



# Chatham Islands Council

Annual Report

2019/20



chatham islands council

*Our people, our Islands, our future*

# Profile of the Chatham Islands

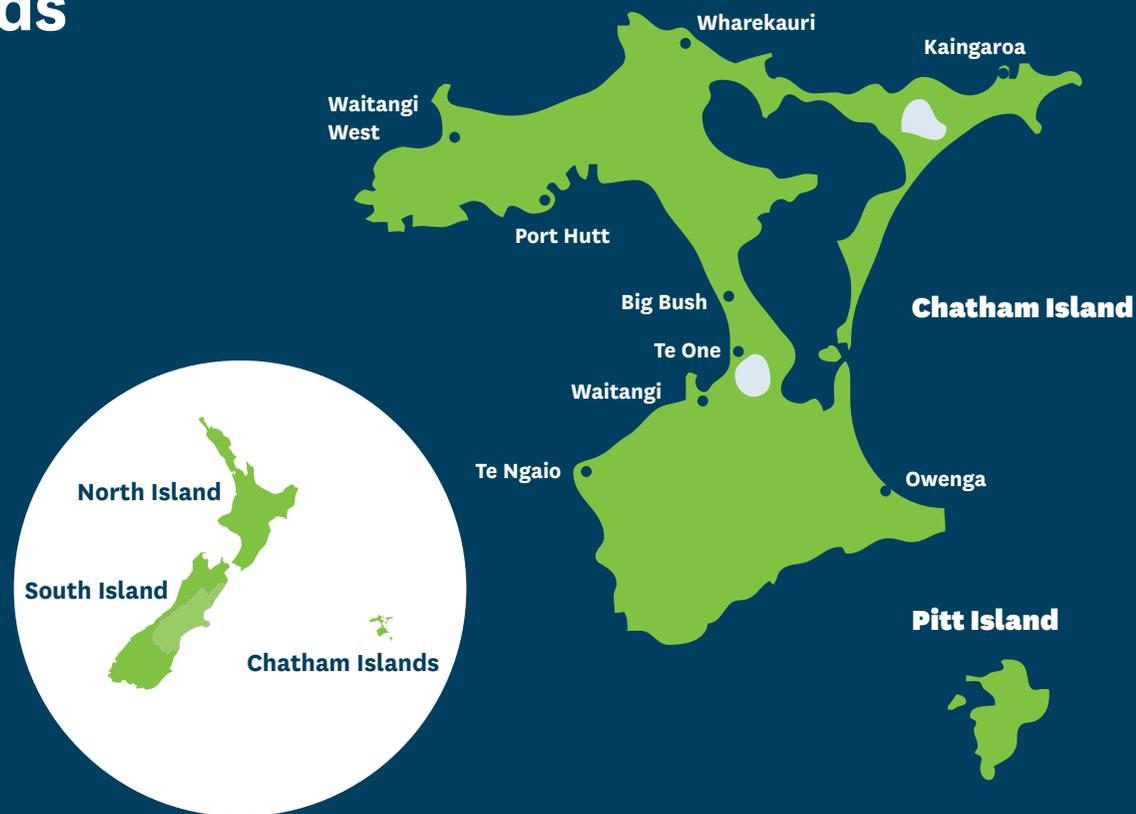
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

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 660 people live in the Chatham Islands.

Its population is the smallest in size out of the 78 Councils in New Zealand.

In total, 57% of households have access to the Internet, compared with 79% of households throughout New Zealand.

In the Chatham Islands, 5% of households have access to a cellphone, compared with 85% for New Zealand. This is because there is no cell phone coverage on the Chatham Islands.

Among households in private occupied dwellings, 38% own the dwelling, with or without a mortgage; the equivalent figure is 44% for New Zealand as a whole.

The unemployment rate in Chatham Islands territory is 1.6% for people aged 15 years and over, compared with 4.0% for all of New Zealand.

Source: Statistics New Zealand 2018 Census Data

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# Introduction

Welcome to the 2019/20 Annual Report. This is an account of Chatham Islands Council's financial and service performance in the year from 1 July 2019 to 30 June 2020. 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 is working 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
- 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 2019/20. It is a must-read document if you are interested in the progress being made towards achieving our vision, specifically our community goals of creating a resilient, diverse and sustainable community that builds growth for our people, our Islands and our future.

The Chatham Islands Council is unique in that approximately 85% of its funding comes from central Government agencies to support on-island projects and to meet its statutory operating obligations. Currently, our annual funding support is not determined until May, which has made our financial planning challenging.

Our annual appropriation has historically funded the operational running costs of the Council. It excluded a capital investment programme and funding for roading works programme, assuming other organisations would financially support these activities. With the Waka Kotahi New Zealand Transportation Agency (NZTA) not fully covering the roading works programme, Council elected to cover this \$0.5 million funding shortfall from cash reserves instead of reducing the level of work on-island. The consequence for Council has resulted in a deterioration on our cash flow and cash position.

Central Government has indicated our appropriation for the 2020/21 financial year will include an additional \$0.57 million to assist with our ongoing financial viability. We note the increased contribution is insufficient to cover all our capital and legislative obligations. Therefore, it is likely some projects will be delayed until further funding can be assured, meaning Council may be in non-compliance with its legislative requirements or the service experienced on-island may remain below that of comparable levels in rural New Zealand.

Our water and wastewater infrastructure has deteriorated at a faster rate than expected. Council has deferred critical works programmes as we had insufficient cash to cover required work. The level of service we are able to provide to our community, for example, quantity and quality of drinking water supply, has also not been satisfactory. With the strong relationships we have built with central Government and frequent advocacy, support has been confirmed with the Ministry of Health to address critical repairs, with funding redirected from another project. Going forward, the Government's three waters proposals may have wide reaching ramifications for Council, including potentially a new water authority based in New Zealand running our water and wastewater services.



Our Council is in a unique position whereby rates income is a small fraction of our total income. Affordability for rates and Council dues remain at the forefront of our minds, with Council committed to limiting annual rate increases to reflect inflationary movements and no increase in Council dues. We believe this is fair and in line with contributions from mainland New Zealand. This year, with the economy feeling the impact of the effects of COVID-19, inflation rates were lower than expected, therefore Council did not meet this rate limit. However, future rate increases will likely be minimised as a result of a slower moving economy. Any movement in rates revenue will not have a significant impact on the level of service occurring on the Islands as these projects are mainly funded by way of grant.

The design works for the proposed combined offices and museum are progressing with plans and budgets hopefully ready for consideration in October 2020.

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 central Government agencies.

We were pleased to see the Provincial Growth Fund support Chatham Islands projects, which will contribute towards our Islands' resilience. Funding for the airport runway project, developing reliable energy sources and improving internet reliability and connection speed will all contribute towards improving our resilience.

Finally, we wish to highlight our appreciation to all those who work for and with the Council for their passion, hard work and support, including the various Government agencies for their ongoing financial assistance.

Monique Croon  
Mayor

Owen Pickles MNZM JP  
Chief Executive

# 2019/20 in review

The 2019/20 financial year was one of change and challenges for the Council.

## Waste Management Strategy

Managing our waste material effectively continues to be a focus for the Council as we work towards making the Waste Management Strategy operative. The waste management recovery centre and transfer stations at Kaingaroa and Owenga all become operative during the year. The transfer stations feed into our waste recovery centre at Te One, where waste is separated and bailed. We expect the sanitary landfill will commence its operations in 2020/21.

Council is also in negotiations with other Councils to manage the export of our recoverable waste material off the island. Residual waste will be deposited in the sanitary landfill at Owenga.

Council continues to seek additional grant funds to support this activity and currently has applications pending with the waste minimisation fund.

## 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. Our road maintenance contractors Fulton Hogan continue to deliver to the Council's requirements.

Roading projects are our major activity, with \$4.4 million spent on such projects during the year. The second coat sealing from Pages Corner through to Te One is now complete with a life expectancy of at least 10 years. The Council continues to work with the Waka Kotahi New Zealand Transport Agency (NZTA) on our road priorities.

## Emergency Management COVID-19 response

From March 2020, our Emergency Management group responded to the national state of civil emergency from an outbreak of COVID-19 within New Zealand. The response was focused mostly on welfare, with the provision of a food bank being a large part of our response.

The \$50 billion COVID-19 Response and Recovery Fund established by the Government has provided positive benefits to our community. Additional funding is expected to support our recreation and sporting facilities and allow for further investment in the resilience of our community. This includes an upgrade to our Norman Kirk clubrooms building and grandstand and increased employment opportunities with the Department of Conservation through the Jobs for Nature fund.

## Emergency Management Operations Centre

The Emergency Management Operations Centre project development remains ongoing. The design and build of this facility 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 related to 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. 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. The Council is also considering its options under the Government's proposed Three Waters reforms.

## Review of the Resource Management Document

The Chatham Islands Resource Management Document has been approved by the Minister of Conservation and is operative. There are concerns that the ongoing cost associated with the many National Policy Statements being released by the Government, might require a different approach for the Chatham Islands through an amendment to the Chatham Islands Council Act 1995.

## Council offices and community complex

The Council and Chatham Islands Enterprise Trust are working with Ngāti Mutunga O Wharekauri Iwi Trust with the view to lease a purpose-built office facility for the administration and museum part of the facility. We expect the building to be completed by late 2021. A grant of \$1 million from the Ministry of Culture and Heritage towards the new museum remains secure and an additional \$1 million from New Zealand Lotteries has also been approved. The remaining elements of the community complex will be built later, as funding allows.

## Social housing

The Council, together with the Chatham Islands Enterprise Trust, Hokotehi Moriori Trust and Ngāti Mutunga Wharekauri Iwi Trust have formed the Chatham Islands Housing Partnership. The partnership has received \$2 million to support a housing project on Chatham Island. Land has been donated by the Chatham Islands Enterprise Trust. This has since been subdivided and will support a housing development with five houses expected to be built this year.

## Moriori and Māori engagement

### Predator Free 2050

Along with other Chatham Islands stakeholders, the Council has been working towards the establishment of a Predator Free 2050 programme for the Islands. This will focus on the eradication of possums, rats and cats from the islands.

### Other Island infrastructure

The Council has been working with other Island groups and Government to upgrade the airport runway, improve broadband services and to find a sustainable and affordable source of electricity. It was pleasing to receive advice that all these projects will be supported with grants from the Government's Provincial Growth Fund.

### Resilience and climate change

As a group of islands, we are increasingly vulnerable to the impacts of climate change. Any change to the land or water level pose a threat to our way of life for current and future generations. Council is committed to taking a collaborative approach to addressing any identified local causes and impacts of climate change, which includes strategically varying our core Council infrastructure and internal policies to reduce or mitigate any greenhouse gas emissions. We are also working to protect and enhance our natural environment to ensure we meet our obligations. We take these steps to enable our community to remain buoyant in response to any climate changes.

### 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, Kaingaroa 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.

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 2018-28 in enhancing and acknowledging the importance of tchakat henu/tangata whenua.

## Overview of our financial performance

This overview provides a summary of our results for the 2019/20 financial year. Further details are outlined later in our financial statements, supporting notes and our service performance summaries.

As a Council, our focus has been on prudent financial management and operating within the confines of the financial assistance packages provided by the Crown and rates received from our islanders. With funding from the financial assistance packages remaining at previous levels, this has resulted in Council limiting on-island asset development and providing only basic services to our islands residents.

Achieving a positive cashflow remains a challenge for Council, with a net decrease in cash of \$0.24 million for the year. The result was better than our anticipated \$0.51 million cash loss, with the improvement associated with delays in roading works moving cash payments into the next financial year. With a limited cash movement for the year, the Council's primary operating bank account remains in overdraft.

The Chatham Islands Council has recognised an operating surplus of \$0.2 million for the year (this being the difference between our total operating income less our operating expenditure). We expected to achieve a surplus of \$1.3 million. The surplus is lower than predicted, with grants expected for capital projects not being forthcoming. Further explanations on significant variances to budget are provided in note 20 on page 30.

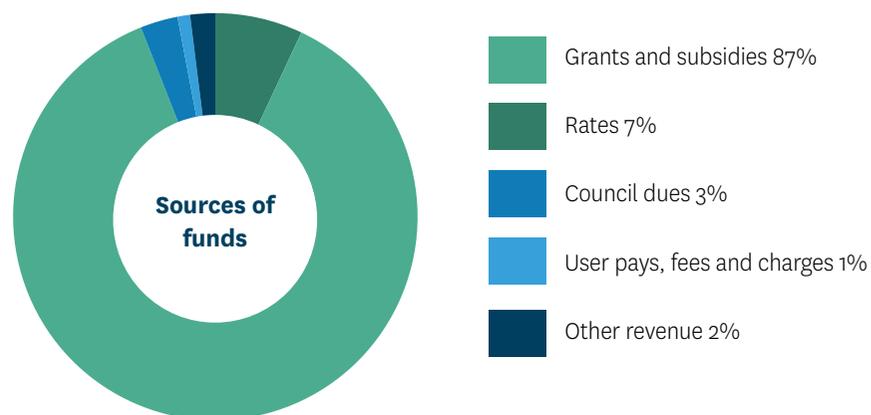
It is important to note that our operating surplus excludes the cost of purchasing capital assets, such as the cost of improving our roading infrastructure. Therefore, in addition to the cash flow statement, to understand our financial impacts more fully, readers would benefit from viewing the summary of our sources and applications of funding, from an operating and capital perspective in our Council and activity funding impact statements from page 56.

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

### Our sources of funds

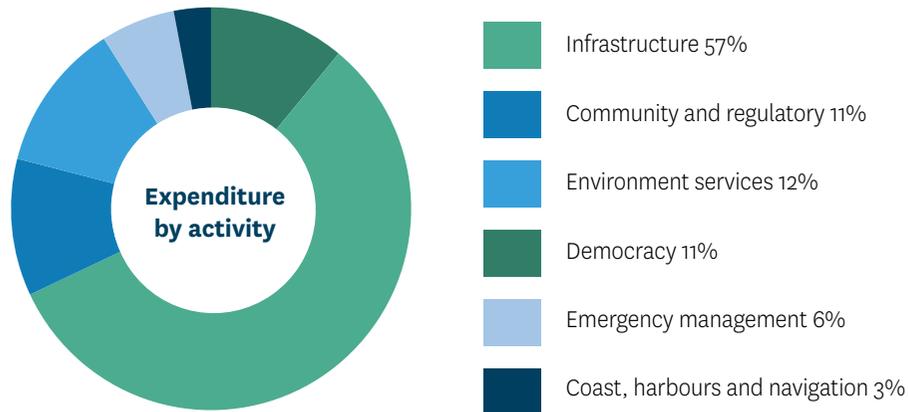
Council receives income from a range of sources but is primarily reliant on central Government grants to remain operational. The budget assumed funding would be provided during the year to support on-island projects, including infrastructural development integral to improving facilities for our community.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



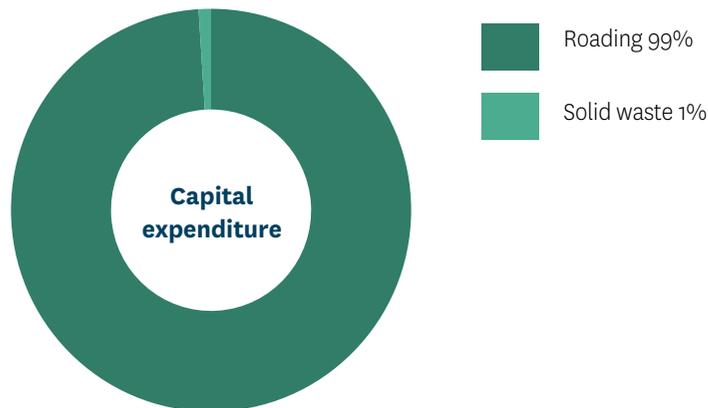
### Our allocation of funds

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.



### Our capital expenditure

The graph below summarises the Council’s capital expenditure programme by area. Our capital expenditure primarily relates to maintaining and improving our roading infrastructure.



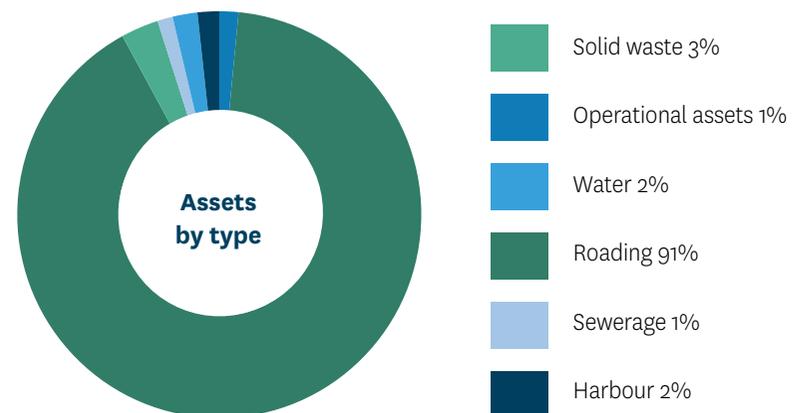
### Our assets

At the end of the financial year, the Council’s operational and infrastructural assets are valued at \$84.0 million, compared with \$83.4 million for the previous financial year. Outside of roading works, our current level of funding support does not allow for Council to maintain our on-island infrastructure, specifically our water and wastewater assets.

Our 2018-28 Long-Term Plan highlighted \$1.2 million in critical repairs required to our assets over the 10-year period of the plan. The level of assessed critical repairs assumed a proposed \$3 million upgrade to the Waitangi water treatment plant would be completed. With no external funding commitment, Council was unable to invest in these improvements, resulting in the upgrade at Waitangi being further deferred. Consequently, the assessed critical repairs to our infrastructure are likely to be higher with additional expenditure in other areas being required to retain a status quo level of service.

The assessed level of investment excluded potential ramifications arising from the Havelock North gastroenteritis outbreak of 2016. One of the likely consequences of the outbreak is that a higher level of compliance has been set, with the Three Waters reforms. This may result in additional costs to meet statutory compliance levels, which would require additional support from central Government for Council to meet.

With the Council unable to invest in on-island infrastructure, asset quality is likely to deteriorate over time, in addition this reduces the quality of service that we can offer to our residents and increases the risk of asset failure. Our last infrastructural asset revaluation in 2018 identified a number of water and wastewater assets with an assessed life expectancy of one year. Due to lack of funds, Council has been unable to repair or replace these assets in the year, and therefore the risk of these assets failing is assessed as high. Council continues to work with central Government agencies to secure funding to address these concerns, reflecting budgeted minimal requirements.



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

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 3 December 2020. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 13 to 30:
  - > present fairly, in all material respects:
    - » the Council's financial position as at 30 June 2020; and
    - » 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 54, 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 summaries on pages 35 to 53:

- > presents fairly, in all material respects, the Council's levels of service for each group of activities for the year ended 30 June 2020, including:
  - » the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
  - » 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.
- the statement about capital expenditure for each group of activities on pages 55 to 59, 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 55 to 59, 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 34, 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.

### Emphasis of matter – Impact of COVID-19

- Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Council set out in note 18 to the financial statements.

### 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.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance summaries, 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.

# Independent Auditor's report

## Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 8, 12 and 61 to 63, 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit and our report on the disclosure requirements, 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.

### 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 2020, and the results of its operations, cash flows and the service performance achievements for the year ended on that date.

Monique Croon  
Mayor  
3 December 2020

Owen Pickles MNZM JP  
Chief Executive

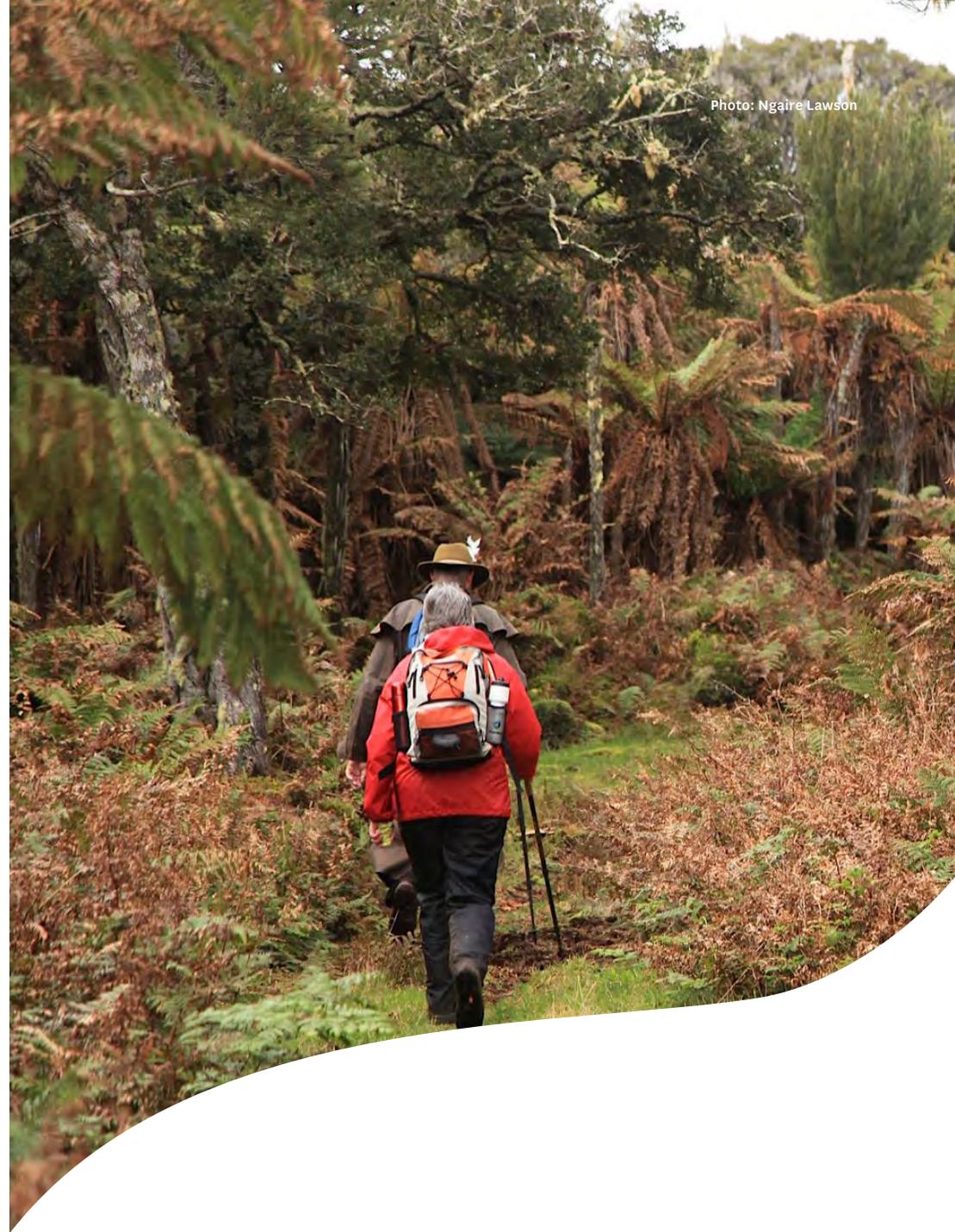


Photo: Ngāire Lawson

# Financial statements

## Statement of comprehensive revenue and expense for the year ended 30 June 2020

	Note	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000
<b>Revenue</b>				
Rates	2	592	566	571
Grants & subsidies	2,20	7,133	7,959	7,160
Council dues		268	265	312
User pays, fees & charges		110	115	142
Interest		55	20	116
Other revenue		116	84	219
Share of surplus of associate		67	-	-
<b>Total revenue</b>	1	<b>8,341</b>	<b>9,009</b>	<b>8,521</b>
<b>Expenditure</b>				
Depreciation and amortisation	8	2,353	2,074	2,191
Employment benefits	3	973	1,002	983
Financial costs	4	7	19	23
Other expenditure	4	4,738	4,625	4,845
<b>Total expenditure</b>	1	<b>8,071</b>	<b>7,720</b>	<b>8,055</b>
<b>Total surplus/deficit</b>		<b>270</b>	<b>1,289</b>	<b>466</b>
<b>Comprehensive revenue and expense</b>				-
Increase/(decrease) in revaluation reserve	8, 13	-	-	-
<b>Total other comprehensive revenue and expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense</b>		<b>270</b>	<b>1,289</b>	<b>466</b>

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

## Statement of changes in equity for the year ended 30 June 2020

	Note	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000
<b>Equity at the start of the year</b>		<b>82,128</b>	<b>81,209</b>	<b>81,662</b>
Total comprehensive revenue and expense		270	1,289	466
<b>Equity at the end of the year</b>	13	<b>82,398</b>	<b>82,498</b>	<b>82,128</b>

## Statement of financial position as at 30 June 2020

	Note	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000
<b>Current assets</b>				
Cash & cash equivalents	5	32	-	24
Cash funds held in trust	5	19	25	36
Other financial assets	6, 20	1,472	269	1,439
Current trade and other receivables	7	967	255	778
<b>Total current assets</b>		<b>2,490</b>	<b>549</b>	<b>2,277</b>
<b>Non-current assets</b>				
Non-current trade and other receivables	7	-	33	21
Investment in associate		67	-	-
Property, plant & equipment	8	83,991	84,151	83,470
Total non-current assets		<b>84,058</b>	<b>84,184</b>	<b>83,492</b>
<b>Total Assets</b>		<b>86,548</b>	<b>84,733</b>	<b>85,769</b>



## Statement of financial position as at 30 June 2020 (continued)

	Note	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000
<b>Current liabilities</b>				
Bank overdraft	5	442	945	207
Trade & other payables	9, 20	3,332	677	2,972
Employee entitlements	10	111	74	88
Current portion of provisions	12	45	95	113
Current portion of term liabilities	11	39	381	39
<b>Total current liabilities</b>		<b>3,969</b>	<b>2,172</b>	<b>3,420</b>
<b>Non-current liabilities</b>				
Term liabilities	11	182	63	221
<b>Total non-current liabilities</b>		<b>182</b>	<b>63</b>	<b>221</b>
<b>Total liabilities</b>		<b>4,151</b>	<b>2,235</b>	<b>3,641</b>
<b>Net assets</b>		<b>82,398</b>	<b>82,498</b>	<b>82,128</b>
<b>Public equity</b>				
Accumulated funds & reserves		82,398	82,498	82,128
<b>Total public equity</b>	13	<b>82,398</b>	<b>82,498</b>	<b>82,128</b>

## Statement of cash flows for the year ended 30 June 2020

	Note	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000
<b>Cash flow from operating activities</b>				
Receipts from rates revenue		626	477	560
Receipts from grants and subsidies		6,826	7,940	7,198
Receipts from Council dues		322	292	248
Interest received		55	24	116
Receipts from other revenue		277	201	374
Payments made to employees		(950)	(969)	(1,027)
Interest paid		(7)	(19)	(23)
Other payments to suppliers		(4,515)	(4,632)	(4,562)
<b>Net cash flow from operating activities</b>		<b>2,634</b>	<b>3,314</b>	<b>2,883</b>
<b>Cash flow from investing activities</b>				
Purchase of fixed assets		(2,806)	(3,964)	(2,761)
Sale/(purchase) of other assets		(33)	-	70
<b>Net cash flow from investing activities</b>		<b>(2,839)</b>	<b>(3,964)</b>	<b>(2,692)</b>
<b>Cash flow from financial activities</b>				
Loans raised		-	200	-
Repayment of loans		(39)	(62)	(61)
<b>Net cash flow from financial activities</b>		<b>(39)</b>	<b>138</b>	<b>(61)</b>
<b>Increase/(decrease) in cash held</b>		<b>(244)</b>	<b>(512)</b>	<b>130</b>
Opening cash balance		(147)	(139)	(277)
<b>Closing cash balance</b>	5	<b>(391)</b>	<b>(651)</b>	<b>(147)</b>

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 2020

### 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 2020. The financial statements were authorised for issue on 3 December 2020.

### 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. Refer to note 17 in the financial statements for further details on our going concern assumption.

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.

### Changes in accounting policies

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

### 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 on 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**

Financial assets are initially recognised at fair value through surplus or deficit 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.

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

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.

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.

### **Investment in an associate**

Associates are entities over which the Council has significant influence but not control. Investments in associates are accounted for using the equity method. The Council has a 25% interest in the Chatham Islands Housing Partnership Trust. The purpose of the Charitable Trust is to relieve hardship caused through isolation and reduced access to housing.

The reporting date of the Chatham Islands Housing Partnership Trust is 31 March. There are no significant restrictions on the ability of the associate to transfer funds to the Council in the form of cash dividend or similar distributions, or to repay loans or advances.

The Council's share of an associate's profits or losses is recognised in the surplus or deficit.

### **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.

# Financial statements

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
<b>Operational assets</b>	
Vehicles	5-10 years
Furniture/fittings	5-10 years
Buildings	25-50 years
Office equipment	5 years
Parks and reserves	25 years

Asset	Years
<b>Infrastructure assets</b>	
<b>Roothing</b>	
Top surface (seal)	10 years
Pavement (base course)	
Sealed	60 years
Unsealed	Not depreciated
Pavement	
Unsealed (wearing course)	8 years
Sub-base and formation	Not depreciated
Culverts	70-75 years
Footpaths and kerbs	35 years
Signs	8 years
Retaining walls	60 years
Bridges	60 years
<b>Water reticulation</b>	
Pipes, valves, hydrants	25 years
Pump stations	5-35 years
Tanks	80 years
<b>Sewerage reticulation</b>	
Pipes and other reticulation assets	60-80 years
<b>Solid waste</b>	
Landfill, transfer stations and other assets	5-35 years
<b>Storm water system</b>	
Pipes	40-60 years
<b>Harbour</b>	
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 does not recognise a liability for sick leave.

### 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 one 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 2020, the entity was dormant and had no assets or liabilities, nor has the entity made any transactions during the year. Therefore the parent and group accounts are the same. The Council has exempted this organisation from reporting under Section 7 of the Local Government Act 2002.

# Financial statements

## 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.

There have been no changes in the allocation methodology during the year.

	Actual 2019/20 \$000	Actual 2018/19 \$000
<b>Revenue by activity</b>		
Democracy	1,247	1,173
Infrastructure	4,374	4,786
Community and Regulatory	1,752	1,698
Environment	278	262
Emergency Services	349	275
Coasts, Harbours and Navigation	341	327
<b>Total Revenue</b>	<b>8,341</b>	<b>8,520</b>
<b>Expenditure by activity</b>		
Democracy	862	941
Infrastructure	4,650	4,305
Community and Regulatory	921	1,164
Environment	960	983
Emergency Services	452	396
Coasts, Harbours and Navigation	227	265
<b>Total Expenditure</b>	<b>8,072</b>	<b>8,054</b>
<b>Net Surplus/(Deficit)</b>	<b>269</b>	<b>466</b>

## NOTE 2: REVENUE

Rates is further broken down in the table below:

Rates Revenue	Actual 2019/20 \$000	Actual 2018/19 \$000
General Rates	305	292
<b>Targeted rates</b>		
Roading	56	54
Solid Waste	70	65
Water	69	68
Sewerage	66	64
<b>Total Targeted Rates</b>	<b>261</b>	<b>251</b>
Rates Penalties	26	28
<b>Total Rates Revenue</b>	<b>592</b>	<b>571</b>

## Rating base information

The following rating base information is disclosed using rating base information at the end of 30 June 2019.

	30 June 2019
The number of rating units	666
The total land value of rating units	69,075,300
The total capital value of rating units	176,485,550



## NOTE 2: REVENUE (CONTINUED)

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

Grants and Subsidies	Actual 2019/20 \$000	Actual 2018/19 \$000
Department of Internal Affairs	3,206	3,206
NZTA roading subsidy	3,829	3,486
Ministry for the Environment	-	450
National Emergency Management Agency	72	-
Other	25	18
<b>Total Grants &amp; Subsidies</b>	<b>7,132</b>	<b>7,160</b>

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 Crown's annual contribution is for \$3.2 million per annum this level of financial support is committed for the foreseeable future. The Crown's contribution is enough to cover our operating requirements but does not cover depreciation of infrastructure assets; which means we are unable to effectively plan for or invest in infrastructural development. Council made an application for additional support for an investment programme and funding required for identified areas of financial shortfall. An additional \$570,000 has been received to assist with financial viability in 2020/21.
- The Waka Kotahi New Zealand Transport Agency (NZTA) reimburses part of the Council's costs for maintaining the local roading infrastructure. The reimbursement from NZTA is for costs already incurred, with no unfulfilled conditions or other contingencies relating to the reimbursements. The current level of support provided by NZTA is at 88% of actual costs incurred. There is a shortfall of approximately \$500,000 per annum related to roading works and the NZTA subsidy received. Council currently fund the NZTA shortfall from reserves; which further draws on Council's cash liquidity.

## 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 10 for the year ended 30 June 2020 (as at 30 June 2019, 10). 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 2019/20	Actual 2018/19
Monique Croon	Mayor	41,309	16,220
Alfred Preece	Mayor until October	17,067	51,372
Gregory Horler	Deputy Mayor	15,041	-
Jeffery Clark	Deputy Mayor until October	7,141	21,181
Keri Day	Councillor	16,276	15,889
Celine Gregory-Hunt	Councillor	10,919	-
Graeme Hoare	Councillor	10,919	-
Richard Joyce	Councillor	16,382	16,211
Oscar Nilsson	Councillor	10,919	-
Amanda Seymour	Councillor	10,919	-
Jason Seymour	Councillor	16,285	16,498
Eoin Chisholm	Councillor - until October	-	1,377
Nigel Ryan	Councillor - until October	5,460	17,367
Eva Tuck	Councillor - until October	5,463	16,211
<b>Total Honoraria</b>		<b>184,101</b>	<b>172,326</b>

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 16.

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

The total remuneration of the Chief Executive for the year ended 30 June 2020 was \$196,003 (as at 30 June 2019 \$191,719).

**Other employee numbers and remuneration bands:**

As at 30 June 2020, the Council employed six full time and five full time equivalent employees (as at 30 June 2019, the comparative figures of employment were nine full time and three 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 with the next highest band.

Band	Actual 2019/20	Actual 2018/19
< \$59,999	5	8
\$60,000 - \$199,999	5	6
<b>Total</b>	<b>10</b>	<b>14</b>

**Severance payments**

For the year ended 30 June 2020, the Council made no severance payments outside normal contractual terms (for the year ended 30 June 2019, \$nil).

**NOTE 4: EXPENDITURE – OTHER SIGNIFICANT ITEMS:**

Included within expenditure are the following notable items:

Other Expenses	Actual 2019/20 \$000	Actual 2018/19 \$000
Audit fees - financial statements	76	73
Audit fees - other	-	-
Donations and grants	135	120
Bad debts	-	4
Lease expense	43	42
Interest expense	7	23

**NOTE 5: CASH AND CASH EQUIVALENTS**

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

	Actual 2019/20 \$000	Actual 2018/19 \$000
Cash at bank and on hand	32	24
Funds held in trust	19	36
Bank overdraft	(442)	(207)
<b>Total cash and cash equivalents</b>	<b>(391)</b>	<b>(147)</b>

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.

The Council's 2020/21 Annual Plan has forecasted a net closing cash overdraft (including investments and funds held in trust) of \$25,000. The Council's deteriorating cash position is primarily a result of Council electing to fund the difference between roading works and the New Zealand Transport Agency's (NZTA) 88% subsidy from cash reserves. The Council has an overdraft arrangement in place with its on-island banking facility to cover the forecast overdraft, which includes the ability to provide adequate security against any required short-term borrowing or increased overdraft limit.

The Council will continue to work with central Government agencies to negotiate additional financial support. However, given Council is reliant on external funding to meet operating requirements and the asset upgrade programme, Council's operating cash facility is likely to remain in overdraft.

**NOTE 6: OTHER FINANCIAL ASSETS**

The Council's investment programme is limited to holding term deposits with the on-island ANZ bank. Where the investment term exceeds three months, 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 (2018/19 \$1.2 million). Construction responsibilities have changed compared 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 2019/20 \$000	Actual 2018/19 \$000
Rates	82	116
Debtors <sup>1</sup>	862	639
Warm Homes loans advanced current	23	23
<b>Total current trade and other receivables</b>	<b>967</b>	<b>778</b>
Warm Homes loans advanced non-current	-	21
<b>Total Non-Current Trade and Other Receivables</b>	<b>-</b>	<b>21</b>
<b>Consisting of:</b>		
Receivables from non-exchange transactions <sup>2</sup>	944	755
Receivables from exchange transactions <sup>2</sup>	23	44

<sup>1</sup> Council has no impairment provision. The movement in the provision for the impairment of trade and other receivables for 2019/20 was nil (2018/19 nil).

<sup>2</sup> Non-exchange transactions includes outstanding amount for rates, grants, infringements, and fees and charges that are partly subsidised by rates. Exchange transactions includes outstanding amounts for commercial sales, and fees and charges that have not been subsidised by rates.



# Financial statements

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT

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

Actual 2019/20	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
<b>Operational Assets</b>									
Land	278	-	278	-	-	-	-	-	278
Buildings	1,490	(783)	707	2	(41)	(32)	-	(815)	636
Furniture and Fittings	129	(116)	13	-	-	(2)	-	(118)	11
Plant and Office Equipment	261	(177)	84	7	-	(18)	-	(195)	73
Vehicles	314	(131)	183	-	-	(27)	-	(158)	156
Parks and Reserves	99	(77)	22	-	-	(4)	-	(81)	18
<b>Total Operational Assets</b>	<b>2,571</b>	<b>(1,284)</b>	<b>1,287</b>	<b>8</b>	<b>(41)</b>	<b>(83)</b>	<b>-</b>	<b>(1,367)</b>	<b>1,172</b>
<b>Infrastructural Assets</b>									
Roading	77,329	(1,841)	75,488	2,885	-	(2,000)	-	(3,841)	76,373
Solid Waste	2,652	(117)	2,535	20	-	(122)	-	(239)	2,434
Storm Water	14	(11)	3	-	-	-	-	(11)	3
Sewerage	1,089	(61)	1,028	-	-	(61)	-	(121)	968
Water	1,723	(49)	1,674	-	-	(49)	-	(99)	1,624
Harbour	1,491	(37)	1,454	-	-	(37)	-	(73)	1,418
<b>Total Infrastructural Assets</b>	<b>84,298</b>	<b>(2,115)</b>	<b>82,183</b>	<b>2,905</b>	<b>-</b>	<b>(2,268)</b>	<b>-</b>	<b>(4,384)</b>	<b>82,820</b>
Work in progress	-	-	-	-	-	-	-	-	-
<b>Property, Plant and Equipment</b>	<b>86,869</b>	<b>(3,399)</b>	<b>83,470</b>	<b>2,914</b>	<b>(41)</b>	<b>(2,351)</b>	<b>-</b>	<b>(5,750)</b>	<b>83,991</b>

## CORE ASSETS 2019/20

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

Actual 2019/20	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
<b>Water</b>				
Treatment Plants and Facilities	357	-	-	603
Other Assets	1,267	-	-	1,697
<b>Sewerage</b>				
Treatment Plants and Facilities	435	-	-	1,175
Other Assets	532	-	-	992

## CORE ASSETS 2019/20 (CONTINUED)

Actual 2019/20	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
<b>Storm water</b>				
Storm Drainage	3	-	-	13
<b>Roads and Footpaths</b>				
Roads and Footpaths	76,373	2,885	-	100,625
<b>TOTAL</b>	<b>78,968</b>	<b>2,885</b>	<b>-</b>	<b>105,105</b>



**NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

Actual 2018/19	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
<b>Operational Assets</b>									
Land	271	-	271	7	-	-	-	-	278
Buildings	1,473	(754)	719	17	-	(29)	-	(783)	707
Furniture and Fittings	129	(109)	20	-	-	(7)	-	(116)	13
Plant and Office Equipment	244	(157)	87	17	-	(20)	-	(177)	84
Vehicles	249	(104)	145	65	-	(27)	-	(131)	183
Parks and Reserves	99	(73)	26	-	-	(4)	-	(77)	22
<b>Total Operational Assets</b>	<b>2,465</b>	<b>(1,197)</b>	<b>1,268</b>	<b>106</b>	<b>-</b>	<b>(87)</b>	<b>-</b>	<b>(1,284)</b>	<b>1,287</b>
<b>Infrastructural Assets</b>									
Roading	74,775	-	74,775	2,554	-	(1,841)	-	(1,841)	75,488
Solid Waste	2,436	0	2,436	216	-	(117)	-	(117)	2,535
Storm Water	14	(11)	3	-	-	-	-	(11)	3
Sewerage	1,089	0	1,089	-	-	(61)	-	(61)	1,028
Water	1,723	0	1,723	-	-	(49)	-	(49)	1,674
Harbour	1,491	0	1,491	-	-	(37)	-	(37)	1,454
<b>Total Infrastructural Assets</b>	<b>81,528</b>	<b>(11)</b>	<b>81,517</b>	<b>2,770</b>	<b>-</b>	<b>(2,104)</b>	<b>-</b>	<b>(2,115)</b>	<b>82,183</b>
Work in progress	-	-	-	-	-	-	-	-	-
<b>Property, Plant and Equipment</b>	<b>83,993</b>	<b>(1,208)</b>	<b>82,785</b>	<b>2,876</b>	<b>-</b>	<b>(2,191)</b>	<b>-</b>	<b>(3,399)</b>	<b>83,470</b>

**CORE ASSETS 2018/19**

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

Actual 2018/19	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
<b>Water</b>				
Treatment Plants and Facilities	368	-	-	603
Other Assets	1,306	-	-	1,697
<b>Sewerage</b>				
Treatment Plants and Facilities	463	-	-	1,175
Other Assets	566	-	-	992

**CORE ASSETS 2018/19 (CONTINUED)**

Actual 2018/19	Closing Book Value \$000	Additions \$000	Vested \$000	Replacement Cost \$000
<b>Storm water</b>				
Storm Drainage	3	-	-	13
<b>Roads and Footpaths</b>				
Roads and Footpaths	75,488	2,554	-	95,186
<b>TOTAL</b>	<b>78,194</b>	<b>2,554</b>	<b>-</b>	<b>99,666</b>

# Financial statements

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Insurance of Assets	Actual 2019/20 \$000	Actual 2018/19 \$000
Total value of assets covered by insurance contracts	2,658	2,790
The maximum amount to which assets are insured under Council insurance policies	6,429	6,429

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 New Zealand Transport Agency funded roading programme. No property, plant and equipment is pledged as security for liabilities. There are no restrictions over the title of these assets.

### Asset investment

Our 2018-28 Long-Term Plan highlighted \$1.2 million in critical repairs required to our assets over the 10-year period of the plan. The level of assessed critical repairs assumed a proposed \$3 million upgrade to the Waitangi water treatment plant would be completed. With no external funding commitment, Council was unable to invest in these improvements, resulting in the upgrade at Waitangi being further deferred. Consequently, the repairs to our infrastructure are likely to be higher, to retain a status quo level of service. With the Council unable to invest in on-island infrastructure, the asset quality is likely to deteriorate over time. In addition, this reduces the quality of service that we can offer to our residents and increases the risk of asset failure.

## 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 2019/20 \$000	Actual 2018/19 \$000
<b>Payables under exchange transactions</b>		
General Creditors	2,206	1,896
<b>Payables under non-exchange transactions</b>		
Revenue in Advance	1,126	1,076
<b>Total Payable</b>	<b>3,332</b>	<b>2,972</b>

The Council received a grant from the Ministry of Culture and Heritage of \$1 million dollars to assist in funding construction of the museum within the new Council office and community complex, currently held as revenue in advance. The Council is working with an on-island organisation to lease a purpose built facility, in partnership with the Chatham Islands Enterprise Trust. It is intended the grant will be applied to the museum part of the proposed complex.



#### 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 2019/20 \$000	Actual 2018/19 \$000
Annual leave	66	81
Accruals for employment benefits	45	7
<b>Total Employment Benefit Liabilities</b>	<b>111</b>	<b>88</b>

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

#### NOTE 11: 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 buildings 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 12: PROVISIONS

A provision for the future costs of closing our 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, with the site at Kaingaroa remediated during the year. The remaining closing costs are expected to occur imminently, now that the new transfer stations and landfill site have been opened. Consequently, closure costs have been re-estimated in light of current indicative costs to remediate the land and other available best practice 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 2019/20 \$000	Actual 2018/19 \$000
<b>Landfill post closure costs</b>		
Opening balance	88	93
Movement in provision	(68)	(5)
<b>Closing balance</b>	<b>20</b>	<b>88</b>
Consisting of:		
Current	20	88
Non-current	-	-
<b>Pitt Island Barge Society</b>	<b>25</b>	<b>25</b>
<b>Total provisions</b>	<b>45</b>	<b>113</b>

# Financial statements

## 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.

### 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. This reserve is now closed.

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. This reserve is now closed.

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

## NOTE 13: EQUITY (CONTINUED)

Equity reserves include the following notable funds:

	Actual 2019/20 \$000	Actual 2018/19 \$000
<b>General Funds</b>		
Opening Balance	16,814	16,320
Plus Net Surplus for the Year	270	466
Adjust for transfer (to)/from other reserves	-	28
<b>Closing Balance</b>	<b>17,084</b>	<b>16,814</b>
<b>Emergency Services Reserve</b>		
Opening Balance	250	250
Adjust for transfer (to)/from other reserves	-	-
<b>Closing Balance</b>	<b>250</b>	<b>250</b>
<b>Mayoral Relief Reserve</b>		
Opening Balance	25	25
Adjust for transfer (to)/from other reserves	-	-
<b>Closing Balance</b>	<b>25</b>	<b>25</b>
<b>Te Whanga Reserve</b>		
Opening Balance	-	(3)
Adjust for transfer (to)/from other reserves	-	3
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>Burial Register Reserve</b>		
Opening Balance	-	31
Adjust for transfer (to)/from other reserves	-	(31)
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>Assets Revaluation Reserve</b>		
Opening Balance	65,039	65,039
Revaluations/Impairments	-	-
<b>Closing Balance</b>	<b>65,039</b>	<b>65,039</b>
<b>Total Equity at End of Year</b>	<b>82,398</b>	<b>82,128</b>

**NOTE 14: 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 2019/20 \$000	Actual 2018/19 \$000
Not later than 1 year	43	43
Between 1 and 5 years	181	178
More than 5 years	393	451
	<b>617</b>	<b>672</b>

The Council has no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2020 (as at 30 June 2019, nil).

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

**NOTE 15: STATEMENT OF CONTINGENCIES**

Council has changed how vehicles are used by staff, which may result in staff receiving a personal benefit. If so, Council may be required to pay Fringe Benefit Tax (FBT) to the IRD. We are in the process of seeking advice on the matter, and if the qualifying criteria is met, Council will make a voluntary disclosure to the IRD. Such a payment may cover current and previous periods, with potentially interest and penalty payments applied.

With this exception, the Council is not aware of any other contingent assets or liabilities as at 30 June 2020, for Council or any associates, as at 30 June 2019, nil.

**NOTE 16: RELATED PARTY TRANSACTIONS**

Related parties comprise of entities Council has control or significant influence over and key management personnel, including the Mayor, Councillors and the Chief Executive.

Council has entered into transactions with related entities 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 one staff member, at a market based rental rate as approved by Council.

**NOTE 17: GOING CONCERN**

Central Government funding comprises approximately 85% of Council's total funding. The majority relates to the annual Crown contribution and the New Zealand Transport Agency (NZTA) subsidy for on-island roading works.

The NZTA subsidy rate is set at 88% of roading expenditure. The Council has self-funded this funding difference of approximately \$500,000 per annum. As the Council has minimal cash reserves, this has resulted in the Council going further into overdraft and creditor payment terms being extended.

Financial support in the form of the annual Crown appropriation has historically not been adjusted for inflation or increased to reflect additional legislative requirements, expected levels of service or asset upgrades. The financial impact is that Council is expected to do more year-on-year with comparatively less funding.

The central Government appropriation for the 2020/21 financial year will include an additional \$570,000 to assist Council with its ongoing financial viability. This additional contribution will allow Council to fully cover our annual roading works programme and investigate funding options to support prioritised capital investment. We note the increased contribution is insufficient to cover all our capital and legislative obligations. Therefore, it is likely some projects will be delayed until further funding can be assured, meaning Council may be in non-compliance with its legislative requirements or service experienced on-island may remain below that of comparable levels in rural New Zealand.

Whilst these factors have all had a detrimental impact on the Council's cash position, the accounts have been prepared on a going concern basis as there are currently overdraft facilities in place with the island bank to cover the expected cash movement for the 2020/21 financial year and Council receives more than the previous level of support. The Council will continue to work with central Government agencies to negotiate additional financial support and improve the cash position.

Given the above, the going concern assumption has been considered in preparing the financial statements for the year ended 30 June 2020 and is assessed as appropriate. The financial statements have therefore been prepared using the going concern assumption.

#### NOTE 18 - THE EFFECTS OF COVID-19 ON THE COUNCIL

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 as a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May 2020.

During this period, the Council closed the office and waste management sites. Most staff moved to a "work from home" model, except for our emergency support workers, who moved to focus on our COVID-19 emergency response.

While lockdown prevented delivery of on the ground services, our staff were able to maintain near normal productivity while working from home, progressing strategic and operational planning ready for when restrictions eased and answering customer enquiries by phone or email. Our roading and biosecurity work was impacted for seven weeks, resulting in setbacks in these roading and biosecurity work programmes along with our environmental and compliance monitoring programmes.

We incurred additional costs of approximately \$70,000 purchasing food and wood (as a source of heating) for those identified as vulnerable within our community, who were unable to access such resources themselves or through other forms of community support. These increased costs have been recovered by way of a grant from the National Emergency Management Agency, noting the grant does not cover our additional labour costs of approximately \$25,000 which the Council has covered. Council employed new staff specifically to support our COVID-19 response, which this increased wage estimate relates to. After 13 May, the Council has returned to a relatively 'normal' operating situation.

The actual effect on our operations has been incorporated into our financial statements. Due to uncertainties related to the on-going effect of COVID-19, no future impact valuation has been completed. Any impact is unlikely to be financially significant to the Council and based on previous practice, is likely to be relatively cost neutral to the Council, with expenditure being substantially subsidised by way of a central Government grant. Except for the additional COVID-19 response grant received from the National Emergency Management Agency, there has been no impact on our grant income for the 2019/20 financial year. Council has been fortunate to receive additional funding for the next financial year from the Department of Internal Affairs as part of the annual appropriation, the Provisional Growth Fund and the Ministry of Health for various initiatives, which are unrelated to any COVID-19 recovery packages. In addition, as part of the Jobs for Nature COVID-19 recovery package \$5 million over four years has been allocated to the Chatham Islands. This programme will be administrated on-Island by the Department of Conservation as part of a local alliance, with the Council as a participant.

There has been a minor impact on the level of service we provide our community due to the impact of COVID-19. Our roading work was delayed during the period of lockdown, but this work was prioritised during level 3, so was completed within the financial year and agreed project delivery timeframes.

Our water services required a boil water notice to be issued in Kaingaroa, which was prolonged due to COVID-19 restrictions. Our waste services were deemed an essential service with our transfer stations continuing to operate over the period of lockdown. Some training exercises or inspections were not able to be completed due to the COVID-19 lockdown or in relation to Emergency Management, staff time being prioritised on the COVID-19 response. Further elaboration on the impact of COVID-19 on our performance targets achievement are explained in the relevant activity sections of our annual report.

An impairment assessment has been completed for our property, plant and equipment assets. The result of this assessment was that there was no significant loss in valuation nor any impairment loss recognised in relation to COVID-19 impacts.

Rate movements for the 2020/21 period are based on inflation estimates prior to COVID-19. Council elected to not adjust this rate due to concerns over the accuracy associated with estimating any inflationary adjustment and uncertainties related to the impact on the economy. It is likely any impacts will be incorporated into future inflationary assumptions from the 2021/22 rating year. Ratepayers significantly impacted by COVID-19 are able to access support through the rates rebate scheme. Council does not expect there to be a significant impact on the level of collectability of their rates.

#### NOTE 19: PRIOR PERIOD ADJUSTMENT:

The Council has adjusted its comparative year financial statements for the year ended 30 June 2019 as the financial statements for the 2018/19 financial year excluded \$766,000 in depreciation expense on Council's revalued roading assets. Council's financial reporting system calculated an amount differing from that estimated by Council's infrastructural engineers. These drivers have been corrected within the system.

The adjustment has impacted the 2018/19 comparative balances for: depreciation expenditure, operating surplus, property plant and equipment and equity.

An adjustment has been applied in these financial statements to all affected prior period comparative balances, including the note disclosures. A summary of these differences is outlined in the table below:

	Before adjustment 2018/19 \$000	Correcting adjustment \$000	After adjustment \$000
Depreciation expense	1,544	766	2,310
<b>Surplus/deficit</b>	<b>1,113</b>	<b>(766)</b>	<b>347</b>
Property, plant & equipment	84,117	(766)	83,351
<b>Equity – Accumulated funds</b>	<b>82,775</b>	<b>(766)</b>	<b>82,009</b>

**NOTE 20: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET**

Explanations for major variations from the Council's budget figures in its 2019/20 Annual Plan are as follows:

**Statement of comprehensive revenue and expense**

Grants and subsidies received in year, were \$0.8 million less than expectation. Budgeted support for capital development projects was not forthcoming during the year. Specifically, the sludge lagoon project, with an estimated cost of construction of \$0.7 million. Here the Ministry of Health provided support for a portion of the project. However, full funding was not secured and Council has elected to defer construction on this project pending a scope review. Council has renegotiated funding from the Ministry of Health to instead be directed towards critical repairs of Council's water and wastewater assets.

**Statement of financial position**

Cash investments are higher than budget by \$1.2 million, primarily as the budget assumed a grant to assist with the construction of the museum element of the Council offices and community complex would be utilised. Council is 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.

Trade and other payables exceed budget by \$2.7 million. 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). The remainder reflects the Council's tight cash operating situation, and 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.

**NOTE 21: 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.



# Financial statements

## Financial prudence graphs

Annual Report disclosure statement for the year ended 30 June 2020

### What is the purpose of this statement?

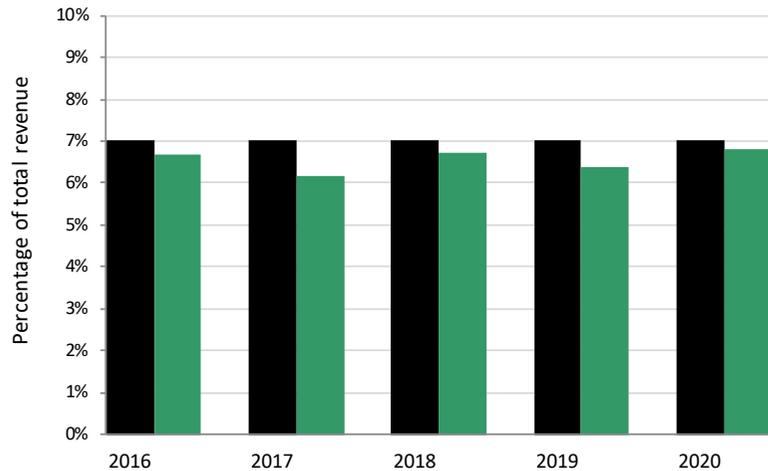
The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (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

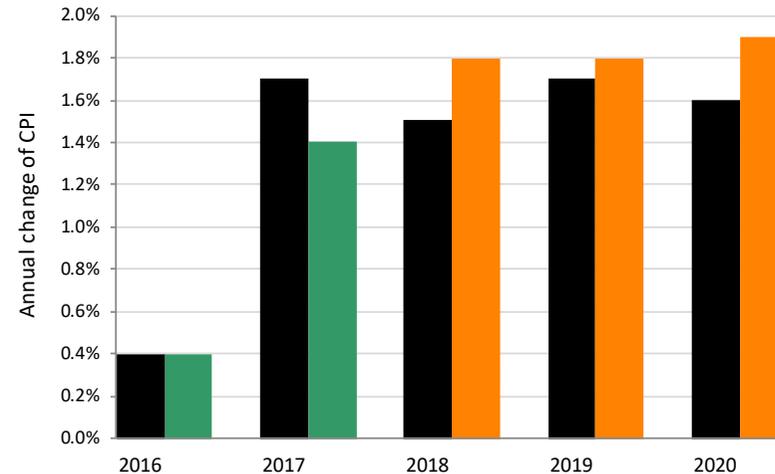
The following graph compares the Council's planned rates income with a quantified limit on rates contained in the financial strategy included in the 2018-28 Long-Term Plan. The quantified limit is 7% of total revenue.



- Actual rates income (exceeds limit)
- Actual rates income (at or within limit)
- Quantified limit on rates income

#### 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.



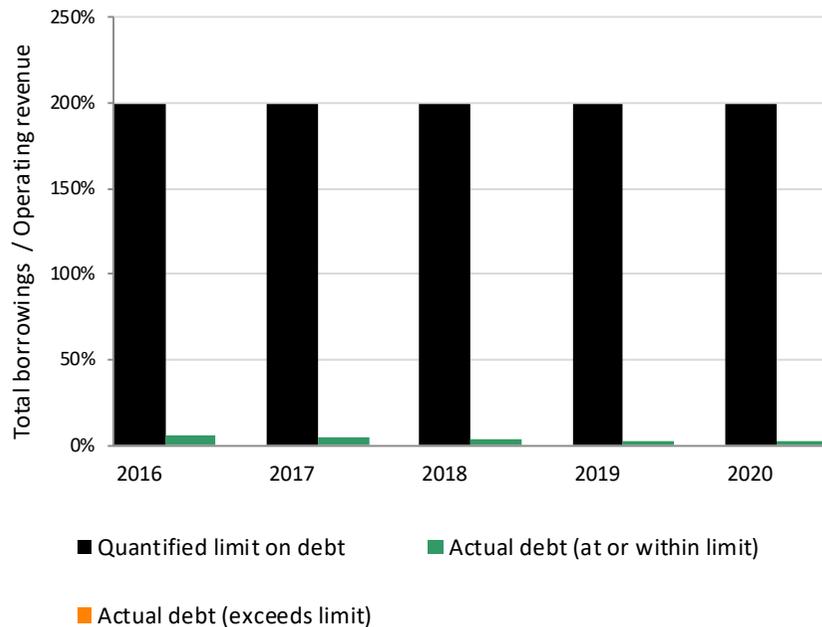
- Actual rates increase (exceeds limit)
- Actual rates increase (at or within limit)
- Quantified limit on rates increase



### Debt affordability benchmark

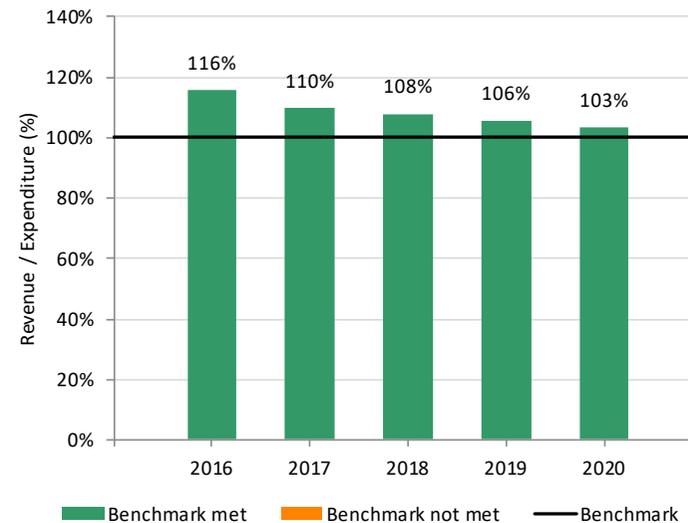
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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 2018-28. The quantified limit is that total borrowings will not exceed 200% of operating revenue.



### Balanced budget benchmark

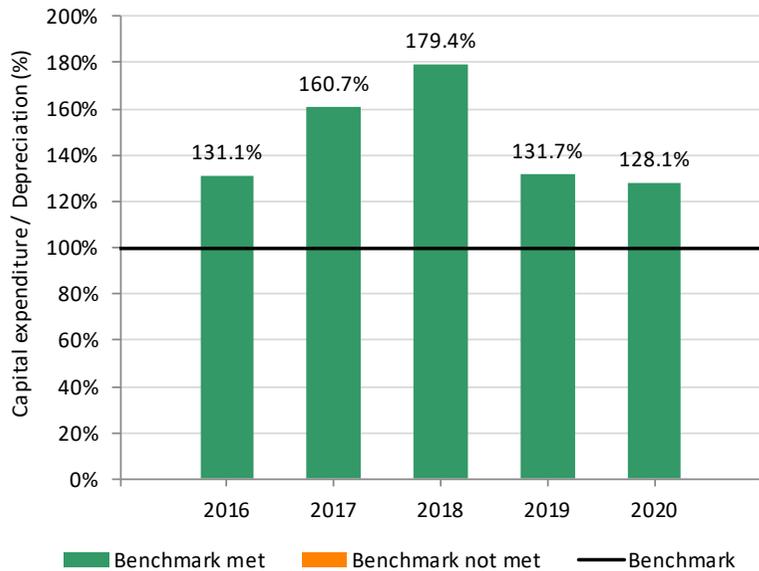
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial 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

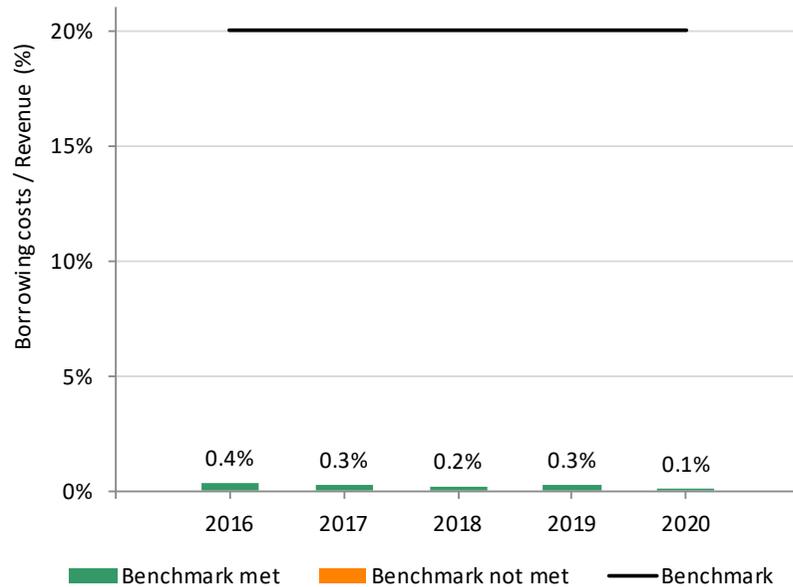
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## 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 20% of its revenue defined as above.

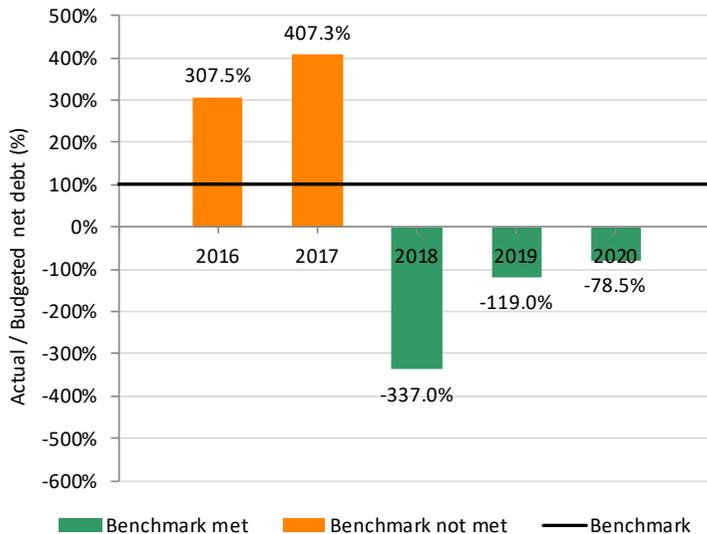




### Debt control benchmark

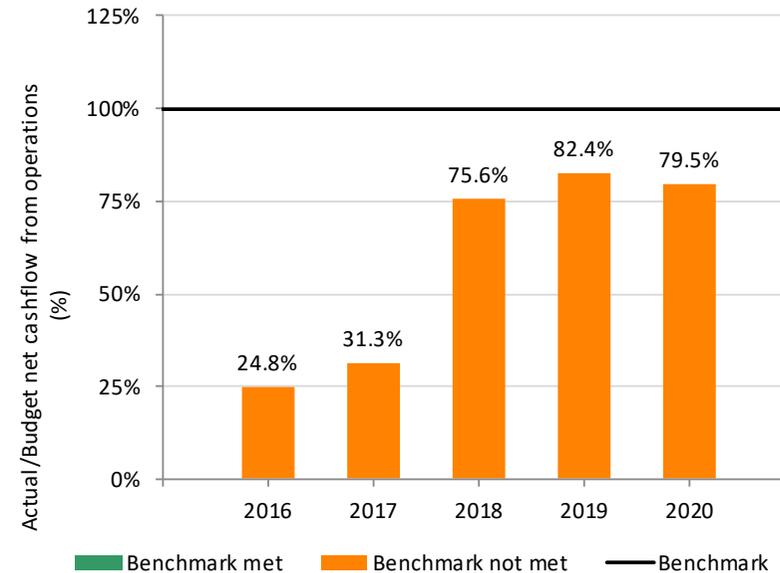
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement net debt means financial liabilities less financial assets (excluding trade and other receivables).

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 the islands' 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 2018-28 identified the following aspirations for our democratic functions:

- Economic wellbeing, growth builders: A community that promotes economic development for its fishing, farming and tourism industries
- Environmental wellbeing, sustainable action: An enterprising and innovative community that promotes partnerships with leading organisations
- Cultural wellbeing, embracing diversity: A culturally enriched community that acknowledges and values the importance of tchakat henu/tangata whenua as an integral part of our community.

#### **Effects that our democracy services activity has had on our well-beings:**

**Economic - development of 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. To become more financially independent requires further investment, promotion and development of our key industries in fishing, farming and tourism as a Council, we have proactively supported development of identified initiatives.

**Economic - building partnerships and advocating for our community:** The Council continues to maintain a sound working relationship with the Chatham Islands Enterprise Trust and employs a collective island approach to address sustainability of our island along with other government departments. Advocacy is important to our island economically as it makes us more accessible; we are working with our partners to secure funding that will benefit the island as a whole economically, through improved information technology services and securing more transportation options, through an improved airport runway.

**Cultural - 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.

**Cultural – acknowledging and valuing the importance of tangata whenua:** Ensuring the principles of the te riri o Waitangi/treaty of Waitangi are recognised, strengthened and maintained.

**Social - 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 last local election was held in October 2019.

During this year, the Council adopted the 2020/21 Annual Plan, that provides a platform for meaningful engagement with the community. With the exception of uncertainty surrounding our level of funding; there was no significant difference between our budget and that recorded in the third year of our 2018-28 Long-Term Plan. Consequently, further consultation was considered unnecessary, although information acknowledging our funding reliance and uncertainties was widely distributed.

The Council informs the community about our decision-making and activities through our website, Facebook page, the community e-list and other publications such as Council agendas 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.



# Service performance summaries

## 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.

Targets	Measure	Result for 2019/20
Residents feel confident that Council decisions are made in the best interests of the community.	85% of residents are confident or very confident* that Council decisions are made in the best interests of the community.	<p><b>NOT ACHIEVED</b></p> <p>In 2019/20 the Annual Public satisfaction survey showed 54% of the residents agreed that Council decisions are made in the best interests of the community. A survey was not undertaken in 2018/19. The 2017/18 survey showed a result of 59% for this question. Through this year's survey it has been recognised that more transparency and better communication is needed. This will be the focus in two key portfolio's - imi/iwi relationships and the Community portfolios. Council has followed an appropriate decision making process by:</p> <ul style="list-style-type: none"> <li>• Circulating Council meeting agendas which are available on the Council website five working days before the meeting date</li> <li>• Advertising public meetings in our two local media and Council maintains a complaints and enquiries register.</li> </ul>

Targets	Measure	Result for 2019/20
Council engages and connects with the communities it serves	80% of residents consider the information supplied by Council to be sufficient (i.e. enough or more than enough) as measured by the annual residents' survey.	<p><b>NOT ACHIEVED</b></p> <p>In 2019/20 the Annual Public satisfaction survey showed 56% of residents consider the information supplied by Council to be sufficient. There is no prior year comparative as it was a new measure in 2018/19 and the satisfaction survey was not undertaken last year. Council will discuss with the community the best way to supply the appropriate level of information to them going forward with an aim of meeting the 80% target next year. COVID-19 disrupted our communications plan to our citizens. Our Emergency Management team supplied regular updates to the community through Facebook messaging as well as the volunteer Area Coordinators speaking to the community. One Council meeting was deferred due to COVID-19. Two Council meetings occurred with three Councillors in the Chambers and the other Councillors joining via teleconference. Council will discuss with the community the best way to supply the appropriate level of information to them going forward with the aim of meeting the 80% target next year.</p>

\*measured by annual survey, on a scale of very confident, confident, unconfident, very unconfident

## Looking ahead – key projects

- The Council will continue to work with central Government to secure future funding support so that the Council can meet its statutory responsibilities, further enabling a sustainable future for our 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 Moriori 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 firefighting 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 2018-28 identified the following aspirational outcomes for infrastructure services:

- Economic wellbeing, growth builders: An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries and has access to reliable transportation services.
- Environmental wellbeing, sustainable action: An environmentally conscious community that protects, sustains and enriches the environment for future generations.

#### **Effects that our infrastructure services activity has had on our well-beings**

**Economic - access to quality infrastructure:** The Waste Management Strategy has been completed with the establishment of the waste recovery and processing building. This year focused on providing further education about waste sorting and closing/rehabilitation of the old dump sites. As a Council we continue to support and facilitate development of our infrastructure that is future focused, is of a comparable level of service to mainland New Zealand and can accommodate expected economic growth.

**Social - 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.

**Environmental - a safe and secure community:** Water scheme upgrades for Owenga, Waitangi, Kaingaroa 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, Kaingaroa, Te One and Owenga. Roading work during the year, has continued to focus on minimising road accidents, through public awareness campaigns and improving the condition of our roads.

**Environmental – protecting, sustaining and enriching our environment for future generations:** 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 with legislation. 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 other infrastructure 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.

## Roading

Targets	Measure	Result for 2019/20
Residents are satisfied with the standard of chip-sealed road network	75% of residents are satisfied or very satisfied* with chip-sealed road network.	<b>NOT ACHIEVED</b> The Annual satisfaction survey for 2019/20 showed 55% of residents were satisfied with the chip-sealed roads. There was no survey undertaken in 2018/19 but in 2017/18, 59% of residents expressed satisfaction with our chip sealed roads.  Council also monitors satisfaction with our roads by: <ul style="list-style-type: none"> <li>• Maintaining and monitoring a complaints and enquiries register.</li> <li>• Council receives monthly reports from its roading contractor and roading engineers.</li> </ul> Any updates or important information regarding our roading network is communicated through social media and newsletters.
Residents are satisfied with the standard of the unsealed road network	75% of residents are satisfied or very satisfied* with the unsealed road network.	<b>NOT ACHIEVED</b> The annual satisfaction survey for 2019/20 year had 46% of residents expressing satisfaction with the unsealed road network. There was no survey undertaken in 2018/19. In 2017/18, 20% of residents expressed satisfaction with unsealed road network. Council is pleased with the increased level of satisfaction but will continue to work on increasing this level to 75%. There were no interruptions to this work due to COVID-19.
Roads are safe.	Less than two fatalities or serious injury crashes on the road network per year.	<b>ACHIEVED</b> No fatal or serious injury crashes were reported during 2019/20. This is consistent with the 2018/19 year which had no motor vehicle incidents causing death or serious injury. Road safety promotion in the 2019/2020 year has been limited due to COVID-19 and a staff restructure.

Targets	Measure	Result for 2019/20
Quality road condition	The average quality of ride on the sealed network and unsealed network to be less than 105 and 160 roughness respectively, as per the NAASRA Road Classification System <sup>1</sup>	<b>ACHIEVED</b> The ride quality was rated as “good” with the average NAASRA Road Classification System rating in the 2019/20 year assessed as 70 for sealed roads and 85 for unsealed roads. The NAASRA measures the roughness of the gravel on the road. The 2018/19 year had a rating of 64 for sealed roads and 131 for unsealed
Sufficient road maintenance	The percentage of the sealed local road network that is resurfaced, is above 5% of the sealed networks.	<b>ACHIEVED</b> 2019/20 was a sealing and rehabilitation year for the local road network which occurs every three years as part of the roading planning cycle. As a result, 53% of the sealed network received a new seal coat. The bulk of resealing work conducted (85%) was applying a subsequent seal one year after the initial work to ensure the surface remains waterproof for longer. This work was delayed due to COVID-19 but completed by 30 June 2020. This applied to the large quantity of sealed rehabilitations from 2016/17 and the Memorial Park Alliance rehabilitations of 2017/18. The remaining 15% was sealing of new rehabilitations. There was no road resurfacing performed in 2018/19.
Footpaths are maintained	100% of footpaths are maintained in accordance with the roading maintenance contract specifications.	<b>ACHIEVED</b> 100% of footpaths were maintained in accordance with the Council's roading and maintenance specifications. In 2018/19 100% of the footpaths were maintained in accordance with the specifications.
Respond to service requests in a timely manner	Council will respond to 100% of customer service requests relating to roads and footpaths within five working days.	<b>ACHIEVED</b> 100% (6) of customer service requests relating to roads and footpaths were passed through to the contractor, who responded to all within two days or less. This compares favourably to 2018/19 when one customer service request was not responded to within five working days.

\*measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied

<sup>1</sup> National Association of Australia State Road Authorities



## Solid waste management and minimisation

Targets	Measure	Result for 2019/20
Respond to written requests or complaints in a timely manner	100% of complaints are responded to within five working days of notification.	<b>ACHIEVED</b> In the 2019/20 financial year, two complaints were received. Both complaints had been addressed within five working days. In 2018/19 no complaints had been received.
Residents are satisfied with the landfill and recycling service and ease of use	75% of residents are satisfied or very satisfied* with the landfill and recycling service and ease of use.	<b>ACHIEVED</b> In 2019/20 54% of the residents who completed the annual satisfaction survey were satisfied with the landfill and recycling services. This was a new measure in 2018/19 but due to no survey being conducted in that year there is no comparative data. Council staff have worked closely with the Ministry for the Environment team to develop strategies to record waste accurately and to reduce the negative impact that waste has on the Island. During the COVID-19 lockdown the transfer stations continued to remain open.
Waste minimisation activities and services are effective	There is a reduction in waste going to landfill per annum.	<b>NOT ACHIEVED/MEASURED</b> This measure was not assessed during 2019/20 due to resource availability and the focus being on building the new Owenga landfill. This measure was new in 2018/19 but was not measured. 2020/21 will be the first year to measure this target. The new Owenga landfill will be commissioned before Christmas. Our residents will see a decrease in plastic rubbish bags at the current refuse site. The ability to separate waste types such as tins, aluminium, and to put plastic into bails is helping to minimise our waste footprint. Being able to ship large amounts of metal off the Island is still a key strategy for Council.
Residents are aware of waste management services provided by Council and how to use them	Minimum of quarterly communication and engagement activities relating to waste management.	<b>ACHIEVED</b> Regular communications relating to solid waste management and minimisation activities and projects are circulated in the Chatham Islands Community Focus Trust weekly newsletters, the monthly Chatham Islander magazine, the quarterly Council newsletter 'Uniquely Chathams' and on our Facebook page. Each of the three transfer stations will have employees working there to help residents unload rubbish and educate them on the significance of separating recyclables. This communication is consistent with 2018/19.

\*measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied

## Water supply

Targets	Measure	Result for 2019/20
Residents connected to a water scheme are satisfied with the service	80% of residents connected to a water scheme are satisfied or very satisfied* with the service.	<b>NOT ACHIEVED</b> The 2019/20 annual satisfaction survey shows only 36% of residents who are connected to a water scheme are satisfied. There was no survey conducted in 2018/19. In 2017/18, 67% of residents expressed satisfaction with our water supply service. This decrease in satisfaction is a realistic result. This year Council signed a Memorandum of Understanding and a funding agreement with Government for the Three Waters reform programme. Council also received some funding from the Ministry of Health to go towards the waste water plant and update the Tikitiki drinking water supply.
Water is potable	No temporary advisory notices issued to boil water – as issued in consultation with the Ministry of Health.	<b>NOT ACHIEVED</b> Two temporary boil water notices were issued in 2019/20. One in Waitangi for February to March 2020 and one in Kaingaroa for March to June 2020, prolonged in part due to COVID-19 restrictions.  This is consistent with 2018/19, which also had two notices.  Council continues to seek funding to mitigate the need for notices. The Three Waters reform programme will help with the funding needed to improve the water quality in Kaingaroa to help mitigate further boil notices.
Water is safe to drink	Council's drinking water complies with: <ul style="list-style-type: none"> <li>Part 4 of the drinking water standards (bacteria compliance criteria)</li> <li>Part 5 of the drinking water standards (protozoal compliance criteria)</li> </ul>	<b>NOT ACHIEVED</b> In 2019/20 water supplies were not fully compliant with drinking water standards. Distribution zone compliance was achieved, except when boil water notices were in place.  This is consistent with 2018/19.  Council continues to seek funding to achieve compliance.
The reticulation network is maintained	The percentage of real water loss from the Council's networked reticulation system does not exceed 20%.	<b>ACHIEVED</b> Information not collected this year. However, no incidences of water loss were reported that exceeded 20%. This is consistent with the 2018/19 financial year.

## Service performance summaries

Targets	Measure	Result for 2019/20
Respond to faults in a timely manner	<p>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> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<p><b>ACHIEVED</b></p> <p>The following median response times were measured:</p> <ul style="list-style-type: none"> <li>All issues (two in total) were resolved within eight hours.</li> <li>No urgent call-outs had occurred during the year.</li> <li>No non-urgent call-outs were received.</li> <li>No resolution to non-urgent call-outs required.</li> </ul> <p>This is consistent with 2018/19 financial year.</p>

Targets	Measure	Result for 2019/20
Residents are satisfied with drinking water	<p>The total number of complaints received by Council about any of the following:</p> <ul style="list-style-type: none"> <li>Drinking water clarity</li> <li>Drinking water taste</li> <li>Drinking water odour</li> <li>Drinking water pressure or flow</li> <li>Continuity of supply</li> <li>Council's response to any of these issues Does not exceed five complaints per year.</li> <li>5% of properties connected (a percentage has been used as the scale of the Council coverage (the number of connections) is below the per 1,000 mandatory measure).</li> </ul>	<p><b>ACHIEVED</b></p> <p>No complaints were received in the 2019/20 financial year, which is consistent with the 2018/19 financial year.</p> <p>Council continues to seek funding to improve the reliability of its drinking water supply in terms of quantity and quality. Many residents expressed concern about the water shortages, although no official complaints were received in writing. Historic and current trends indicate for the January to March period dry weather conditions result in critical water shortages requiring urgent water conservation measures to be imposed at Waitangi and across the island. A fill tank was set up in Waitangi in January 2019 for residents to access water and was restricted to urgent domestic use only. Council is considering sustainable solutions to mitigate or resolve the issues associated with water shortages, including seeking funding to improve the reliability of its drinking water supply in terms of quantity and quality. Unfortunately, given the Council's financial position, we are constrained in improving our infrastructure. Consequently, Council is unable to guarantee continuity of water supply and the level of service experienced by our residents is unlikely to improve. The trend of increasing tourist numbers during summer will further exacerbate and put pressure on the current water supply.</p>
Demand is managed	<p>The average consumption of drinking water per day per resident, within the territorial authority district, is less than 500L/person/day.</p>	<p><b>ACHIEVED</b></p> <p>In Waitangi, average annual usage was 340L/person/day and in Kaingaroa annual usage was 230L/person/day in the 2019/20 financial year. This is similar to 2018/19, where usage was 330L/person/day in Waitangi and 280L/person/day in Kaingaroa.</p>



## Storm water

Targets	Measure	Result for 2019/20
Storm water management is adequate	The number of flooding events that occur in a territorial authority district does not exceed two per year. For each flooding event, the number of habitable floors affected does not exceed two per year. And 5% of properties connected (a percentage has been used as the scale of the Council coverage (the number of connections) is below the per 1,000 mandatory measure).	<b>ACHIEVED</b> No flooding events occurred. This is consistent with that of the 2018/19 financial year.
Storm water discharge is compliant with our Resource Management Plan	Compliance with Council's resource consents for discharge from its storm water management is measured by the number of: <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions</li> <li>• Non-compliance reports these should not exceed three events per year.</li> </ul>	<b>ACHIEVED</b> No discharge notices issued, or other non-compliance event identified in 2019/20 financial year. This is consistent with that of the 2018/19 financial year.
Respond to flooding events in a timely manner	The median response time to attend a flooding event, measured from the time that Council receives notification to the time that the service personnel reach the site, will not exceed two hours.	<b>ACHIEVED</b> No flooding events occurred in the 2019/20 financial year. This is consistent with that of the 2018/19 financial year.

Targets	Measure	Result for 2019/20
Residents are satisfied with storm water management	The number of complaints received by Council about the performance of its storm water management does not exceed five per year. 5% of properties connected (a percentage has been used as the scale of the Council coverage (the number of connections) is below the per 1,000 mandatory measure).	<b>ACHIEVED</b> No complaints were received in 2019/20. A joint committee must now agree to open Te Whanga as set out in Section 4.2.2.1(iii) of the Chatham Islands Resource Management document. This compares to three complaints received in the 2018/19 financial year relating to the high levels of Te Whanga.

# Service performance summaries

## Sewerage

Targets	Measure	Result for 2019/20
Residents are satisfied with the wastewater system	75% of residents are satisfied or very satisfied* with the wastewater system.	<p><b>NOT ACHIEVED</b></p> <p>In 2019/20, 40% of the residents who responded to the annual satisfaction survey are satisfied with the wastewater system. Of the 40% of respondents, there were 57% that recommended Council should focus on improving sewage treatment and disposal. Council monitors satisfaction with our wastewater system by:</p> <ul style="list-style-type: none"> <li>• Maintaining and monitoring a complaints and enquiries register. In 2018/19 one complaint was received regarding the wastewater system.</li> <li>• Council receives monthly reports on its wastewater system from its environmental engineers, with no issues of note to report.</li> </ul> <p>Monthly reports on wastewater system are in the monthly council meeting agenda which are available on Council's website.</p> <p>Council has received funding from the Ministry of Health to complete maintenance projects on the wastewater system as well as funding from the Government's Three Waters reform programme. The maintenance is largely capital expense items that are needed for the waste water system.</p> <p>An annual survey was not undertaken in 2018/19. This was a new measure in 2018/19.</p>
Residents are satisfied with the wastewater system	<p>The total number of complaints received by Council about any of the following:</p> <ul style="list-style-type: none"> <li>• Sewage odour</li> <li>• Sewerage system faults</li> <li>• Sewerage system blockages</li> <li>• Council's response to any of these issues does not exceed 2% of properties connected<sup>^</sup>.</li> </ul>	<p><b>ACHIEVED</b></p> <p>No complaints regarding the sewage received in the 2019/20 financial year.</p> <p>This is consistent with 2018/19 financial year when no complaints were received.</p> <p>Council continues to seek funding to carry out remedial works to maintain an appropriate level of service.</p>

\*measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied

<sup>^</sup> a percentage has been used for the scale of the Council coverage as the number of connections are below the mandatory measure scale of 1,000 connections

Targets	Measure	Result for 2019/20
System is adequate	The number of dry-weather sewerage overflows from the sewerage system is less than five per year. 5% of properties connected <sup>^</sup>	<p><b>ACHIEVED</b></p> <p>In the 2019/20 financial year there was no sewage overflow in the year, and 0% of properties connected. This is consistent with the 2018/19 financial year.</p>
Wastewater discharge is compliant	<p>Compliance with resource consents for discharge from sewerage system as measured by the number of:</p> <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions</li> </ul> <p>These should not occur more than twice per year.</p>	<p><b>ACHIEVED</b></p> <p>In 2019/20 there were no notices or orders issued. This is consistent with the 2018/19 financial year.</p>
Respond to faults in a timely manner	<p>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: Attendance time: The time when the Council receives notification to when the service personnel reach the site does not exceed 12 hours. Resolution time: The time from when the Council receives notification to when the service personnel confirms resolution of the blockage or other fault does not exceed 24 hours.</p>	<p><b>ACHIEVED</b></p> <p>No incidences of blockages or faults occurred in the 2019/20 financial year. This is consistent with the 2018/19 financial year.</p>

## 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 2018-28 identified the following outcomes as aspirations for community and regulatory services:

- **Economic wellbeing, growth builders:** An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries
- **Cultural wellbeing, embracing diversity:** 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.

#### Effects that our community and regulatory services activity has had on our well-beings:

**Environmental - 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.

**Social - 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.

**Social - access to education opportunities for all ages:** The Council provides a library service that enables access to knowledge and education facilities.

**Social - access to affordable, quality housing:** In collaboration with our on-island partners we have been working towards providing an affordable housing development for the Island.

**Economic - 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 Chatham Islands Visitor Industry Group.

#### **Cultural - 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.

**Cultural - 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.

**Cultural - a community that values its taonga and treasures:** The Council, over the year, has continued to support The Chatham Islands Museum & Cultural Heritage Charitable Trust.

# 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. 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.

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.

Targets	Measure	Result for 2019/20
Residents are satisfied with community services, including library and dog and animal control services	85% of residents are satisfied or very satisfied* with community services.	<p><b>NOT ACHIEVED</b></p> <p>Council did not meet the 85% target for the community services it provides. The stock control, museum and library services were surveyed and the results are as follows:</p> <ul style="list-style-type: none"> <li>• 59% of residents that completed the annual satisfaction survey said the council provides efficient dog licensing and control services. Responding quickly to stock and dog complaints is a focus to increase trust within the community.</li> <li>• 76% of the residents are satisfied with the museum. Council is in negotiations for a new building and attached to the building will be a new museum. Having a new museum is expected to increase public satisfaction and provide a new facility for the island.</li> <li>• 70% of residents are satisfied with the library facilities. The Council library is supported by the Wellington central library and Council staff regularly change books to ensure those residents who enjoy using the library have access to new books.</li> </ul> <p>Council will continue to work on improving these services with the funding it has and will aim to reach 85% satisfaction. An annual survey was not undertaken in 2018/19. In 2017/18 59% of residents expressed confidence in the Council's decision making process.</p>
Respond to complaints about operations and facilities, and remedy faults in a timely manner	100% of complaints about operations and facilities are investigated within 12 hours, with minor faults remedied within 24 hours of notification.	<p><b>ACHIEVED</b></p> <p>No complaints were received during the 2019/20 financial year in relation to community and regulatory services. In the 2018/19 financial year one complaint was received.</p>
Liquor licensing applications to be processed within statutory timeframes	95% of liquor licensing applications are processed within statutory timeframes.	<p><b>ACHIEVED</b></p> <p>100% of all applications were processed within the statutory timeframes. There were five liquor licence renewals, nine manager renewals, four new manager, and four special licence applications issued during the 2019/20 financial year. This compares to 100% of liquor licencing applications processed within statutory time frames in the 2018/19 financial year. There was no impact due to COVID-19.</p>

Targets	Measure	Result for 2019/20
Food premises are compliant	No issues of non-compliance identified or reported.	<b>ACHIEVED</b> There were no issues of non-compliance identified or reported in the 2019/2020 year. In 2018/19 there were no issues identified or reported.
Island-wide dog inspections (including Pitt Island) carried out	At least one inspection annually to ensure dogs are registered, and to check animal welfare.	<b>NOT ACHIEVED</b> All areas of the Islands with the exception of Waitangi township and Pitt Island were inspected during 2019/20 financial year. Staff were unable to complete dog inspections during the COVID-19 pandemic. In 2018/19 there were no issues of non-compliance identified or reported.

\*measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied

## Looking ahead – key projects

- **Housing on-island:** The Chatham Islands Housing Partnership Trust was established in 2017 with a \$2 million Government grant, and the aim of assisting the community with the provision of a wide range of housing initiatives, including social housing. The Council has a 25% interest in the Chatham Islands Housing Partnership Trust which is recognised in our financial information as an associate entity.
- **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 first stage, being the Council office and museum are underway. 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.



# Service performance summaries

## 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 2018-28 identified the following as aspirational outcomes for environmental services:

- **Economic wellbeing, growth builders:** An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries
- **Environmental wellbeing, sustainable action:** An environmentally conscious community that protects, sustains and enriches the environment for future generations and promotes a safe, healthy and secure community
- **Cultural wellbeing, embracing diversity:** 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.

### **Effects that our environmental services activity has had on our well-beings:**

**Economic - 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.

**Cultural - 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.

**Environmental - A safe, secure and healthy community:** The Council maintains a contract with Environment Canterbury, which oversees the Council's regional resource management responsibilities. We protect, maintain and support the sustaining of our environment through the provision of an effective and reliable administration of relevant legislation. Air, water and land qualities are maintained to protect public health and ecological systems.

**Environmental - protecting, sustaining and enriching our environment for future generations:** Council acknowledges the high intrinsic value of our biodiversity and natural resources being recognised and protected. This includes limiting the use of natural and physical resources (by permit) that contribute to the economy in a sustainable manner, ensuring primary production manufacturing and service industries are developed sustainably.

**Cultural - 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 and to recognise the principles of the te riri o Waitangi/treaty of Waitangi.

**Cultural - 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 poses 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.

Targets	Measure	Result for 2019/20
Resource consents processed within statutory timeframes	100% of resource consents processed within statutory timeframes	<b>ACHIEVED</b> 100% of resource consents were processed within statutory timeframes. Five subdivision applications were received and consented within the statutory timeframes in the 2019/20 financial year. In 2018/19 financial year there were no requests received. There was no impact due to COVID-19.
Respond to and initiate investigations in a timely manner for: <ul style="list-style-type: none"> <li>Breaches of the Resource Management Act</li> <li>Breaches of consent conditions</li> </ul>	Any breach to the Resource Management Act 1991 or consent conditions responded to within one hour of notification.	<b>ACHIEVED</b> No breaches of the Resource Management Act 1991 or consent conditions reported. This is consistent with the 2018/19 result.
The Chatham Islands Resource Management Document is compliant	The Chatham Islands Resource Management Document is made fully operative and steps are taken to update the document as required by nationally set direction.	<b>ACHIEVED</b> Council worked very closely with the Department of Conservation to resolve issues that are unique to the Chatham Islands. This effort led to the Chatham Islands Resource Management Document being approved in June 2020 by the Honourable Eugenie Sage. In 2018/19 a review of the Chatham Islands Resource Management document was completed awaiting sign off.

Targets	Measure	Result for 2019/20
Sample and analyse water quality	Sample and analyse water quality for all sites on the Chatham Islands four times per year. State of the environment water quality monitoring programme maintained at current level (all sites are monitored).	<b>ACHIEVED</b> All sites monitored and data stored in database (fully available on request) as well as displayed on Council's website <a href="https://www.cic.govt.nz/services/environmental-data/water-quality-data/">https://www.cic.govt.nz/services/environmental-data/water-quality-data/</a> . This is consistent with that of the 2018/19 financial year.
River flows and Te Whanga level monitored and data made publicly available	Monitor and record river flows, lagoon level and rainfall on Chatham Island. All sites are monitored, with data recorded and available to the public e.g. on the website.	<b>ACHIEVED</b> Continuous monitoring of flows and levels at four river hydrometric sites, and two Te Whanga sites have been maintained over 2019/20 financial year with results archived. COVID-19 has had no impact on this monitoring. Information is fully available on request and has recently been audited and analysed in a comprehensive independent report. In 2018/19 all sites were monitored with data stored and made available on the Council's website.
Water quality and hydrology data is available to the public	A summary report (including river flow, lagoon level, and rainfall data) is available by the end of August for the previous financial year (report provided to Council and then available via the website).	<b>ACHIEVED</b> A comprehensive report analysing the past 15 years of water quality and quantity, and climate data from the Chatham Islands monitoring programmes has been completed at the end of June 2020. This report and a summary of it will be provided to the Council and be made available on the website. COVID-19 has not caused any delays in completing this report. In 2018/19 a water quality report was prepared and presented to the Council in July 2019.

Targets	Measure	Result for 2019/20
Pest inspections conducted	Two inspections undertaken per financial year. No new pest incursions found at risk sites (results of inspection will be published on the Council website).	<p><b>ACHIEVED</b></p> <p>At risk sites have been inspected twice this year. COVID-19 has not impacted our pest inspection programme.</p> <p>There was an incursion of German Wasps in March 2020. A hive was identified above the new wharf and was treated, and then dug up. There will be on going surveillance required, but at the moment the population has been successfully eradicated.</p> <p>A rat dog and its handler assisted with outer island surveillance after an unauthorised boat landing. Department of Conservation led this work. In 2018/19 quarterly site inspections were completed.</p>
Internal borders between Chatham Island, Pitt Island, and New Zealand are maintained	At least one training session to be provided to freight handlers at major ports supplying the Chatham Islands. Partnership to be established with Biosecurity NZ to develop a marine biosecurity plan as part of the internal border protection.	<p><b>ACHIEVED</b></p> <p>Annual freight handler training sessions occur via SPS Biosecurity, with regular refresher training provided on an as required basis.</p> <p>Four staff have been trained and equipped to carry out marine pest surveillance surveys in partnership with Biosecurity NZ. The dive team has now carried out four surveys of all four ports, with no incursion occurrences identified. Complementary crab “potting” has also occurred to identify potential invasive crab presence. This is consistent with the 2018/19 year.</p>



# Service performance summaries

Targets	Measure	Result for 2019/20
Landowners and occupiers do not introduce, sell, propagate or distribute pest species	80% of plans implemented.	<b>NOT APPLICABLE</b> This measurement is not applicable because there were no plans implemented during the year. The level of plant pest awareness from landowners has significantly increased over the past three years; with regular pest awareness campaigns and our two biosecurity staff on the Islands have contributed to this success. There have been numerous cases where landowners have proactively contacted our Regional Council service provider, Environment Canterbury, to address pest issues as a result of their increased level of awareness and concern. The recent German Wasp incursion notification was an example of this higher level of awareness and action. In 2018/19 this measure was not applicable as there were no plans implemented during the year.
Landowners carry out control of gorse and feral goats	80% of plans implemented.	<b>NOT APPLICABLE</b> This measurement is not applicable because there were no plans implemented during the year. The feral goat population has been eradicated from one geographical area, leaving approximately 40-50 goats left in another separate area. The number has not significantly reduced from the prior year, due to the difficult terrain inhabited by the goats. Control work will be on going. For the past eight years, the Chatham Islands Council has approved an annual helicopter gorse spraying budget of up to \$150,000. Landowners are invited to participate in the scheme on a dollar for dollar basis. To date, the subsidised programme has resulted in over 1,600 hectares of gorse being sprayed. In 2018/19 this measurement was not applicable because there were no plans implemented during the year.

Targets	Measure	Result for 2019/20
Monitor invasive marine pests that are present in New Zealand or are likely to arrive from other destinations	An annual underwater surveillance programme to be undertaken on all ports on Chatham and Pitt islands, and the Ministry for Primary Industries to be notified of pest incursions.	<b>ACHIEVED</b> The dive team has conducted two surveys of Waitangi, Port Hutt, Kaiangaroa and Owenga ports to assess pest incursions. Crab potting has also occurred twice at all four ports during the 2019/20 financial year. No invasive marine species detected to date. The Chatham Islands has a pristine marine environment. The island has multiple boats that visit our ports and it is crucial that we monitor our ports for any organisms that are on the Ministry for Primary Industries unwanted list. In 2018/19 an annual survey was completed with no new marine pests found.
Residents are aware of and follow pest management practices	Minimum of quarterly communication and engagement activities relating to pest management, including marine pests.	<b>ACHIEVED</b> Regular communications relating to biosecurity activities and projects are circulated in the Chatham Islands Community Focus Trust weekly newsletters. This is consistent with communications in 2018/19.

## 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 imposes 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.
- **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 2018-28 identified the following aspirational outcomes for emergency management:

- Social wellbeing, resilient community: A safe and secure community
- Environmental wellbeing, sustainable action: An environmentally conscious community that protects, sustains and enriches the environment for future generations

#### **Effects that our emergency management services activity has had on our well-beings:**

**Environmental - 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. It is important for Council to have the ability to respond to and recover from the impact of all hazards by promoting readiness and preparedness through the community through education.

**Economic - promoting economic development and enriching the environment for future generations:** Our vulnerability and the impact of disasters on the environment is reduced through the provision of appropriate planning and long term strategies. Through the Civil Defence Emergency Management (CDEM) Group plan, we have an operative hazard risk plan and analysis in place. This will assist organisations, agencies and groups to better plan for their needs and allows for a provision of support and assistance for the regeneration of the economy in the event of a disaster.

**Cultural - A community that acknowledges and values the importance of tchakat henua and tangata whenua as an integral part of our community:** The Council continues to ensure emergency management is proactive in understanding and protecting community values and the natural environment, taking a collective approach to our emergency management response on the island.

#### **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.

# Service performance summaries

## 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.

Targets	Measure	Result for 2019/20
Residents consider they are prepared and know what to do in an emergency	75% of residents are well-prepared or prepared* and know what to do in an emergency.	<b>NOT ACHIEVED</b> In 2019/20 51% of the residents who completed the annual satisfaction survey said they are well prepared and know what to do in an emergency. 65% of those that completed the survey said they are confident that appropriate measures were/will be implemented across all Council facilities and services, because of Council's COVID-19 response. \$71,273.45 was spent by the Emergency Management team on Covid -19 welfare distributions and this was delivered by the Emergency Management Welfare Team. This money was recovered from the Government. The Council is planning a COVID-19 roadshow throughout the island. This roadshow is an opportunity to discuss the Council's response to COVID-19 and other emergency management matters. The Council will prioritise working on emergency management due to the importance of the island being prepared for any emergency. In 2018/19 74% of residents considered they were well-prepared or prepared and knew what to do in an emergency.
Residents are aware of emergency management procedures	Minimum of quarterly communication and engagement activities relating to emergency management.	<b>ACHIEVED</b> Regular communications relating to emergency management activities and projects were circulated in the Chatham Islands Community Focus Trust weekly newsletters, the monthly Chatham Islander magazine and the Chatham Islands Emergency Management Facebook page. This is consistent with communications in 2018/19.

Targets	Measure	Result for 2019/20
The Emergency Management Operations Centre is always ready to respond	Including staff and volunteers, emergency management equipment, control facilities, and communication systems. · Annual emergency event training exercise held · All staff and volunteers participate in at least one skills training session per annum · Emergency management equipment tested quarterly.	<b>ACHIEVED</b> Due to COVID-19 the Emergency Operation Centre (EOC) has remained in use throughout Alert Level 3-4 and has been used as a food bank during the pandemic. The EOC remains at the ready. All emergency equipment is tested quarterly to confirm readiness. The EOC is working with Council and reflecting on the COVID-19 response and strategising on how it can improve its service. In 2018/19 an Emergency Operations Centre training event was held in May 2019 and emergency equipment tested quarterly.
The marine oil spill plan is current and compliant	At least one water equipment deployment exercise conducted annually.	<b>NOT ACHIEVED</b> Due to the COVID-19 pandemic, the annual oil spill training exercise and water deployment exercise has been deferred until October/ November 2020. In 2018/19 the oil spill training exercise was held in March 2019.

\*measured by annual survey, on a scale of well-prepared, prepared, not well-prepared.

## 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 has 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 2018-28 identified the following aspirational outcomes for coasts, harbours and navigation:

- Social wellbeing, resilient community: A safe, healthy and secure community with access to quality infrastructure services.
- Economic wellbeing, growth builders: 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.
- Environmental wellbeing, sustainable action: An environmentally conscious community that protects, sustains and enriches the environment for future generations.

### **Effects that our coasts, harbours and navigation services activity has had on our well-beings:**

**Economic - 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. Providing quality infrastructure assists in protecting, maintaining and sustaining our natural environment.

**Economic - promoting economic development and enriching the environment for future generations:** 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. Council provides timely maritime management that protects and reduces the impact of harm to the environment, whilst supporting the development and sustainability of the fishing industry on the island.

**Economic - 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.

**Economic - building partnerships:** Effective maritime safety protects the community from harm. Environmental - 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.

# Service performance summaries

## 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.

Targets	Measure	Result for 2019/20
Navigation safety is managed in accordance to best practice	Use of a safety management system modelled on the New Zealand Port and Harbour Safety code, reviewed every three years.	<p><b>ACHIEVED</b></p> <p>A full review by the Port and Harbour Safety Code (PHSC) panel was conducted in November 2019.</p> <p>The panel visited the Chatham Islands and reviewed the Safety Management System (SMS) against the PHSC and it was deemed consistent against the code in all areas. A risk assessment and the Safety Management System review and the Navigation Safety Bylaw 2013 review are scheduled for November 2020. In 2018/19 a Navigation Safety Management System was developed and installed.</p>
Owenga Wharf is available for safe and efficient movement of people, stock, and goods	No instances of the wharf being unavailable during suitable sea and weather conditions.	<p><b>ACHIEVED</b></p> <p>There were no instances of Owenga Wharf being unavailable for Navigation Safety reasons in the 2019/20 year. This is consistent with the 2018/19 year.</p>

## Looking ahead – key projects

- The Council will ensure the community receives a service that meets its needs for safety, including ensuring navigational aids are maintained in proper working order and lifeline access is 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.



## 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 2018-28 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 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000	Annual Plan 2018/19 \$000
Surplus/(Deficit) of Operating Funding	17	(40)	410	34
Subsidies and Grants for Capital Expenditure	2,539	3,403	2,246	3,415
Less depreciation	2,353	2,074	2,191	2,080
Plus investment in associate	67	-	-	-
<b>Statement of Total Comprehensive and Income</b>	<b>270</b>	<b>1,289</b>	<b>466</b>	<b>1,369</b>

COUNCIL	Actual 2019/20 \$000	Annual Plan 2019/20 \$000	Actual 2018/19 \$000	Annual Plan 2018/19 \$000
<b>Source of operating funding</b>				
General Rates, Uniform Annual General Charge, Rates Penalties	331	305	320	292
Targeted Rates	192	261	183	256
Subsidies and Grants for Operating Purposes	4,594	4,556	4,915	4,506
Fees and Charges	69	70	68	-
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	549	414	788	514
<b>Total Operating Funding</b>	<b>5,735</b>	<b>5,606</b>	<b>6,274</b>	<b>5,568</b>
<b>Applications of operating funding</b>				
Payments to Staff and Suppliers	4,135	4,629	3,980	5,515
Financial Costs	7	19	23	19
Other Operating Funding Applications	1,576	998	1,862	-
<b>Total Application of Operating Funding</b>	<b>5,718</b>	<b>5,646</b>	<b>5,865</b>	<b>5,534</b>
<b>Surplus/(Deficit) of Operating Funding</b>	<b>17</b>	<b>(40)</b>	<b>410</b>	<b>34</b>
<b>Source of capital funding</b>				
Subsidies and Grants for Capital Expenditure	2,539	3,403	2,246	3,415
Increase/(Decrease) in Debt	(39)	138	(60)	138
<b>Total Source of Capital Funding</b>	<b>2,500</b>	<b>3,541</b>	<b>2,186</b>	<b>3,553</b>
<b>Application of capital funding</b>				
Capital Expenditure				
- to improve the level of service	23	-	232	1,997
- to replace existing assets	2,892	3,970	2,645	2,408
Increase/(Decrease) in Reserves	(398)	(469)	(281)	(818)
<b>Total Applications of Capital Funding</b>	<b>2,517</b>	<b>3,501</b>	<b>2,596</b>	<b>3,587</b>
<b>Surplus/(Deficit) of Capital Funding</b>	<b>(17)</b>	<b>40</b>	<b>(410)</b>	<b>(34)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Appendix 1 – Funding impact statements

DEMOCRACY	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	1,103	1,009	993
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	121	102	101
<b>Total Operating Funding</b>	<b>1,224</b>	<b>1,111</b>	<b>1,094</b>
<b>Applications of Operating Funding</b>			
Payments To Staff And Suppliers	305	322	306
Financial Costs	-	-	-
Internal Charges and Overheads Applied	542	544	466
<b>Total Application of Operating Funding</b>	<b>847</b>	<b>866</b>	<b>772</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>377</b>	<b>245</b>	<b>322</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	3	35	-
Increase (Decrease) in Reserves	374	210	322
<b>Total Applications of Capital Funding</b>	<b>377</b>	<b>245</b>	<b>322</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>(377)</b>	<b>(245)</b>	<b>(322)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>15</i>	<i>5</i>	<i>7</i>

INFRASTRUCTURE SERVICES – ROADING	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	56	55	54
Subsidies and Grants for Operating Purposes	1,290	1,427	1,196
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	4	-	-
<b>Total Operating Funding</b>	<b>1,351</b>	<b>1,482</b>	<b>1,250</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	1,498	1,576	1,504
Financial Costs	-	-	-
Internal Charges and Overheads Applied	-	-	-
<b>Total Application of Operating Funding</b>	<b>1,498</b>	<b>1,576</b>	<b>1,504</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(147)</b>	<b>(94)</b>	<b>(254)</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Capital Expenditure	2,539	2,589	3,076
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>2,539</b>	<b>2,589</b>	<b>3,076</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	105	1,287
-- to replace existing assets	2,885	2,483	2,209
Increase (Decrease) in Reserves	(493)	(94)	(673)
<b>Total Applications of Capital Funding</b>	<b>2,392</b>	<b>2,494</b>	<b>2,822</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>147</b>	<b>94</b>	<b>254</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>2,001</i>	<i>1,948</i>	<i>1,399</i>

INFRASTRUCTURE SERVICES – SEWERAGE	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	66	68	67
Subsidies and Grants for Operating Purposes	87	108	78
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	9	8	8
<b>Total Operating Funding</b>	<b>161</b>	<b>184</b>	<b>153</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	116	97	94
Financial Costs	-	8	-
Internal Charges and Overheads Applied	43	43	37
<b>Total Application of Operating Funding</b>	<b>159</b>	<b>148</b>	<b>131</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>3</b>	<b>36</b>	<b>22</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	174	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>174</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	-	238	-
Increase (Decrease) in Reserves	3	(28)	22
<b>Total Applications of Capital Funding</b>	<b>3</b>	<b>210</b>	<b>22</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>(3)</b>	<b>(36)</b>	<b>(22)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>(0)</b>
<i>Excludes depreciation</i>	62	42	39

INFRASTRUCTURE SERVICES – SOLID WASTE	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	70	67	66
Subsidies and Grants for Operating Purposes	58	377	371
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	14	14	14
<b>Total Operating Funding</b>	<b>142</b>	<b>458</b>	<b>451</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	459	367	356
Financial Costs	-	-	-
Internal Charges and Overheads Applied	28	28	24
<b>Total Application of Operating Funding</b>	<b>487</b>	<b>395</b>	<b>380</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(345)</b>	<b>63</b>	<b>71</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Capital Expenditure	-	-	339
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>339</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	20	-	710
-- to replace existing assets	-	-	-
Increase (Decrease) in Reserves	(366)	63	(300)
<b>Total Applications of Capital Funding</b>	<b>(345)</b>	<b>63</b>	<b>410</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>345</b>	<b>(63)</b>	<b>(71)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>(0)</b>
<i>Excludes depreciation</i>	123	112	83

## Appendix 1 – Funding impact statements

INFRASTRUCTURE SERVICES – WATER	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	69	70	69
Subsidies and Grants for Operating Purposes	80	505	72
Fees, Charges	-	-	-
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	9	18	18
<b>Total Operating Funding</b>	<b>158</b>	<b>593</b>	<b>159</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	212	257	248
Financial Costs	-	79	-
Internal Charges and Overheads Applied	39	40	34
<b>Total Application of Operating Funding</b>	<b>251</b>	<b>376</b>	<b>282</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(94)</b>	<b>217</b>	<b>(123)</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	3,274	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>3,274</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	3,070	-
-- to replace existing assets	-	314	-
Increase (Decrease) in Reserves	(94)	107	(123)
<b>Total Applications of Capital Funding</b>	<b>(94)</b>	<b>3,491</b>	<b>(123)</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>94</b>	<b>(217)</b>	<b>123</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>50</i>	<i>75</i>	<i>46</i>

INFRASTRUCTURE SERVICES – STORMWATER	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	16	15	14
Fees, Charges	-	-	-
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	2	1	1
<b>Total Operating Funding</b>	<b>18</b>	<b>16</b>	<b>15</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	11	-	-
Financial Costs	-	-	-
Internal Charges and Overheads Applied	8	8	7
<b>Total Application of Operating Funding</b>	<b>19</b>	<b>8</b>	<b>7</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(1)</b>	<b>8</b>	<b>8</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	-	-	-
Increase (Decrease) in Reserves	(1)	8	8
<b>Total Applications of Capital Funding</b>	<b>(1)</b>	<b>8</b>	<b>8</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>1</b>	<b>(8)</b>	<b>(8)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>1</i>	<i>-</i>	<i>-</i>

COMMUNITY AND REGULATORY SERVICES	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual Charge, Rates Penalties	331	297	292
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	1,112	1,233	996
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	287	296	293
<b>Total Operating Funding</b>	<b>1,730</b>	<b>1,826</b>	<b>1,581</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	329	491	477
Financial Costs	6	19	19
Internal Charges and Overheads Applied	534	536	460
<b>Total Application of Operating Funding</b>	<b>870</b>	<b>1,046</b>	<b>956</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>860</b>	<b>780</b>	<b>625</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	(39)	(84)	138
<b>Total Source of Capital Funding</b>	<b>(39)</b>	<b>(84)</b>	<b>138</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	3	-	200
Increase (Decrease) in Reserves	818	696	563
<b>Total Applications of Capital Funding</b>	<b>820</b>	<b>696</b>	<b>763</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>(860)</b>	<b>(780)</b>	<b>(625)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>51</i>	<i>45</i>	<i>43</i>

ENVIRONMENTAL SERVICES	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	247	226	222
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	26	24	24
<b>Total Operating Funding</b>	<b>273</b>	<b>250</b>	<b>246</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	836	973	956
Financial Costs	-	-	-
Internal Charges and Overheads Applied	121	122	104
<b>Total Application of Operating Funding</b>	<b>957</b>	<b>1,095</b>	<b>1,060</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(684)</b>	<b>(845)</b>	<b>(814)</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	(684)	(845)	(814)
<b>Total Applications of Capital Funding</b>	<b>(684)</b>	<b>(845)</b>	<b>(814)</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>684</b>	<b>845</b>	<b>814</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>3</i>	<i>1</i>	<i>1</i>

## Appendix 1 – Funding impact statements

EMERGENCY MANAGEMENT	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	313	307	304
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	31	22	21
<b>Total Operating Funding</b>	<b>344</b>	<b>329</b>	<b>325</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	326	172	168
Financial Costs	-	-	-
Internal Charges and Overheads Applied	118	119	102
<b>Total Application of Operating Funding</b>	<b>444</b>	<b>291</b>	<b>270</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>(100)</b>	<b>38</b>	<b>55</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	3	250	-
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	(103)	(212)	55
<b>Total Applications of Capital Funding</b>	<b>(100)</b>	<b>38</b>	<b>55</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>100</b>	<b>(38)</b>	<b>(55)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>8</i>	<i>9</i>	<i>7</i>

COASTS, HARBOURS AND NAVIGATION	Actual 2019/20 \$000	Long-Term Plan 2019/20 \$000	Long-Term Plan 2018/19 \$000
<b>Source of Operating Funding</b>			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	-	-	-
Subsidies and Grants for Operating Purposes	289	264	260
Local Authorities Fuel Tax, Fines, Infringement Fees, and Other Receipts	46	34	34
<b>Total Operating Funding</b>	<b>335</b>	<b>298</b>	<b>294</b>
<b>Applications of Operating Funding</b>			
Payments to Staff and Suppliers	44	52	50
Financial Costs	-	-	-
Internal Charges and Overheads Applied	142	142	122
<b>Total Application of Operating Funding</b>	<b>186</b>	<b>194</b>	<b>172</b>
<b>Surplus (Deficit) of Operating Funding</b>	<b>148</b>	<b>104</b>	<b>122</b>
<b>Source of Capital Funding</b>			
Subsidies and Grants for Operating Purposes for Capital Expenditure	-	-	-
Increase (Decrease) in Debt	-	-	-
<b>Total Source of Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital Expenditure			
-- to improve the level of service	-	-	-
-- to replace existing assets	1	-	-
Increase (Decrease) in Reserves	148	104	122
<b>Total Applications of Capital Funding</b>	<b>148</b>	<b>104</b>	<b>122</b>
<b>Surplus (Deficit) of Capital Funding</b>	<b>(148)</b>	<b>(104)</b>	<b>(122)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excludes depreciation</i>	<i>40</i>	<i>1</i>	<i>1</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 Long-Term Plans. 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 if the Annual Plan indicates significant or material differences from the content of the Long-Term-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 and amortisation**

Depreciation and amortisation are accounting concepts that recognise the consumption or loss of economic benefits embodied in items of property, plant and equipment or intangible assets. Depreciation and amortisation spread the cost property, plant and equipment and software +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, sewerage, storm water and roading. They also include associated assets such as water pump outlets, sewage 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.

### **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**

### **Mayor**

Monique Croon

### **Deputy Mayor**

Greg Horler

### **Councillors**

Keri Lea Day

Celine Gregory-Hunt

Graeme Hoare

Amanda Horler

Steve Joyce

Oscar Nilsson

Jason Seymour

## **Council Staff**

Chief Executive

Owen Pickles

owen@cic.govt.nz

Operations Manager

Manaia Cunningham

manaia@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)





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