



Chatham Islands Council

Summary 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



Mayor and Chief Executive's report

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

If you are interested in understanding our progress 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, we would encourage you to read our full annual report.

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

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 56 in our full Annual Report.

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.

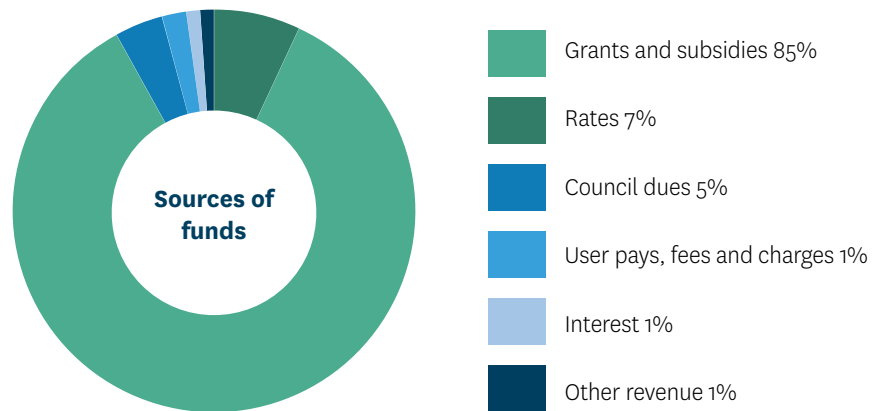
The Council does not have an investment portfolio or population base to independently support its on-island activities and meet required levels of service. Consequently, it is reliant on external support from Central Government to ensure the Council continues to operate in a financially sustainable manner.

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.

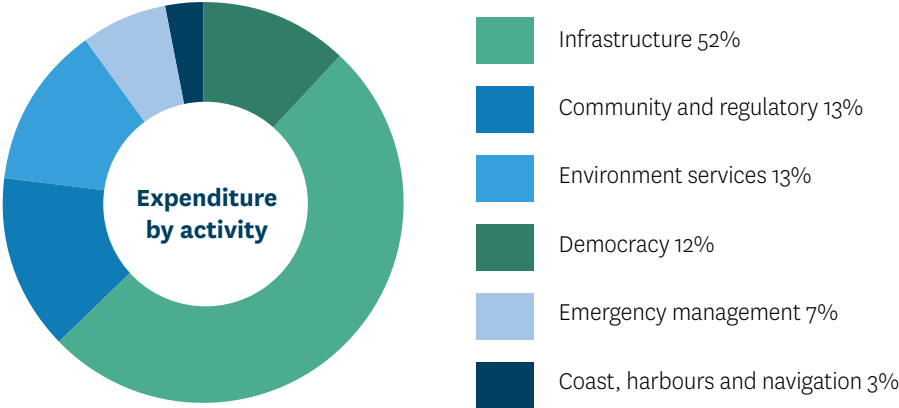
A summary of our funding sources for the year is detailed in the graph below:





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.



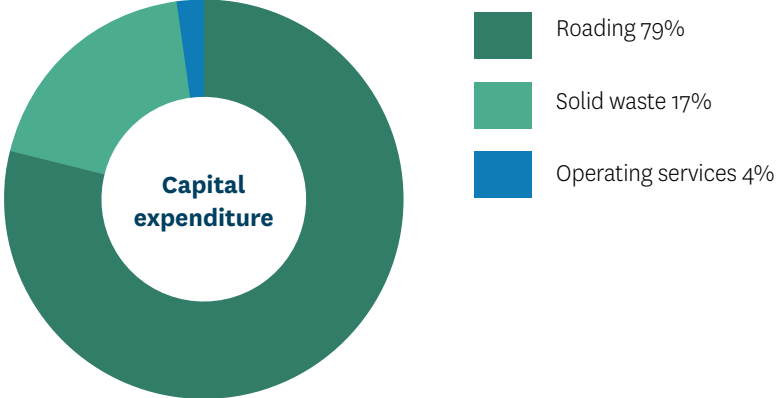
Capital expenditure

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.

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.



Council performance during 2017/18

The Council has six groups of activities, over which we set our desired performance targets to the Community. The summary our actual level of service performance against these targets, is included below:

Democracy services

3 of 4 Targets met

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

- All Annual Planning and Reporting responsibilities were met.
- All legislative requirements related to Council meetings were met.
- Based on feedback from the community, we need to investigate further channels of providing the community with confidence in our decision making, compared with our desired target.

Infrastructure services

34 of 39 Targets met

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

- We were fully compliant with New Zealand Drinking Water testing standards and working towards being compliant with the New Zealand Drinking Water Standards.
- Roading projects were completed in line with the maintenance work set in the Annual Roading Strategy.
- Our waste management strategy nears completion, with transfer stations at Owenga and Kaingaroa completed.

Community and regulatory services

8 of 17 Targets met

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

- We had full occupancy in our Council housing.
- We are processing liquor licences generally within statutory timeframes.
- We are monitoring and enforcing compliance with liquor licence conditions.
- All our playground equipment remains fully compliant with safety standards, no incidences of non-compliance were reported.
- Based on feedback from the community, we need to engage and work with the community further to ensure satisfaction with the community services provided, with the surveyed level of satisfaction being below our desired target, especially in relation to dog and animal control.

Environmental services

14 of 14 Targets met

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

- We are effectively monitoring the water quality and hydrology of Chatham Islands waterways, with results displayed on our website: www.cic.govt.nz
- We have been proactively managing the biosecurity on-island pest threat by monitoring at risk sites and maintaining an internal border between Chatham Island, Pitt Island and New Zealand. Public education and regular training of SPS Biosecurity staff has also minimised the threat of pest outbreak.
- The feral goat population in one geographical area has been eradicated, leaving approximately 50 goats in another area.
- Four staff have been trained and equipped to carry out Marine Pest surveillance surveys to identify marine pests, completed in September 2017.
- 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.

Emergency management

5 of 8 Targets met

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

- The state of readiness of the Emergency Management Operations Centre was assessed at 100% readiness. Readiness was last tested in response to a peat fire in Waitangi West in 2017 and Cyclone Pam in 2015.
- All emergency management plans are up to date and were completed within statutory timeframes.

Coasts, harbours and navigation

4 of 6 Targets met

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

- The Navigation Safety Bylaw was kept up to date.
- Owenga Wharf, which provides lifeline access to Pitt Island from Chatham Island, remained open with two safety or inefficiency complaints received and responded to within seven days.

Financial overview



The full 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), and comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). The 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. The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000). The summary financial statements comply with FRS-43.

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2018

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Rates	556	575	548
Grants & subsidies	6,753	8,033	7,668
Other revenue	644	632	660
Total revenue	7,954	9,240	8,876
Financial costs	17	23	25
Other expenditure	7,354	7,385	8,073
Total expenditure	7,371	7,408	8,097
Total surplus/(deficit)	583	1,832	778
Increase/(decrease) in revaluation reserve	22,706	-	-
Total Comprehensive Revenue and Expense	23,289	1,832	778

Statement of Changes in Equity for the year ended 30 June 2018

	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	81,662	63,323	58,373

Statement of Financial Position as at 30 June 2018

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Current assets	2,334	611	2,509
Non-current assets	82,829	63,806	58,888
Total assets	85,163	64,417	61,397
Current liabilities	3,240	791	2,683
Non-current liabilities	261	303	341
Total liabilities	3,501	1,094	3,024
Net assets	81,662	63,323	58,373
Total public equity	81,662	63,323	58,373

Statement of Cash Flows for the year ended 30 June 2018

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
Net cash flow from operating activities	2,772	3,668	2,478
Net cash flow from investing activities	(2,905)	(4,726)	(3,988)
Net cash flow from financing 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	(277)	95	(88)

These financial statements are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 13 December 2018. 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.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. A copy of the full 2017/18 Annual Report can be found on our website or at our office.

Independent Auditor's report

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

The summary of the annual report was derived from the annual report of the Chatham Islands Council (the Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 8 to 9:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018; and
- the summary of statement of service performance.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 13 December 2018.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

In addition to our audit of the summary and full annual report 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

13 December 2018

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
R18/4