tchakat henu and tangata whenua as an integral part of our community:** The Council engages with Imi/Iwi on matters relating to resource management. This enables the relationship between the Council, the community and Moriori/Māori on matters of natural resources and the environment to be realised.
- **A community that values its taonga and treasures:** The Council works towards gathering baseline information and monitoring water quality in order to maintain, sustain and protect natural resources and the environment.

The challenges we face delivering our environmental services functions

- The introduction and spread of new plant and animal pests pose a significant risk to the Chatham Islands.

A funding impact statement for the environmental services group of activities is disclosed in Appendix 1.

Performance assessment

We aim to meet our statutory responsibility with the provision of our environmental services. To assess our performance, we measure compliance, the maintenance of water quality and frequency of inspections.

We also assess our performance on maintaining internal border control.

1. Resource management – authorising the use of natural and physical resources		
1.1	Measure: The percentage of resource consents processed within statutory timeframes.	Target: 100%.
	Result: All three subdivisions were received and consented during the year under review. In 2016/17 one subdivision resource consent was received and consented.	
2. Resource management – responding to breaches of the Resource Management Act 1991		
2.1	Measure: The time taken to respond to and initiate investigations for: a) breaches of the Resource Management Act; b) breaches of consent conditions	Target: Within one hour of notification.
	Result: No breaches of the Resource Management Act 1991 or consent conditions reported. This is consistent with performance in 2016/17.	
2.2	Measure: The time taken to develop a plan to resolve individual breaches.	Target: 80% within one week and 100% within one month
	Result: No plan was required to be developed, as there were no individual breaches. This is consistent with 2016/17.	
3. Resource management – keeping the Resource Management Document compliant and up to date		
3.1	Measure: The Chatham Islands Resource Management Document is compliant and up to date.	Target: 100% compliant and up to date.
	Result: A review of the Chatham Islands Resource Management Document has been completed. The document is awaiting final approval from the Ministry for the Environment. The document will be completed once the work relating to the Coastal Policy Statement is agreed and the Minister of Conservation has authorised it. In the interim, the document become partially operative on 31 January 2018.	
4. Water quality and hydrology – monitoring the water quality of Chatham Islands streams, rivers and lakes		
4.1	Measure: Sample and analyse water quality for 20 sites on the Chatham Islands four times a year	Target: State of the environment water quality monitoring programme maintained at the current level (all sites are monitored).
	Result: All water quality sites were monitored, and data stored in database (fully available on request) as well as displayed on council's website: www.cic.govt.nz	

Service performance summaries

5. Water quality and hydrology – monitoring the river flows and rainfall of Chatham Islands		
5.1	Measure: Monitor and record river flows, lagoon level (Te Whanga) and rainfall on the Chatham Islands.	Target: Six river flow sites: three rain gauges and two lagoon water level recorders fully operational (example results: all sites monitored, data recorded and available to the public e.g. via the website).
	Result: All river flows, Te Whanga lagoon level and rainfall sites monitored and data stored in database (fully available on request) as well as displayed on council's website: www.cic.govt.nz	
6. Water quality and hydrology – reporting the water quality and hydrology of Chatham Islands		
6.1	Measure: A Summary Report of water quality and hydrology (river flow, lagoon level and rainfall) is available for the public.	Target: A report is available by the end of August following every financial year (example results: short report provided to Council and then available via the website).
	Result: A Water Quality Report was prepared in June 2018 and displayed on council's website: www.cic.govt.nz	
7. Biosecurity – preventing the arrival and establishment of new pests		
7.1	Measure: Results of inspection of at risk sites.	Target: No new pest incursion found at risk sites.
	Result: No new pests were found at risk sites. However, there was one incursion of German wasps found in a bundle of fence posts. The fence posts were fumigated, and wasps risk addressed. The Chatham Islands Dive team is now fully operational and in September 2017, they were at the forefront of stopping a major marine pest incursion. Several vessels were involved transporting materials for the Waitangi Wharf rebuild and it was found that two vessels had five unwanted organisms present with only one already present in port at the Chatham's. With the prompt Council response and a compliant vessel owner, the two vessels departed Chatham's waters to Lyttleton where they underwent extensive anti-fouling.	
7.2	Measure: Maintaining an internal border between Chatham Island, Pitt Island, and New Zealand.	Target: Training provided to freight handlers at major ports supplying the Chatham Islands. Establishing a partnership with Biosecurity New Zealand to develop a Marine Biosecurity Plan as a part of the internal border.
	Result: Regular freight handler training is provided by SPS Biosecurity. In mid-2018, a trained rat dog was purchased to strengthen the border protection between Chatham and Pitt Islands. Chatham Island has rats, but Pitt Island is currently rat free. Council works in partnership with Biosecurity New Zealand to maintain the internal border.	

7. Biosecurity – preventing the arrival and establishment of new pests (continued)		
7.3	Measure: Public awareness.	Target: Regular media coverage of pests.
	Result: Regular communications relating to biosecurity activities and projects are circulated in the Chatham Islands Community Focus Trust weekly newsletters, the monthly Chatham Islander newspaper and the quarterly environmental newsletter 'Uniquely Chathams'. This is consistent with performance in 2016/17.	
8. Biosecurity – monitoring and enforcing operational and property plans		
8.1	Measure: Results of enforcement action to ensure landowners and occupiers do not introduce, sell, propagate or distribute pest species.	Target: 80% of plans implemented.
	Result: The level of plant pest awareness from landowners has significantly increased over the past few years. This is primarily due to having two very proactive resident biosecurity staff on the Island. There have been numerous cases where landowners are contacting Environment Canterbury staff about pest related issues because of their increased level of awareness and concern.	
8.2	Measure: Results of enforcement action to ensure landowners carry out control of feral goats and gorse.	Target: 80% of plans implemented.
	Result: The feral goat population has been eradicated from one geographical area (over 1,050 shot). This has left about 40-50 goats left in one other totally separate area. Biosecurity staff have been working with the new owner and culled another 23 goats to date.	
9. Biosecurity – preventing the arrival and establishment of marine pests		
9.1	Measure: An annual underwater surveillance programme to determine the presence or absence of the ten most invasive marine pests that are present in New Zealand or are likely to arrive from some other destination.	Target: Annual survey to be undertaken on all Ports on Chatham and Pitt Islands.
	Result: The first surveys of all ports on the Chatham Islands were carried out in October 2016 and again in September 2017. No new marine pests have been found as part of the completed survey or other site reviews. The invasive marine pest undaria has been identified in some areas and spread is constantly being monitored and reviewed, it does not appear to have spread to the entrance of Port Hutt.	
9.2	Measure: Public awareness.	Target: Regular media coverage on marine pests.
	Result: In late 2017, Environment Canterbury produced a book entitled 'Chatham Islands Biosecurity; A snapshot 2011 to 2017'. This Booklet covered all aspects of the biosecurity work Environment Canterbury complete on behalf of the Chatham Islands Council. This document is also available on the Council website: www.cic.govt.nz Overall reception to the booklet has been positive.	



Looking ahead – key projects

- The Council will continue to authorise the use of natural and physical resources and respond to breaches of the Resource Management Act 1991.
- The Council will continue to maintain the water quality programme of Chatham Islands' streams, rivers and lakes, the water quality monitoring programme in the Chatham Islands and the water quality of Te Whanga.
- The Council will continue to prevent the arrival and establishment of new pests and monitor progress with operational and property plans according to the Chatham Islands Pest Management Strategy.

Emergency management

We aim to provide emergency management that responds effectively to the needs of the community

The Council seeks to provide an efficient and effective system of emergency management that minimises the potential effect of all hazards on the community and the environment.

Key activities of emergency management

- **Civil defence:** The Civil Defence Emergency Management Act 2002 imposed statutory obligations on the Council to carry out hazard-based risk management in four areas: reduction of risk, readiness for events, response and recovery after an event. Fire Emergency Services New Zealand (FENZ) will take over responsibility for rural fire services from 1 July 2018.
- **Marine oil spill response:** The Maritime Transport Act 1994 requires the Council to prepare, maintain and review regional marine oil spill contingency plans.

Community outcomes

Our Long-Term Plan 2015–25 identified the following aspirational outcomes for emergency management:

- A safe and secure community
- An environmentally conscious community that protects, sustains and enriches the environment for future generations

Service performance summaries

Progress to achieving our emergency management functions

- **A safe and secure community:** The Council continues to progress the Emergency Management Operations Centre project. With the challenges associated with isolation and remoteness, it is necessary to establish a resourced facility that supports, enables and strengthens community resilience in times of threat. This facility is significant and fundamental to New Zealand's most isolated community and continued community wellbeing. Land for the facility has been secured. No funding for this project has been secured as yet. However, the Council continues to actively pursue funding options.
- **Promoting economic development and enriching the environment:** The Council, through the Civil Defence Emergency Management (CDEM) Group plan, has a hazard risk analysis in place. This will assist organisations, agencies and groups to better plan for their needs.
- **Valuing the way of life and traditions:** The Council continues to ensure emergency management is proactive in understanding and protecting community values and the natural environment.

The challenges we face delivering our emergency management functions

- A significant emergency could potentially affect the Chatham Islands economically as well as both short-term and long-term quality of life. The safety (life and property) of a potentially larger percentage of the community would be at risk and the recovery period could be longer.

A funding impact statements for the emergency management group of activities is disclosed in Appendix 1.

Performance assessment

We aim to meet our statutory responsibility with the provision of emergency management. To assess our performance, we measure the community's readiness and the effectiveness of recovery.

We also assess our performance by the time taken to respond to events.

1. Emergency management – coordinating hazard analysis and planning, providing an effective emergency response and recovery capability and raising community preparedness		
1.1	Measure: The state of readiness of the Emergency Management Operations Centre, including staff and volunteers, emergency management equipment, control facilities and communication systems.	Target: a) 100% readiness, 24-hours/7 days. b) 100% of staff and volunteers are appropriately trained and resourced.
	Result: The state of readiness of the Emergency Management Operations Centre was assessed at 100%. Readiness was last tested in response to a peat fire in Waitangi West in 2017 and Cyclone Pam in 2015. Staff and volunteers were assessed as being 100% trained and resourced, with training being provided on an ongoing basis. In 2016/17, the state of readiness was assessed at 80%.	
1.2	Measure: All emergency management plans are compliant with statutory requirements.	Target: 100% compliant.
	Result: All emergency management plans were completed within statutory timeframes, two plans were under review during the reporting period: the CDEM Group Plan and the Welfare Plan. Nineteen plans are in place. This is consistent with performance in 2016/17	
1.3	Measure: The percentage of members of the multi-agency response team who have completed basic specialist emergency services training.	Target: 80%
	Result: As of 1 July 2017, responsibility for rural fire now sits with Fire and Emergency New Zealand (FENZ). The response team for Civil Defence is currently under review by the Ministry of Civil Defence and Emergency Management and therefore, during the year no specialist training was undertaken. Specialist training relates to both Rural Fire and Civil Defence.	
1.4	Measure: The percentage of residents who consider they are prepared and know what to do in an emergency.	Target: 75% of residents are well prepared or prepared on a scale of well prepared, prepared, not well prepared.
	Result: This year's readiness result did not meet the 75% target. Overall, 74% of respondents felt that they were prepared in the event of civil defence emergency (a decrease of 5% from last year), with 12% considering they were not prepared (an increase of 2% on last year) and 14% providing no opinion.	



2. Emergency management – providing support for and assisting the recovery of social, emotional, economic and physical wellbeing of individuals and communities following emergency events

2.1	Measure: The effectiveness of recovery assistance after emergencies.	Target: a) Immediate welfare needs of those affected have been met. b) Systems have been established or reinstated to assist individual and community self-sufficiency. c) Essential services have been restored to minimum operating levels.
	Result: There was no assessed emergency event during the 2017/18 financial year. However, welfare needs, systems and essential services were tested with the Waitangi West fire in the 2016/17 year, it was considered these services were attended to promptly as required by assessed need.	

3. Emergency management – providing an effective rural fire prevention and response capability

3.1	Measure: Time taken to respond to events.	Target: 100% are responded to within one hour of notification.
	Result: No emergency events occurred during the period under review. In 2016/17, two major fire events were attended to within one hour of notification.	

4. Marine oil spill response – work closely with providers and community groups to ensure integrated analysis, planning and provision of services to provide a safe environment

4.1	Measure: Number of training exercises.	Target: At least one water equipment deployment exercise conducted annually.
	Result: One oil spill training exercise was held during September 2017. This result is consistent within 2016/17 performance.	
4.2	Measure: Time taken to evaluate reports of oil spills.	Target: Oil spill reports evaluated within one hour of notification.
	Result: Two incidences of marine oil spills were reported, with only one incidence evaluated and responded to within one hour of notification. In 2016/17, no incidences of oil spills were reported.	

Looking ahead – key projects

- The Emergency Management Operations Centre project employs a collective approach to addressing the need for a unified Island Civil Defence and Emergency Management centre that can respond to the needs of the community. The Council's overarching objective for the centre is to provide an efficient and effective system of emergency management that minimises the potential effect of all hazards on the community and the environment.

Coasts, harbours and navigation

We aim to promote, maintain and sustain a safe environment for both commercial and recreational maritime activities

Harbour control is undertaken primarily to ensure safety in the territory's waterways. The Chatham Islands have approximately 360 kilometres of coastline that is used extensively for commercial fishing, some recreational purposes and potential aquaculture industries.

Key activities of coasts, harbours and navigation

- Ensuring navigational safety:** The Council is tasked with the responsibility of addressing matters of navigation and safety within this area as required by the Local Government Act 2002 and the Maritime Transport Act 1994.

The Council seeks to promote, maintain and sustain a safe environment for both commercial and recreational maritime activities.

Community outcomes

Our Long-Term Plan 2015–25 identified the following aspirational outcomes for coasts, harbours and navigation:

- A safe, healthy and secure community with access to quality infrastructure services
- An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries and provides access to reliable and affordable transportation services
- An environmentally conscious community that protects, sustains and enriches the environment for future generations.

Service performance summaries

Progress to achieving our coasts, harbours and navigation function

- **Access to quality infrastructure:** The Council continues to recognise the need to play both a facilitating and a leading role in working with others to address barriers to social and economic development that are constraints on community wellbeing. Funding support from the Government for the Waitangi Wharf development has been approved, with construction underway.
- **Promoting economic development:** The Owenga Wharf assists the development of the fishing industry. The coasts, harbours and navigation activity assumes that the resources from the sea continue to be a major part of the Chatham Islands economy.
- **Reliable transportation services:** During the year, the Council continued to maintain the 'lifeline' from Chatham Island to Pitt Island through the provision of the Owenga Wharf, which enables the movement of stock and goods.
- **Protecting our environment:** The Council continues to implement the Navigation Safety Bylaw and Regional Maritime Oil Contingency plans. During the year a review of the Navigation Safety Bylaw was undertaken and further training in oil spill response was undertaken.

The challenges we face delivering our coasts, harbours and navigation functions

- The ongoing maintenance costs of Owenga Wharf are funded through the New Zealand Transport Agency.

A funding impact statement for the coasts, harbours and navigation group of activities is disclosed in Appendix 1.

Looking ahead – key projects

- The Council will ensure the community receives a service that meets its needs for safety, including by ensuring navigational aids are maintained in proper working order and lifeline access are provided between Chatham and Pitt islands.
- The Council will work with its key partners to promote the interests of Islanders in relation to the Waitangi Wharf upgrade.

Performance assessment

We aim to meet our statutory responsibility with the provision of our coasts, harbours and navigation services. To assess our performance, we ask for the community's views on their levels of satisfaction in relation to the administration of the bylaw, the availability of the wharf and frequency of inspections.

We also assess our performance by the number of complaints received and responded to within specified timeframes.

1. Coasts, harbours and navigation – the community receives a service which meets its needs for safety		
1.1	Measure: The Navigation Safety Bylaw is kept up-to date.	Target: Reviewed every three years.
	Result: The Navigation Safety Bylaw has been reviewed and assessed in year as appropriate. This is consistent with 2016/17.	
1.2	Measure: Formally respond to incidents and deal With complaints within seven days.	Target: 85% responded to within seven days.
	Result: Two complaints were received and responded to within seven days. No complaints were received in 2016/17.	
2. Coasts, harbours and navigation – navigational aids are maintained in proper working order		
2.1	Measure: The frequency of inspection of leading lights.	Target: Inspections carried out every three months.
	Result: One inspection was completed in year, this is consistent with 2016/17 performance.	
2.2	Measure: Number of complaints about navigation aids.	Target: No more than five a year.
	Result: One outage was reported at Kaingaroa, in 2016/17 no outages were reported.	
2.3	Measure: The time to replace outages.	Target: Outages repaired within 24 hours.
	Result: The outage at Kaingaroa was not remedied within 24 hours, due to the supply of materials. In 2016/17 no outages were reported.	
3. Coasts, harbours and navigation – provide lifeline access between Chatham and Pitt Islands		
3.1	Measure: The availability of the Owenga Wharf for safe and efficient movement of people, stock and goods.	Target: Available at all times.
	Result: No safety or inefficiency complaints were received in year, consistent with 2016/17.	



Council funding impact statement

The Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 require the Council to adopt a Funding Impact Statement both for the Council and for each group of activities. The objective of the policy makers is to provide information that is more easily understood. The Funding Impact Statement must identify: the sources of funding to be used; the amount of funds expected to be produced from each source; and how the funds are to be applied.

Revenue and expenditure in the Funding Impact Statements are recognised on a basis consistent with the financial statements. However, transactions with no funding impact, such as depreciation, have been removed. The regulations also require the Funding Impact Statement for each group of activities to disclose internal charges and cost allocation and not eliminate these as required by Generally Accepted Accounting Practice (GAAP).

The Revenue and Financing Policy contained in the Long-Term Plan 2015–25 sets out Chatham Islands policies with respect to which funding mechanisms are to be used to finance the operating and capital expenditure.

Reconciliation of Operating Funding to Statement of Comprehensive Revenue and Expense	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000	Annual Plan 2016/17 \$000
Surplus (Deficit) of Operating Funding	176	348	(80)	231
Subsidies and Grants for Capital Expenditure	2,085	3,338	2,423	6,920
Depreciation	(1,678)	(1,854)	(1,565)	(2,885)
Statement of Total Comprehensive Income	583	1,832	778	4,266

COUNCIL	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000	Annual Plan 2016/17 \$000
Source of operating funding				
General Rates, Uniform Annual General Charge, Rates Penalties	307	287	302	283
Targeted Rates	182	288	180	184
Subsidies and Grants for Operating Purposes	4,669	4,695	5,230	4,178
Fees and Charges	67	78	66	68
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	644	554	670	641
Total Operating Funding	5,869	5,902	6,448	5,354
Applications of operating funding				
Payments to Staff and Suppliers	4,068	4,678	5,151	5,101
Financial Costs	17	23	(4)	22
Other Operating Funding Applications	1,608	853	1,381	-
Total Application of Operating Funding	5,693	5,554	6,528	5,123
Surplus/(Deficit) of Operating Funding	176	348	(80)	231
Source of capital funding				
Subsidies and Grants for Capital Expenditure	2,085	3,338	2,423	6,920
Increase/(Decrease) in Debt	(61)	-	-	-
Total Source of Capital Funding	2,024	3,338	2,423	6,920
Application of capital funding				
Capital Expenditure				
- to improve the level of service	538	990	2,517	3,651
- to replace existing assets	2,402	2,668	5	3,500
Increase/(Decrease) in Reserves	(740)	28	(179)	-
Total Applications of Capital Funding	2,200	3,686	2,343	7,151
Surplus/(Deficit) of Capital Funding	(176)	(348)	80	(231)
Funding Balance	-	-	-	-

Appendix 1 – Funding impact statements

DEMOCRACY SERVICES	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	993	714	688
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	165	133	130
Total Operating Funding	1,158	847	818
Applications of Operating Funding			
Payments to Staff and Suppliers	305	313	303
Financial Costs	-	-	-
Internal Charges and Overheads Applied	557	486	472
Total Application of Operating Funding	862	799	775
Surplus (Deficit) of Operating Funding	296	48	43
Source of Capital Funding			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	1,378	1,330
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	1,378	1,330
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	12	1,426	1,341
Increase (Decrease) in Reserves	284	-	32
Total Applications of Capital Funding	296	1,426	1,373
Surplus (Deficit) of Capital Funding	(296)	(48)	(43)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	9	14	13

INFRASTRUCTURE SERVICES – ROADING	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	53	56	54
Subsidies and Grants for Operating Purposes	1,228	2,031	1,988
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	-	6	5
Total Operating Funding	1,281	2,093	2,047
Applications of Operating Funding			
Payments to Staff and Suppliers	1,393	1,819	1,723
Financial Costs	-	-	-
Internal Charges and Overheads Applied	-	-	-
Total Application of Operating Funding	1,393	1,819	1,723
Surplus (Deficit) of Operating Funding	(111)	274	324
Source of Capital Funding			
Subsidies and Grants for Capital Expenditure	2,085	2,285	2,913
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	2,085	2,285	2,913
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	127	745
-- to replace existing assets	2,368	2,413	2,491
Increase (Decrease) in Reserves	(394)	19	
Total Applications of Capital Funding	1,974	2,559	3,237
Surplus (Deficit) of Capital Funding	111	(274)	(324)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	1,399	2,297	2,050

Appendix 1 – Funding impact statements



INFRASTRUCTURE SERVICES – SEWERAGE	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	65	68	67
Subsidies and Grants for Operating Purposes	78	80	80
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	13	37	36
Total Operating Funding	155	185	183
Applications of Operating Funding			
Payments to Staff and Suppliers	135	143	138
Financial Costs	-	-	-
Internal Charges and Overheads Applied	44	38	37
Total Application of Operating Funding	178	181	175
Surplus (Deficit) of Operating Funding	(23)	4	8
Source of Capital Funding			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	(24)	4	8
Total Applications of Capital Funding	(23)	4	8
Surplus (Deficit) of Capital Funding	23	(4)	(8)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>53</i>	<i>87</i>	<i>78</i>

INFRASTRUCTURE SERVICES – SOLID WASTE	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	64	66	64
Subsidies and Grants for Operating Purposes	371	332	325
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	24	11	11
Total Operating Funding	459	409	400
Applications of Operating Funding			
Payments to Staff and Suppliers	364	368	355
Financial Costs	-	-	-
Internal Charges and Overheads Applied	29	25	25
Total Application of Operating Funding	393	393	380
Surplus (Deficit) of Operating Funding	66	16	20
Source of Capital Funding			
Subsidies and Grants for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	524	-	-
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	(458)	16	20
Total Applications of Capital Funding	66	16	20
Surplus (Deficit) of Capital Funding	(66)	(16)	(20)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>77</i>	<i>126</i>	<i>112</i>

INFRASTRUCTURE SERVICES – WATER	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	162	174	172
Fees, Charges	67	67	66
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	12	9	9
Total Operating Funding	241	250	247
Applications of Operating Funding			
Payments to Staff and Suppliers	265	207	199
Financial Costs	-	-	-
Internal Charges and Overheads Applied	40	35	34
Total Application of Operating Funding	306	242	233
Surplus (Deficit) of Operating Funding	(64)	8	14
Source of Capital Funding			
Subsidies and Grants for Capital Expenditure	-	-	466
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	466
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	466
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	(65)	8	14
Total Applications of Capital Funding	(64)	8	480
Surplus (Deficit) of Capital Funding	64	(8)	(14)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>43</i>	<i>71</i>	<i>63</i>

INFRASTRUCTURE SERVICES – STORMWATER	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	14	5	5
Fees, Charges	-	-	-
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	2	2	2
Total Operating Funding	17	7	7
Applications of Operating Funding			
Payments to Staff and Suppliers	10	-	-
Financial Costs	-	-	-
Internal Charges and Overheads Applied	8	7	7
Total Application of Operating Funding	18	7	7
Surplus (Deficit) of Operating Funding	(1)	-	-
Source of Capital Funding			
Subsidies and Grants for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	-	-	-
Increase (Decrease) in Reserves	(1)	-	-
Total Applications of Capital Funding	(1)	-	-
Surplus (Deficit) of Capital Funding	1	-	-
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>4</i>	<i>6</i>	<i>5</i>

Appendix 1 – Funding impact statements

COMMUNITY AND REGULATORY SERVICES	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual Charge, Rates Penalties	307	290	284
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	995	356	351
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	282	318	311
Total Operating Funding	1,584	964	946
Applications of Operating Funding			
Payments to Staff and Suppliers	345	352	340
Financial Costs	10	13	15
Internal Charges and Overheads Applied	546	478	466
Total Application of Operating Funding	901	843	821
Surplus (Deficit) of Operating Funding	682	121	125
Source of Capital Funding			
Subsidies and Grants for Capital Expenditure	-	4,735	-
Increase (Decrease) in Debt	(61)	-	-
Total Source of Capital Funding	(61)	4,735	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	4,735	-
-- to replace existing assets	11	34	31
Increase (Decrease) in Reserves	610	87	94
Total Applications of Capital Funding	621	4,856	125
Surplus (Deficit) of Capital Funding	(682)	(121)	(125)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>47</i>	<i>75</i>	<i>66</i>

ENVIRONMENTAL SERVICES	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	222	896	888
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	39	74	73
Total Operating Funding	261	970	961
Applications of Operating Funding			
Payments to Staff and Suppliers	836	846	826
Financial Costs	-	-	-
Internal Charges and Overheads Applied	125	109	106
Total Application of Operating Funding	961	955	932
Surplus (Deficit) of Operating Funding	(700)	15	29
Source of Capital Funding			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	3	-	-
Increase (Decrease) in Reserves	(702)	15	29
Total Applications of Capital Funding	(700)	15	29
Surplus (Deficit) of Capital Funding	700	(15)	(29)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>2</i>	<i>3</i>	<i>3</i>

EMERGENCY MANAGEMENT	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	345	328	325
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	43	29	29
Total Operating Funding	388	357	354
Applications of Operating Funding			
Payments to Staff and Suppliers	364	244	236
Financial Costs	-	-	-
Internal Charges and Overheads Applied	121	106	103
Total Application of Operating Funding	486	350	339
Surplus (Deficit) of Operating Funding	(98)	7	15
Source of Capital Funding			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	1,025
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	1,025
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	14	-	1,025
-- to replace existing assets	3	-	-
Increase (Decrease) in Reserves	(114)	7	15
Total Applications of Capital Funding	(98)	7	1,040
Surplus (Deficit) of Capital Funding	98	(7)	(15)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>10</i>	<i>16</i>	<i>14</i>

COASTS, HARBOURS AND NAVIGATION	Actual 2017/18 \$000	Long-Term Plan 2017/18 \$000	Long-Term Plan 2016/17 \$000
Source of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	260	123	122
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	65	59	58
Total Operating Funding	324	182	180
Applications of Operating Funding			
Payments to Staff and Suppliers	51	51	50
Financial Costs	-	-	-
Internal Charges and Overheads Applied	146	127	124
Total Application of Operating Funding	196	178	174
Surplus (Deficit) of Operating Funding	128	4	6
Source of Capital Funding			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
Total Source of Capital Funding	-	-	-
Application of Capital Funding			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	3	-	-
Increase (Decrease) in Reserves	125	4	6
Total Applications of Capital Funding	128	4	6
Surplus (Deficit) of Capital Funding	(128)	(4)	(6)
Funding Balance	-	-	-
<i>Excludes depreciation</i>	<i>34</i>	<i>56</i>	<i>50</i>



Appendix 2 – Glossary of terms

These definitions are intended to define terms in this Annual Report in plain English. For legal definitions, refer to the Local Government Act 2002.

Activity

Groups of related services, projects or goods provided by or on behalf of the Council are combined into an activity. These activities are then put into groups of activities.

Annual Plan

The Annual Plan is produced in the intervening years between the Long-Term Plan. It includes an updated budget and explains variations to the Long-Term Plan. It also confirms arrangements for raising revenue for the next financial year. The community must be consulted on the Annual Plan.

Annual Report

The Annual Report reports on the performance of the Council against the objectives, policies, activities, performance measures, indicative costs, and sources of funds outlined in the Annual Plan and the Long-Term Plan.

Asset

Something of value that the Council owns on behalf of the people of the Chatham Islands, such as roads, drains, parks and buildings.

Asset management plan

A long-term plan for managing an asset to ensure that its capacity to provide a service is maintained and costs over the life of the asset are kept to a minimum.

Capital costs

These include transactions that have an effect on the longer-term financial position of the Council. Items include transfer of funds to reserve accounts, and the purchase or construction of assets.

Capital value

Value of land including improvements.

Community outcomes

A set of statements that describe the vision the Chatham Islands has for its future. The community outcomes of the Chatham Islands are outlined in the Long-Term Plan. The Council seeks to contribute to these outcomes through its various activities.

Current assets

Assets that can be readily converted to cash, or will be used up during the year. These include cash and debtors.

Current liabilities

Creditors and other liabilities due for payment within the financial year.

Depreciation

Depreciation is an accounting concept to recognise the consumption or loss of economic benefits embodied in items of property, plant and equipment. Depreciation spreads the cost of items such as property, plant and equipment over their useful lives as an operating expense.

Group of activities

Council groups all its services into categories of activities (which equates to group activities in the Local Government Act 2002).

Imi/Iwi

People or tribe.

Infrastructure assets

Infrastructure assets are utility service networks i.e. water, sewage, storm water and roading. They also include associated assets such as water pump outlets, sewerage treatment plant, street lighting, and bridges.

Land value

Value of land excluding improvements.

Local Government Act 2002

The Local Government Act 2002 is the primary legislation that governs the Council's operations and actions.

Long-Term Plan (LTP)

A 10-year plan that sets out the Council's response to community outcomes and how the Council will manage its finances and the community's resources.



Operating expenditure

Expenditure through the Council's activities on such items as salaries, materials and electricity. All these inputs are consumed within the financial year.

Operating revenue

Money earned through the activities in return for a service provided, or by way of a grant or subsidy to ensure particular goods or services are provided. Examples include subsidies, rental revenue, permits, fees and council dues.

Operating surplus/(deficit)

Operating surplus and operating deficit are accounting terms meaning the excess of revenue over expenditure and excess expenditure over revenue respectively. Revenue and expenditure in this context exclude capital items such as the cost of capital works. An operating surplus/(deficit) is inclusive of non-cash items such as revenue and expenditure owing but not paid (debtors and creditors) and depreciation.

Performance measures

These have two parts: first, a simple explanation of the measure by which performance will be assessed; and second, performance targets. The Council uses these measures when reporting on how it has performed in its various activities.

Property, plant and equipment and intangible assets

These consist of software, hardware, land and buildings and infrastructure assets including sewerage and water systems, and roading. They are sometimes referred to as fixed assets and or capital assets.

Public equity

Public equity represents the net worth of Chatham Islands Council if all the assets were sold for the values recorded and the liabilities were extinguished.

Regulatory role

The Council has a regulatory role as it operates under and enforces a range of legislation.

Resources

These are the assets, staff and funds needed to contribute to the activities of the Council including goods, services and policy advice.

Service provider

The Council provides services as required by law e.g. sewerage services or by community mandate e.g. playgrounds.

Significance

Significance means the degree of importance of the issue, proposal or decision of matter before the Council in terms of its likely impact on or consequences for the current and future social, economic, environmental and cultural wellbeing.

Significance policy

This policy sets out the way in which the Council determines how significant a project or decision is and therefore the level of consultation and analysis required.

Statement of cash flows

This describes the cash effect of transactions and is broken down into three components: operating, investing and financing activities.

Statement of comprehensive revenue and expense

This can also be referred to as the profit and loss statement. It shows the financial results of the various Chatham Islands Council activities at the end of each period as either a surplus or a deficit. It does not include asset purchases or disposals.

Statement of financial position

This shows the financial state of affairs at a particular point in time. It can also be referred to as the Balance Sheet.

Sustainable development

Sustainable development is generally defined as development that meets the needs of the present without compromising the capacity of future generations to meet their own needs.

Wellbeing

In this document, wellbeing includes the social, economic, cultural and environmental aspects of a community. The community outcomes are factors of wellbeing.

The organisation

Council and Management

Mayor
Alfred W Preece
alfred.preece@cic.govt.nz

Deputy Mayor
Jeffrey Clarke
jeffrey.clarke@cic.govt.nz

Councillors

Monique Croon
monique.croon@cic.govt.nz

Nigel Ryan
nigel.ryan@cic.govt.nz

Keri Day
keri.day@cic.govt.nz

Eion Chisholm
eion.chisholm@cic.govt.nz

Richard Joyce
richard.joyce@cic.govt.nz

Jason Seymour
jason.seymour@cic.govt.nz

Eva Tuck
eva.tuck@cic.govt.nz

Council Staff

Chief Executive
Owen Pickles
owen@cic.govt.nz

Corporate Services Manager
Deborah Goomes
deborah@cic.govt.nz

Emergency Manager/Controller
Rana Solomon
rana@cic.govt.nz

Engineers

Stantec Ltd (Christchurch)
(formerly Stantec New Zealand Ltd)

Nigel Lister, Shaun Boshier, Ali Siddiqui
Bryan Peters – Roads and bridges

Richard Bennett, Kristen Norquay –
Water and wastewater

Phil Landmark –
Waste management and minimisation

Contractors

Environment Canterbury
Fulton Hogan Ltd

Resource Management

Beca Ltd

Solicitors

Wynn Williams

Bankers

ANZ (Waitangi – Chatham Islands)

Auditors

Audit New Zealand
(on behalf of the Auditor-General)





chatham islands council

Chatham Islands Council
PO Box 24
Tuku Road
Waitangi
Chatham Islands

Ph: (03) 3050 033
(03) 3050 034
Fax: (03) 3050 044
Email: info@cic.govt.nz
Web: www.cic.govt.nz
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