



**MARLBOROUGH  
DISTRICT COUNCIL**



Only Marlborough

**2016-17**

# **Annual Report**



# Role of Annual Report

This Annual Report has been prepared to enable readers to assess the Marlborough District Council's 2016-17 performance against the policies, activities, objectives, performance targets and financial details contained in its 2016-17 Annual Plan.

An Annual Report is required by Section 98 of the Local Government Act 2002. Financial and non-financial information is required to be included for each Activity.

If any member of the public wishes to discuss any aspect of this report, a Council officer will be more than pleased to meet with you. In the first instance please telephone Loren Moore, Financial Accountant on (03) 520 7400.



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## Part 1: Executive Summary

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- Chief Executive's Report
- Elected Council Members
- Key Achievements and Performance Overview
- Financial Overview
- Annual Report Disclosure Statement for Year Ended 30 June 2017



## Mayor's Report

Looking back at this first year of my mayoralty it is remarkable that so much has been achieved within this region in the aftermath of an event as large as the Kaikoura earthquake.

I am pleased to report that this Council was well prepared both physically with an effective Civil Defence response and financially with a healthy accumulated Emergency Reserve fund to repair the damage to the district's core infrastructure. Initial repairs and reinstatement have been delivered remarkably swiftly without placing extra financial burden on ratepayers.

The November earthquake reiterated to all of us that the continuity of infrastructure services is Council's first responsibility.

The rebuilding is a mix of short and longer-term work; from the urgent reinstatement of stopbanks to the renewal of fractured pipe networks and building repairs to community facilities for the East Coast. At the same time Council has supported the smaller communities through the long post-earthquake recovery phase.

With the earthquake aftermath dominating Council's agenda, the Annual Plan 2016-17 was adopted with public understanding that this would not be a year for major new initiatives. However, we have been able to keep our existing big projects on track; securing the drinking water supplies for the Seddon, Renwick and Havelock townships, upgrading Picton's sewerage system, replacing the aging stormwater networks in urban areas and improving the district's sports and recreation amenities.

In some of the projects the progress has been evident for all to see; Picton's new Library is coming along, Lansdowne Park is fast emerging as the sports hub we had planned and Blenheim's downtown is getting its new riverside greenspace. Other improvements, like the renewal of underground pipe networks in Blenheim and Picton, are less visible but nonetheless vital.

This year it has been clearer than ever that environmental issues loom large for governments, central and local, and for communities themselves.

Coastal and freshwater water quality and its management have been at the forefront of public debate. Council has acknowledged this and recognised the need for more scientific research as the basis for solutions, and to influence future policies. The investigation into seabed sedimentation is an outcome of our response. Through the Annual Plan 2016-17, Council has provided for extra resource to address this important initiative. In the meantime, the challenge of delivering a single Marlborough Environment Plan is close to being met as we enter the final phase of considering public submissions.

Overall, post-earthquake building activity coupled with another good year for our primary producers, the growth in population and jobs and the demand for accommodation have all helped maintain a healthy regional economy.

Despite all our challenges over the year, the continuing sound financial management of the Council was reconfirmed by the rating agency S & P Global Ratings (formerly Standard and Poor's) which awarded Council another "AA Stable" long term credit rating, the highest available to a local authority. This is the result of thorough scrutiny of the finances of the whole Council Group, including MDC Holdings Ltd, Port Marlborough NZ Ltd and Marlborough Airport Ltd, so an outcome of which we can be proud.



**John Leggett**  
Mayor

## Chief Executive's Report

The Annual Report reflects on the 1 July 2016 to 30 June 2017 financial year and explains how Council has met its commitments to the Marlborough community.

Given the additional demands arising from Council's response to the November 2016 earthquake it's been an excellent performance. I acknowledge the commitment and professionalism of Council staff over the past year and I look forward to continuing this upward trend in the year ahead.

It's pleasing to see the level of public satisfaction with Council services, as demonstrated by the yearly resident survey which is at its highest point in almost a decade. As a unitary authority, Council has responsibility for delivering many diverse services and it is very gratifying to see high standards being met in all areas.



A handwritten signature in black ink that reads "Mr. J. Wheeler".

Mark Wheeler  
**CHIEF EXECUTIVE**

Financially, Council continues to maintain a very strong balance sheet and is well within its rating affordability and indebtedness limits.

Once again, there was particularly strong public endorsement of our Emergency Management activity this year coming in the wake of the November 2016 Kaikoura earthquake. That role extends well beyond the immediate event; affected communities continue to rely on Council for support during the on-going recovery period.

The full impact of this earthquake is still being assessed as the year progresses but Council's prudent approach to rebuilding its emergency financial reserves and the outstanding effort by staff have enabled the more urgent repairs to Council infrastructure be underway swiftly. This has increased the year's workload, but it is with some satisfaction that I can report that this has been successfully managed while also maintaining 'business as usual'.

Our existing work programme has seen a range of infrastructure projects progress through various stages of planning, design or construction, including improvements to water supply, water treatment, sewerage and stormwater networks, and completion of the new commercial waste sorting centre, a 'first' for a local authority in this country. Most importantly, Council has continued the work that was underway to steadily upgrade the region's flood protection network.

Despite the financial constraint of the post-earthquake recovery period Council has, over the last year, ensured that improvements to community amenities have continued district-wide including Blenheim's sports hub development at Lansdowne Park, the replacement of Seddon Memorial Hall, the new and almost-completed Picton Library, improvements to the foreshore amenities and the extension of walking and cycling paths.

Council has also continued its commitment to its Smart & Connected industry partnerships with three of the region's key employers; aquaculture, forestry and tourism. The partnerships are proving to be successful in creating better communication channels through which Council and sector groups are managing a more collaborative approach to their various issues and challenges. For the tourism sector, a review of the region's destination marketing was commissioned by Council. With tourism worth \$1M a day to our regional economy, Council contributes significant funding to the Destination Marlborough initiative to support tourism promotion. That review was positive but also provided direction for future improvements.

Similarly, the Smart & Connected model has assisted us to communicate with the outlying communities who have embraced the concept. Community consultation with Renwick and Havelock on the introduction of water meters is a good example of this.

We have also continued to work closely with the Flaxbourne farming community over the last year to progress a community irrigation scheme using the Waima (Ure) River as the water source. If a cost effective scheme can be designed and approved, it will open the way to far more profitable land use in this part of the district. The outlook is promising.

The Marlborough Environment Plan process has continued to make progress. It's a very important long term project of widespread interest; thousands of submission points were received from the public notification process which followed several years' of Plan development and consultation. The next step is to begin hearings from which decisions will follow.

Environmental issues, especially involving aquaculture, have kept Council in regular contact with central government. Our joint working groups, bringing together Council, government officials and the community, have focused on salmon farm relocation and the planning regime which will guide aquaculture in future. At the same time, considerable time has been spent meeting Council's responsibilities to implement a raft of central government measures in varying stages of development; National Policy Statements, covering urban development capacity and freshwater management, National Environmental Standards applying to forestry, aquaculture, dams, contaminated soils and natural hazards, and Regulations dealing with the exclusion of stock from waterways.

This year Council has also taken several prosecutions for serious environmental breaches, underlining the message that Council takes very seriously the need to ensure the region's environmental sustainability for ecological, amenity and economic reasons.

Council has signalled plans to press on with its sector-leading digital strategy. Funding was announced this year for the next phase of digitising the complex resource consent process - enabling on-line resource consent application and processing. In addition to efficiency gains for applicants and Council, the new system will mean the significant amount of information provided in applications is available, in digital form, to a much wider audience and to inform district-wide issues. Council has also supported a pilot scheme to expand rural broadband into the Waihopai Valley. This pilot may become the model for a wider deployment in rural Marlborough, depending on central government financial support and the outcome of a complex business case which is currently being worked on.

In summary, it has been a challenging year for many in our community following the November earthquake but Council has worked very hard to provide assistance and coordination to support a steady recovery. We have done that while maintaining 'business as usual' and developing future plans whilst at the same time securing Council's sound asset and financial base, leaving us well set up for the future.

I hope that you find this report to be informative. We welcome your feedback.

## Elected Council Members as at 30 June 2017



Back – left to right:

Clr Jenny Andrews (Blenheim Ward)  
Clr Mark Peters (Blenheim Ward)  
Clr Jamie Arbuckle (Blenheim Ward)  
Clr Laressa Shenfield (Blenheim Ward)  
Clr David Oddie (Marlborough Sounds Ward)  
Clr Michael Fitzpatrick (Blenheim Ward)  
Clr Gerald Hope (Wairau/Awatere Ward)

Front – left to right:

Clr Cynthia Brooks (Wairau/Awatere Ward)  
Clr Terry Sloan (Blenheim Ward) (Deputy Mayor)  
Mayor John Leggett  
Clr Nadine Taylor (Marlborough Sounds Ward)  
Clr Trevor Hook (Marlborough Sounds Ward)  
Clr Geoff Evans (Wairau/Awatere Ward)

Insert: Clr Brian Dawson (Blenheim Ward)



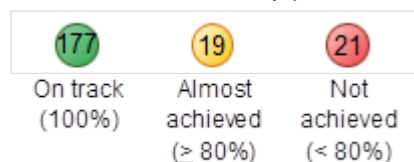
## Key Achievements and Performance Overview

The following is a summary of the activities and significant projects carried out by Council over the last year. Each Council activity measures its performance against budgetary and service targets. These are set out below by 'activity group'. The full report contains more information about service performance.

### Overall Council

#### Summary of how we did

Overall we achieved 82% of our targets for the 2016-17 year. We achieved 177 and almost achieved 19 of the 217 targets associated with the key performance indicators (KPI's).



#### Budget ~

The overall spending was 8.79% more than budgeted. Note: This is using note 2 Activity expenditure (page 107 from the Annual Report) totals \$105.326M compared to a budget of \$97.301M. An explanation of variances can be found in Activity Groups section, Part 2 of the Annual Report.

### People

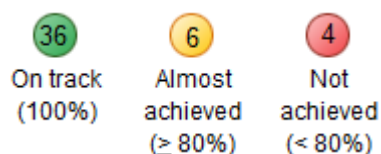
#### Activities in this Group

- Democratic Process.
- Culture and Heritage (including support for arts and museums).
- Community Housing.
- Community Safety.
- Community Support (including events management, passenger transport, total mobility and energy efficiency).
- Library Services.
- Emergency Management.



#### Summary of how we did

We achieved 36 and almost achieved six of the 46 targets associated with the KPI's for the 2016-17 year.



#### Budget ✘

The spending in this area was 28.11% more than budgeted. This is mostly due to the unbudgeted \$2.15M donation made to the Marlborough Civic Theatre Trust.

#### Achievements

- Council elections were held successfully in October 2016.
- Art and operating grants were provided to key organisations in Marlborough.
- A total of 124 advances summing \$625,000 were made for home insulation, solar water heating and clean heating with 507 rate payers currently involved in the scheme.
- The 2017-2022 Marlborough Emergency Management Group Plan was completed and signed off by the Minister of Foreign Affairs in February.
- The Civil Emergency Defence Group responded remarkably to the 7.8 magnitude earthquake on 14 November 2016. A state of emergency was not declared as the Group kept the situation under control within the District.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

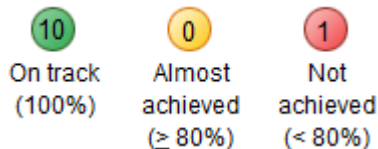
## Community Facilities

### Activities in this Group

This Activity Group comprises a single Activity: Community Facilities.

### Summary of how we did

We achieved ten of the 11 targets associated with the KPI's for the 2016-17 year.



### Budget ✗

The spending in this area was 19.99% more than budgeted. This is primarily due to increased contract costs for facilities management.

### Achievements

- New water play feature installed at Picton Foreshore.
- Construction of new netball courts, stormwater control and car parking at Lansdowne Park.
- New netball courts installed at Endeavour Park.
- New cycle paths from Grovetown to Spring Creek and alongside the Taylor River from Athletic Park to Wither Road.
- Earthquake strengthening continues at Stadium 2000.
- 100 new trees were planted in the District.

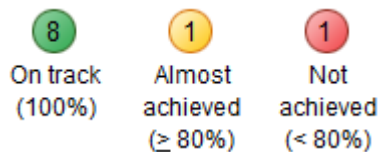
## Roads and Footpaths

### Activities in this Group

This Activity Group comprises a single Activity: Roads and Footpaths.

### Summary of how we did

We achieved eight and almost achieved one of the ten targets associated with the KPI's for the 2016-17 year.



### Budget ✓

The spending in this area was 3.12% above budget. This was primarily due to November 2016 earthquake repairs.

### Achievements

- In excess of \$4m worth of Earthquake repairs were completed following the Kaikoura Earthquake.
- Completion of 76.6 lane kilometres of chip sealing.
- Replacement of Tyntesfield Bridge was completed and replacement of Healy's Bridge on Kaiuma Bay Road, McLeans Bridge on Mt Riley Road and Bulford Bridge on Bulford Rd commenced.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

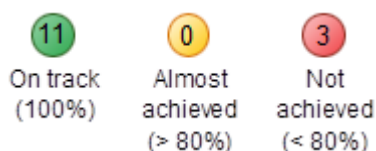
## Flood Protection and Control Works

### Activities in this Group

This Activity Group comprises a single Activity: Flood Protection and Control Works.

### Summary of how we did

We achieved 11 of the 14 targets associated with the KPI's for the 2016-17 year.



### Budget ~

The spending in this area was 9.33% above budget. This was primarily due to November 2016 earthquake repairs.

### Achievements

- The 2016-17 work programme was significantly impacted by the November 2016 Kaikoura earthquake and subsequent damage inspection and repair programme which got underway in mid-December 2016. The estimated cost to complete the scheduled repairs was about \$2.4m with about 60% of the work being completed by the end of June, including all high and most medium priority repairs.
- The Wither Hills soil conservation gully erosion control programme made good progress with about 26 hectares treated including Alley Paddock, Basin Paddock, Burn block and western face of Dungeys gully.
- Added an additional 6,000 metres of new drains into the lower Wairau drainage network.
- A full annual Wairau River maintenance programme was again completed including fairway clearing, buffer zone replanting and rock repairs and strengthening at a number of sites.

## Sewerage Including Treatment and Disposal

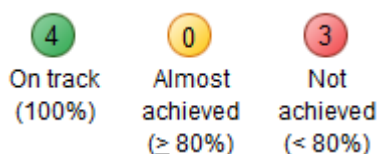
### Activities in this Group

This Activity Group comprises a single Activity: Sewerage including treatment and control.



### Summary of how we did

We achieved four of the seven targets associated with the KPI's for the 2016-17 year.



### Budget ✓

The spending in this area was 0.16% below budget.

### Achievements

- Progress continued with the detailed design of a major project to renew the trunk sewer between Waikawa and the Dublin Street pump station.
- Considerable effort was expended on sewer mains assessment and rehabilitation. The ageing infrastructure, ground movement through seismic activity, corrosive effluents and increasing quantities of oils and fats discharged into the sewer system is causing increased maintenance activity.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

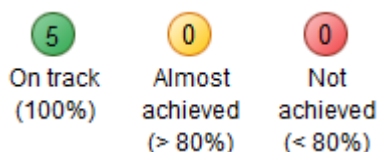
## Stormwater Drainage

### Activities in this Group

This Activity Group comprises a single Activity: Stormwater.

### Summary of how we did

We have achieved all of our five targets associated with the KPI's for the 2016-17 year.



### Budget ✘

The spending in this area was 15.19% more than budgeted. This is due to unbudgeted loss on disposal for pipes in Blenheim and Picton that were replaced.

### Achievements

- Stormwater infrastructure to serve the development of urban zones to the north-west of Blenheim was completed.
- Regular meetings were held with a stakeholder group to help manage the future development of the Murphy's Creek catchment. The Group made a recommendation to Council on how to manage Stormwater in the catchment, involving full storage; stormwater treatment for commercial properties in Springlands; and a new stormwater pipe in Middle Renwick Rd and Boyce Streets discharging to the Taylor River just downstream of the High St bridge.
- Hydraulic modelling has helped to establish a long term strategy to improve stormwater drainage for eastern Blenheim. Plans are being developed to implement engineering upgrades to remedy the issues. Consultation is to commence with affected landowners alongside open drains which are to be upgraded.

## Water Supply

### Activities in this Group

This activity group comprises a single activity: Water Supply.

### Summary of how we did

We achieved 39 and almost achieved three of the 44 targets associated with the KPI's for the 2016-17 year.



### Budget ✔

The spending in this area was 2.87% more than budgeted.

### Achievements

- The construction of the water treatment plant at Speeds Road, Koromiko was completed.
- Construction of the Seddon treatment plant is underway with completion scheduled for May 2018.

Budget key, operating expenditure					
✔	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✘	More than 40% below or 10% above budget

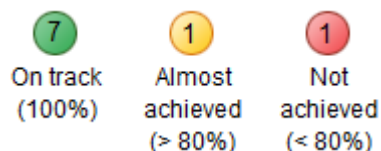
## Solid Waste Management

### Activities in this Group

This Activity Group comprises a single Activity: Solid Waste Management.

### Summary of how we did

We achieved seven and almost achieved one of the nine targets associated with the KPI's for the 2016-17 year.



### Budget ✘

The spending in this area was 14.63% more than budgeted.

This was due to increased tonnage resulting in an increase in contract costs and emission levies paid.

### Achievements

- Trialled a public place recycling scheme in Blenheim and Picton recovering 11,900 kilograms of recycling.
- Completed the construction of the Blenheim waste sorting centre and opened to the community in November 2016.
- Processed 17,466 cubic metres of greenwaste at the Blenheim site.
- Recycled 1,549 items of e-waste and recovered 360,550 kilograms of recycling through the rural community recycling service.

## Environmental Management

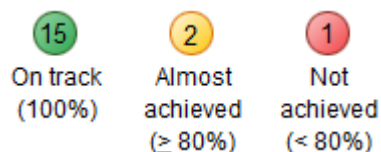
### Activities in this Group

- Environmental Policy.
- Environmental Science and Monitoring.
- Resource Consents.
- Environmental Protection.



### Summary of how we did

We achieved 15 and almost achieved two of the 18 targets associated with the KPI's for the 2016-17 year.



### Budget ✔

The spending in this area was 6.89% less than budgeted.

### Achievements

- The submission phase of the new Marlborough Environment Plan was completed with 17,521 submission received. This was a significant undertaking for the Environmental Policy Activity. The main task for the Environmental Policy Group is to now assist with the process of hearing submissions through the provision of advice (in the form of Section 42A reports) and through administrative support for the Hearings Panel
- The Council released State of the Environment Reports for the following Domains: Coastal, Fresh Water, Recreational Bathing Water, Air and Soil Quality.

- Ongoing monitoring of a sub set of the 129 individual Ecologically Significant Marine Sites in Marlborough is continuing and we now have a better understanding of how these sites are functioning and what activities are causing impacts to those habitats.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

## Regulatory

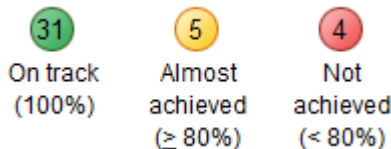
### Activities in this Group

- Biosecurity (Pest Management).
- Building Control.
- Environmental Health.
- Animal Control.
- Harbours.



### Summary of how we did

We achieved 31 and almost achieved five of the 40 targets associated with the KPI's for the 2016-17 year.



### Budget ~

The spending in this area was 6.89% more than budgeted. This is primarily due to increased costs for collecting and analysing data for coastal monitoring programmes to meet national standards.

### Achievements

- Council's biosecurity staff continue to inspect properties to ensure landowners are controlling pest species.
- Council has continued the important Chilean Needlegrass programme in conjunction with the community.
- Building Consent Authority accreditation was renewed for a further two years to 2018.
- Over 300 registered premises inspections were undertaken by environmental health staff.
- Over 10,701 dogs were registered in the Marlborough District, including 1,949 dogs registered as working dogs (including disability assist dogs and Police dogs).
- Council's Boat Safety and Tides brochure (formerly the Safe Sounds Boating brochure) was reviewed with 7,500 copies distributed to the community.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

## Regional Development

### Activities in this Group

This Activity Group comprises a single Activity: Regional Development.

### Summary of how we did

We achieved 11 and almost achieved one of the 13 targets associated with the KPI's for the 2016-17 year.

11

On track  
(100%)

1

Almost  
achieved  
(≥ 80%)

1

Not  
achieved  
(< 80%)



### Budget ✓

The spending in this area was 8.60% less than budgeted.

### Achievements

- The Quays Riverside Park development located in High Street Blenheim commenced this year.
- Agreement to sign full Sister Region relationship with Ningxia, China.
- Event guides increased from two to four times a year.
- NZ Scout Jamboree successfully held in Renwick in December 2016, with significant support from Council. Over 4,000 people attended.
- Establishment of full time business Development Manager targeting bringing Business Events (Conventions, Incentives and Meetings) to the Marlborough region.

Budget key, operating expenditure					
✓	Within 20% below and 5% above budget	~	Within 40% below and 10% above budget	✗	More than 40% below or 10% above budget

## Financial Overview

Overall, Council is in very good financial health as evidenced by the “AA Long Term – Stable” credit rating provided by S & P Global Ratings (formerly Standard and Poor’s). S & P Global Ratings is an independent, internationally recognised credit rating agency. Council’s AA rating is the highest rating available to local authorities in New Zealand.

This section gives an overview of Council’s financial results – identifying Council’s revenue sources, operating and capital expenditure, showing trends and comparing actual results for the year to the budget set in the 2015-25 Long Term Plan. Go to pages 220 – 249 in the Long Term Plan for detailed financial statements, policies and notes on:

“**Council**” – Marlborough District Council (MDC) including its 88.5% share of Marlborough Regional Forestry (MRF). It is also important to note that Council is a Unitary Authority with the powers and functions of both a Regional and Territorial Local Authority; and

“**Group**” – MDC plus Council’s holding company MDC Holdings Ltd and Marlborough Housing for the Elderly Trust. MDC Holdings Ltd includes the consolidated financial results of the 100% owned Port Marlborough NZ Ltd, Marlborough Airport Ltd.

The next section – “Our Business and the Financial Statements” – contains a summary (Cost of Services statement) and explanation of major variances from budget for each of Council’s Activities.

### Council Surplus

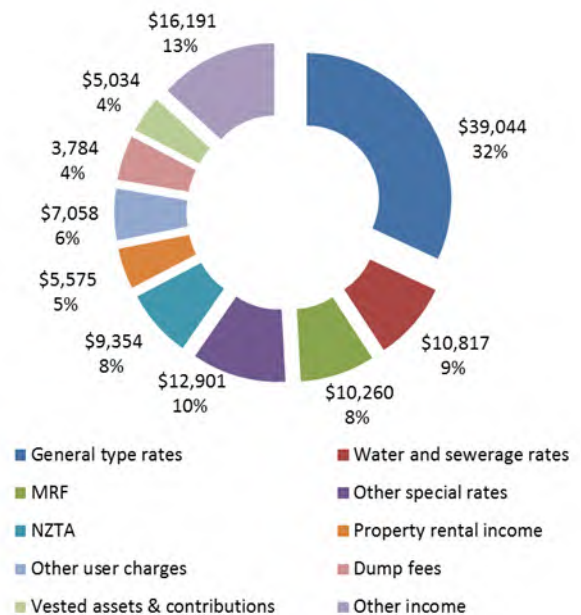
The surplus in the Statement of Comprehensive Revenue and Expense is determined in accordance with set accounting conventions. This number does NOT show excess cash or represent an operating surplus. The surplus includes:

- Non-cash values like vested assets and revaluations. Vested assets are typically the value of roads, water, sewerage, stormwater etc, transferred to Council following a subdivision. Council in turn meets the ongoing maintenance obligations for these assets and their replacement. Revaluations include as an example the revaluation of Council’s forestry holdings. However, ultimately the value realised relies on the log price at the time of harvest;
- Dividends received from MDC Holding Ltd which are used to fund Reserves. Council’s

Reserves have been largely allocated to designated capital projects;

- Section sales from Council’s Boulevard Park on Taylor development. Section sales are well ahead of budget, especially in terms of the number of sections sold. However, the land available to sell is finite. As a result, sales proceeds are largely an acceleration of revenue budgeted in future years. Similar to dividends, section sales proceeds are allocated to Reserves, which in turn are allocated to fund future capital projects; and
- Development Contributions and subsidies which are legally required to fund specific capital as compared to operating items, like the NZTA payments for roads. It also includes rates designated for debt repayment.

### Council’s Revenue Sources \$000



Budgeted revenue was \$108.4M and actual \$122.4M – an extra \$14.0M.

- Development and financial contributions increased \$1.0M due to the increase in subdivisions.
- \$2.0M of this variance is from vested assets due to increased subdivision activity.
- Dump fees are up due to increased volumes, increasing other revenue by \$1.6M
- D\$1.5M of this variance is from a gain in the value of MRF forestry assets.



- *Joint venture revenue is also \$1.4M higher than budget.*
- *\$1.0M is from subsidies and grants due to the NZTA road subsidy for additional roading work.*

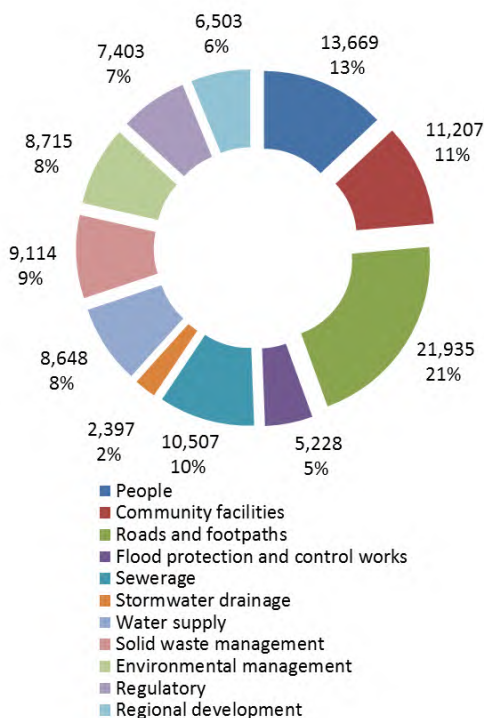
While rates make up around half of Council's income each activity has its own mix of income sources. This is explained in the "Funding Impact Statement" section on page 148.

## Expenditure

Operational expenditure is the cost of providing the level of service in a given year and includes depreciation and amortisation on assets and interest.

Depreciation is the measure of consumption of the economic benefits of an asset arising from its use overtime. Those who benefit from the use of an asset should contribute towards its cost/consumption.

### OPERATING EXPENDITURE BY ACTIVITY - \$000



Budgeted operating expenditure was \$100.7M and actual \$112.8M – \$12.1M higher. Operating expenditure includes, not only Activity Expenditure, but also non-activity expenditure such as that relating to Marlborough Regional Forestry. Various costs make up the increases which include:

- *Unbudgeted earthquake repair costs were \$4.9M.*
- *The donation of \$2.15m to partially repay the Civic Theatre Trust debt, approved by Council was not in the original budget.*
- *Loss on sale of assets is not budgeted for and was \$2.2M including \$591k for the loss on sale on the transfer of the fire plant to the newly formed Fire and Emergency NZ and \$690k lost on the demolition of the Jim Fraser centre at Lansdowne Park.*
- *Contracts were \$1.2M above budget. Various contracts made up this variance which include the Wilding Conifer control project which was not budgeted for and was funded by a grant from MPI, and most significantly Solid Waste management contracts were \$702k above budget due to increased dump fee volumes and the start of the Commercial and Industrial waste sorting centre.*
- *Consultancy is \$669k above budget due to higher costs in the digital enablement expenses for the rural broadband initiative due to various projects like the removal of sawdust contamination on the Taylor River Reserve and due to some consultancy being expensed that was originally budgeted as capital in the CBD and small towns revitalisation projects.*
- *Energy efficiency costs were \$394k above budget, due to the encouragingly high uptake of the scheme.*

## Capital spending

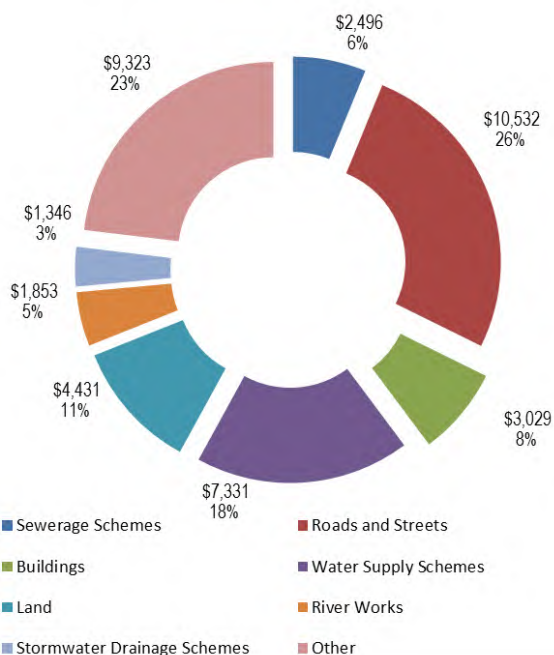
This is money spent to buy assets which Council will use in future to maintain or improve the service to ratepayers. Major projects are highlighted on the "Key Achievements and Performance Overview".

### CAPITAL EXPENDITURE BY ASSET CLASS - \$000

2016-17's capital expenditure budgeted was \$49.1M plus \$22.6M carried forward from the previous year. Actual spending was below this at \$40.3M. The primary reasons capital expenditure was below budget were:

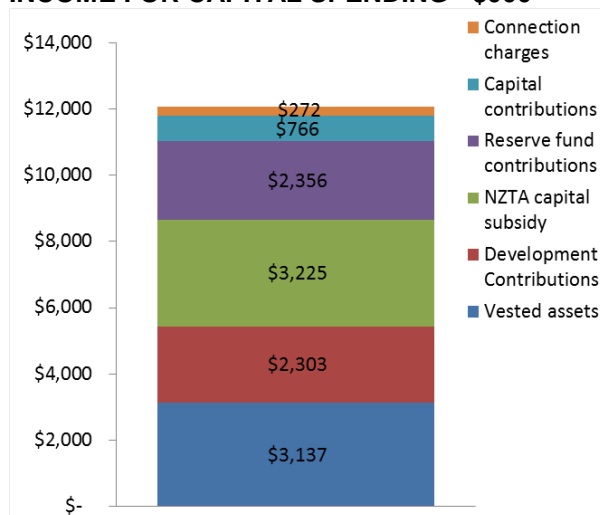
- *Delays in the Picton library development.*
- *Roading and Flood Protection repairs after the November earthquake.*
- *Regional Development as the Flaxbourne Irrigation project is taking longer for further investigations.*
- *Sewerage due to delays in the Picton upgrade.*

- Water due to the Seddon water scheme being behind budget.



Capital expenditure is mainly funded by loans and depreciation Reserves. The difference is the amount funded by other revenue sources, as displayed in the following graph

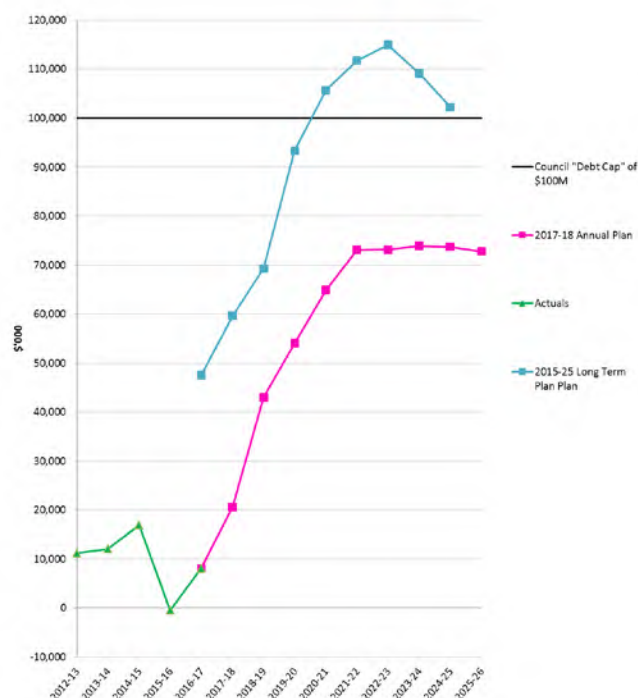
### INCOME FOR CAPITAL SPENDING - \$000



### Net debt levels

Council established a “debt cap” of \$100M as part of finalising its statutorily required Financial Strategy. This amount represents the maximum debt deemed prudent by Council. Council’s net debt is now forecast to reach a maximum of \$73.90M in the 2023-24 financial year well within its debt cap.

### COUNCIL DEBT NET OF INVESTMENTS AND CASH - \$000



Council’s Treasury Management Policy also established the following financial ratios to ensure debt levels are reasonable.

### PERFORMANCE COMPARED TO COUNCIL’S TREASURY MANAGEMENT POLICY

		Policy limit	Actual	Compliance
Council Treasury Management Policy Parameters	Earnings before interest and tax divided by net interest	≥2.25 or <0	16	yes
	Interest expense as a % of total operating revenue	≤12.5%	2.00%	yes
	Net cash flow from operating activities exceeds gross annual interest expense by at least 2 times (200%)	≥ 200%	1166%	yes
Local Government Funding Agency Conventions	Net debt as a % of Total Revenue	<175%	65.6%	yes
	Net interest as a % of Total Revenue	<20%	0.53%	yes
	Net interest as a % of Rates Revenue	<25%	1.04%	yes
	Liquidity	>110%	127%	yes

Council borrows to invest in assets that will enable it to provide services to ratepayers for many years to come. Most of Council’s assets are re-valued annually and their current value is almost \$1.6 billion.

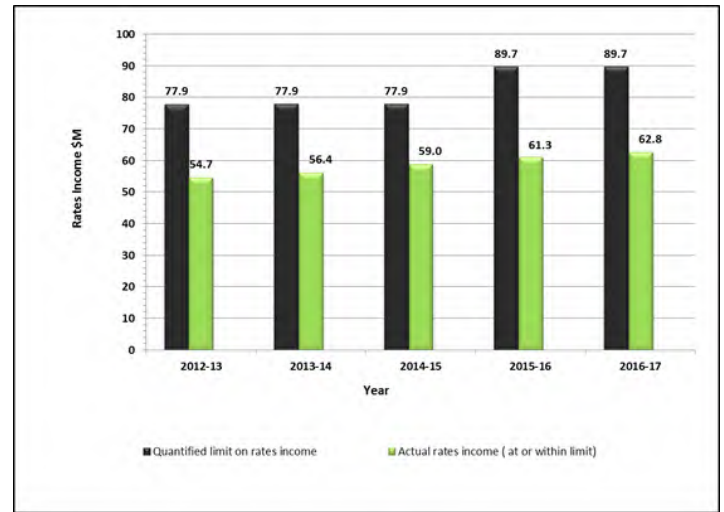
Council’s net worth, the difference between the assets it owns and the liabilities it owes, continues to increase.

# Annual Report Disclosure Statement for Year Ended 30 June 2017

## What is the Purpose of this Statement?

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing revenues, expenses, assets, liabilities and general financial dealings.

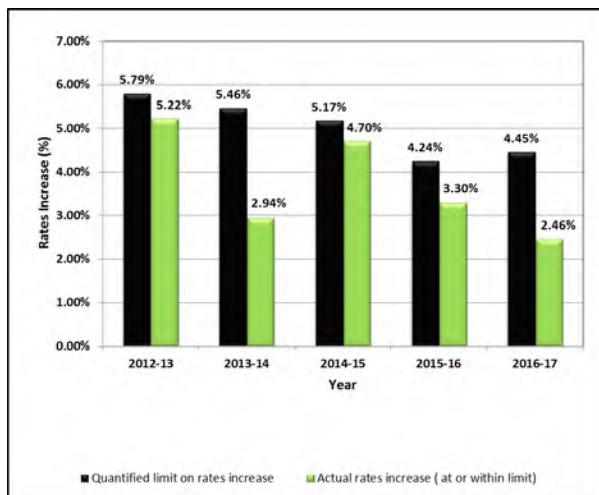
Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations). Refer to the Regulations for more information including definitions of some of the terms used in this statement.



## Rates Affordability Benchmark

Council meets the rates affordability benchmark if its actual rates increases are equal to or less than each quantified limit on rates increases.

The following graph compares Council's actual rates income with a quantified limit on rates contained in the Financial Strategy included in Council's Long Term Plan. The quantified limit is that rate increases will not exceed the Local Government Cost Index plus 2%.

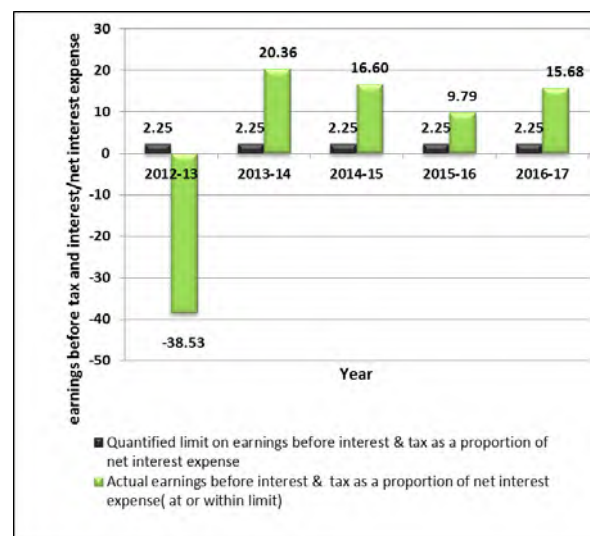


The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the Financial Strategy included in the Council's Long Term Plan. The quantified limit is \$89.7M.

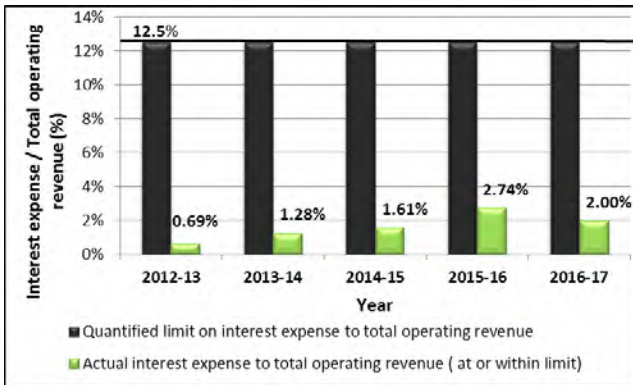
## Debt Affordability Benchmark

Council meets the rates affordability benchmark if its actual borrowing is within each quantified limit on borrowing. A negative number means there was net interest income and this is a favourable result.

The following graph compares Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long Term Plan. The quantified limit is earnings before interest and tax at least 2.25 times net interest expense measured as a factor of net interest. Positive numbers below 2.25 are an unfavourable result.

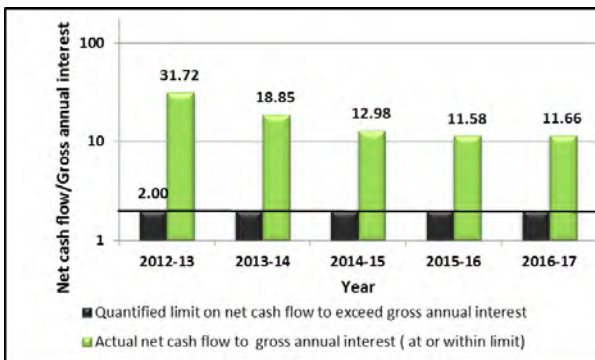


The following graph compares Council's actual borrowing with a quantified limit on borrowing stated in the Financial Strategy included in Council's Long Term Plan. The quantified limit is annual interest expense cannot exceed 12.5% of total operating revenue and is measured as a percentage.



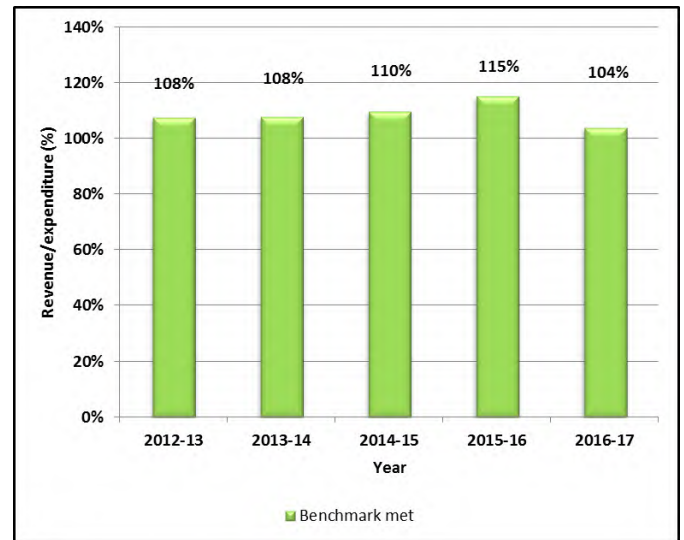
The following graph compares Council's actual borrowing with a quantified limit on borrowing stated in the Financial Strategy included in Council's Long Term Plan.

The quantified limit is net cash flow from operating activities to exceed gross annual interest expense by at least two times measured as a factor of operating activities cashflow.



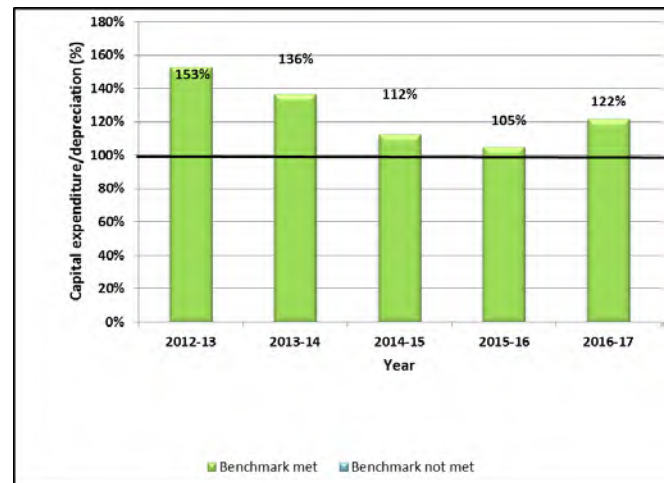
### Balance Budget Benchmark

The following graph displays 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 derivatives financial instruments and revaluations of property, plant or equipment). Council meets this benchmark if its revenue equals or is greater than its operating expenses.



### Essential Services Benchmark

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services.

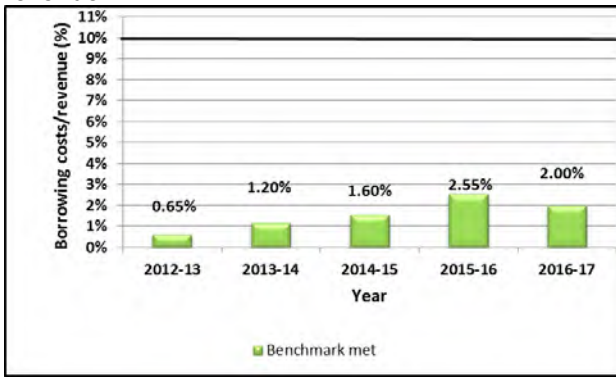


Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

### Debt Servicing Benchmark

The following graph displays 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). Because Statistics New Zealand projects Council's population will grow more slowly than the national population growth, it meets the debt servicing benchmark if its borrowing costs are equal or less than 10% of its

revenue.

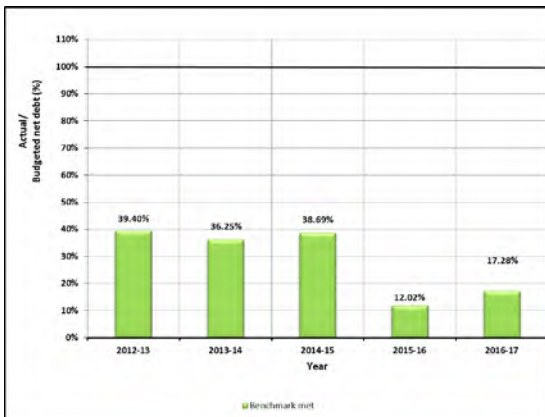


### Debt Control Benchmark

The following graph displays 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).

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

The benchmark shows as negative when the actual is a net asset not a net debt.



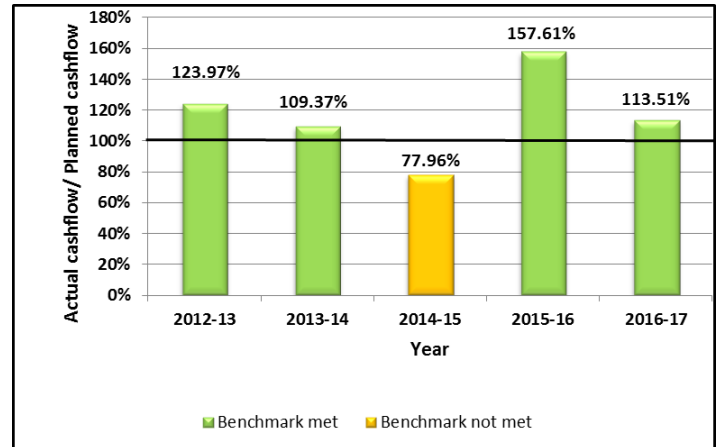
### Operations Control Benchmark

This graph displays Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

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 operating cashflow in 2014-15 was below that budgeted because the Queen Street building purchase was budgeted as investing activity and now it is going to be sold. It was accounted for, in actual, as inventory and an operating cash

outflow. The Queen Street building is still held in inventory and is now expected to be sold in 2018/19.



## Part 2: Our Business

- Activity Groups
  - People
  - Community Facilities
  - Roads and Footpaths
  - Flood Protection and Control Works
  - Sewerage Including Treatment and Disposal
  - Stormwater Drainage
  - Water Supply
  - Solid Waste Management
  - Environmental Management
  - Regulatory
  - Regional Development



## Part 2: Our Business

### Introduction

The Local Government Act states the purpose of local government is to:

- (a) Enable democratic local decision-making and action, by, and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and the performance of regulatory functions in a way that is most cost effective for businesses.

In this Annual Report, Council has structured its activities into 11 Activity Groups:

People.	Community Facilities.
The Provision of Roads and Footpaths.	Flood Protection and Control Works.
Sewerage Including Treatment and Disposal.	Stormwater Drainage.
Water Supply.	Solid Waste Management.
Environmental Management.	Regulatory.
Regional Development.	

The 2015-25 Long Term Plan sets out how these activities meet the Community Outcomes.

### Resident Satisfaction Survey

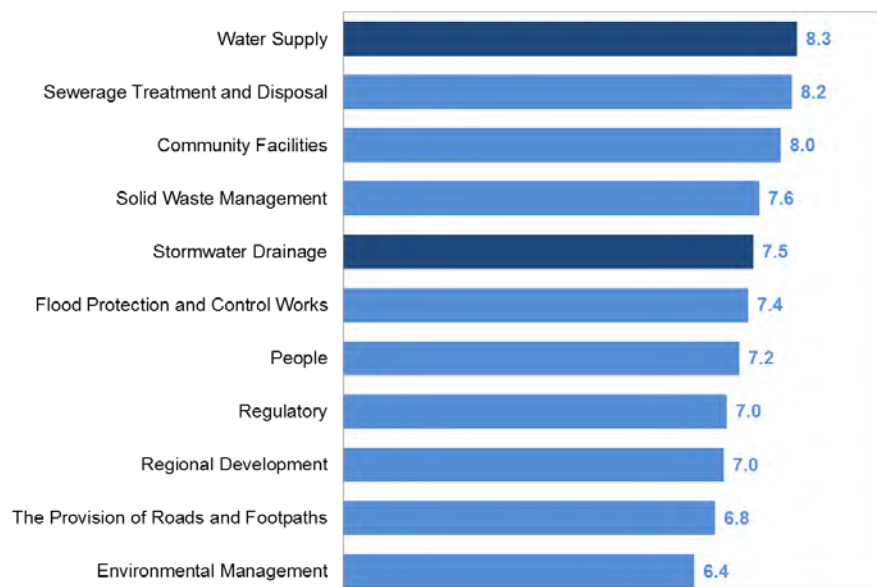
Resident satisfaction is a key performance measure for most Council services. Targets are set in the Annual and Long Term Plan (LTP) and survey results are reported in the Annual Report. A total of 800 people were surveyed this year by the independent Napier based company, SIL Research yielding a confidence level of better than 95 +/-5%. This confidence is considered acceptable for this type of survey.

**In general, responses from across the district were highly positive, with no service scoring lower than 6 out of 10. Council's overall performance increased from 7.2 in 2016 to 7.6 in 2017, a significant improvement and continuing the overall performance trend over the longer term. Overall satisfaction increased from 78.2% to 84%.**

The highly rated Activity Groups were Emergency Management, Sewerage and Community Facilities and the most lowly rated Activity was Biosecurity.

The demographic makeup of those surveyed is weighted to match Marlborough's demographics identified in the 2013 Census, eg; age, sex, location. The survey identifies a headline satisfaction score for each of the services in question, analyses trend information, collects specific comments from residents about our services and asks residents to rate the priority of each service.

**2016-17 Resident Satisfaction Survey average rating out of 10 per Activity Group**  
with **Stormwater Drainage** and **Water Supply** being the most improved in customer satisfaction since last year.



## Activity Group: People

### Activities in this Group:

- Democratic Process.
- Culture and Heritage (including support for the arts and museums).
- Community Housing.
- Community Safety.
- Community Support (including events management, passenger transport, energy efficiency and total mobility).
- Library Services.
- Emergency Management.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Governance, Environment, People, Economy, Mobility and Living. The effects that each Activity within the Group has had on the community are contained under each Activity.

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.



## Funding Impact Statement for year ended 30 June:

PEOPLE	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	6,531	6,914	7,410	7,437
Targeted rates (other than for water supply)	137	162	175	236
Subsidies and grants for operating purposes	344	353	344	339
Fees and charges	24	24	23	24
Other receipts including fines and infringement fees	1,987	2,103	1,945	2,194
<b>Total operating funding</b>	<b>9,023</b>	<b>9,556</b>	<b>9,897</b>	<b>10,230</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,464	4,773	5,124	5,655
Finance costs	11	39	40	7
Internal charges and overheads applied	2,793	2,866	2,955	3,014
Other operating funding applications	1,432	1,372	1,849	4,272
<b>Total applications of operating funding</b>	<b>8,700</b>	<b>9,050</b>	<b>9,968</b>	<b>12,948</b>
<b>Surplus (deficit) of operating funding</b>	<b>323</b>	<b>506</b>	<b>(71)</b>	<b>(2,718)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	10	10	10	-
Increase (decrease) in debt	310	3,500	724	-
Gross proceeds from sale of assets	-	-	25	23
<b>Total sources of capital funding</b>	<b>320</b>	<b>3,510</b>	<b>759</b>	<b>23</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	-	512	3,500	-
Capital expenditure to improve the level of service	172	24	98	1,550
Capital expenditure to replace existing assets	1,231	555	490	531
Increase (decrease) in reserves	(760)	2,925	(3,400)	(4,776)
<b>Total applications of capital funding</b>	<b>643</b>	<b>4,016</b>	<b>688</b>	<b>(2,695)</b>
<b>Surplus (deficit) of capital funding</b>	<b>(323)</b>	<b>(506)</b>	<b>71</b>	<b>2,718</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>8,700</b>	<b>9,050</b>	<b>9,968</b>	<b>12,948</b>
plus - Depreciation and amortisation	643	687	679	665
plus - Loss on sale of fixed assets	-	-	5	56
<b>Expenditure as per Note 2</b>	<b>9,343</b>	<b>9,737</b>	<b>10,652</b>	<b>13,669</b>

### Explanation of Variances

Explanations for this Group Activity are included in the individual Activity Funding Impact Statements.

## Activity: Democratic Process

Operating costs of this Activity represent approximately 3.0% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, People, Economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Marlborough District Council (Council) is a unitary authority, with the functions, duties and powers of both a regional council and a territorial authority conferred on it by the Local Government Act 2002. The Act describes the purpose of Local Government as being to enable democratic local decision-making and action by and on behalf of communities and to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.

In considering the range and diversity of the communities that are represented in Marlborough, the Council recognises the special relationship it has with tangata whenua and acknowledges the specific responsibilities it has to Maori under the Local Government Act 2002 and under the Resource Management Act 1991.





The Council Local Governance Statement (reviewed after the election in 2016) provides a comprehensive overview of its governance policies and processes. Copies of the Local Governance Statement, and associated policies and documents, can be viewed at Council Service Centres and Libraries and on Council's website.

The Council elections were held on 8 October 2016 with the next elections taking place in 2019. Council uses the Single Transferable Vote method for the election of the Mayor (across the whole District) and 13 Councillors from three Wards (seven from the Blenheim Ward; three from the Marlborough Sounds Ward; and three from the Wairau-Awatere Ward).

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

- Held the Council election in October 2016.
- Eight citizenship ceremonies were held with 189 people receiving citizenship.

Levels of Service: Democratic Process				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.5	6.6		Actual score: 6.4 - almost on target. (Last year: 6.2 - almost on target). More work will be done in conjunction with the Communications Team to raise the awareness of meetings and the ability for the public to attend.
<b>Provide a service that is timely and responsive to residents needs.</b>				
% of agendas available to the public, by way of the website and counter enquiry, at least three working days prior to meetings.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
<b>Properly managed local elections.</b>				
Elections and polls will comply with the provision of the Local Electoral Act 2001 with no petitions for enquiry.	No petitions for enquiry.	No petitions for enquiry.		Actual score: No petitions for enquiry (Last year: N/A).
<b>Public contribution to decision making process</b>				
% of Council items of business open to the public	90%	90%		Actual score: 93.1% - on target. (Last year: 92.72% - on target).

## Funding Impact Statement for year ended 30 June:

Democratic Process	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,563	2,788	2,891	2,901
Other receipts	254	303	262	294
<b>Total operating funding</b>	<b>2,817</b>	<b>3,091</b>	<b>3,153</b>	<b>3,195</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,148	1,348	1,346	1,280
Internal charges and overheads applied	1,657	1,725	1,794	1,834
Other operating funding applications	6	6	6	5
<b>Total applications of operating funding</b>	<b>2,811</b>	<b>3,079</b>	<b>3,146</b>	<b>3,119</b>
<b>Surplus (deficit) of operating funding</b>	<b>6</b>	<b>12</b>	<b>7</b>	<b>76</b>
<b>Sources of capital funding</b>				
Gross Proceeds from sale of assets	-	-	25	23
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>23</b>
<b>Applications of capital funding</b>				
Capital expenditure to replace existing assets	-	41	40	-
Increase (decrease) in reserves	6	(29)	(8)	99
<b>Total applications of capital funding</b>	<b>6</b>	<b>12</b>	<b>32</b>	<b>99</b>
<b>Surplus (deficit) of capital funding</b>	<b>(6)</b>	<b>(12)</b>	<b>(7)</b>	<b>(76)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>2,811</b>	<b>3,079</b>	<b>3,146</b>	<b>3,119</b>
plus - Depreciation and amortisation	6	12	6	2
<b>As within People activity per note 2</b>	<b>2,817</b>	<b>3,091</b>	<b>3,157</b>	<b>3,121</b>

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

There are no variances which are considered significant.

## Activity: Culture and Heritage

Operating costs of this Activity represent approximately 3.2% of total Activity expenditure.

### How this Activity Contributes to Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, People, economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity involves promoting the Marlborough Community's cultural wellbeing. Council defines "culture" as encompassing the customs, practices, languages, values and world views that define social groups in Marlborough.

Practices such as arts, design, and architecture reflect and create our cultural identity. Likewise, the ways in which we approach and understand our heritage shapes our image of ourselves, and the image we convey to future generations.

Council's Arts and Culture Strategy, and its Heritage Strategy, sets out the roles played by Council and the ways in which it proposes working with the community to achieve outcomes for culture and heritage. These include:

- Partnering with organisations and institutions that contribute to cultural wellbeing (eg; Marlborough Museum Past Perfect museums database project).
- Supporting projects that reflect and strengthen Marlborough cultural identity.
- Managing the cultural and heritage assets and resources in a sustainable manner.

Further details on what this Activity is about are contained in the 2015-25 LTP.





### What we did in 2016-17

Council provided annual arts and heritage operating grants to key organisations including:

- Marlborough Historical Society, including funding for the "Past Perfect" database of Marlborough heritage collections.
- Edwin Fox, Renwick, Havelock and Flaxbourne museums.
- Picton Historical Society.
- District Brass Band.
- Millennium Art Gallery.
- Marlborough Civic Theatre Trust.

Arts and heritage groups were further able to apply for Council Community Grants contestable funding under the Arts & Culture and Heritage categories with 14 grants being allocated to arts and heritage organisations totalling \$81,330.

In addition, Council commenced a Smart + Connected process with the Heritage Sector which resulted in a Heritage plan being developed. Further work is to be carried out on this which will lead into the Long Term Plan process 2018-2028.

Levels of Service: Culture and Heritage				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.9	6.9		Actual score: 7 - on target. (Last year: 7 - on target).
<b>Manage Council's arts and heritage grants and third party providers to ensure service quality and value.</b>				
% of grants administered, allocated and accounted for within timeframes.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Arts and Heritage operating grants were processed within set criteria and timeframes.
% of achievement of reporting requirements.	95%	95%		Actual score: 100% - on target. (Last year: 100% - on target). As timeframes for reporting do not align with the end of the financial year an annual review is undertaken to ensure that all grants have met accountability requirements.
% of contract requirements are met.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Accountability reports were received for heritage contracts and partnership agreements.

### Funding Impact Statement for year ended 30 June:

Culture and Heritage	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	739	808	823	826
Other receipts	73	75	63	63
<b>Total operating funding</b>	<b>812</b>	<b>883</b>	<b>886</b>	<b>890</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	3	3	106	106
Finance costs	-	-	-	-
Internal charges and overheads applied	67	69	79	77
Other operating funding applications	760	806	818	3,208
<b>Total applications of operating funding</b>	<b>830</b>	<b>878</b>	<b>1,003</b>	<b>3,392</b>
<b>Surplus (deficit) of operating funding</b>	<b>(18)</b>	<b>5</b>	<b>(117)</b>	<b>(2,502)</b>
<b>Sources of capital funding</b>				
Increase/(decrease) in debt	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital Expenditure to improve the level of service	-	-	-	-
Increase (decrease) in reserves	(18)	5	(117)	(2,502)
<b>Total applications of capital funding</b>	<b>(18)</b>	<b>5</b>	<b>(117)</b>	<b>(2,502)</b>
<b>Surplus (deficit) of capital funding</b>	<b>18</b>	<b>(5)</b>	<b>117</b>	<b>2,502</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>830</b>	<b>878</b>	<b>1,003</b>	<b>3,392</b>
plus - Depreciation and amortisation	5	6	5	5
<b>As within People activity per note 2</b>	<b>835</b>	<b>884</b>	<b>1,008</b>	<b>3,397</b>
<b>Operating expenditure</b>				
Arts	386	487	477	2,958
Heritage	449	396	531	439

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Payments to staff and suppliers are higher than LTP budget due to the heritage grant of \$100k for the Captain Cook 250th commemoration.

Note 2: Other operating funding applications is \$2.4M higher than LTP budget due to the payment of a \$2.15M donation to the Marlborough Civic Theatre Trust, funded from Reserves, and the payments of \$265k for one off grants approved by Council.

## Activity: Community Housing

Operating costs of this Activity represent approximately 1.3% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity involves Council considering ways and means by which it can assist the people of Marlborough to have access to housing suitable to their needs. Council considers the most effective means of discharging this responsibility to be providing an option for elderly people to access appropriate and affordable housing.







Council also has an advocacy and facilitation role beyond the current provision of Housing for the Elderly. Council will continue to work closely with Housing New Zealand and the Marlborough Sustainable Housing Trust to attract more funding and provision of housing options for the Marlborough community.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

As well as many major projects listed under the Levels of Service table a number of projects have been completed during the year, including painting, refurbishment and furnishings of units. For example:

- Refurbishment of 6 units at Vevian Place and Cleghorn Street.
- Kitchen upgrades for 29 flats at Cleghorn Street.
- Driveway reseals, line repaints and complex and contractor/emergency vehicle Signs erected.
- Fence and gate erected along stop bank at Harling Court.

Levels of Service: Community Housing				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7.1	7.1		Actual score: 6.8 - almost on target. (Last year: 7 - almost on target). The majority of the complaints were in regards of Council not having enough housing available.
Tenant satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	8.0	8.0		Actual score: 8.1 - on target. (Last year: 8.28 - on target).
<b>Provide up-to-date record of Occupancy levels.</b>				
Minimum occupancy in units to be maintained.	98%	98%		Actual score: 99% - on target. (Last year: 98% - on target).
<b>Provide community housing reactive maintenance service in two categories.</b>				
<b>Urgent Unplanned Maintenance</b> <sup>1</sup> - % of unplanned maintenance completed within 24 hours of notification.	98%	98%		Actual score: 97% - almost on target. (Last year: 95% - almost on target). The result has improved from last year, however, maintenance was delayed due to third party contractors been unable to complete the work on time.
<b>Non-Urgent Unplanned Maintenance</b> <sup>2</sup> - % of unplanned non-urgent maintenance completed within 20 working days of notification.	90%	90%		Actual score: 100% - on target. (Last year: 98% - on target).
<b>Provide an annual checklist of planned maintenance / projects as set out in budget and from Committee meetings.</b>				
% of planned maintenance/projects completed in financial year.	70%	72%		Actual score: 98% - on target. (Last year: 53% - not achieved).

<sup>1</sup> Urgent unplanned maintenance is for events that would make the unit unliveable if left for an extended period.

<sup>2</sup> Non urgent unplanned maintenance is for events that do not pose a risk to the tenant if not dealt with straight away but does need to be dealt with in the near future.

## Funding Impact Statement for year ended 30 June:

Community Housing	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
Other receipts including property rentals	1,126	1,165	1,128	1,146
<b>Total operating funding</b>	<b>1,126</b>	<b>1,165</b>	<b>1,128</b>	<b>1,146</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	801	855	913	948
Finance costs	-	-	-	-
Internal charges and overheads applied	150	149	150	156
Other operating funding applications	13	17	16	13
<b>Total applications of operating funding</b>	<b>964</b>	<b>1,021</b>	<b>1,079</b>	<b>1,118</b>
<b>Surplus (deficit) of operating funding</b>	<b>162</b>	<b>144</b>	<b>49</b>	<b>28</b>
<b>Sources of capital funding</b>				
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to improve the level of service	150	-	30	-
Capital expenditure to replace existing assets	533	170	135	-
Increase (decrease) in reserves	(521)	(26)	(116)	28
<b>Total applications of capital funding</b>	<b>162</b>	<b>144</b>	<b>49</b>	<b>28</b>
<b>Surplus (deficit) of capital funding</b>	<b>(162)</b>	<b>(144)</b>	<b>(49)</b>	<b>(28)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>964</b>	<b>1,022</b>	<b>1,079</b>	<b>1,118</b>
plus - Depreciation and amortisation	262	289	257	289
<b>As within People activity per note 2</b>	<b>1,226</b>	<b>1,311</b>	<b>1,336</b>	<b>1,407</b>

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Payments to staff and suppliers are higher than LTP budget as more repairs and maintenance than scheduled were required.

Note 2: The capital is below LTP budget as development was delayed pending the finalisation of future plans.

## Activity: Community Support

Operating costs of this Activity represent approximately 2.4% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, Environment, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

Council supports the community in a number of ways including Community Development, Energy Efficiency, Passenger Transport and Mobility Scheme and Events Management.

#### Community Development

Council acknowledges the needs of specific sectors in our community including our older people and youth. Council has worked in partnership with key organisations to establish the Positive Ageing Accord to identify the aspirations of this sector and actions needed to achieve them.

Similarly Council has developed, following active input from youth, a Youth Policy and Youth Initiatives Plan that works towards achieving a better environment and services for this sector. This includes making progress towards the Mayoral Task Force goal of "that all young people under the age of 25 should be engaged in appropriate education, training, work or other options which will lead to long term economic independence and wellbeing".

Council also assists through provision of community grants with set criteria to target needs in the community.

#### Energy Efficiency

Marlborough District Council is offering an energy efficiency funding service to ratepayers for:

- Home insulation.
- Solar water heating.
- Clean heating.

For these services Council provides funding for the cost of an approved solution which will be recovered over nine years through a targeted homeowner property rate. This is a voluntary targeted rate and is cost neutral to Council.

#### Passenger Transport and Mobility Scheme

Passenger transport connects people to services and activities to enable them to enjoy a better quality of life. Council currently operates an urban bus service in Blenheim and a district wide mobility scheme for the disabled that meets community need within funding constraints.

#### Events Management

Provision of community based events contributes to residents' wellbeing, cultural identity and social cohesion. Events also have a role to play in attracting visitors to Marlborough along with showcasing and promoting the area. This Activity provides for a number of events, including the summer concert series, Blenheim Christmas parade, senior citizens concerts, Christmas festival, Southern Jam youth festival, Children's theatre and New Year celebrations

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

**Positive Ageing** – Seniors Dance held on 2 October 2016. Older Persons Forums continued to be held to share information and advocate for services for older people. Positive Ageing profiles commenced in the local papers profiling positive older role models in our community.

**Youth** – Key highlight for this year was the second youth mural completed on the Health Hub /Noel Leeming building. The Youth Council continued to meet monthly to provide a valuable voice for young people.











**Volunteer sector** - Volunteer Marlborough under contract with Council provided training for the not for profit sector to build the capacity of the sector. A Funding Expo was held on 2 March 2017 with a wide cross sector of voluntary organisations in attendance.












**Bus service** - The Blenheim bus service conveyed 22,691 passengers during the year (25,501 in 2015-16). The programmed construction of three additional bus shelters was interrupted by the November 2016 earthquake and installation of these shelters is now planned during the 2017-18 year.

**Total Mobility scheme** - The Total Mobility scheme funded 19,048 trips (22,251 in 2015-16), including 2,518 trips (2,981 in 2015-16) by wheelchair users.

**Energy Efficiency** - Over the last 12 months a further 124 advances totalling almost \$625,000 were made for home insulation, solar water heating and home clean heating. Currently the amount advanced (net of repayments) is \$2.06M to 507 ratepayers.

<b>Levels of Service: Community Support</b>				
<b>Performance Targets</b>				
<b>Key Performance Indicators</b>	<b>LTP Baseline</b>	<b>2016-17 Target</b>	<b>How did we do?</b>	<b>Comments</b>
<b>Provide an overall level of service that meets or exceeds residents' expectations (excludes passenger transport).</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".				
• Community Support.	7.2	7.2		Actual score: 6.9 - almost on target. (Last year: 6.9 - almost on target). Although not achieved, last year's level of satisfaction was maintained. This year's score still a relatively high score.
• Community Safety.	7.3	7.3		Actual score: 7.5 - on target. (Last year: 7.2 - almost on target).
• Events Management.	7.1	7.1		Actual score: 7.2 - on target. (Last year: 7 - almost on target).
<b>Manage Council's community grants and third party providers to ensure service quality and value.</b>				
% of grants administered, allocated and accounted for within timeframes.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Community Grants were processed within set criteria and timeframes.
Achievement of reporting requirements.	95%	95%		Actual score: 100% - on target. (Last year: 100% - on target). As timeframes for reporting do not align with the end of the financial year, an annual review is undertaken to ensure all grants have accountability requirements met.
Contract requirements met.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Annual reports were submitted within set timeframes for Creative NZ and Sport NZ funding under Partnership Agreements.
<b>Manage third party providers to ensure service quality and value of community events.</b>				
Achievement of reporting requirements.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Annual report submitted to Council as per contract requirements.
Participation numbers match targets in contracts.	100%	≥ 95%		Actual score: 100% - on target. (Last year: 95% - on target). Contract targets achieved.

## Levels of Service: Community Support

Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Implement the Positive Ageing Accord.</b>				
Number of Older Persons Forums held annually with attendance exceeding quorum.	10	10		Actual score: 11 - on target. (Last year: 11 - on target). Older Persons Forums continue to be held monthly and are well attended.
% of actions in Positive Ageing Accord Plan completed relevant for that year.	New measure	95%		Actual score: 88% - almost on target. (Last year: 88% - almost on target). The Accord is a three year plan so good progress made.
<b>Implement Youth Initiatives Plan.</b>				
Number of Youth Forums held annually with attendance exceeding quorum.	10	10		Actual score: 10 - on target. (Last year: 10 - on target). Monthly Youth Council meetings are held along with additional meetings for event planning.
% of Actions in Youth Initiatives Plan completed each year.	95%	95%		Actual score: 100% - on target. (Last year: 96.4% - on target). All actions in the Youth Plan had progress achieved. The community mural was a highlight.
<b>Build capacity of the Volunteer Sector through provision of training in partnership with key service providers.</b>				
Number of training courses provided per annum where attendance numbers meet targets.	3	3		Actual score: 4 - on target. (Last year: 4 - on target).
<b>Provide quality service that meets and exceeds the expectations of the Ministry of Justice thus providing quality restorative justice service to the community.</b>				
Ensure contract reports are completed within timeframes.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
% of compliance with Ministry of Justice contract conditions met.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
Monitor and manage services to agreed timeframes and budgets.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
<b>Provide a well used and affordable bus service in Blenheim that is timely and responsive to community needs.</b>				
Increase levels of customer patronage by 3% per annum.	2015-16 customer patronage numbers: 25,467	3% > previous year		Actual score: -11% decrease in 2016-17 customer patronage numbers - not achieved. (Last year: -5.6% - not achieved). Difficult to assess the reasons for the declining patronage but does appear to be a national trend attributed to the falling price of petrol and the plateauing of SuperGold card users.
Complete annual passenger survey and reports results to Council by 30 June each year.	New measure	30/06/2017		Actual score: Survey not conducted - not achieved. (Last year: Survey not conducted - not achieved). Passenger survey not undertaken. The annual bus service report was presented to Assets and Services Committee meeting 31 August 2017.
Improve infrastructure to support bus service by adding a minimum of three bus shelter per year (as funding allows).	12 shelters	3 extra shelters		Actual score: 0 - not achieved. (Last year: 4 - on target). Planning and construction of bus shelters was interrupted by November 2016 earthquake. Six new shelters will be constructed in 2017/18.

## Funding Impact Statement for year ended 30 June:

Community Support	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	886	932	1,100	1,104
Targeted rates (other than for water supply)	137	162	175	236
Subsidies and grants for operating purposes	326	334	344	290
Fees and charges	18	18	17	14
Other receipts	95	123	101	238
<b>Total operating funding</b>	<b>1,462</b>	<b>1,569</b>	<b>1,737</b>	<b>1,882</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	873	881	1,075	1,463
Internal charges and overheads applied	188	193	191	192
Finance Costs	11	21	18	7
Other operating funding applications	582	472	835	872
<b>Total applications of operating funding</b>	<b>1,654</b>	<b>1,567</b>	<b>2,119</b>	<b>2,533</b>
<b>Surplus (deficit) of operating funding</b>	<b>(192)</b>	<b>2</b>	<b>(382)</b>	<b>(652)</b>
<b>Sources of capital funding</b>				
Increase (decrease) in debt	310	-	-	-
Subsidies and grants for capital expenditure	10	10	10	-
<b>Total sources of capital funding</b>	<b>320</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to improve the level of service	-	-	45	-
Capital expenditure to replace existing assets	320	20	-	226
Increase (decrease) in reserves	(192)	(8)	(417)	(878)
<b>Total applications of capital funding</b>	<b>128</b>	<b>12</b>	<b>(372)</b>	<b>(652)</b>
<b>Surplus (deficit) of capital funding</b>	<b>192</b>	<b>(2)</b>	<b>382</b>	<b>652</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>1,654</b>	<b>1,567</b>	<b>2,119</b>	<b>2,533</b>
plus - Depreciation and amortisation	4	4	6	1
<b>As within People activity per note 2</b>	<b>1,658</b>	<b>1,571</b>	<b>2,125</b>	<b>2,534</b>
<b>Operating expenditure</b>				
Grants and Donations	647	514	981	943
Safer Communities	150	142	145	165
Security	97	97	132	100
Events Management	174	178	176	224
Energy Efficiency	156	156	206	700
Recreation	69	70	82	70
Passenger transport	365	414	405	333
<b>Capital expenditure:</b>				
Safer Communities	-	-	25	-
Passenger transport	320	20	20	226

<b>Internal borrowing used for the purpose of Community Support</b>	-
Funds borrowed during the year	217
Funds repaid during the year	3
Interest paid in relation to this borrowing	7

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Targeted rates are higher than LTP budget due to higher than anticipated uptake of energy efficiency services.

Note 2: Payments to staff and suppliers are higher than LTP budget due to higher than anticipated uptake of energy efficiency services, predominately the solar water heating scheme which is recovered from rates, over the next nine years.

Note 3: Capital expenditure is higher than the LTP budget due to the new bus shelter for the Blenheim railway station, which was completed in July 2017

Note 4: Decrease in Reserves is higher than in the LTP Budget due to the higher than anticipated uptake of energy efficiency services which is managed through a Reserve.

## Activity Group: People

### Activity: Library Services

Operating costs of this Activity represent approximately 2.0% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

Council provides library services to all Marlborough residents through a District Library in Blenheim, a Branch Library in Picton (which is a combined Library and Council Service Centre) and by supporting school based community libraries in Ward, Havelock, and Waitaria Bay, along with a community library in Renwick.







The purpose of this Activity is to provide the community with a professional library service that assists customers to help themselves by encouraging a joy of reading and the pursuit of knowledge. As well as providing comprehensive book collections for informational and recreational use, the library service provides access (and in some cases training) to a wide range of electronic databases and the internet. Free internet and Wi-Fi access is provided to all library visitors via the Aotearoa People's Network Kaharoa.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

Athfield Architects Ltd, with the project design team finalised plans and furniture and fitting requirements for the new Picton Library and Service Centre – Waitohi Whare Matauranga. A dawn blessing of the Mauri Stone was held on 24<sup>th</sup> November 2016, a mark of respect to Papa, the earth mother, and bestows a blessing on the site and the building. Completion of the new facility is on track to open in mid-November 2017.

Participation in the Summer Reading Programmes in both the District Library and the Picton Library were again very successful with 300 children taking part.

Levels of Service: Library Services				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	8.1	8.1		Actual score: 7.8 - almost on target. (Last year: 7.7 - almost on target). Although not achieved the result is an improvement on last year. While Public Libraries were rated the highest Council activity with 8.6, School/Community Libraries rate lower giving an aggregated score of 7.8.
<b>Provide a range of current resources supporting the tastes, interests and reading levels of users.</b>				
Average age of resources (years).	10 years or less	< 10		Actual score: 8 years or less - on target. (Last year: 8 years or less - on target).
Frequency of books being taken out (turnover rate).	4 times per year	4		Actual score: 4 times per year - on target. (Last year: 4.3 - on target).
Average number of overdue items not returned 28 days after the due date each month.	185 items	< 185		Actual score: 116 - on target. (Last year: 119 - on target).
<b>Provide a range of programmes or training opportunities that meet or exceed customers' expectations.</b>				
Evaluate the satisfaction of courses and programmes offered by the libraries by survey. Where 1=Unsatisfactory, 3=Good, and 5=Excellent.	>3	> 3		Actual score: 4.5 (Last year: 4 - on target).
Number of e-book and e-audio loaned.	6,600 items	10% increase on baseline		Actual score: 15,472 - on target. (Last year: 9,881 - on target).

## Activity Group: People

<b>Funding Impact Statement for year ended 30 June:</b>				
<b>Library Services</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,623	1,642	1,843	1,850
Subsidies and grants for operating purposes	-	-	-	1
Fees and charges	6	6	6	10
Other receipts including fines and infringement fees	313	310	294	262
<b>Total operating funding</b>	<b>1,942</b>	<b>1,958</b>	<b>2,143</b>	<b>2,123</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,122	1,150	1,252	1,213
Finance costs	-	18	22	-
Internal charges and overheads applied	490	490	503	514
<b>Total applications of operating funding</b>	<b>1,612</b>	<b>1,658</b>	<b>1,777</b>	<b>1,726</b>
<b>Surplus (deficit) of operating funding</b>	<b>330</b>	<b>300</b>	<b>366</b>	<b>397</b>
<b>Sources of capital funding</b>				
Increase (decrease) in debt	-	500	724	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>500</b>	<b>724</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	22	24	3,500	-
Capital expenditure to improve the level of service	-	512	23	1,550
Capital expenditure to replace existing assets	350	276	269	280
Increase (decrease) in reserves	(42)	(12)	(2,702)	(1,433)
<b>Total applications of capital funding</b>	<b>330</b>	<b>800</b>	<b>1,090</b>	<b>397</b>
<b>Surplus (deficit) of capital funding</b>	<b>(330)</b>	<b>(300)</b>	<b>(366)</b>	<b>(397)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>1,612</b>	<b>1,656</b>	<b>1,777</b>	<b>1,726</b>
plus - Depreciation and amortisation	329	335	366	329
<b>As within People activity per note 2</b>	<b>1,941</b>	<b>1,991</b>	<b>2,143</b>	<b>2,056</b>

The Increase/(decrease) in debt and Increase/(decrease) in Reserves varies to the LTP order due to an error in the LTP

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Payments to staff and suppliers is higher than in the LTP due to additional repairs and maintenance for the replacement of the Blenheim library roof. These were budgeted for in the 2016-17 Annual Plan.

Note 2: Capital expenditure is higher than the LTP budget due to the work on the new Picton Library, commencing later than budgeted so more of the project occurred in 2016-17. It is now expected to be completed in November 2017. This has also resulted in variances for debt and Reserves capital funding.

## Activity: Emergency Management

Operating costs of this Activity represent approximately 1.1% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, Environment, People, Economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Marlborough Civil Defence Emergency Management (CDEM) Group has responsibility for the administration and implementation of a CDEM Group Plan. Amongst other requirements the Plan describes:

- Emergency Management policies and procedures in place to manage hazards through risk reduction strategies.
- Arrangements for declaring a state of emergency in the area.
- Arrangements for cooperation and coordination with neighbouring CDEM Groups and key stakeholders.
- How hazards managed by CDEM are prioritised according to risk. The eight most significant hazards include earthquakes, local source tsunami, marine accidents, terrorism, river floods, human pandemic, animal epidemic and plant and animal pests. Marlborough may need to deal with a number of other hazards not mentioned here.

Members of CDEM include Council, Nelson Marlborough Health (NMH), Police, Fire and Emergency New Zealand and St Johns as well as a number of Non-Government Organisations such as Red Cross.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

#### Civil Defence Emergency Management

Just after midnight on 14 November 2016 a magnitude 7.8 earthquake occurred just east of Hanmer, this event has dictated much of the work of CDEM ever since. The effects were dramatic and the recovery will go on for many years. The immediate consequences were that SH1, the main trunk rail line and the fibre and power cables adjacent to them were closed by fault ruptures across them and massive slips over them. A 4 metre tsunami was generated but fortunately the tide was low and most of the potentially affected coastlines were raised by up to 3 metres resulting in the wave having very few consequences. Horizontal movements of up to 10 metres have also been measured. The highest vertical G forces experienced were around Ward and many folk who had just recovered from the 2013 earthquakes found themselves starting from scratch again. Many farms had significant fence and water pipe damage, the Ward water system was damaged and many of the stop banks on the Wairau Plains cracked and/or slumped.

The Regional Incident Management Team came together very quickly and began a week of responses to various crises throughout south Marlborough. A state of emergency was not declared as the District felt it had the situation under control and there was no need for the powers a declaration permits. Because of the closed roads Marlborough CDEM also took control of the response to the northern end of Kaikoura District. This stretched Council's building inspectors to assess all the residences within this expanded area. It was estimated that 20% of the wineries storage was compromised and this gave little time before harvest to have other options in place. The wine industry took ownership of the problem and achieved an enormous amount of work within a short time. One of the ongoing issues was the land slip dams and associated lakes threatening homes downstream which could not be permanently occupied until major rain events washed the dams away.

Within a week of the event a Recovery Manager was appointed and the process of recovery began.

- A **recovery group** was established to ensure that the most important work was being done in a coordinated manner. Visits to residents were kept to a minimum. However, a number of events were organised to enable them to talk to insurers, GNS scientists and medical practitioners, get legal advice and in some cases a simple gathering to talk around a BBQ and have someone else entertain the

children. The upper Awatere Road was closed by a large slip which took until Christmas to clear meaning residents above the slip needed regular flights to take in food, farm supplies and in some cases folk came out for medical appointments.

- The **stop banks on the Wairau** have now been repaired and no flood events occurred although evacuation planning had been put in place for some of the vulnerable communities.
- The **horizontal infrastructure in Blenheim** has been assessed and it appears that the most damage has been to the old sewer pipes which are cracked, most likely leaking in places, but still operable. These are yet to be repaired.
- The closure of **SH1** has had serious consequences for businesses and tourism in Marlborough and the increased traffic flows on SH63 required a large investment to upgrade it to a standard that could cope. NCTIR continue to affirm that SH1 will be open to two way traffic by Christmas 2017 and KiwiRail are targeting the first week of September for the rail line to be operating at about 50% capacity.
- A **winter warmth programme** was put in place to assess how many and what could be done for houses that were liveable but not weather tight or which had no heating. Repairs are being carried out as assessments are made. Rebuilding and repairing homes will take time particularly with the low availability of tradespeople and temporary housing in Marlborough and the understandable reluctance of farmers to live off-site. CDEM has been working with MBIE to secure suitable options.
- Post the quake Scientists observed a new phenomenon called '**slow slip**' quakes occurring offshore. These are fault movements on a very large scale that move but do so slowly. Because these can result in significant tsunami causing earthquakes all the Marlborough response agencies were kept informed of developments and met to agree on a response if such an event were to occur. Fortunately it did not.

The 2017-2022 Marlborough Emergency Management Group Plan was completed and signed off by Minister Brownlee in February 2017. The process of formulating the Group Plan ensures there is a common agreement amongst the Group members of the hazards to be addressed and a binding commitment to shared future objectives. The mechanisms needed to reach the goals are agreed and documented. The Group Plan therefore strengthens the relationship between agencies involved in CDEM and fosters greater cooperation between them.








Community awareness campaigns are given high priority with CDEM staff attending many community events and meetings. The Clued up Kids programme is a key event and CD is one of the fully involved agencies. The Ministry's national awareness campaigns have been supported such as "Drop, Cover, Hold" and "Never Happens, Happens". A public education communications strategy has been completed so that the most cost effective communication channels are used to get key messages into the community. The communities of Rarangi, Linkwater and Okiwi Bay have been proactive in developing emergency response plans and CDEM has supported them to ensure that the messages are consistent and assisted with printing them once complete. Duncan Bay has also started to develop a plan.

A Welfare Manager was employed for 20 hours per week for 12 months. This increased the CDEM team to 3 staff and enabled a focus on the welfare of communities, particularly post earth quake. This role has now been increased to 30 hours per week and become a permanent position.

## Fire

The summer was not as dry and windy as in previous years so, although there were still wild fires, they were not significant. Because of the wet, warm spring the number of vegetation hazard complaints received was higher than normal however neighbours were usually compliant and controlled the growth on their sections. Urban fire permits were issued apart from within the Blenheim Airshed. This summer the message was received by residents within the no fire zone and very few illegal fires were lit within the Airshed.

This was the last year of the Marlborough Kaikoura Rural Fire Authority (MKRFA) which was disbanded at end of business on 30 June. All Rural Fire Authorities and the New Zealand Fire Service have amalgamated into a new entity known as Fire and Emergency New Zealand (FENZ). The vast majority of the MKRFA response assets (e.g. 4WD engines, tankers and pumps) were owned by MDC and ownership of these has been changed to FENZ as well as use of the rural fire stations scattered throughout Marlborough. FENZ staff will remain co-located in the EOC and initial planning has begun to add an office for them to operate from.

Levels of Service: Emergency Management				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds resident's expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	8.0	8.0		Actual score: 8.3 - on target. (Last year: 8.2 - on target).
<b>Provide a planned, tested capability to respond to major Civil Defence and Emergency (CDEM) Events.</b>				
Timeliness for the completion of the update to emergency contact plans.	30-Jun	30-Jun-17		Actual score: 30-Jun-17 - on target. (Last year: 30-Jun-16 - on target).
Level of compliance with the 10 year exercise programme for testing the CDEM Plan.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
% compliance with testing programme for radios, sector kits and emergency generator.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
<b>Urban fire is managed as per Council Bylaws</b>				
% of fire permits issued within five working days.	New Measure	95%		Actual score: 100% - on target. (Last year: N/A).
% of urban fire season status match adjacent rural fire status	New Measure	100%		Actual score: 100% - on target. (Last year: N/A).
% of vegetation fire hazard complaints processed within 10 working days of receipt of call	New Measure	90%		Actual score: 50% - not achieved. (Last year: N/A). While the contractor would inspect the site within the time frame, contacting the actual property owner and reducing the hazard usually took longer.

## Funding Impact Statement for year ended 30 June:

Emergency Management	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	721	744	753	756
Subsidies and grants for operating purposes	18	18	-	48
Other receipts	126	126	97	191
<b>Total operating funding</b>	<b>865</b>	<b>888</b>	<b>850</b>	<b>995</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	516	536	432	645
Internal charges and overheads applied	241	240	238	240
Other operating funding applications	71	71	174	174
<b>Total applications of operating funding</b>	<b>828</b>	<b>847</b>	<b>844</b>	<b>1,059</b>
<b>Surplus (deficit) of operating funding</b>	<b>37</b>	<b>41</b>	<b>6</b>	<b>(64)</b>
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to replace existing assets	28	47	46	24
Increase (decrease) in reserves	9	(6)	(40)	(88)
<b>Total applications of capital funding</b>	<b>37</b>	<b>41</b>	<b>6</b>	<b>(64)</b>
<b>Surplus (deficit) of capital funding</b>	<b>(37)</b>	<b>(41)</b>	<b>(6)</b>	<b>64</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>828</b>	<b>847</b>	<b>844</b>	<b>1,059</b>
plus - Depreciation and amortisation	37	41	39	39
plus - Loss on sale of fixed assets	-	-	-	56
<b>As within People activity per note 2</b>	<b>865</b>	<b>888</b>	<b>883</b>	<b>1,154</b>

### Explanation of the funding impact variance between 2017 (Actual) and 2017 LTP)

Note 1: Other receipts are higher than LTP budget due to the \$70k settlement for the Haldon Dam emergency repairs completed by Council after the 2013 Seddon earthquakes.

Note 2: Payments to staff and suppliers are higher than LTP due to costs incurred as a result of the November 2016 Kaikoura earthquake.

Note 3: Other operating funding applications is higher than LTP budget due to additional grant funding for the MKRFA which was budgeted in the 2016-17 Annual Plan. Previously this was included under the heading Payments to staff and suppliers.



## **Activity Group: Community Facilities**

### **Activities in this Group:**

This Activity Group comprises a single Activity: Community Facilities.

### **Community Outcomes**

This Activity Group contributes to the Community Outcomes of Governance, Environment, People, Living and Mobility. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### **What is this Activity About?**

Council provides and maintains a wide range of open spaces and built facilities which meet a diversity of community needs through the development and maintenance of recreation reserves, sportsgrounds, cemeteries, public toilets, aquatic facilities, walking and cycling routes, community halls, streets and berms.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### **What we did in 2016-17**

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

In addition to the services provided under the levels of service tables the following new initiatives were undertaken in 2016-17:

#### **Recreation Reserves**

- New play area implemented at Sheps Park.
- New play equipment installed at Nottinghill Reserve.
- Picton Foreshore – new water play feature installed.

#### **CBD Developments**

- Bythell Place upgrades.
- Commenced redevelopment Riverside Park (2 High Street).

#### **Sports Grounds**

- Lansdowne Park – construction new netball courts, stormwater control and car parking.
- Softball specific infrastructure has been installed and continues to be developed.
- A new carpark was constructed at Central Clubrooms.
- Seddon Sports Pavilion earthquake repairs.
- Endeavour Park – installed new netball courts.

#### **Cemeteries**

- Cemetery and Headstone restoration project at Omaka, Picton and Havelock.
- New burial beams were installed at Fairhall Cemetery and a niche wall constructed to provide another method of memorialisation.

- The former Sexton's House site at Omaka Cemetery has been cleared in preparation for landscape enhancements.
- Some tree removal and landscaping at the Havelock Cemetery.
- Roading safety improvements, new burial beams and amenity tree and planting work was carried out at Tuamarina Cemetery.

### Public Toilets

- New permanent facilities were installed in Picton at the i-SITE and London Quay.
- A new semi-permanent toilet facility was installed at the entrance to the Wairau Valley Township in response to the Picton to Christchurch SH 1 earthquake related road closure.
- Blenheim town centre Liz Davidson Park toilets had a dedicated men's urinal area added and other refurbishments.
- Public toilet facilities located at Brown River Reserve, Alfred Stream Reserve, Rai Valley Township, Havelock Pavilion, Havelock Township, Canvastown, Renwick Township, Picton Museum and London Quay, Waikawa Foreshore Reserve, Blenheim Railway Station, Alfred Street Carpark Building, Nelson Road, Harling Park, Rife Range Carpark, Seddon Township and Blairich Reserve all were refurbished.

### Aquatic Facilities


- Earthquake strengthening continues at Stadium 2000.

### Walking and Cycling Routes

- The Link Pathway track works continued.
- A section of cycle path was installed at Rarangi between Pipitea Drive and Blue Gum corner.
- New cycle paths from Grovetown to Spring Creek and alongside the Taylor River from Athletic Park to Wither Road.

### Memorials

- Hand rail installed at Rai Valley War Memorial.

Levels of Service: Community Facilities				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Customer satisfaction:</b> <b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7.7	7.7		Actual score: 8 - on target. (Last year: 7.8 - on target).
<b>Neighbourhood Parks:</b> <b>Provision of neighbourhood parks in urban area within walking distance of home, providing play opportunities for all ages, open space and amenity values.</b>				
That within the urban environment 98% of the area is provided with a neighbourhood Park which is either 500 metres approximately or ten minutes' walk.	98%	98%		Actual score: 98% - on target. (Last year: 98% - on target).
<b>Public Gardens:</b> <b>Provision of high quality public gardens in key locations that provide opportunities for amenity horticultural displays, education and contemplative leisure experiences.</b>				
Three prime areas are allocated and maintained to high horticultural amenity standard. Offering at least five various displays, educational opportunities for the community and contemplative leisure experiences.	Five educational sessions are offered	5		Actual score: 5 - on target. (Last year: 5 - on target).
<b>Cultural Heritage:</b> <b>The protection of specific cultural heritage sites and opportunities to experience and learn about our history.</b>				
War Memorial sites are protected, maintained and made available for memorial services.	Sites are available for at least 12 services	12		Actual score: 12 - on target. (Last year: 12 - on target).
Provision of cemeteries will meet the future interment of the community to provide accessible and appropriate sites for burial.	300 burial sites are available	350		Actual score: over 1,000 burial sites were available. - on target. (Last year: over 300 - on target).
<b>Outdoor Adventure:</b> <b>Recreation activities and built facilities, requiring a large scale non-urban environment.</b>				
Provision of opportunities for outdoor adventure based Recreation activities such as walking tracks and mountain bike tracks (in kilometres).	158 kms	168		Actual score: 168 - on target. (Last year: 163 - on target).
<b>Civic Space:</b> <b>Provision of open space within business/retail areas, with a high level of amenity development and maintenance designed to attract and cater for periodic high levels of use.</b>				
Provision and maintenance of central areas eg; Liz Davidson Place, Bythell Place, Stadium 2000 Pocket Park, Riverside Park and London Quay.	At least 12 areas are provided and maintained	12		Actual score: 12 - on target. (Last year: 12 - on target).
Events are held at the Parks.	Five or more events are held	5		Actual score: 5 - on target. (Last year: 5 - on target).
Identification and acquisition of identified sites eg; Taylor River, Spring Creek walk way. Esplanade acquisition.	At least four new identified sites were acquired each year	4		Actual score: 3 - not achieved. (Last year: 3 - not achieved). The current practice is to acquire sites through the subdivision process or by making purchase offers to land owners. However, this year there were limited consents with adjoining water bodies suitable for acquisition.
<b>Sport and Recreation:</b> <b>To provide and maintain sports field capacity to meet reasonable demand.</b> <b>Recreation facilities will be managed to meet the recreation needs of the community or sport code.</b>				
Provision of sports facilities meet reasonable demand.	New measure	85%		Actual score: 100% - on target. (Last year: 100% - on target).
Delivery will achieve at least 85% resident satisfaction.	New measure	90%		Actual score: 90% - on target. (Last year: 90% - on target).

Capital expenditure to replace existing assets is below

## Funding Impact Statement for year ended 30 June:

<b>Community Facilities</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	7,398	7,614	7,875	7,904
Subsidies and grants for operating purposes	45	11	20	207
Fees and charges	143	146	143	115
Other receipts	767	750	638	706
<b>Total operating funding</b>	<b>8,353</b>	<b>8,521</b>	<b>8,676</b>	<b>8,932</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	5,706	5,463	5,681	6,092
Finance costs	642	709	644	628
Internal charges and overheads applied	1,573	1,595	1,649	1,731
Other operating funding applications	351	212	196	380
<b>Total applications of operating funding</b>	<b>8,272</b>	<b>7,979</b>	<b>8,170</b>	<b>8,831</b>
<b>Surplus (deficit) of operating funding</b>	<b>81</b>	<b>542</b>	<b>506</b>	<b>101</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	539
Development and financial contributions	885	942	1,169	1,533
Increase (decrease) in debt	-	-	2,382	4,938
Gross proceeds from sale of assets	-	-	-	-
<b>Total sources of capital funding</b>	<b>885</b>	<b>942</b>	<b>3,551</b>	<b>7,010</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	842	415	1,074	3,631
Capital expenditure to improve the level of service	2,291	412	2,533	4,018
Capital expenditure to replace existing assets	574	1,232	851	211
Increase (decrease) in reserves	(2,741)	(575)	(401)	(748)
<b>Total applications of capital funding</b>	<b>966</b>	<b>1,484</b>	<b>4,057</b>	<b>7,112</b>
<b>Surplus (deficit) of capital funding</b>	<b>(81)</b>	<b>(542)</b>	<b>(506)</b>	<b>(101)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>8,272</b>	<b>7,979</b>	<b>8,170</b>	<b>8,831</b>
plus - Depreciation and amortisation	990	1,076	1,186	1,110
plus Impairment due to earthquake	-	-	-	500
plus - Loss on sale of fixed assets	-	-	-	765
<b>Expenditure as per Note 2</b>	<b>9,262</b>	<b>9,055</b>	<b>9,356</b>	<b>11,207</b>
<b>Operating expenditure</b>				
Cemeteries	528	543	511	511
Memorials	94	98	91	90
Street berms, trees and plots	547	570	550	547
Halls	344	304	386	305
Public Conveniences	829	877	882	1,003
Reserves	5,150	4,902	5,150	6,818
Swimming Pools	1,772	1,763	1,786	1,933
<b>Capital expenditure:</b>				
Cemeteries	200	184	80	118
Memorials	43	8	8	7
Street berms, trees and plots	109	34	34	104
Halls	20	20	142	18
Public Conveniences	525	154	150	892
Reserves	1,475	1,658	4,044	6,699
Swimming Pools	1,335	-	-	21
<b>Internal borrowing used for the purpose of Community Facilities</b>				<b>12,808</b>
Funds borrowed during the year				5,410
Funds repaid during the year				472
Interest paid in relation to this borrowing				628

The finance costs and the internal charges and overheads applied under applications of operating funding varies to the LTP order due to an error in the LTP.

**Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)**

Note 1: Subsidies and grants are higher than LTP due to the unbudgeted subsidy of \$187k from the Ministry of Business, Innovation and Employment, for the new public toilet facility adjacent to the Picton i-Site.

Note 2: Development and other financial contributions are higher than LTP budget due to increased subdivision activity.

Note 3: Capital expenditure to meet additional demand is higher than LTP budget mainly due to the new public conveniences at Picton, \$606k partially funded by subsidy and the Lansdowne unbudgeted strategic purchase of land at 42 Herbert Street, \$490k

Note 4: Capital expenditure to increase the level of service was higher than the LTP budget due to the new netball amenities and car parking and stormwater development at Lansdowne (\$3.5M) brought forward into 2016-17 from 2021-22 and 2023-24. This resulted in an increase in debt funding.

Note 5: Capital expenditure to replace existing assets was lower than the LTP as the Lansdowne carpark and drainage was in this category in the LTP, and has been revised in actual to the level of service category.

## Activity Group: Roads and Footpaths

### Activities in this Group:

This Activity Group comprises a single Activity: Provision of Roads and Footpaths.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Environment, Economy, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity is carried out so that the movement of people and goods within and through the District can be safe, efficient and convenient.

As owner of the local road network Council provides and maintains a 1,535 kilometres roading network to standards that achieve an acceptable balance between user levels of service and cost. In addition Council is responsible for all roading related assets footpaths, kerb and channelling, street lighting and car parks (accounted for in the Regional Development Activity). Thirteen wharves are also owned and maintained by Council.

State Highways are the responsibility of the New Zealand Transport Agency (NZTA) and as such is a key partner in Council achieving community outcomes.

### Separate Roles

Council has developed a contract with the NZTA's Marlborough Roads office to manage Council's roads on its behalf. This is achieved through a formal contract and a close management relationship between Council and Marlborough Roads to ensure the Levels of Service in Council's 10 year Roding Infrastructure Asset Management Plan is met. Also the NZTA normally provides funding assistance of 51%.

Council also works closely with the New Zealand Police on road safety issues and maintains and reviews a Road Safety Action Plan for the District.

Further details on what this Activity is about and the assets involved are contained in the 2015-25 LTP.

### What we did in 2016-17











Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

In addition to the services provided under the Levels of Services table a number of projects were performed during the year. The following points summarise the major roading projects performed in 2016-17:

- Replacement of the Tyntesfield Bridge was completed.
- Replacement of Healy's Bridge on Kaiuma Bay Road, McLeans Bridge on Mt Riley Road and Bulford Bridge on Bulford Rd commenced.
- 2309m of new Kerb and Channel.
- Completion of 76.6 lane kilometres of chip sealing.
- 21,454 cubic metres of gravel spread on the unsealed network.
- 8.3 lane kilometres of pavement rehabilitated.
- 7550 square metres of footpath resurfaced.
- In excess of \$4m worth of Earthquake repairs were completed following the Kaikoura Earthquake and major rain event that immediately followed it.
- Safety works and asphalt surfacing completed on Hutcheson Street outside the new Theatre.
- 5km of seal extension on the French Pass Road.

## Levels of Service: Roads and Footpaths

### Performance Targets

Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.5	6.5		Actual score: 6.8 - on target. (Last year: 6.7 - on target).
<b>Road Safety: Provide a safe transport infrastructure.</b>				
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	8 (previous 10 year average)	Target for reducing the number of serious injuries and fatalities = 1		Actual score: 3 - not achieved. (Last year: 6 - not achieved). Marlborough had 1 fatal and 12 serious injury crashes on its network last year. The total number for 2015-16 was 10 meaning the number has increased by 3 in 2016-17. Unfortunately Marlborough's crash statistics are following National trends.
<b>Road condition: Provide a quality transport infrastructure.</b>				
Average quality of ride on a sealed local road network measured by Smooth Travel Exposure <sup>1</sup> for:				
(a) Urban roads	≥ 85%	≥ 84%		Actual score: 90% - on target. (Last year: 89% - on target).
(b) Rural roads	≥ 92%	≥ 92%		Actual score: 95% - on target. (Last year: 95% - on target).
Condition Index <sup>2</sup> .	≤ 6.5	< 6.2		Actual score: 4.1 - on target. (Last year: 4.9 - on target).
Average road roughness <sup>3</sup> standards for:				
(a) Urban sealed roads	< 110	< 115		Actual score: 106 - on target. (Last year: 106 - on target).
(b) Rural sealed roads	< 98	< 100		Actual score: 94 - on target. (Last year: 94 - on target).
<b>Road maintenance: Provide a sustainable land transport infrastructure.</b>				
The percentage of sealed road network that is resurfaced annually. Total sealed area is 7,995m <sup>2</sup> as 2014-15.	4.2%	4.2%		Actual score: 4.7% - on target. (Last year: 5.8% - on target).
<b>Footpaths: To provide footpaths that meet the needs of an ageing community.</b>				
% of footpaths within a territorial authority district that meets the Asset Management Plan rating of better than four.	94%	94.7%		Actual score: 96% - on target. (Last year: 95% - on target).
<b>Respond to services request.</b>				
% of customer services requests relating to roads and footpaths to which the territorial authority responds within 15 days.	New measure	≥ 90%		Actual score: 87% - almost on target. (Last year: 86.4% - almost on target). The results represent a positive response from the new systems implemented and an improvement from last year.

<sup>1</sup> Smooth Travel Exposure is the percentage of vehicle kilometres travelled on roads meeting a certain roughness standard. This indicator shows the extent to which Council has maintained the road asset. It records travel on the roading network which meets the roughness benchmarks therefore providing a measure of delivery of a safe and comfortable ride. Well maintained roads contribute to lower operating costs for road users. The Marlborough values compare favourably with peer agencies.

<sup>2</sup> Condition Index is an addition of weighted percentages of defects like alligator cracking, scabbing, potholes, pothole patches and flushing. It does not include age of the surfacing treatment. Lower values indicate a higher standard, where the maximum score is 100 and a lower score such as five is a very good outcome.

Because of short term funding pressures an allowance was made for some increase in the Condition Index reflecting less renewal and more maintenance.

<sup>3</sup> A newly sealed road has an average roughness of 50 – 70. A very rough gravel road will have a roughness value higher than 300.

## Funding Impact Statement for year ended 30 June:

Roads and Footpaths	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	9,135	9,989	9,263	9,361
Targeted rates (other than for water supply)	63	63	63	65
Subsidies and grants for operating purposes	4,498	5,011	4,823	5,990
Fees and charges	6	6	7	38
Other receipts	1,147	1,196	1,266	1,126
<b>Total operating funding</b>	<b>14,849</b>	<b>16,265</b>	<b>15,422</b>	<b>16,580</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,897	10,809	10,452	11,618
Finance costs	590	756	565	389
Internal charges and overheads applied	1,361	1,427	1,387	925
Other operating funding applications	-	-	24	29
<b>Total applications of operating funding</b>	<b>11,848</b>	<b>12,992</b>	<b>12,428</b>	<b>12,961</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,001</b>	<b>3,273</b>	<b>2,994</b>	<b>3,619</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	3,097	3,063	3,278	3,225
Development and financial contributions	240	246	622	213
Increase (decrease) in debt	1,525	1,052	1,525	203
Gross proceeds from sale of assets	-	-	-	-
<b>Total sources of capital funding</b>	<b>4,862</b>	<b>4,361</b>	<b>5,425</b>	<b>3,641</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	312	371	1,544	400
Capital expenditure to improve the level of service	2,026	1,387	3,131	2,350
Capital expenditure to replace existing assets	8,866	8,089	6,395	6,364
Increase (decrease) in reserves	(3,341)	(2,213)	(2,651)	(1,854)
<b>Total applications of capital funding</b>	<b>7,863</b>	<b>7,634</b>	<b>8,419</b>	<b>7,260</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,001)</b>	<b>(3,273)</b>	<b>(2,994)</b>	<b>(3,619)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>11,848</b>	<b>12,992</b>	<b>12,428</b>	<b>12,961</b>
plus - Depreciation and amortisation	8,560	8,850	8,843	8,948
plus - Loss on sale of fixed assets	-	-	-	26
<b>Expenditure as per Note 2</b>	<b>20,408</b>	<b>21,842</b>	<b>21,271</b>	<b>21,935</b>
<b>Capital expenditure (including vested assets):</b>	<b>11,204</b>	<b>9,847</b>	<b>11,695</b>	<b>10,595</b>

<b>Internal borrowing used for the purpose of Roads and Footpaths</b>	<b>6,445</b>
Funds borrowed during the year	703
Funds repaid during the year	499
Interest paid in relation to this borrowing	389

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Subsidies and grants are higher than LTP budget due to higher NZTA subsidies for emergency works following damage from the November 2016 Kaikoura earthquake and subsequent rain event.

Note 2: Payments to staff and suppliers are higher than LTP budget due to increased emergency reinstatement and repairs resulting from the November 2016 Kaikoura earthquake and subsequent rain event.

Note 3: The decrease in debt is lower than LTP budget due to less capital expenditure than in the LTP.

Note 4: Applications of capital funding are lower than LTP budget due to delays in projects, including delayed allocations of the small township budgeted funds, and due to a shift in emphasis to emergency reinstatement after the November 2016 Kaikoura earthquake.

Note 5: Capital expenditure (including vested assets) is higher than the LTP budget due to higher than budgeted vested roading assets from increased subdivision activity in the region.



## Activity Group: Flood Protection and Control Works

Operating costs of this Activity represents approximately 6.0% of total Activity expenditure.

## Activity Group: Flood Protection and Control Works

### Activities in this Group:

This Activity Group comprises a single Activity: Flood Protection and Control Works.

### Community Outcomes

This Activity Group contributes primarily to the Community Outcomes of Environment, People, Economy, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Activity is primarily about managing flood hazard and drainage of the more developed areas of Marlborough. Requirements in different areas have developed according to the history of flood risks, drainage improvements and from recent assessments of flood risks as land uses change with development.

Further details on what this Activity is about and the assets involved can be found in the 2015-25 LTP.

### What we did in 2016-17

The 2016-17 work programme was significantly impacted by the November 2016 Kaikoura earthquake and subsequent damage inspection and repair programme. The earthquake caused significant damage to stopbanks, gravity drainage and pumped outfalls, and river berms in the lower Wairau and lower Opawa River reaches (generally east of Blenheim). Riley Consultants from Christchurch were engaged to assist with inspection of the stopbanks and preparation of the repair programme.

Repairs got underway mid December 2016, with the first repair site being at the Wairau River mouth outlet training bank, and continued right through to the end of the financial year. The estimated cost to complete the scheduled repairs is about \$2.4m with about 60% of the work being completed by the end of June, including all high and most medium priority repairs. The unsettled weather, with flood events in November 2016 and April 2017, added to the challenge, whilst flows were readily contained they caused further bank edge damage at several locations on the Wairau River and required close monitoring of a section of damaged stopbank at Snowden Crescent.


A full annual **Wairau River maintenance programme** was again completed including fairway clearing, buffer zone replanting and rock repairs and strengthening at a number of sites. We also continued the programme of refurbishing and proactive maintenance of **rural and town stormwater pumps**.

**Capital upgrades** completed include upgrade of a 400 metre section of lower Opawa stopbank at McKays; continued progress of upgrading and bringing into the network new drains in the lower Wairau drainage network; and completion of the first stage of the Wilson Street's stream upgrade. However a number of jobs including new edge protection works on the Omaka River, lower Tuamarina channel upgrade and Gibsons Creek Waihopai control gate upgrade were delayed due to resources being diverted to higher priority earthquake repairs.




Further progress was made with the preliminary design and landowner discussions for upgrading the lower Wairau stopbanks in the vicinity of Pareraru Marae. We are optimistic that this will lead to an agreement in time for construction in 2017-18.

**Investigations** completed include hydraulic modelling of Fulton Creek's capacity to see what upgrades might be necessary to enable development of rezoned areas on the western edge of Blenheim. The lower Wairau/Diversion hydraulic model was also upgraded by incorporating latest cross section survey data and 2D representation of berm flows. Some final calibration and sensitivity analysis is required before the modelling report can be finalised and any recommendations acted upon.

The **Wither Hills soil conservation** gully erosion control programme made good progress with about 26 hectares treated including Alley Paddock, Basin Paddock, Burn block and western face of Dungey's gully. These areas were mechanically worked and resown to grass. Other Wither Hills work included 5500 trees planted for upper catchment soil stability and significant work completed to reduce fire risk in the Mountain Bike Park and urban fringe.

<b>Levels of Service: Flood Protection and Control Works</b>				
<b>Performance Targets</b>				
<b>Key Performance Indicators</b>	<b>LTP Baseline</b>	<b>2016-17 Target</b>	<b>How did we do?</b>	<b>Comments</b>
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7	7.0		Actual score: 7.4 - on target. (Last year: 7.2 - on target).
<b>Wairau River scheme - system and adequacy: These major flood protection and control works are maintained, repaired and renewed to the standards defined in Rivers and Drainage Asset Management Plan (AMP).</b>				
% of floodway and tributary network inspected annually for condition and maintenance requirements.	90%	90%		Actual score: 95% - on target. (Last year: 95% - on target). Post earthquake response required additional inspections.
% of programmed maintenance and renewal works identified in the Rivers Asset Management Plan (AMP) practically <sup>1</sup> completed.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). We were able to keep largely normal maintenance programme going beside earthquake repairs.
% of capital improvement works in the AMP achieved.	80%	80%		Actual score: 30% - not achieved. (Last year: 45% - not achieved). Staff and consultant resources focussed on earthquake repairs.
Timeliness of providing a report to the Assets and Services Committee on the damage to the Floodway network and potential problem areas following significant flood events (generally exceeding a 1:2 year return).	<2 months post event	<2 months post event		Actual score: Completed within two months post event - on target. (Last year: Completed within two months post event - on target). There were no flood events requiring reporting to Assets & Services Committee.
<b>Wairau Plains: Effective drainage provided to the lower Wairau plains.</b>				
% of drain network inspected at least annually for condition and maintenance requirements.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Normal twice yearly drain inspections completed.
% of drains weed sprayed each year.	90%	90%		Actual score: 100% - on target. (Last year: 90% - on target). Full spray programmes completed.
% of drains mechanically cleared each year.	6%	6%		Actual score: 4% - not achieved. (Last year: 3.4% - not achieved). Largely we have been able to keep the maintenance programme going. Resources, however, have had a focus on earthquake repairs in conjunction with the ongoing drainage extension network.
% of the agreed and approved drain network extension upgraded and brought into Council management.	New measure	30%		Actual score: 67% - on target. (Last year: 45% - on target). Approved network extension upgrade programme on track.
<b>Picton Floodways: Monitor, maintain and upgrade key Picton floodways (Waitohi and Waikawa Rivers) to provide for a 1 in 50 year return period flood event.</b>				
% of floodway network inspected annually for condition and maintenance requirements.	100%	100%		Actual score: 100% (Last year: 100% - on target). Scheduled inspection and maintenance runs completed.
% of programmed maintenance and renewal works identified in the AMP practically <sup>1</sup> completed.	100%	100%		Actual score: 100% (Last year: 100% - on target).

## Levels of Service: Flood Protection and Control Works

Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Blenheim Urban:</b>				
<b>Upgrade and maintain key Blenheim stormwater outfalls<sup>2</sup>.</b>				
% of programmed maintenance and renewal works identified in the AMP practically <sup>1</sup> completed.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Scheduled inspection and maintenance runs completed.
% of capital improvement works in the AMP achieved.	80%	80%		Actual score: 0% - not achieved. (Last year: 25% - not achieved). First stage of Town Branch Drain upgrade at Ham delayed following earthquake. However, the land agreement allowing Main Street pump station upgrade is finalised.
<b>Sound flood hazard advice provided.</b>				
Number of liability consequences for Council arising from incorrect advice provided on flood hazards as part of the Resource Consent, Building Consent, PIMs and LIMs processes.	< 5	5		Actual score: 0 - on target. (Last year: 0 - on target). There were no incorrect advice issues reported.

<sup>1</sup> NZS 3910:2013 defines practical completion as when the contract works or any separable portions are complete except minor omissions and minor defects.

<sup>2</sup> Channels and pump stations, including the Town Branch Caseys, Fulton and Murphys Creeks to provide for a 1 in 50 year return period storm event runoff including both infill and greenfield development.

## Funding Impact Statement for year ended 30 June:

<b>Flood Protection and Controlled Works</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	273	280	274	275
Targeted rates (other than for water supply)	3,678	3,852	3,598	3,628
Fees and charges	605	620	605	535
Internal charges and overheads recovered	200	205	200	273
Other receipts including rental revenue	2,586	2,588	2,405	2,630
<b>Total operating funding</b>	7,342	7,545	7,082	7,341
<b>Applications of operating funding</b>				
Payments to staff and suppliers	3,090	3,152	3,106	3,295
Finance costs	97	137	51	37
Internal charges and overheads applied	1,671	1,714	1,646	1,850
Other operating funding applications	32	32	36	35
<b>Total applications of operating funding</b>	4,890	5,035	4,839	5,217
<b>Surplus (deficit) of operating funding</b>	2,452	2,510	2,243	2,124
<b>Sources of capital funding</b>				
Increase (decrease) in debt	300	308	50	(27)
Gross proceeds from sale of assets	-	-	-	32
<b>Total sources of capital funding</b>	300	308	50	5
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	340	205	240	131
Capital expenditure to improve the level of service	240	749	390	548
Capital expenditure to replace existing assets	915	565	900	1,142
Increase (decrease) in reserves	1,257	1,299	763	308
<b>Total applications of capital funding</b>	2,752	2,818	2,293	2,129
<b>Surplus (deficit) of capital funding</b>	(2,452)	(2,510)	(2,243)	(2,124)
<b>Funding balance</b>	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	4,890	5,035	4,839	5,217
plus - Depreciation and amortisation	166	192	143	170
plus - Loss on sale of fixed assets	-	-	-	114
less - Internal charges and overheads recovered	200	205	200	273
<b>Expenditure as per Note 2</b>	4,856	5,022	4,782	5,228
<b>Operating expenditure</b>				
River Leases	231	231	242	251
Rivers Outside Wairau Floodplain	257	260	248	256
Wairau Floodplain Drainage	865	908	825	1,047
Wairau Floodplain Rivers	3,504	3,622	3,466	3,673
<b>Capital expenditure:</b>				
Rivers Outside Wairau Floodplain	20	21	20	-
Wairau Floodplain Drainage	230	303	295	301
Wairau Floodplain Rivers	1,245	1,195	1,215	1,521
<b>Internal borrowing used for the purpose of Flood Protection and Controlled Works</b>				602
Funds borrowed during the year				-
Funds repaid during the year				27
Interest paid in relation to this borrowing				37

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Capital expenditure is lower than LTP budget due to a change in focus and allocation of resources to the earthquake repairs.

Note 2: The movement in Reserves is lower than the LTP budget due to earthquake repair funding coming out of emergency Reserves.

## Activity Group: Sewerage Including Treatment and Disposal

Operating costs of this Activity represents approximately 9.9% of total Activity expenditure.

# Activity Group: Sewerage Including Treatment and Disposal

## Activities in this Group

This Activity Group comprises a single Activity: Sewerage Including Treatment and Disposal.

## Community Outcomes

This Activity Group contributes to the Community Outcomes of Environment, Economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

## What is this Activity about?

Collection, treatment and disposal of wastewater to provide sanitary living conditions, protect the public health and minimise damaging discharges to the environment is an essential service that contributes to:

- The health of communities.
- Minimising adverse environmental effects.
- Industrial and residential development.

Council's 2015-25 LTP provides further information on the assets and areas served by Council's sewerage schemes and what is entailed in each scheme.

## What we did in 2016-17

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

Progress continued with the detailed design of a major project to renew the trunk sewer between Waikawa and the Dublin Street pump station. This project includes the upgrade of the main pump station, two intermediate pump stations, the refurbishment of two further pump stations and the construction of a new treatment and overflow facility. The new main will reduce the incidence of overflows during storms and permit the controlled overflow of treated effluent during very severe but rare storms. The tender was awarded early in 2017 with the contractor, Fulton Hogan, commencing work on site in May.








The Blenheim wetlands tertiary treatment and effluent irrigation system was operated throughout the summer when conditions allowed. The irrigation system significantly reduces the total volume of effluent discharged into the estuary environment.

Considerable effort was expended on sewer mains assessment and rehabilitation. The ageing infrastructure, ground movement through seismic activity, corrosive effluents and increasing quantities of oils and fats discharged into the sewer system is causing increased maintenance activity. Assessments of earthenware sewer mains have identified significant damage to these pipes. Planning is now underway to have these pipes replaced. It is anticipated this work will progress over the next few years.

## Funding Impact Statement for year ended 30 June:

Sewerage	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
Targeted rates (other than for water supply)	7,898	8,321	7,992	8,028
Fees and charges	62	64	62	81
Other receipts	1,936	1,943	1,915	2,248
<b>Total operating funding</b>	<b>9,896</b>	<b>10,328</b>	<b>9,969</b>	<b>10,357</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,802	2,934	2,862	3,046
Finance costs	3,032	3,779	2,469	2,048
Internal charges and overheads applied	1,863	1,931	2,223	2,267
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>7,697</b>	<b>8,644</b>	<b>7,554</b>	<b>7,361</b>
<b>Surplus (deficit) of operating funding</b>	<b>2,199</b>	<b>1,684</b>	<b>2,415</b>	<b>2,996</b>
<b>Sources of capital funding</b>				
Development and financial contributions	462	458	565	1,180
Lump sum contributions	-	-	-	-
Increase (decrease) in debt	11,370	12,458	8,593	(39)
<b>Total sources of capital funding</b>	<b>11,832</b>	<b>12,916</b>	<b>9,158</b>	<b>1,141</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	5,787	7,189	4,166	802
Capital expenditure to improve the level of service	4,248	5,417	3,494	740
Capital expenditure to replace existing assets	4,013	4,869	4,210	575
Increase (decrease) in reserves	(17)	(2,875)	(297)	2,020
<b>Total applications of capital funding</b>	<b>14,031</b>	<b>14,600</b>	<b>11,573</b>	<b>4,137</b>
<b>Surplus (deficit) of capital funding</b>	<b>(2,199)</b>	<b>(1,684)</b>	<b>(2,415)</b>	<b>(2,996)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>7,697</b>	<b>8,644</b>	<b>7,554</b>	<b>7,361</b>
plus - Depreciation and amortisation	2,861	3,283	3,055	3,032
plus - Loss on sale of fixed assets	-	-	-	114
<b>Expenditure as per Note 2</b>	<b>10,558</b>	<b>11,927</b>	<b>10,609</b>	<b>10,507</b>
<b>Operating expenditure</b>				
Combined scheme	8,522	9,784	8,691	8,707
Riverlands Industrial	1,887	1,998	1,796	1,801
St Andrews	7	7	6	-
Private Works	-	-	-	-
Loan units (no-lump sum)	142	136	116	112
<b>Capital expenditure (including vested assets)</b>				
Combined scheme	14,093	15,667	11,990	1,693
Riverlands Industrial	51	737	-	38
St Andrews	-	-	-	-
<b>Internal borrowing used for the purpose of Sewerage</b>				<b>33,634</b>
Funds borrowed during the year				1,839
Funds repaid during the year				1,878
Interest paid in relation to this borrowing				2,048

## Levels of Service: Sewerage Including Treatment and Disposal

Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Customer satisfaction:</b>				
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	8.0	8.0		Actual score: 8.2 - on target. (Last year: 7.9 - almost on target).
The total number of complaints received by the territorial authority about any of the following: (a) sewage odour (b) sewerage system faults (c) sewerage system blockages, and (d) the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system.	7.5	7.5		Actual score: 10.9 - not achieved. (Last year: 5.7 - on target). This year we had 181 service requests compared to 91 in 2015-16. of the 181, 63 were related to alarms on grinder and sewer pump stations.
<b>System adequacy:</b>				
<b>Provide a level of service quality that minimises environmental risks.</b>				
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	0.31	0.31		Actual score: 0.485 - not achieved. (Last year: 0.38 - almost on target). Total of eight dry weather overflows. Four occurred immediately after the November 2016 earthquake.
<b>Discharge compliance:</b>				
<b>Provide a reliable wastewater service with adequate system capacity and performance.</b>				
Number of wet weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	1	1		Actual score: 1.6 - not achieved. (Last year: 0.56 - on target). Total of 27 overflows. 13 in Picton during storms which should be relieved on completion of trunk main upgrade.
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, received by the territorial authority in relation those resource consents.	Nil	Nil		Actual score: Nil - On target. (Last year: Nil - on target).
<b>Fault response times:</b>				
<b>Provide a service that is timely and responsive to customer needs.</b>				
Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times are measured: (a) attendance time (in hours): from the time that the territorial authority receives notification to the time that service personnel reach the site, and	New measure	1.5		Actual score: 0.59 hours - on target. (Last year: 0.7 - on target).
(b) resolution time (in hours): from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.	New measure	4.5		Actual score: 2.22 hours - on target. (Last year: 1.2 - on target).

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

- Note 1: Other receipts are higher than the LTP budget due to higher than budgeted trade waste income.
- Note 2: Finance costs are lower than budget due to delays in the capital expenditure and therefore the loans have not yet been required.
- Note 3: Development and other financial contributions are higher than the LTP budget due to increased subdivision activity.
- Note 4: Capital expenditure is lower than LTP budget due to the Picton and Blenheim sewer upgrade design and consultant delays resulting in these projects being carried over to 2017-18.
- Note 5: The increase in Reserves is higher than in the LTP budget as in the LTP it was budgeted to use the Reserves for the capital expenditure projects which are delayed.

## Activity Group: Stormwater Drainage

Operating costs of this Activity represents approximately 2.1% of total Activity expenditure.

### Activity Group: Stormwater Drainage

#### Activities in this Group:

This Activity Group comprises a single Activity: Stormwater Drainage.

#### Community Outcomes

This Activity Group contributes to the Community Outcomes of Environment, Economy and People. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

#### What is this Activity about?

Council provides a stormwater drainage system to manage stormwater run-off from urban catchments. Collection and disposal of stormwater contributes to:

- Safety of the community by minimising the incidence of flooding.
- Minimising damage to properties from flooding.
- Reduced erosion.
- Facilitating commercial and residential development.
- The aquatic environment through the management of quality of urban stormwater run-off.

Council's 2015-25 LTP provides further information on the areas served by Council's stormwater drainage and what is entailed in each

#### What we did in 2016-17






Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

An outline design for the stormwater infrastructure to serve the development of urban zones to the north-west of Blenheim has been completed. Detailed design and resource consent application is proceeding.

A community stake-holder group has held regular meetings in a structured decision making process to help manage the future development of the **Murphy's Creek** catchment. An independent facilitator has assisted with the process to ensure that the potential for water quality deterioration and increased flows from land development within the catchment is managed to the satisfaction of all stake-holders. After a series of workshops the stakeholder group reached a consensus recommendation on how MDC manage stormwater in the catchment. This "Option G" involves full storage (as required to ensure post-development outflows equal pre-development flows within new development north of PAK'nSAVE); stormwater treatment for commercial properties in Springlands; and a new stormwater pipe in Middle Renwick Rd and Boyce Streets discharging to the Taylor River just downstream of the High St bridge.

Hydraulic modelling has helped to establish a long term strategy to improve stormwater drainage for eastern Blenheim. Plans are being developed to implement engineering upgrades to remedy the issues. Consultation is to commence with affected landowners alongside open drains which are to be upgraded.



Levels of Service: Stormwater Drainage				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Customer satisfaction:</b>				
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.6	6.7		Actual score: 7.5 - on target. (Last year: 6.7 - on target).
The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	2	2		Actual score: 1.62 - on target. (Last year: 1.99 - on target). 19 complaints met the criteria.
<b>System adequacy:</b>				
<b>Provide a reliable stormwater service.</b>				
The number of flooding events that occur in a territorial authority district.	Actual number to be reported	Actual number to be reported		Actual score: One event only 15 November 2016. (Last year: Nil - on target).
For each flooding event, the number of habitable floors affected, expressed per 1000 properties connected to the territorial authority's stormwater system.	3	3		Actual score: 0.43 - on target. (Last year: 0.08 - on target). Five dwellings were flooded during the year.
<b>Discharge compliance:</b>				
<b>Minimise the environmental risks of stormwater discharge.</b>				
Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, received by the territorial authority in relation those resource consents.	Nil	Nil		Actual score: Nil - on target. (Last year: Nil - on target).
<b>Response times:</b>				
<b>Provide a service that is timely and responsive to current needs.</b>				
The median response time (in hours) to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	1 hour	1		Actual score: 0.8 hours - on target. (Last year: 0.7 hours - on target). There were 17 qualifying events.

## Funding Impact Statement for year ended 30 June:

	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Stormwater drainage</b>				
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,671	1,842	1,852	1,859
Fees and charges	51	52	51	60
Other receipts	165	172	142	141
<b>Total operating funding</b>	<b>1,887</b>	<b>2,066</b>	<b>2,045</b>	<b>2,060</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	260	254	297	301
Finance costs	23	21	18	18
Internal charges and overheads applied	722	740	372	377
Other operating funding applications	-	-	-	9
<b>Total applications of operating funding</b>	<b>1,005</b>	<b>1,015</b>	<b>687</b>	<b>705</b>
<b>Surplus (deficit) of operating funding</b>	<b>882</b>	<b>1,051</b>	<b>1,358</b>	<b>1,355</b>
<b>Sources of capital funding</b>				
Development and financial contributions	25	26	25	45
Increase (decrease) in debt	-	-	-	(24)
<b>Total sources of capital funding</b>	<b>25</b>	<b>26</b>	<b>25</b>	<b>21</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	51	1,076	51	59
Capital expenditure to improve the level of service	20	20	20	-
Capital expenditure to replace existing assets	76	117	69	8
Increase (decrease) in reserves	760	(136)	1,243	1,309
<b>Total applications of capital funding</b>	<b>907</b>	<b>1,077</b>	<b>1,383</b>	<b>1,376</b>
<b>Surplus (deficit) of capital funding</b>	<b>(882)</b>	<b>(1,051)</b>	<b>(1,358)</b>	<b>(1,355)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>1,005</b>	<b>1,015</b>	<b>687</b>	<b>705</b>
plus - Depreciation and amortisation	1,303	1,440	1,395	1,472
plus - Loss on sale of fixed assets	-	-	-	220
<b>Expenditure as per Note 2</b>	<b>2,308</b>	<b>2,455</b>	<b>2,082</b>	<b>2,397</b>
<b>Operating expenditure</b>				
Blenheim Stormwater	1,703	1,820	1,441	1,686
Other Stormwater Schemes	604	635	641	711
<b>Capital expenditure (including vested assets):</b>				
Blenheim Stormwater	96	1,161	290	1,340
Other Stormwater Schemes	51	53	50	2
<b>Internal borrowing used for the purpose of Stormwater drainage</b>				<b>285</b>
Funds borrowed during the year				-
Funds repaid during the year				24
Interest paid in relation to this borrowing				18

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Capital expenditure in Blenheim stormwater is lower than the LTP budget due to the Muller Road/Town Branch drain upgrade, carried over to 2017-18.

Note 2: The increase in Reserves is higher than in the LTP budget as in the LTP it was budgeted to use the Reserves for the capital expenditure projects which are delayed.

## Activity Group: Water Supply

### Activities in this Group:

This Activity Group comprises a single Activity: Water Supply.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Environment, Economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

Council drinking water supplies are necessary so that larger communities can receive an adequate supply of drinkable water thereby contributing cost effectively to:

- The health of the community.
- Community safety through the firefighting capability of the water supply system.
- Industrial and residential development.

Around 82% of the population of Marlborough are supplied from Council reticulated supplies with the majority of schemes either compliant with Drinking Water Standards for New Zealand (DWSNZ) or planned to meet them in the relatively near future.

Council's 2015-25 LTP provides further information on the assets and areas served by Council's water schemes and what is entailed in each scheme.

### What we did in 2016-17

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

The construction of the water treatment plant at Speeds Road, Koromiko has been completed. The new ultra-violet treatment process will ensure the water supply meets the requirements of the DWSNZ.



















In August 2015 a subsidy of just over \$1M was granted by the Ministry of Health to assist with the costs of water treatment for the Seddon Township. The subsidy will make a significant contribution to the overall cost. Land has been purchased above Seddon for the siting of the plant. A design build tender has been awarded to Filtration Technology Ltd (Filtec) to construct the water treatment plant. They are planning to be onsite in October with completion due in May 2018. There have been delays due to the November 2016 earthquake and reviews necessary after algae established in the Black Birch Stream.

Construction of a new high level reservoir sited at Taylor Pass Road, Blenheim was completed. The additional storage will permit the Weld Street Reservoir to be de-commissioned whilst strengthening works are undertaken.

Voluntary water restrictions were imposed on Renwick during the summer as the aquifer replenishment of the supply bores struggled to meet demand. Consultation for the introduction of universal metering to all properties in Renwick and Havelock was completed with both communities recommending their installation. This is now programed to be completed by July 2019. This will help reduce demand and delay the need for an additional source for Havelock.















Work to test the three bores at Conders Bend near Renwick is scheduled for August 2017. If the tests show sufficient quantity of good quality water, and there are no impacts to existing nearby bores, the bores will be connected to the Renwick treatment plant when it is upgraded around 2018-19.

## Levels of Service: Water Supply













Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Customer satisfaction:</b>				
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	8.0	8.1		Actual score: 8.3 - on target. (Last year: 7.5 - almost on target).
The total number of complaints received by the local authority about any of the following, expressed per 1000 connections to the local authority's networked reticulation system <sup>1</sup> .				
(a) drinking water clarity	1.30	1.10		Actual score: 0.06 - on target. (Last year: 0.06 - on target).
(b) drinking water taste	1.90	1.70		Actual score: 0.12 - on target. (Last year: 0.06 - on target).
(c) drinking water odour	0.65	0.60		Actual score: 0.18 - on target. (Last year: 0.18 - on target).
(d) drinking water pressure or flow	1.90	1.90		Actual score: 0.55 - on target. (Last year: 0.18 - on target).
(e) continuity of supply, and	1.30	1.30		Actual score: 0.98 - on target. (Last year: 0.9 - on target).
(f) the local authority's response to any of these issues	0.65	0.65		Actual score: 0 - on target. (Last year: 0 - on target).
<b>Safety of drinking water:</b>				
<b>Provide a level of water quality that meets community needs and is appropriate to the degree of public health risk.</b>				
The extent to which the local authority's drinking water supply complies with:				
(a) Part 4 of the drinking-water standards (bacteria compliance criteria), and	Blenheim	Yes		Actual score: on target. (Last year: on target). One e-coli transgression was detected on the Blenheim reticulation in March 2017. Remedial action was immediately undertaken. Overall compliance was not affected.
	Picton	Yes		Actual score: on target. (Last year: on target).
	Havelock	Yes		Actual score: on target. (Last year: on target).
	Renwick	Yes		Actual score: on target. (Last year: on target).
	Riverlands	Yes		Actual score: on target. (Last year: on target).
	Awatere	No		Actual score: on target. (Last year: on target).
	Wairau Valley	No		Actual score: on target. (Last year: on target).
(b) Part 5 of the drinking-water standards (protozoal compliance criteria).	Blenheim	Yes		Actual score: on target. (Last year: on target).
	Picton	Yes		Actual score: not achieved (Last year: on target). The Speeds Rd Water Treatment Plant was commissioned in March 2017. Compliance data was submitted to the DHB from June 2017.
	Havelock	No		Actual score: on target. (Last year: on target). Protozoa compliance will not be achieved until the water treatment plants are constructed in line with the agreed investment programme for 2021.
	Renwick	No		Actual score: on target. (Last year: on target). Protozoa compliance will not be achieved until the water treatment plants are constructed in line with the agreed investment programme for 2020.

## Levels of Service: Water Supply

### Performance Targets

Key Performance Indicators	LTP Baseline	2015-16 Target	How did we do?	Comments
	Riverlands	No		Actual score: on target. (Last year: on target). Protozoa compliance will not be achieved until the water treatment plants are constructed in line with the agreed investment programme for 2021.
	Awatere	No		Actual score: on target. (Last year: on target). Protozoa compliance for Seddon will not be achieved until the water treatment plants are constructed in line with the agreed investment programme for 2018. Rural Awatere has no target date set.
	Wairau Valley	No		Actual score: on target. (Last year: on target). Protozoa compliance will not be achieved until the water treatment plants are constructed in line with the agreed investment programme for 2020.
<b>Maintenance of the reticulation network.</b>				
The percentage of real water loss from the local authority's networked reticulation system <sup>2</sup> .				
• Blenheim	≤44%	≤ 44%		Actual score: 38% - on target. (Last year: 37% - on target).
• Picton	≤48%	≤ 48%		Actual score: 38% - on target. (Last year: 32% - on target).
• Havelock	≤51%	≤ 51%		Actual score: 24% - on target. (Last year: 49% - on target).
• Renwick	≤50%	≤ 50%		Actual score: 35% - on target. (Last year: 35% - on target).
• Awatere	≤28%	≤ 28%		Actual score: 17% - on target. (Last year: 9% - on target).
• Wairau Valley	≤42%	≤ 42%		Actual score: 13% - on target. (Last year: 15% - on target).
<b>Fault response times:</b>				
<b>Provide a service that is timely and responsive to customer needs.</b>				
Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:				
(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (in minutes), and	30 minutes	30		Actual score: 38 minutes - not achieved. (Last year: 12.5 - on target). Of 16 customer requests 10 were from the Awatere network where achieving the 30 minute response time is difficult.
(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (in hours).	3 hours	3		Actual score: 0.83 hours - on target. (Last year: 2.2 - on target). Median time = 50 mins.
(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (in hours), and	8 hours	8		Actual score: 2.16 hours - on target. (Last year: 2.28 - on target). 797 qualifying customer requests.
(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (in hours).	13 hours	13		Actual score: 7.85 hours - on target. (Last year: 14.9 - almost on target). 812 qualifying customer requests.
<b>Demand management:</b>				
<b>Provide a reliable water supply service.</b>				
The average consumption of drinking water per day per resident within the territorial authority district (in litres).	800 litres	800		Actual score: 634 - on target. (Last year: 709 - on target).

## Levels of Service: Water Supply

Performance Targets				
Key Performance Indicators	LTP Baseline	2015-16 Target	How did we do?	Comments
% of properties that receive a minimum water pressure of 300kPa at the property boundary (except in the Awatere Valley and Wairau Valley township).  • Blenheim  • Picton  • Havelock  • Renwick	99%	99%		Actual score: 98% - almost on target. (Last year: 98% - almost on target). No significant change from previous year.
	99%	99%		Actual score: 99% - on target. (Last year: 99% - on target).
	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
	69%	69%		Actual score: 89% - on target. (Last year: 89% - on target).
% of system where fire flows are equal to greater 25 litres/sec.  • Blenheim <sup>3</sup>  • Picton <sup>3</sup>  • Havelock <sup>3</sup>  • Renwick <sup>3</sup>	85%	85%		Actual score: 84% - almost on target. (Last year: 84% - almost on target). No significant change from previous year.
	87%	87%		Actual score: 88% - on target. (Last year: 88% - on target).
	100%	100%		Actual score: 98% - almost on target. (Last year: 98% - almost on target). No significant change from previous year.
	55%	55%		Actual score: 69% - on target. (Last year: 69% - on target).
% of system where fire flows are less than 12.5 litres/sec.  • Blenheim  • Picton  • Havelock  • Renwick	0.7%	0.7%		Actual score: 0.5% - on target. (Last year: 0.5% - on target).
	1.0%	1.0%		Actual score: 1% - on target. (Last year: 1% - on target).
	0.0%	0.0%		Actual score: 0% - on target. (Last year: 0% - on target).
	2.0%	2.0%		Actual score: 0% - on target. (Last year: 0% - on target).

<sup>1</sup>. Assumes 15,591 connections. Estimated in accordance with DIA recommended option 2. Minimum night flow analysis. Riverlands not included as industrial night consumption volumes not available.

<sup>2</sup>. The water loss figures shown are based on the best available information and do not include legitimate commercial/industrial night usage, day/night adjustment factor or system specific issues that are not currently monitored. Water loss has been calculated in accordance with Method Option 2 (minimum night flow analysis) recommended by the Department of Internal Affairs guidance for non-financial performance measures for water supply.

Note: Riverlands is not measurable due to its industrial usage."

<sup>3</sup>. We have identified an error on Council's 2015-25 LTP where the baselines and targets set for these regions were a line out. This has been amended in this report to correctly reflect the targets we focus on towards achieving our goals.

## Funding Impact Statement for year ended 30 June:

<b>Water Supply</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
Targeted rates	6,085	6,246	5,803	6,717
Fees, charges and targeted rates for water supply	2,853	2,941	2,738	2,118
Other receipts	-	-	-	30
<b>Total operating funding</b>	8,938	9,187	8,541	8,865
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,300	2,419	2,513	2,523
Finance costs	1,734	1,735	1,424	1,234
Internal charges and overheads applied	1,612	1,663	1,584	1,572
Other operating funding applications	-	-	-	37
<b>Total applications of operating funding</b>	5,646	5,817	5,521	5,366
<b>Surplus (deficit) of operating funding</b>	3,292	3,370	3,020	3,499
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	1,014	1,007	-
Development and financial contributions	285	292	285	629
Gross proceeds from sale of assets	-	-	-	4
Increase (decrease) in debt	1,700	187	1,000	848
<b>Total sources of capital funding</b>	1,985	1,493	2,292	1,481
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	2,861	309	856	2,206
Capital expenditure to improve the level of service	2,915	4,177	3,942	4,708
Capital expenditure to replace existing assets	423	1,336	638	41
Increase (decrease) in reserves	(922)	(959)	(124)	(1,976)
<b>Total applications of capital funding</b>	5,277	4,863	5,312	4,979
<b>Surplus (deficit) of capital funding</b>	(3,292)	(3,370)	(3,020)	(3,498)
<b>Funding balance</b>	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	5,646	5,817	5,521	5,366
plus - Depreciation and amortisation	2,792	3,123	2,940	3,133
plus - Loss on sale of fixed assets	-	-	-	149
<b>Expenditure as per Note 2</b>	8,438	8,940	8,461	8,648
<b>Operating expenditure</b>				
Awatere Water	737	794	799	1,012
Blenheim Water	4,451	4,704	4,344	4,407
Havelock Water	249	260	304	382
Picton Water	2,101	2,243	2,107	1,914
Renwick Water	464	488	485	505
Riverlands Water	400	413	384	386
Wairau Valley Water	36	38	38	45
<b>Capital expenditure (including vested assets):</b>				
Awatere Water	575	2,526	2,314	289
Blenheim Water	3,173	2,211	956	2,201
Havelock Water	26	56	54	1
Picton Water	2,473	700	1,676	3,973
Renwick Water	20	350	461	324
Riverlands Water	123	173	165	159
Wairau Valley Water	3	6	5	8
<b>Internal borrowing used for the purpose of Water Supply</b>				20,695
Funds borrowed during the year				2,152
Funds repaid during the year				1,304
Interest paid in relation to this borrowing				1,234

The operating expenditure by unit/location varies to the LTP order due to an error in the LTP.

**Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)**

Note 1: Fees charges and targeted rates for water supply was lower than LTP budget due to metered water varying to budget.

Note 2: Finance costs are lower than the LTP budget due to delays in capital projects and therefore the loan funding has also been delayed.

Note 3: Subsidies and grants for capital expenditure are lower than LTP budget due to delayed receipt of the subsidy from the Ministry of Health for the Seddon water project.

Note 4: Development and other financial contributions are higher than the LTP budget due to increased subdivision activity.

Note 6: Capital expenditure to meet additional demand is higher than LTP budget mostly due to the construction of the new Wither Hills reservoir to supply subdivision growth in that area.

Note 7: Capital expenditure to replace existing assets is lower than LTP due to delayed projects including pipeline renewals for Awatere and Blenheim.

Note 8: Awatere Water capital expenditure is lower than LTP budget due to delays in the new Seddon water supply project.

Note 9: Picton Water capital expenditure is higher than the LTP budget as the project was brought forward from the LTP timing of 2019-20.



## **Activity Group: Solid Waste Management**

### **Activities in this Group:**

This Activity Group comprises a single Activity: Solid Waste Management.

### **Community Outcomes**

This Activity Group contributes to the Community Outcomes of Environment, People and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### **What is this Activity About?**

Council is bound by legislation to ensure that our solid waste is managed in a safe and sanitary manner that reduces any potential environmental impact and protects public health. Council provides significant waste management infrastructure, including seven transfer stations, central landfill, salvage yard, e-waste collection point, rural community recycling collection points, greenwaste acceptance facility, hazardous waste collection and storage, and resource recovery centre.

The reduction in biodegradable and other recyclable materials into the landfill site will continue to be the focus of waste management activities over the life of the next Waste Management Minimisation Plan, in particular diversion through the waste sorting centre. In addition to the environmental benefits this work will extend the life of the landfill asset.

Further details on what this Activity is about are contained in the 2015-25 LTP.










### **What we did in 2016-17**

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

In addition to the services provided under the Levels of Services table a number of activities have been performed during the year, summarised as:

- Trialled a public place recycling scheme in Blenheim and Picton recovering 11,900 kilograms of recycling.
- Completed the construction of the Blenheim waste sorting centre and opened to the community in November 2016.
- Processed 17,466 cubic metres of greenwaste at the Blenheim site.
- Recycled 1,549 items of e-waste.
- Served 38,323 customers at the reuse shops.
- Recovered 360,550 kilograms of recycling through the rural community recycling service.
- Collected 1,552 tonnes of recycling from the kerbside collection routes in Blenheim and Picton.
- Participated in the national litter less recycle more campaign.
- Participated in the emissions trading scheme (ETS) review.
- Participated in the waste disposal levy review.

## Levels of Service: Solid Waste Management

Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7.6	7.6		Actual score: 7.6 - on target. (Last year: 7.4 - almost on target).
<b>Reduce the amount of waste sent to the landfill.</b>				
% growth in diverted material throughput at the Resource Recovery Centre (RRC).	4,425 tonnes per annum	5% growth from 2014-15 (4,512 tonnes)		Actual score: 5,346 tonnes - on target. (Last year: 5,083 - on target).
% growth in sales at the Reuse Shop (inclusive of GST).	\$100,000 per annum	5% growth from 2014-15 (\$134,413)		Actual score: \$130,810 - almost on target. (Last year: \$148,982 - on target). Reduced e-waste units and site users at the re-use centre contributed to a lower than expected result.
% growth in tonnage diversion from the Commercial Industrial Sorting facility (CIF). (Note this facility will not open until July 2016)	New measure	0%		Actual score: 39% - on target. (Last year: N/A). The results represent growth for a part year Nov-16 to Jun-17.
Amount of organic material composted (in cubic metres).	14,000m <sup>3</sup> per annum	5% growth from 2014-15 (12,596m <sup>3</sup> )		Actual score: 17,466m <sup>3</sup> - on target. (Last year: 16,087m <sup>3</sup> - on target).
<b>Effective operation of waste management and minimisation services.</b>				
Number of resident's complaints in regards to Bluegums Landfill operations.	12 per annum	< 10		Actual score: 3 - on target. (Last year: 2 - on target). Complaints in regards to leachate line were also received in Jun-17. Possible sewer issue being monitored.
% of Kerbside Refuse and Recycling Collection Service complaints/missed lifts.	13,200 households	< 1% of 13,200 households		Actual score: 0.76% - on target. (Last year: 0.45% - on target).
Number of resident's complaints in regards to Compost Operation.	12 per annum	< 10		Actual score: 3 - on target. (Last year: 1 - on target).
Number of resident's complaints in regards to the transfer stations, Re-use Centre, Resource Centre, E-waste facility, coin skips and salvage yard.	24 per annum	< 18		Actual score: 34 - not achieved. (Last year: 33 - not achieved). Issues associated with new waste sorting centre operation now remedied.

## Funding Impact Statement for year ended 30 June:

Solid Waste Management	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,283	1,346	1,320	1,325
Targeted rates (other than for water supply)	1,379	1,406	1,393	1,451
Subsidies and grants for operating purposes	135	138	135	179
Fees and charges	4,583	5,039	5,087	6,592
Other receipts	929	130	344	828
<b>Total operating funding</b>	<b>8,309</b>	<b>8,059</b>	<b>8,279</b>	<b>10,375</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,861	5,045	5,056	6,634
Finance costs	467	511	456	414
Internal charges and overheads applied	979	1,004	1,022	1,029
Other operating funding applications	407	334	355	498
<b>Total applications of operating funding</b>	<b>6,714</b>	<b>6,894</b>	<b>6,889</b>	<b>8,575</b>
<b>Surplus (deficit) of operating funding</b>	<b>1,595</b>	<b>1,165</b>	<b>1,390</b>	<b>1,800</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Gross proceeds from sales of assets	-	-	-	103
Increase (decrease) in debt	2,176	53	50	532
<b>Total sources of capital funding</b>	<b>2,176</b>	<b>53</b>	<b>50</b>	<b>635</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	211	-	-	59
Capital expenditure to improve the level of service	5,039	51	-	2,273
Capital expenditure to replace existing assets	45	2	50	7
Increase (decrease) in reserves	(1,524)	1,165	1,390	96
<b>Total applications of capital funding</b>	<b>3,771</b>	<b>1,218</b>	<b>1,440</b>	<b>2,435</b>
<b>Surplus (deficit) of capital funding</b>	<b>(1,595)</b>	<b>(1,165)</b>	<b>(1,390)</b>	<b>(1,800)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>6,714</b>	<b>6,894</b>	<b>6,889</b>	<b>8,575</b>
plus - Depreciation and amortisation	345	1,206	1,082	539
<b>Expenditure as per Note 2</b>	<b>7,059</b>	<b>8,100</b>	<b>7,971</b>	<b>9,114</b>
<b>Operating expenditure</b>				
Landfills	2,804	3,487	3,369	3,444
Refuse Collections	1,552	1,581	1,571	1,703
Transfer Stations	1,515	1,835	1,835	2,695
Waste Minimisation	1,188	1,197	1,196	1,277
<b>Capital expenditure:</b>				
Landfills	2,253	53	50	593
Refuse Collections	-	-	-	-
Transfer Stations	2,952	-	-	1,726
Waste minimisation projects	90	-	-	19
<b>Internal borrowing used for the purpose of Solid Waste Management</b>				<b>7,030</b>
Funds borrowed during the year				1,046
Funds repaid during the year				515
Interest paid in relation to this borrowing				414

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Fees and charges are higher than the LTP budget due to an increased revenue from dump fees and green waste charges.

Note 2: Other receipts are higher than LTP budget due to the receipt of the Ministry of Environment capital contribution for the new sorting facility.

Note 3: Payments to staff and suppliers are higher than the LTP budget as the increase in tonnage resulted in the increase in contract fees and levies paid.

Note 4: Capital expenditure is higher than the LTP budget due to the completion of the Commercial Sorting Facility which was budgeted for in 2015-16. This resulted in lower increase in Reserves.

## Activity Group: Environmental Management

Operating costs for this Group of Activities represent approximately 8.3% of total Group expenditure.

## Activity Group: Environmental Management

### Activities in this Group:

- Environmental Policy.
- Environmental Science and Monitoring.
- Resource Consents.
- Environmental Protection.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Governance, Environment, People, Economy, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

### What is this Activity Group About?

Marlborough's social and economic wellbeing relies on the use, development and protection of natural and physical resources. The Environmental Management Activity Group is responsible for enabling appropriate use of land, water, air, indigenous ecosystems and the built environment, while protecting the environment within which resource use occurs. This service is delivered through the implementation of the Resource Management Act (RMA) requirements.

Each Activity delivers separate services under the RMA, but each of these services plays an integral role in a wider system of environmental management. This system can be described as the Plan-Do-Monitor-Review cycle and is represented by the following diagram:



Council as a unitary authority, has the functions of both a Regional Council and a territorial authority. This influences the way in which the Environmental Management Activity Group delivers its services. It means that the full suite of planning documents required under the RMA must be prepared and that all resource consents required under the planning documents are processed by one consent authority. This allows the Group to integrate the management of land use (for which territorial authorities are generally responsible for) with the management of other natural resources (for which Regional Councils are responsible for), leading to reduced costs to resource users and improved environmental outcomes.

## Funding Impact Statement for year ended 30 June:

<b>ENVIRONMENTAL MANAGEMENT</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	6,017	6,221	6,337	6,361
Subsidies and grants for operating purposes	-	-	-	89
Fees and charges	1,495	1,538	1,614	1,774
Internal charges and overheads recovered	88	88	88	80
Other receipts including fines	670	584	487	517
<b>Total operating funding</b>	8,270	8,431	8,526	8,821
<b>Applications of operating funding</b>				
Payments to staff and suppliers	5,855	6,024	6,914	6,227
Internal charges and overheads applied	2,206	2,289	2,339	2,355
Finance Costs	10	15	18	17
Other operating funding applications	15	-	62	76
<b>Total applications of operating funding</b>	8,086	8,328	9,333	8,675
<b>Surplus (deficit) of operating funding</b>	184	103	(807)	146
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	-	154	35	-
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	-	-	-	-
Capital expenditure to improve the level of service	153	3	38	-
Capital expenditure to replace existing assets	150	154	185	924
Increase (decrease) in reserves	(118)	100	(995)	(778)
<b>Total applications of capital funding</b>	185	257	(772)	146
<b>Surplus (deficit) of capital funding</b>	(185)	(103)	807	(146)
<b>Funding balance</b>	(1)	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	8,086	8,328	9,333	8,675
plus - Depreciation and amortisation	100	168	112	108
plus - Loss on sale of fixed assets	-	-	-	12
less - Internal charges and overheads recovered	88	88	88	80
<b>Expenditure as per Note 2</b>	8,098	8,408	9,357	8,715

### Explanation of Variances

Explanations for this Activity Group are included in the individual Activity Funding Impact Statements.

## Activity: Environmental Policy

Operating costs of this Activity represent approximately 1.4% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes primarily to the Community Outcome of Governance, Environment, People, Economy, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity involves the development, maintenance and review of policy and planning provisions under the RMA in response to resource management issues for Marlborough. These provisions are aimed at the sustainable use, development and protection of Marlborough's natural and physical resources, including land, water, air, indigenous ecosystems and the built environment.

Many of the provisions are mandatory under the RMA: Council is required to prepare a Regional Policy Statement, a Regional Coastal Plan and a District Plan. It may also develop other regional plans, as necessary.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17


The Council completed a rebuild of its resource management planning framework during 2015-16. This resulted in the notification of the Proposed Marlborough Environment Plan (MEP) on 9 June 2016. The notification triggered the submission phase of the First Schedule of the RMA 1991.

A total of 1318 submissions on the MEP were received and the relief requested in the submissions has been summarised. This was a significant undertaking for the Environmental Policy Group given that there were 17,521 submission points in support of, in support of in part or in opposition to the notified MEP provisions. The submissions have been captured into a new submissions database - Subman. This also allows the information to be easily accessed via the Council website.

The summary of decisions requested was publicly notified on 23 May 2017 and the period for making submissions closed on 23 June 2017. The further submissions are either in support of or in opposition to the relief request in the original submissions. These have now also been entered into the database.

The main task for the Environmental Policy Group is to now assist with the process of hearing submissions through the provision of advice (in the form of Section 42A reports) and through administrative support for the Hearings Panel.

In March 2017 the Council recommenced the review of the operative marine farming provisions. When the MEP was publicly notified, the Council decided to withdraw the marine farming provisions on the basis that they did not give effect to Policy 8 of the NZ Coastal Policy Statement (NZCPS). This process has involved the Council appointing an Aquaculture Review Working Group. The Group, consisting of representatives of the marine farming industry, Marlborough Sounds community, DoC, MPI and the Council, has been meeting fortnightly since April 2017 and aims to complete the review in order for the Council to notify a variation to the MEP prior to the public notification of decisions on the MEP.

Levels of Service: Environmental Policy				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>A second generation resource management framework for Marlborough.</b>				
Decisions on submissions publicly notified.	October 2016	October 2016		Actual score: Not achieved. (Last year: N/A). The hearing of submissions is now scheduled to commence in November 2017 with the objective of publicly notifying decisions on submissions by June 2018.

## Funding Impact Statement for year ended 30 June:

Environmental Policy	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,296	1,292	1,268	1,273
Subsidies and grants for operating purposes	-	-	-	69
Fees and charges	-	-	-	22
Other receipts including fines	203	121	97	97
<b>Total operating funding</b>	<b>1,499</b>	<b>1,413</b>	<b>1,365</b>	<b>1,461</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,051	1,056	1,054	1,098
Internal charges and overheads applied	283	297	308	317
Other operating funding applications	15	-	62	76
<b>Total applications of operating funding</b>	<b>1,349</b>	<b>1,353</b>	<b>1,424</b>	<b>1,491</b>
<b>Surplus (deficit) of operating funding</b>	<b>150</b>	<b>60</b>	<b>(59)</b>	<b>(30)</b>
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to improve the level of service	150	-	-	-
Increase (decrease) in reserves	-	60	(59)	(30)
<b>Total applications of capital funding</b>	<b>150</b>	<b>60</b>	<b>(59)</b>	<b>(30)</b>
<b>Surplus (deficit) of capital funding</b>	<b>(150)</b>	<b>(60)</b>	<b>59</b>	<b>30</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>1,349</b>	<b>1,353</b>	<b>1,424</b>	<b>1,491</b>
plus - Depreciation and amortisation	-	60	-	-
<b>As within Environment Management activity per note 2</b>	<b>1,349</b>	<b>1,413</b>	<b>1,424</b>	<b>1,491</b>

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

There are no variances which are considered significant.

## Activity: Environmental Science and Monitoring

Operating costs of this Activity represent approximately 3.3% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes primarily to the Community Outcomes of Governance, Environment, Economy, People and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Activity involves establishing and maintaining an efficient environmental resource information base to allow Council to properly discharge its resource management functions and to provide advice to the community on environmental resources and on issues affecting the resources of the District. The Activity includes the investigation, monitoring and analysis of the District's natural resources (land, air, water, coastal).

The monitoring of natural and physical resources is effectively carried out to:

- Obtain information about the condition of the environment and raise awareness of environment issues.
- Assist in identifying areas where there is a need to improve the quality of the environment and enable Council to support a range of methods that can be applied to address specific issues.
- Allow Council to assess the effectiveness of its policies and methods contained in the RMA policy and planning documents.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

#### State of the Environment Monitoring

The Council released State of the Environment Reports for the following domains: Coastal, Fresh Water, Recreational Bathing Water, Air and Soil Quality. The information essentially helps the community gain a better understanding of our natural resources and assists to characterise the condition and trends of key natural resources to help planning decisions and foster environmental sustainability.

#### Fresh Water

Specific emphasis continues with monitoring the state of our key natural resources in the fresh water environment by measuring river levels, flows and ground water levels. Water quality monitoring occurred at 35 river sites measuring a range of physical and biological parameters and provided an update of information on the current quality of these resources as well as trends. A further 9 river and 12 coastal sites have been monitored for faecal indicator bacteria, E. coli for river samples, Enterococci for coastal samples (in order to determine the health risk to recreational users from water borne diseases). The majority of the coastal sites had recreational water quality consistently safe for swimming, only two had Enterococci concentrations considered unsafe for recreational activities. The majority of river sites had consistently low E. coli concentrations with only occasional samples indicating a slightly increased health risk.

A total of 32 surface water sites were monitored continuously measuring flow and water levels. Additionally all aquifers were continuously monitored during the year essentially to determine effects from human induced impacts such as irrigation, regulating water take threshold levels and measuring the impacts over the long term from seasonal and climatic trends.

The Ministry of the Environment has approved a collaborative 5 year community project to improve water quality in the Taylor River catchment. The project is set to reduce the effects of diffuse pollution effects and sedimentation and discharges from Blenheim's urban infrastructure.

#### Land

Soil quality monitoring occurred at 20 sites resampling areas undertaken in 2011-12, measuring changes in a range of soil chemical characteristics, biological and physical parameters across a range of land uses. This monitoring helps to measure and detect trends and impacts from various land use activities. Soil compaction measurement results indicate up to 80% of the soils are at risk of poor aeration and impeded drainage which may potentially affect pasture production and predispose the soil to surface runoff, nutrient loss, erosion and flooding.



## Air

Air quality monitoring continues measuring Pm10 levels in the Blenheim airshed against national standards. Ten exceedances occurred during the winter of 2015.

## Coastal

Council's investment into coastal environment research and gathering good quality information continues with a steady stream of science and monitoring programmes.








NIWA delivered a report reconstructing 1,000 years of seabed change in Te Hoiere/Pelorus Sound. Analysis of sediment cores showed that sedimentation rates have increased up to twenty times in different locations in Kenepuru Sound. The sources of sediment were identified, which broadly reflected land-use change.

Council and Land Information New Zealand collaborated to co-fund the seabed mapping of Tōtaranui/Queen Charlotte Sound. Multibeam echo sounder sonar was deployed over 43,000 hectares of coastal waters during an eight month field survey from October 2016 to June 2017. The charts, maps and scientific reports will be delivered by June 2018.

The effects of sediment from different land-based industries in the Pelorus and Kaituna catchments has resulted in the smothering of large parts of Kaiuma and Mahakipawa estuaries with soft mud. This has resulted in the loss of seagrass and other habitats, with negative effects on biodiversity.

Coastal water monitoring programme continues with sampling at 11 main representative sites on a monthly basis in the Totaranui/Queen Charlotte Sound and Te Hoiere/Pelorus Sound. The main parameters measured were nitrate, chlorophyll-a, and dissolved oxygen. These are important indicators of ecosystem health. We have also continued to measure the amount of sediment particles in the water.

Ongoing monitoring of a sub set of the 129 individual Ecologically Significant Marine Sites in Marlborough is continuing and we now have a better understanding of how these sites are functioning and what activities are causing impacts to those habitats.

Levels of Service: Environmental Science and Monitoring				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Monitoring, investigations, gather and analyse information, and report on the state of Marlborough's natural resources including: Fresh Water, Land, Air and Coastal.</b>				
Timeliness of completion data integrity audits and quality coding (in accordance with National Environmental Monitoring Standards (NEMS)).	30-Jun	30-Jun-17		Actual score: 30-Jun-17 - on target. (Last year: 30-Jun-16 - on target).
Number of technical SoE monitoring report cards completed.	5	5		Actual score: 5 - on target. (Last year: 6 - on target).
Timeliness completion of resource investigations and reporting to Council.	30-Jun	30-Jun-17		Actual score: 30-Jun-17 - on target. (Last year: 30-Jun-2016 - on target).
<b>Effective real time environmental monitoring network is operated.</b>				
Percentage availability of the Environmental monitoring network.	99%	99%		Actual score: 98% - almost on target. (Last year: 99.65% - on target). Due to the November earthquake a significant amounts of data was lost beyond what is normally expected within the network on an average year.
<b>Promotion of resource management programmes to help maintain or improve the condition of the environment.</b>				
Increase in the number of protected (either Council agreements and/or legal covenants) terrestrial or wetland indigenous biodiversity sites on private land.	80	88		Actual score: 93 - on target. (Last year: 88 - on target).
<b>Encourage the community and industry to look after and restore the environment through communication, education and advocacy.</b>				
Marlborough Environmental Awards are held biennially.	Awards held 2014-15	Awards held.		Actual score: Awards held - on target. (Last year: N/A).
Percentage of planned educational or communication programmes are completed annually.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).

## Funding Impact Statement for year ended 30 June:

Environmental Science and Monitoring	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,733	2,876	3,077	3,088
Subsidies and grants for operating purposes	-	-	-	20
Fees and charges	5	5	5	(1)
Internal charges and overheads recovered	65	65	65	65
Other receipts including fines	269	269	235	243
<b>Total operating funding</b>	<b>3,072</b>	<b>3,215</b>	<b>3,382</b>	<b>3,415</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,262	2,376	3,303	2,549
Finance Costs	10	15	18	17
Internal charges and overheads applied	767	782	810	832
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>3,039</b>	<b>3,173</b>	<b>4,131</b>	<b>3,398</b>
<b>Surplus (deficit) of operating funding</b>	<b>33</b>	<b>42</b>	<b>(749)</b>	<b>17</b>
<b>Sources of capital funding</b>				
Increase (decrease) in debt	-	154	35	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>154</b>	<b>35</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	-	-	-	-
Capital expenditure to improve the level of service	-	-	35	-
Capital expenditure to replace existing assets	150	154	185	924
Increase (decrease) in reserves	(117)	42	(934)	(906)
<b>Total applications of capital funding</b>	<b>33</b>	<b>196</b>	<b>(714)</b>	<b>17</b>
<b>Surplus (deficit) of capital funding</b>	<b>(33)</b>	<b>(42)</b>	<b>749</b>	<b>(17)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>3,039</b>	<b>3,173</b>	<b>4,131</b>	<b>3,398</b>
plus - Depreciation and amortisation	99	107	111	107
plus - Loss on sale of fixed assets	-	-	-	12
less - Internal charges and overheads recovered	65	65	65	65
<b>As within Environment Management activity per note 2</b>	<b>3,073</b>	<b>3,215</b>	<b>4,177</b>	<b>3,452</b>

<b>Internal borrowing used for the purpose of Environmental Science and Monitoring</b>	369
Funds borrowed during the year	174
Funds repaid during the year	8
Interest paid in relation to this borrowing	17

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Rates and Payments to staff and suppliers are higher than LTP due to the increased level of service for collecting and analysing data for coastal monitoring programmes to meet national standards.

Note2: Capital expenditure is higher than the LTP budget due to the Multibeam Marlborough Sounds seabed mapping project. This is funded from Reserves.

## Activity: Resource Consents

Operating costs of this Activity represent approximately 2.4% of total Activity expenditure.

### What is this Activity About?

This Activity involves discharging Council's statutory obligations under the Resource Management Act 1991. This Activity is about the promotion of the sustainable management of natural and physical resources and the administration of the Marlborough Sounds and the Wairau/Awatere Resource Management Plans and the proposed Marlborough Environmental Plan. Specifically this Activity processes five different types of resource consents:

- Land Use Consents.
- Water Permits.
- Discharge Permits.
- Subdivision Consents.
- Coastal Permits.

Further details on what this Activity is about are contained in the 2015-25 LTP.





### What we did in 2016-17

Received 1,050 applications for resource consent, fewer than the 1,268 applications received in 2015-2016.

Of these:

- 978 were for new resource consents.
- 65 were for variations to resource consent conditions.
- 4 were for extension to lapsed date.
- 2 were objections to conditions.
- 1 was an objection to costs.

However, of the total received 54 (or 5.14%) were rejected for incompleteness as there are more stringent informational requirements due to Resource Management Act amendments. The intent of the amendment is to ensure only completed applications are received thus facilitating the decision making stage and avoiding delays in processing times in the long-run. Prior to the Resource Management Act amendments less than 1% of applications were rejected.

Levels of Service: Resource Consents				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.0	6.0		Actual score: 6.3 - on target. (Last year: 6.1 - on target).
<b>Provide a consent service that is fair, consistent, cost effective, timely and responsive to customers' needs.</b>				
% of resource consent applications processed within statutory timeframes.	99.7%	99%		Actual score: 100% - on target. (Last year: 100% on target).
% of objections under section 357(b) compared to total number of applications processed <sup>1</sup> .	< 0.2%	< 0.5%		Actual score: 0.01% - on target. (Last year: 0.09% - on target).
<b>Provide consistent, appropriate and timely information to applicants and the public on the RMA, resource consent and approval process.</b>				
% of incomplete applications rejected under the requirements of RMA - section 88.	< 1.7%	< 15%		Actual score: 5.14% - on target. (Last year: 8.5% - on target).

<sup>1</sup> RMA, section 357(b) – Right of objection in relation to imposition of additional charges or recovery costs.

## Funding Impact Statement for year ended 30 June:

Resource Consents	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	884	917	869	872
Fees and charges	1,455	1,491	1,565	1,657
Internal charges and overheads recovered	23	23	23	15
Other receipts including fines	87	86	67	72
<b>Total operating funding</b>	2,449	2,517	2,524	2,616
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,685	1,719	1,729	1,777
Internal charges and overheads applied	762	797	794	767
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	2,447	2,516	2,523	2,544
<b>Surplus (deficit) of operating funding</b>	2	1	1	72
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	-	-	-	-
<b>Applications of capital funding</b>				
Capital expenditure to improve the level of service	3	3	3	-
Increase (decrease) in reserves	(1)	(2)	(2)	72
<b>Total applications of capital funding</b>	2	1	1	72
<b>Surplus (deficit) of capital funding</b>	(2)	(1)	(1)	(72)
<b>Funding balance</b>	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	2,447	2,516	2,523	2,544
plus - Depreciation and amortisation	1	1	1	0
less - Internal charges and overheads recovered	23	23	23	15
<b>As within Environment Management activity per note 2</b>	2,425	2,494	2,501	2,530

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1 Fees and charges are higher than LTP budget due to higher than expected land use, water and subdivision applications.

## Activity: Environmental Protection

Operating costs of this Activity represent approximately 1.2% of total Activity expenditure.

### Related Community Outcomes

This Activity primarily contributes to the Community Outcomes of Governance, Environment, People and Economy. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

Council monitors the effect of implementing its Resource Management Plans (RMP) by monitoring compliance with the standards for permitted Activity rules and Resource Consent conditions.







Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

**Complaints** - received 598 RMA complaints in regard to coastal, land use, land and water body disturbance, water take, discharge to air, land and fresh and marine water.

**Monitoring Resource Consents** – monitored 2,927 individual Resource Consents, this does not include any consents which were monitored as part of a complaints investigation. A number of consents required follow up monitoring due to non-compliance with conditions of consent.

**Enforcement** – issued 32 abatement notices, 31 infringements notices and initiated 5 prosecutions.

Levels of Service: Environmental Protection				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.5	6.5		Actual score: 6.4 - almost on target. (Last year: 6.2 - almost on target). This is an improvement of last year score from 6.2 to 6.4. The group continues to explore opportunities to improve delivery of this service and improve public knowledge of the activity.
<b>Monitor activities that have either a greater environmental impact warranting special consideration, or are activities that generate community concern or are related to trends highlighted through the State of the Environment Report.</b>				
Report on dairy farm effluent systems and stream crossings for compliance with permitted activity standards or Resource Management Plans and consents.	N/A	31-Aug-16 with improved or unchanged compliance level		Actual score: Report completed - on target. (Last year: Report completed - on target).
Report on waste from wineries for compliance with resource consent conditions (waste water and grape marc).	N/A	30-Nov-16 with improved or unchanged compliance level		Actual score: Report completed - on target. (Last year: Report completed - on target).
Report on resource consents for forestry in the district	N/A	30-Nov-16 with improved or unchanged compliance level		Actual score: Report completed - on target. (Last year: N/A).
<b>Monitor and investigate alleged breaches of the Resource Management Act, Resource Management Plans and Consents.</b>				
% of complaints assessed within one working day.	80%	80%		Actual score: 81% - on target. (Last year: 88% - on target).
% of complaints, either resolved or had a resolution strategy, developed within 90 days of receipt.	99%	99%		Actual score: 99.3% - on target. (Last year: 100% - on target).

## Funding Impact Statement for year ended 30 June:

<b>Environmental Protection</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,105	1,137	1,123	1,127
Fees and charges	35	41	44	96
Other receipts including fines	111	109	88	105
<b>Total operating funding</b>	<b>1,251</b>	<b>1,287</b>	<b>1,255</b>	<b>1,329</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	857	874	828	803
Internal charges and overheads applied	394	413	427	439
<b>Total applications of operating funding</b>	<b>1,251</b>	<b>1,287</b>	<b>1,255</b>	<b>1,242</b>
<b>Surplus (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86</b>
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Increase (decrease) in reserves	-	-	-	86
<b>Total applications of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86</b>
<b>Surplus (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(86)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>1,251</b>	<b>1,287</b>	<b>1,255</b>	<b>1,242</b>
plus - Depreciation and amortisation	-	-	-	-
<b>As within Environment Management activity per note 2</b>	<b>1,251</b>	<b>1,287</b>	<b>1,255</b>	<b>1,242</b>

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

There are no variances which are considered significant.

## Activity Group: Regulatory

### Activities in this Group:

- Biosecurity (Pest Management).
- Building Control.
- Environmental Health.
- Animal Control.
- Harbours.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Environment, People, Economy, Mobility and Living.

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

### What is this Activity Group About”

Council is charged by statute with carrying out a number of statutory functions, on behalf of Central Government. This grouping contains Activities driven by various statutes which have little in common other than legal compliance.

The responsibility for managing this Activity Group has been given to the Regulatory Department.

Further details on what this Activity Group is about are contained in the 2015-25 Long Term Plan.

The following Funding Impact Statement (FIS) is for the Activity Group, throughout this section a separate FIS is included for each Activity and these should be referred to for more detailed information.

<b>Funding Impact Statement for year ended 30 June:</b>				
<b>REGULATORY</b>	<b>2016 (LTP) \$000's</b>	<b>2017 (LTP) \$000's</b>	<b>2017 (AP) \$000's</b>	<b>2017 (Actual) \$000's</b>
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,800	2,930	2,660	2,670
Fees and charges	3,367	3,449	3,543	3,555
Other receipts	765	784	714	1,152
<b>Total operating funding</b>	<b>6,932</b>	<b>7,163</b>	<b>6,917</b>	<b>7,377</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,998	5,119	4,894	5,409
Finance costs	34	42	38	10
Internal charges and overheads applied	1,659	1,729	1,797	1,836
Other operating funding applications	30	31	31	(4)
<b>Total applications of operating funding</b>	<b>6,721</b>	<b>6,921</b>	<b>6,760</b>	<b>7,251</b>
<b>Surplus (deficit) of operating funding</b>	<b>211</b>	<b>242</b>	<b>157</b>	<b>126</b>
<b>Sources of capital funding</b>				
Gross proceeds from sale of assets	-	-	-	-
Increase (decrease) in debt	247	-	-	-
<b>Total sources of capital funding</b>	<b>247</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	-	-	-	-
Capital expenditure to improve the level of service	320	-	-	-
Capital expenditure to replace existing assets	74	110	107	19
Increase (decrease) in reserves	64	132	50	107
<b>Total applications of capital funding</b>	<b>458</b>	<b>242</b>	<b>157</b>	<b>126</b>
<b>Surplus (deficit) of capital funding</b>	<b>(211)</b>	<b>(242)</b>	<b>(157)</b>	<b>(126)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>6,721</b>	<b>6,921</b>	<b>6,760</b>	<b>7,250</b>
plus - Depreciation and amortisation	161	184	251	152
plus - Loss on sale of fixed assets	-	-	-	1
<b>Expenditure as per Note 2</b>	<b>6,882</b>	<b>7,105</b>	<b>7,011</b>	<b>7,403</b>

#### **Explanation of Variances**

Explanations for this Activity Group are included in the individual Activity Funding Impact Statements.



## Activity: Biosecurity (Pest Management)

Operating costs of this Activity represent approximately 1.5% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to Community Outcomes of Environment, Economy, People and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Biosecurity Act 1993 outlines the Marlborough District Council's leadership responsibilities to help prevent, reduce or eliminate adverse effects from harmful organisms that are present in the region.

The ways in which Council undertake its activities include:

- Promoting the alignment of pest management in the region.
- Facilitating the development and alignment of regional pest management plans and regional pathway management plans in the region.
- Promoting public support for pest management and facilitating communication and co-operation among those involved in pest management to enhance effectiveness, efficiency, and equity of programmes.
- Monitoring to determine whether or not pests are present and undertaking surveillance of pests, and unwanted organisms.
- Provide in accordance with relevant pest management plans, undertaking investigations, eradication or management of pests.

The main regulatory framework for managing pests is through the implementation of either a Regional Pest Management Plan (RPMP) or small scale management programmes which outlines programmes for pests that have a regional focus.

The Council also provides a range of non-regulatory pest management services through the provision of community partnerships and funding.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

#### Total Control pest plant programme

A number of invasive pest plant species fall under the management of Council through the Regional Pest Management Strategy as Total Control pests. This year's progress working toward the eradication or long term sustained control of these species continued. This saw 100% of all high priority sites visited and control activities completed, while a total of 719 hours of surveillance work was undertaken to detect any new infestations.

#### Containment pest programme

A large focus for Council's Biosecurity programme is carrying out property inspections to ensure land occupiers are controlling containment pest species. In total 295 properties were inspected by Council for the purpose of assessing compliance for a range of containment pests.

Council is continuing to build the important Chilean needle grass (CNG) programme in conjunction with the community. While still implementing regulatory measures, great gains are also being made by continued support for the community-led Chilean Needle Grass Action Group. Through this avenue, the level of buy-in to the programme is growing.






## Collaboration

An emerging theme in biosecurity programmes is that of collaboration. This has been particularly evident in Council's role implementing the National Wilding Conifer Programme being led by the Ministry for Primary Industries (MPI). This national programme includes other Crown departments such as the Department of Conservation (DOC), Land Information New Zealand and the Ministry of Defence. Numerous regional councils/unitary authorities, including MDC, are acting as regional fundholders/coordinators linking the national programme to priority operational programmes at the regional level that are being scaled-up as a result of the new national programme funding.

In 2016-17 an additional \$271,407 was invested into the Molesworth wilding conifer programme via DOC. Council's role saw this investment being directed then in return collated all data and reports back to the national programme team within MPI.

## Marine Biosecurity

Council has continued to grow its role in protecting Marlborough waters from the impacts of invasive marine pests. Ongoing surveillance work has occurred focussed on areas where the marine pest Mediterranean fanworm (*Sabella spallanzanii*) has been detected in small numbers. This year also saw the notification of a Small Scale Management Programme under the Biosecurity Act 1993 occur in tandem with Nelson City and Tasman District Councils. This was enabled thanks to the close relationships formed within the Top of the South Marine Biosecurity Partnership. It has provided all three Councils with the ability to utilise powers if necessary while they all prepare longer term marine biosecurity programme options, for example within a Regional Pest Management Plan.

Levels of Service: Biosecurity (Pest Management)				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.3	6.3		Actual score: 6 - almost on target. (Last year: 6.1 - almost on target). Similar result to the last five years. The service level satisfaction is a mismatch between performance and priority ratings. The biggest reason for the poor performance rating is customer expectation that Council will undertake physical pest control activities on properties which is currently out of scope.
<b>Monitoring and controlling the spread and impacts of animal and plant pests.</b>				
% of 'high priority' sites (land occupier obligations) inspected or audited to confirm compliance.	95%	95%		Actual score: 82% - almost on target. (Last year: 98% - on target). Fewer than expected inspections of 'high priority' sites occurred within the largest programme - nassella tussock. Factors such as the earthquake on rural properties impacted on achieving this target.
% of 'active' pest sites managed annually through a service delivery programme.	95%	95%		Actual score: 100% - on target. (Last year: 100% - on target).
The number of hours spent searching (surveillance) for pests outside known areas.	500 hours	> 500		Actual score: 2,867 hours - on target. (Last year: 2,442 - on target).
<b>Prepare, publish, and implement the RPMS operational plan.</b>				
Timeliness completion of annual plan to the Environment Committee.	30-Oct	30-Oct-16		Actual score: 13-Sep-16 - on target. (Last year: 03-Sep-15 - on target).

## Funding Impact Statement for year ended 30 June:

<b>Biosecurity (Pest Management)</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,140	1,193	1,018	1,045
Fees and charges	20	21	20	7
Other receipts	124	124	90	429
<b>Total operating funding</b>	1,284	1,338	1,128	1,481
<b>Applications of operating funding</b>				
Payments to staff and suppliers	963	1,004	783	1,177
Internal charges and overheads applied	320	333	345	352
<b>Total applications of operating funding</b>	1,283	1,337	1,128	1,529
<b>Surplus (deficit) of operating funding</b>	1	1	-	(48)
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	-	-	-	-
<b>Applications of capital funding</b>				
Capital expenditure to replace existing assets	-	-	-	5
Increase (decrease) in reserves	-	-	-	(53)
<b>Total applications of capital funding</b>	-	-	-	(48)
<b>Surplus (deficit) of capital funding</b>	-	-	-	48
<b>Funding balance</b>	1	1	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	1,283	1,337	1,128	1,529
plus - Depreciation and amortisation	-	-	-	7
<b>As within Regulatory activity per note 2</b>	1,283	1,337	1,128	1,536

### **Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)**

Note 1: Payments to staff and suppliers are higher than the budget LTP due to Wilding Conifer control. This programme was funded by the contributions from the Ministry of Primary Industries which is included in other receipts.

## Activity: Building Control

Operating costs of this Activity represent approximately 3.1% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes to the Community Outcomes of Environment, Economy and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity is important for the safety and health of the residents, workers and visitors to the Marlborough District because the main thrust of the Building Act and Regulations is the health and safety of building users. The efficient processing of Building Consents is a key focus of this Activity to ensure we are responsive to customer needs.

The most significant component of this Activity is to receive, process, grant, and issue Building Consent applications, followed by inspecting work for compliance and issuing a Code Compliance Certificate. The standard of compliance required is set out in the Building Regulations and it's compliance with the New Zealand Building Code.

This Activity also involves other functions under separate legislation including:

- Monitoring swimming pool fencing under the Building Act 2004 against the requirements of the Building Code F9 (restricting access to residential pools).
- Investigating building related complaints under the Local Government Act and the Building Act 2004.
- Council is required to have an accredited Building Control Authority (BCA).
- Council is required to hold Land Information Memoranda (LIM) pursuant to section 44A of the Local Government Information and Meetings Act 1987.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17







- **Numbers of consents** issued for the financial year have again increased as follows:
  - Consents issued: 1,441. Total value \$176.56 million, including 260 new dwellings.
  - Code Compliance Certificates issued: 1,432.
- **BCA Accreditation** - On 28 July 2016 Council's building control team was reaccredited as a BCA for a further two years. The next accreditation audit is scheduled for 2018.
- **Project Information Memorandums (PIMs) and Related Information (RI) activity** - The PIM/RI team provided planning/rivers/roads and services information for all issued building consents (except log fire consents).
- **Inspections** - The Building Control Group undertook 5,234 inspections in this financial year compared to 4,982 in the previous year.
- **Building Warrant of Fitness (BWoF) and Compliance Schedule Role** - The consequence of establishing this role continues to improve relationships, with building owners and their Independent Qualified Person (IQP) who perform the building owners required checks on specified systems. Over the past year we have greatly reduced the number of overdue BWoFs and activated a number of compliance schedules that had never been activated previously. This resulted in an additional 40 compliance schedules being created. There has been a huge increase in the amount of interaction between the MDC compliance officer, IQP's and property owners/tenants.

There has been a marked increase in the number of amendments to existing and new compliance schedules through the building consent process. This increased office bound activity means that we have only achieved 1% of our 20% target for Building Warrant of Fitness audits. The introduction of a

number of new legislative requirements for Earthquake Prone Buildings is another reason why the Group has been unable to meet its level of service for site audit inspections.

The Group has introduced an early warning letter which advises property owners/tenants when the Building Warrant of Fitness will take place. This is an effort to avoid inaction by the owner/tenant after receiving a new compliance schedule. To date this has had a positive effect

- **Site Audits for the Fencing of Swimming Pools** – On 1<sup>st</sup> of January 2017 the Fencing of Swimming Pools Act was repealed and replaced by the introduction of Building Code Clause F9. This means all requirement for residential pools are covered by the Building Act 2004. A major change is the number of pool inspections required, 33⅓ % of all pools must be inspected annually. The Group is on track to meeting that requirement for the calendar year.
- **Earthquake Prone Buildings Amendment Act (EPBAA)** – The regulations and methodology for this Act were released on the 1<sup>st</sup> of July 2017. The Group is currently working through the requirements.

Levels of Service: Building Control				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	6.2	6.2		Actual score: 6.5 - on target. (Last year: 6.2 - on target).
<b>Provide a service that is responsive to customer needs and minimise risks to public safety.</b>				
% of Building Consents applications granted within 20 working days of receipt of the application.	96.5%	96%		Actual score: 95% - almost on target. (Last year: 99% - on target). The Earthquake event of November 2016 had a major influence on our ability to achieve statutory timeframes. Consent numbers also increased over the financial year.
% of Code Compliance Certificates issued within 20 working days of receipt of application.	86%	90%		Actual score: 98% - on target. (Last year: 98% - on target). Altered procedures assisted in a better result.
% of swimming pools inspected annually.	15%	> 15%		Actual score: 16.1% - on target. (Last year: 15.6% - on target). Note: Legislation changed from 01- Jan-17 now requiring 33.33%. On target to 30-Jun-17.
% of Building Warrants of Fitness audited annually.	20%	20%		Actual score: 1% - not achieved. (Last year: 5% - not achieved). Two new lots of legislation dealing with Earthquake prone buildings have severally affected the groups ability to undertake the audits. The better procedure for CCC's has also placed addition burden this section.
<b>Provision of Land Information Memoranda.</b>				
Number of liability claims made because of incomplete or inaccurate information supplied.	1	< 3		Actual score: 0 - on target. (Last year: 0 - on target). The group is striving to improve procedures to avoid claims.

## Funding Impact Statement for year ended 30 June:

<b>Building Control</b>	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	464	483	374	375
Fees and charges	2,344	2,403	2,509	2,446
Other receipts	136	137	119	68
<b>Total operating funding</b>	2,944	3,023	3,002	2,889
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,975	2,011	1,957	2,240
Internal charges and overheads applied	936	980	1,014	1,037
Other operating funding applications	20	21	20	(15)
<b>Total applications of operating funding</b>	2,931	3,012	2,991	3,261
<b>Surplus (deficit) of operating funding</b>	13	11	11	(372)
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	-	-	-	-
<b>Applications of capital funding</b>				
Capital expenditure to replace existing assets	-	-	-	-
Increase (decrease) in reserves	13	11	11	(372)
<b>Total applications of capital funding</b>	13	11	11	(372)
<b>Surplus (deficit) of capital funding</b>	(13)	(11)	(11)	372
<b>Funding balance</b>	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	2,931	3,012	2,991	3,261
plus - Depreciation and amortisation	-	-	-	-
<b>As within Regulatory activity per note 2</b>	2,931	3,012	2,991	3,261
<b>Operating expenditure</b>				
Building Control	2,754	2,829	2,789	3,078
LIMs	177	183	202	183
<b>Capital expenditure:</b>				
Building Control	-	-	-	-

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Payments to staff and suppliers are higher than the LTP budget due to increased resourcing using contracts and additional staff.

## Activity: Environmental Health

Operating costs of this Activity represent approximately 0.5% of total Activity expenditure.

### Related Community Outcomes

This Activity primarily contributes to the Community Outcomes of People, Economy, and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

This Activity provides services to protect the health of the Marlborough community through registration and inspection of premises that prepare or sell food and the investigation of food complaints, as required by the Health Act 1956 and Food Act 2014. The Activity also promotes public health and food safety by undertaking education activities and providing information material to the public.

Further, our Environmental Health Officers have duties under the Sale and Supply of Alcohol Act 2012, which require reporting on licence applications and monitoring compliance with licence conditions. Staff also investigate nuisance complaints such as noise, smoke, odours, pest control and hazardous substances.

Further details on what this Activity is about are contained in the 2015-25 Long Term Plan.

### What we did in 2016-17

All food premises, hair salons, campgrounds, offensive trades and funeral directors were inspected or audited during the 2016-17 registration year.

Number of premises inspected	2016-17	2015-16
Registered Food premises (Food Hygiene Regulations)	137	331
Registration Food premises (Food Act 2014)	116	
Registered Hairdressers	51	48
Registered Camping Grounds	24	22
Registered Offensive Trades	11	13
Registered Funeral Directors	2	2












- 14 markets/events were inspected.
- In 2016-17, Environmental Health Officers carried out 105 compliance checks of the 117 on-licensed premises selling alcohol. This included a duty manager on site, availability of no-alcohol and low-alcohol drinks, food availability, transport options and signage.
- The Environmental Health Section has also investigated complaints regarding food and food premises, along with nuisances under the Marlborough District Council Bylaw 2010, Unreasonable Noise, Sale of Alcohol concerns and unsanitary housing.

The number of complaints received in 2016-17 are as follows:

Number of complaints received	2016-17	2015-16
Excessive noise	1139	1042
Domestic smoke	35	36
Nuisance under the Bylaw or contravention of Bylaw	27	34
Unreasonable noise	22	33
Food hygiene or concern regarding premises operation	10	21
Sale of alcohol issues	10	9
Unsanitary living	15	9
Camping ground hygiene and registration	5	4
Hairdressers conduct and registration	2	3
Public Swimming Pool Sanitation	1	0

## Levels of Service: Environmental Health

### Performance Targets

Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Ensure the residents of Marlborough and visitors to the District have confidence that they live and stay in an environment that is safe.</b>				
% of registered premises inspected once a year.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
Number of annual inspection of markets and events with 10 or more food stalls.	≥ 12	≥ 12		Actual score: 14 - on target. (Last year: 14 - on target).
% of complaints of critical nature (food poisoning) actioned within one working day.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
% of complaints of a non-critical nature assessed within seven working days.	100%	100%		Actual score: 100% - on target. (Last year: 96% - almost on target).
<b>Administer the voluntary implementation of Food Control Plans.</b>				
Undertake annual audit of all existing food businesses with registered exemptions to ensure compliance with the Food Control Plans.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
Undertake an initial audit of newly registered Food Control Plans under the voluntary implementation programme (VIP) within three months of registration.	100%	100%		Actual score: 0% - not achieved. (Last year: 100% - on target). This target is not longer applicable since the introduction of the Food Act 2014 and has been removed from Council's 2017-18 Annual Plan.
<b>Administer Food Control Plans under the Food Act 2014.</b>				
Register businesses required under Food Act 2014 in Food Control Plans and National Programmes.	New measure	100%		Actual score: 100% - on target. (Last year: 100% - on target).
Audit registered business as scheduled in the Food Act 2014 and Regulations.	New measure	100%		Actual score: 79% - not achieved. (Last year: 100% - on target). All current businesses have been audited as required. However, some new businesses were delayed until they were opened to public as there was nothing to audit until they were opened for operations. Systems have improved to ensure this is remedied.
<b>Carryout the functions of Licensing Inspector controlling the sale and supply of alcohol to the public with the aim of contributing to the reduction of alcohol abuse.</b>				
% of "On Licences" <sup>1</sup> inspected once a year.	90%	90%		Actual score: 90% - on target. (Last year: 93% - on target).
<b>Provide a service for investigation of noise complaints.</b>				
Report on performance of noise control contract.	New measure	30-Sep-16		Actual score: 13-Sep-16 - on target. (Last year: 23-Jul-15 - on target).
Assess complaints concerning unreasonable noise within one working day.	89%	89%		Actual score: 86.4% - almost on target. (Last year: 91% - on target). Due to new legislation resources have been directed on achieving statutory requirements.

<sup>1</sup> An "on-licence" allows the sale or supply of liquor to any person present on the premises, for consumption on the premises.



## Funding Impact Statement for year ended 30 June:

Environmental Health	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	126	130	162	162
Fees and charges	10	10	10	5
Other receipts	322	337	341	436
<b>Total operating funding</b>	458	477	513	603
<b>Applications of operating funding</b>				
Payments to staff and suppliers	312	317	346	325
Internal charges and overheads applied	151	158	164	170
<b>Total applications of operating funding</b>	463	475	510	495
<b>Surplus (deficit) of operating funding</b>	(5)	2	3	108
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	-	-	-	-
<b>Applications of capital funding</b>				
Capital expenditure to improve the level of service	-	-	-	-
Capital expenditure to replace existing assets	4	4	3	-
Increase (decrease) in reserves	(9)	(2)	-	108
<b>Total applications of capital funding</b>	(5)	2	3	108
<b>Surplus (deficit) of capital funding</b>	5	(2)	(3)	(108)
<b>Funding balance</b>	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	463	475	510	495
plus - Depreciation and amortisation	3	3	3	4
<b>As within Regulatory activity per note 2</b>	466	478	513	499

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Other receipts have increased since the LTP budget due to the implementation of new liquor licencing fees.

## Activity: Animal Control

Operating costs of this Activity represent approximately 0.7% of total Activity expenditure.

### Related Community Outcomes

This Activity contributes primarily to the Community Outcomes of Environment, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

The Activity involves the promotion of responsible dog ownership and protection of the community from danger, distress and nuisance caused by dogs in accordance with the Dog Control Act 1996. It is also responsible for providing services in relation to wandering livestock on public land and roads.

The Dog Control Act (DCA) is the primary legislative tool used in this Activity, carrying out the majority of its functions together with related regulations; Impounding Act 1955 and Council Bylaws. Council oversees the effective delivery of this service, which is delivered on a day-to-day basis under contract by Maata Waka Ki Te Tua Ihu Trust (MW). The contract contains detailed performance measures on registrations, complaints, operation of the dog pound, education, enforcement, impounding, livestock, and training.

Further details on what this Activity is about are contained in the 2015-25 LTP.

### What we did in 2016-17

There were 10,701 (2015-16: 10,073) dogs registered in the Marlborough District, including 1,949 (2015-16: 1,919) dogs registered as working dogs (including disability assist dogs and Police dogs).

Information on various aspects of dog behaviour, care and responsible ownership are available from Animal Control with information on relevant topics distributed to owners of dogs that come to Animal Control's attention.

Regular material regarding dogs was included in a local newspaper. Material included articles on dog owner obligations, dog health and dog behaviour and can also be viewed on Council's website.





A total of 2,524 (2015-16: 2,194) complaints were received in the 2016-17 year. A majority related to lost or found dogs or dog nuisance. There were 59 (2015-16: 94) complaints related to a dog attack or rush. All complaints were attended to, investigated and necessary action taken. There were 166 (2015-16: 129) complaints regarding livestock on roads.

A total of 292 (2015-16: 252) infringement notices were issued with 209 (2015-16: 194) of these notices for unregistered dogs and 62 (2015-16: 41) were for uncontrolled or roaming dogs. The remainder were for a variety of other breaches.

There were 367 (2015-16: 385) dogs impounded for various reasons. The majority of these dogs were released to their owners. Dogs that were not claimed were either transferred to the SPCA or destroyed. All dogs that are surrendered or not claimed undergo an assessment by the Animal Control Officers. Those dogs determined to have the temperament and characteristics suitable for family environments are transferred to the SPCA for re-homing.

Below are listed some of the other activities performed by Animal Control during the 2016-17 year:

- A dog safety education course was available to schools and groups of primary school aged children. The purpose of this course is to promote safety around dogs as well as responsible dog ownership and care. This programme is provided free of charge.
- A new responsible dog ownership programme was implemented as part of the Animal Control Officers patrolling compliance checks were undertaken and dog treats were given out to responsible dog owners.
- Animal Control is also involved in a collaborative interactive safety programme that has developed from within the Marlborough Child Safety Group and is based on the "Clued up kids" project developed in Strathclyde, Scotland (2001). Year 5/6 students from Marlborough/Kaikoura Schools are taken in small groups of 4/8 on a 15 minute rotating circuit of eight safety sets scattered around Brayshaw Park ie; Police, St Johns, Rail safety, Water safety, Emergency Response, Personal safety, Dog safety, Cycle safety, ATV safety, Home Hazards and Fire safety. This event goes for one week in November each year.
- The second survey was undertaken of all registered dog owners on service delivery and to identify areas where increased information is requested and how information is best delivered (eg; Facebook, radio, website, paper etc).

Levels of Service: Animal Control				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7.2	7.2		Actual score: 7.4 - on target. (Last year: 7.5 - on target).
<b>To provide an effective dog control service including registration that is in accordance with the Dog Control Act 1996 (DCA).</b>				
% of compliance with the service specifications in the Animal Control contract. The key service specifications relate to Education, Unaccounted for Dogs and Complaints.	100%	100%		Actual score: 95.4% - almost on target. (Last year: 100% - on target). Education exceeded target, while the Unaccounted for Dogs Project was completed and Complaints responded to as required. However, due to vacancy Animal Control was unable to meet Patrolling requirements as at 30-Jun-2017. The vacancy was fulfilled on 20-Feb-2016 and we expect to meet our target in the coming year.
Report on contract performance.	New measure	30-Sep-16		Actual score: 30-Sep-16 - on target. (Last year: 03-Sep-15 - on target).
Compliance with DCA requirements by: • Preparing and publicising a report annually.	30-Sep	30-Sep-16		Actual score: 13-Sep-16 - on target. (Last year: 03-Sep-15 - on target).

### Funding Impact Statement for year ended 30 June:

Animal Control	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	131	134	136	137
Fees and charges	561	573	572	647
Other receipts	26	26	24	25
<b>Total operating funding</b>	<b>718</b>	<b>733</b>	<b>732</b>	<b>809</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	644	656	653	654
Internal charges and overheads applied	62	65	68	67
Other operating funding applications	9	9	9	8
<b>Total applications of operating funding</b>	<b>715</b>	<b>730</b>	<b>730</b>	<b>728</b>
<b>Surplus (deficit) of operating funding</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>81</b>
<b>Sources of capital funding</b>				
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>				
Increase (decrease) in reserves	3	3	2	81
<b>Total applications of capital funding</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>81</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>	<b>(81)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>715</b>	<b>730</b>	<b>730</b>	<b>728</b>
plus - Depreciation and amortisation	3	3	2	3
<b>As within Regulatory activity per note 2</b>	<b>718</b>	<b>733</b>	<b>732</b>	<b>731</b>
<b>Operating expenditure</b>				
Dog Control	632	646	646	652
Other Animal Control	86	88	86	79

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Fees and charges are higher than LTP budget due to more dog registrations, impounding fees and more infringement collections than budgeted.

## Related Community Outcomes

This Activity contributes to the Community Outcomes of Governance, Environment, Economy, People, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.















## What is this Activity About?

This Activity involves ensuring safety in Marlborough's extensive marine waterways. The Marlborough Sounds comprises approximately 1,800 kilometres of coastline (which is 18% of New Zealand's entire coastline) and 4,136 kilometres<sup>2</sup> of water area. The Sounds is used extensively for recreational purposes, commercial shipping, tourism, and aquaculture and supports a diverse resident population. Further details on what this Activity is about are contained in the 2015-25 LTP.

## What we did in 2016-17

- Council's Safety Management System (SMS), a requirement of the NZ Port and Harbour Marine Safety Code (the Code) was the subject of urgent recommendations provided by the Transport Accident Investigation Commission following the grounding of the Azamara Quest. The issues raised have been addressed but work began to fully overhaul all components of the SMS.
- As part of the above, the navigation safety bylaws were revised and will go out for public consultation in the 2017-18 year. The bylaws primarily target recreational vessels. Similarly, all Harbour Master's directions are under review and it is this regulatory mechanism that is used to control shipping.
- The Pilot Exemption Training Programme for MDC which lays the foundation for the training of all Ferry Masters was fully revised following extensive consultation with stakeholders and an intensive workshop.
- During 2016-17 the following projects were commenced to improve shipping safety. Installation of a weather station at the Northern Entrance to Queen Charlotte Sound, rationalisation of the Harbour Control Network, establishment of current monitoring at Tory Channel Entrance. These three projects are likely to involve significant capital outlay in 2017-18. Continuation of the in-house servicing of Aid to Navigation (AtoN) has continued to increase the reliability of the network.
- Major work has been undertaken in conjunction with LINZ to revise regional navigation charts and introduce new charts. This relates to the Hydrographic survey work being undertaken throughout the Sounds.
- Council, in compliance with the Code has initiated a harbour risk assessment in 2005-06. The assessment was updated in 2009 and again in 2013 by simply looking at the identified risks, assessing the effect of the risk control measures and generating a revised ranked hazard list. A new risk assessment was started in the 2014-15 year and due to continuous delays it was not completed in the 2016-17 year as expected (received in August 2017). The assessment is being undertaken by external consultants Marico Marine and has had a significant harbour stakeholder consultation component.
- Funding was received by Maritime for the introduction of a new safer boating initiative offering free skipper training workshops in Picton. These workshops have been well received and it is likely the programme will be funded through 2017-18 (confirmed).
- A project to build a series of databases aimed at improving incident reporting, management of navigation aids and marine farm auditing was abandoned due to continuous and ongoing issues with the service provider.
- The cruise guide project has continued to develop with effort being made to improve the functionality of the app, its content and appeal. It is intended that this will become the primary portal through which boat users interact with the harbours office.
- Summer patrols commenced on a weekend basis from labour weekend through to Easter with daily patrols being implemented from the week before Christmas through to the end of January. As in the previous year, extra patrols were carried out in the Havelock/Pelorus Sound area.
- Council's Boat Safety and Tides brochure (formerly the Safe Sounds Boating brochure) was reviewed. Since Labour weekend 2016 a total of 7,500 have been distributed.

- Regular audits of marine farms were undertaken to ensure compliance with lighting and marking requirements. A total of 204 farms were audited over the financial year.
- An oil spill response exercise was undertaken in May 2017 to ensure that trained oil spill responders maintain the necessary skill levels. Separate quarterly oil recovery vessel drills were undertaken. Oil spill response equipment was inspected and maintained in accordance with quarterly schedules.

Levels of Service: Harbours				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".	7.4	7.4		Actual score: 7.7 - on target. (Last year: 7.5 - on target).
<b>Provide a safe environment for all users through effective public education</b>				
Safe Sounds Boating brochure reviewed, printed and ready for distribution annually.	Labour weekend	Labour weekend		Actual score: Brochure ready by Labour weekend - on target. (Last year: Ready by Labour weekend - on target).
Number of patrols from Labour weekend through to end of Easter of the following year.	New measure	≥ 55		Actual score: 66 - on target. (Last year: N/A).
Number of weekday patrols undertaken from mid-December through to end of January of the following year.	≥ 35	≥ 35		Actual score: 46 - on target. (Last year: 37 - on target).
% of navigation warnings issued within two hours of a reported event that may impact on navigation safety.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
<b>Ensure that Port and Harbour Safety Code requirements are met.</b>				
Full review of the Harbour Risk Assessment.	Triennially	Review completed		Actual score: Not achieved (Last year: N/A). First draft was received in August 2017. Harbors is waiting on Marico Marine response.
% of funded mitigation measures completed.	80%	80%		Actual score: 80% - on target. (Last year: 65% - almost on target).
<b>Ensure navigation safety and bylaw requirements in the Marlborough Sounds area are adhered to.</b>				
Number of random light inspections of marine farms undertaken.	> 200	> 200		Actual score: 204 - on target. (Last year: 223 - on target).
Information regarding accidents and incidents is received and, where relevant, passed onto MNZ within five days.	100%	100%		Actual score: 100% - on target. (Last year: 100% - on target). Relationships with MNZ staff have improved.
<b>Ensure that navigation aids, swimming and water-ski lanes are maintained effectively.</b>				
% of time aids to navigation are working in compliance with the International Association of Lighthouse Authorities (IALA) standards.				
• Cat 1 = 99.8%	99.8%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
• Cat 2 = 99%	99%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
• Cat 3 = 97%	97%	100%		Actual score: 100% - on target. (Last year: 100% - on target).
% of pre summer season inspections of swimming and water-ski lanes undertaken.	100%	100%		Actual score: 100% - on target. (Last year: 0% - not achieved). Lanes checked frequently.
Number of inspections of swimming and water-ski lanes undertaken during the summer season.	4	4		Actual score: 6 - on target. (Last year: 4 - on target). Lanes checked frequently.

## Funding Impact Statement for year ended 30 June:

Harbours	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	940	990	947	951
Fees and charges	432	443	432	450
Other receipts	158	159	139	194
<b>Total operating funding</b>	1,530	1,592	1,518	1,595
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,103	1,131	1,063	1,013
Internal charges and overheads applied	191	192	206	211
Finance costs	34	42	38	10
Other operating funding applications	1	1	2	3
<b>Total applications of operating funding</b>	1,329	1,366	1,309	1,237
<b>Surplus (deficit) of operating funding</b>	201	226	209	358
<b>Sources of capital funding</b>				
Gross proceeds from sale of assets	-	-	-	-
<b>Total sources of capital funding</b>	-	-	-	-
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	-	-	-	-
Capital expenditure to improve the level of service	320	43	-	-
Capital expenditure to replace existing assets	70	64	104	14
Increase (decrease) in reserves	(189)	119	105	344
<b>Total applications of capital funding</b>	201	226	209	358
<b>Surplus (deficit) of capital funding</b>	(201)	(226)	(209)	(358)
<b>Funding balance</b>				
	-	-	-	-
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	1,329	1,366	1,309	1,237
plus - Depreciation and amortisation	155	177	162	139
plus - Loss on sale of fixed assets	-	-	-	1
<b>As within Regulatory activity per note 2</b>	1,484	1,543	1,471	1,376

### **Internal borrowing used for the purpose of Harbours**

Funds borrowed during the year	-
Funds repaid during the year	5
Interest paid in relation to this borrowing	10

### **Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)**

Note 1: Payments are lower than LTP budget due to less than expected personnel costs.

## Activity Group: Regional Development

### Activities in this Group:

This Activity Group comprises a single Activity; Regional Development.

### Community Outcomes

This Activity Group contributes to the Community Outcomes of Governance, Environment, People, Economy, Mobility and Living. Council's 2015-25 Long Term Plan provides more information on how this Activity contributes to each outcome.

### What is this Activity About?

Please refer to Note 30 in the financial statements for information on the impact of the 14 November 2016 earthquake.

This Activity is aimed at developing the District's economy to achieve long term economic growth to the benefit of the Marlborough community. It is about identifying where the direction of growth needs to be, how we will get there and what needs to be done. It is important to recognise that regional development is not just supporting businesses, but also about ensuring our community and workforce have the health, skills and knowledge to play their part in the development of Marlborough's economy and to benefit from the wealth created.

Services provided by Council specifically for the benefit of the District's economy include:

- Economic Development.
- Marketing and Tourism.
- Marlborough Research Centre.
- Parking.
- Irrigation.

Council also plays a key role in the local economy through its core services of roading, water infrastructure, and regulatory activity and through its investment in community infrastructure such as libraries and leisure facilities.

### Economic Development

Council undertakes a number of actions targeted at assisting business growth and development under the 'Smart Business Marlborough' banner. These are focused around providing access to information, advice, resources and other specific guidance. The actions include:

- Up to date regional economic data.
- Supporting regional promotion via the Only Marlborough toolkit.
- Start-up business advice and mentoring delivered by Business Trust Marlborough.
- Support for the Food and Beverage Innovation Cluster delivered via Marlborough Research Centre.
- Commercial and industrial development guidance.
- International and education connections, including a new sister region relationship with the wine region of Ningxia, China.

The Small Townships Programme is a new Activity to support the development of liveable towns through investment in outdoor public spaces. A \$5 Million fund over nine years is being used to develop plans with our small communities and to implement projects.

## Marketing, Visitor Economy and Commercial Events

Destination marketing services are undertaken on Council's behalf by Destination Marlborough which exists to grow and support a sustainable visitor economy. Destination Marlborough also hosts the convention bureau, the purpose of which is to promote Marlborough as a location for business events.

The Regional Events Advisor supports quality events in accordance with the Regional Events Strategy, the delivery of quality commercial events in the region thus attracting visitors to stay and spend in the region. A Commercial Events Fund has been established and is operational.

## Marlborough Research Centre

This Activity is delivered by the Marlborough Research Centre Trust and provides support for public good research in support of Marlborough's primary industries. A programme focussed on supported Marlborough food and beverage sector completed its third year.

## Parking

A large number of our businesses are located in or close to our main town centres of Blenheim and Picton. The ability for customers, staff and visitors to access these businesses is supported by the provision of over 2,000 on and off-street parks in Blenheim and Picton.

## Irrigation

Council has developed an irrigation scheme for the Southern Valleys for horticultural and farming over an area of approximately 4,500 hectares to the south of Renwick.

Council is working with the community to develop an irrigation scheme in the Flaxbourne area.

Further details on what these Activities are about are contained in the 2015-25 LTP.

## What we did in 2016-17

- Blenheim and Picton parking occupancies were assessed over the 2016-17 summer period. The trends are showing lower occupancies reflecting a decline in demand. This could be attributed to the November 2016 earthquake. It is recommended that new surveys be carried out once SH1 is operational again.
- The Quays Riverside Park development located in High Street Blenheim commenced this year which removed 32 spaces from the parking portfolio.
- Seventh Smart + Connected industry group established – aquaculture. Other six groups are maintained. Hundreds of volunteers are now actively engaged across the steering and working groups.
- Agreement to sign full Sister Region relationship with Ningxia, China.
- Event guides increased from two to four times a year.
- NZ Scout Jamboree successfully held in Renwick in December 2016, with significant support from Council to hold this event. Over 4,000 people attended.
- Establishment of full time business Development Manager targeting Business Events (Conventions, Incentives and Meetings) to the Marlborough District.



Levels of Service: Regional Development				
Performance Targets				
Key Performance Indicators	LTP Baseline	2016-17 Target	How did we do?	Comments
<b>Provide an overall level of service that meets or exceeds residents' expectations.</b>				
Resident satisfaction with this service as measured by survey, where 10 = "service delivered extremely well".				
• Economic Development	6.4	6.4		Actual score: 6.6 - on target. (Last year: 6.2 - almost on target).
• Tourism	7.2	7.2		Actual score: 7 - almost on target. (Last year: 7.2 - on target). Positive comments from survey include 'doing a good job' and 'promote the region well'; negative comments include 'more effort - room to improve' and 'poorly managed'.
• Marlborough Research Centre	6.8	6.8		Actual score: 7.5 - on target. (Last year: 6.9 - on target).
• Parking	6.8	6.8		Actual score: 6.8 - on target. (Last year: 6.4 - almost on target).
• Irrigation	6.9	6.9		Actual score: 6.9 - on target. (Last year: 6.4 - almost on target).
<b>Undertaking strategic interventions to achieve long term sustainable economic growth for Marlborough.</b>				
% of funded Action Plan targets achieved.	New measure	80%		Actual score: 89% - on target. (Last year: 88% - on target).
<b>Manage Marlborough Research Centre contract to ensure service quality and value.</b>				
Number of published research papers.	98	100		Actual score: 102 - on target. (Last year: 118 - on target).
<b>Effective promotion of Marlborough as a visitor destination.</b>				
% change in domestic and international visitors spending in Marlborough.	New measure	Equal or better than national trends		Actual score: not achieved (Last year: N/A). Closure of SH1 affect on Visitor Spend. Marlborough was up by 1% on previous year while National trend was up by 6%.
% of achievement of Destination Marlborough business plan key performance measures.	80%	80%		Actual score: 92% - on target. (Last year: 93% - on target). Closure of SH1 has affected i-SITE spend. All other key performance measures surpassed.
<b>Provision of convenient and affordable car parks to support CBD businesses.</b>				
Occupancy rates of off-street car parks in Blenheim <sup>1</sup> :				
• Kerbside	65%	< 70%		Actual score: 58% - on target. (Last year: 68% - on target). In addition to the 11 areas surveyed in 2015-16, this year results include five additional kerbside locations: George St, Arthur St, Charles St, High St and Twelfth Lane. Excluding these five locations we have achieved a 54% occupancy rate.
• Off street (Queen Street and Clubs only)	76%	< 85%		Actual score: 60% - on target. (Last year: 75% - on target).
• Parking building	30%	> 30%		Actual score: 41% - on target. (Last year: 35% - on target). The occupancy rate for the Parking building has improved since last year.
<b>Support for land based industries through the supply of irrigation water.</b>				
Number of events that cause a loss of supply during the season for more than 48 hours due to infrastructure breakdown.	≤ 1 event per annum	≤ 1		Actual score: 0 - on target. (Last year: 0 - on target).

<sup>1</sup>. These three targets reflect the objective of increasing the occupancy rate for the car park building in turn of freeing up parking on the other listed areas.

## Funding Impact Statement for year ended 30 June:

Regional Development	2016 (LTP) \$000's	2017 (LTP) \$000's	2017 (AP) \$000's	2017 (Actual) \$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,530	1,521	1,851	1,853
Targeted rates (other than for water supply)	1,537	1,609	1,516	1,655
Subsidies and grants for operating purposes	-	-	-	164
Fees, charges and targeted rates for water supply	1,812	1,857	1,749	1,709
Other receipts	238	232	229	263
<b>Total operating funding</b>	<b>5,117</b>	<b>5,219</b>	<b>5,345</b>	<b>5,644</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,243	2,277	3,084	3,592
Finance costs	1,370	1,414	1,272	1,107
Internal charges and overheads applied	524	537	677	681
Other operating funding applications	1,982	371	328	417
<b>Total applications of operating funding</b>	<b>6,119</b>	<b>4,599</b>	<b>5,361</b>	<b>5,797</b>
<b>Surplus (deficit) of operating funding</b>	<b>(1,002)</b>	<b>620</b>	<b>(16)</b>	<b>(153)</b>
<b>Sources of capital funding</b>				
lump sum contributions	-	-	-	-
Increase (decrease) in debt	510	2,118	138	(1,090)
<b>Total sources of capital funding</b>	<b>510</b>	<b>2,118</b>	<b>138</b>	<b>(1,090)</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	590	2,199	80	-
Capital expenditure to improve the level of service	60	176	4,329	77
Capital expenditure to replace existing assets	267	290	62	18
Increase (decrease) in reserves	(1,409)	73	(4,349)	(1,338)
<b>Total applications of capital funding</b>	<b>(492)</b>	<b>2,738</b>	<b>122</b>	<b>(1,243)</b>
<b>Surplus (deficit) of capital funding</b>	<b>1,002</b>	<b>(620)</b>	<b>16</b>	<b>153</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>				
<b>Total applications of operating funding</b>	<b>6,119</b>	<b>4,599</b>	<b>5,361</b>	<b>5,797</b>
plus - Depreciation and amortisation	672	738	680	633
plus - Loss on sale of fixed assets	-	-	-	73
<b>Expenditure as per Note 2</b>	<b>6,791</b>	<b>5,337</b>	<b>6,041</b>	<b>6,503</b>
<b>Operating expenditure</b>				
Economic Development	1,987	489	914	706
Marketing and Tourism	975	946	980	1,146
Research Centre	211	136	277	277
Irrigation	1,473	1,599	1,785	2,328
Parking	2,145	2,167	2,085	2,045
<b>Capital expenditure:</b>				
Irrigation	571	2,300	4,333	18
Parking	346	366	138	-

<b>Internal borrowing used for the purpose of Regional Development</b>				17,197
Funds borrowed during the year				-
Funds repaid during the year				1,090
Interest paid in relation to this borrowing				1,107

### Explanation of the funding impact variance between 2017 (Actual) and 2017 (LTP)

Note 1: Subsidies and grants are higher than LTP budget primarily due to the partial receipt of the Flaxbourne Irrigation development grant.

Note 2: Fees, charges and targeted rates for water supply are lower than LTP due to lower than budgeted parking revenue.

Note 3: Payments to staff and suppliers was higher than LTP budget and there was a decrease in Reserves. The significant changes being:

- Economic development includes \$111,500 to establish a fulltime convention bureau, (funded 50% from Reserves) and \$95,000, 100% funded from Reserves, for rural broadband enablement

- Marketing and Tourism includes \$100,000 to fund a permanent Events Coordinator (funded 50% from Reserves) and \$100,000 domestic campaign contribution grant to Destination Marlborough to promote Marlborough following the closure of SH1.
- The Research Centre includes \$140,000 increase in operating grant funded from rates.
- Investigations expenditure for the Flaxbourne irrigation project at \$568,011.

Note 4: Capital expenditure is lower than the LTP budget as the progress of the Flaxbourne Irrigation Scheme is delayed to do further investigation work. Consequently there was less debt required.

## Part 3: Financial Statements

- Statement of Comprehensive Revenue and Expense
- Statement of Changes in Net Assets/Equity
- Statement of Financial Position
- Statement of Cash Flows
- Notes to Financial Statements
- Funding Impact Statement



## Statement of Comprehensive Revenue and Expense

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2016-17	2015-16	2016-17	2016-17	2015-16
		\$000's	\$000's	\$000's	\$000's	\$000's
<b>Revenue:</b>						
Rates, excluding targeted water rates	3	59,858	57,862	60,350	59,789	58,303
Targeted rates for metered water supply	3	2,147	2,794	2,412	2,187	3,028
Development and financial contributions	6	3,284	3,083	3,284	2,275	3,083
Subsidies and grants	6	10,149	6,690	10,149	9,617	6,690
Interest revenue		1,013	839	1,683	696	798
Gains	5	3,093	8,172	3,748	1,825	10,517
Other revenue	6	68,792	62,025	40,735	31,981	36,013
	2	<b>148,336</b>	<b>141,465</b>	<b>122,361</b>	<b>108,370</b>	<b>118,432</b>
<b>Expenditure:</b>						
Personnel costs	7	26,127	25,324	19,830	20,134	19,150
Finance costs	4	1,489	8,308	1,574	2,157	2,937
Depreciation and amortisation	8	25,512	23,547	22,227	22,340	20,694
Other expenses	8	76,681	65,297	69,142	56,053	57,379
<b>Total operating expenditure</b>	2	<b>129,809</b>	<b>122,476</b>	<b>112,773</b>	<b>100,684</b>	<b>100,160</b>
<b>Surplus before tax</b>		<b>18,527</b>	<b>18,989</b>	<b>9,588</b>	<b>7,686</b>	<b>18,272</b>
Income tax expense	9	2,035	585	-	-	-
<b>Surplus after tax</b>		<b>16,492</b>	<b>18,404</b>	<b>9,588</b>	<b>7,686</b>	<b>18,272</b>
<b>Other comprehensive revenue and expense:</b>						
Gain on property revaluations	23	47,792	56,598	48,372	16,156	31,157
Impairment on property revaluation	23	(5,448)	-	(5,448)	-	-
Tax on property valuations	23	344	(5,759)	-	-	-
<b>Total other comprehensive revenue and expense</b>		<b>42,688</b>	<b>50,839</b>	<b>42,924</b>	<b>16,156</b>	<b>31,157</b>
<b>Total comprehensive revenue and expense</b>		<b>59,180</b>	<b>69,243</b>	<b>52,512</b>	<b>23,842</b>	<b>49,429</b>

## Statement of Changes in Net Assets/Equity

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2016-17	2015-16	2016-17	2016-17	2015-16
		\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 July</b>		1,535,211	1,465,968	1,439,256	1,427,498	1,389,827
Total comprehensive revenue and expenses		59,180	69,243	52,512	23,842	49,429
<b>Balance at 30 June</b>	23	<b>1,594,390</b>	<b>1,535,211</b>	<b>1,491,768</b>	<b>1,451,340</b>	<b>1,439,256</b>

The accompanying notes form part of these financial statements.  
For explanations of major variances refer to note 31.

# Statement of Financial Position

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2016-17	2015-16	2016-17	2016-17	2015-16
		\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets:</b>						
<b>Non-current assets:</b>						
Property, plant and equipment	10	1,568,727	1,514,351	1,472,150	1,458,124	1,414,919
Intangible assets	11	4,699	2,869	4,075	584	2,129
Forestry assets	12	14,855	15,472	14,855	14,858	15,472
Other financial assets:	13					
- Investment in subsidiaries		-	-	6,000	6,000	6,000
- Other		5,691	5,439	60,031	5,819	5,439
Investment property	14	79,221	76,518	2,150	2,050	2,120
<b>Total non-current assets</b>		<b>1,673,193</b>	<b>1,614,649</b>	<b>1,559,261</b>	<b>1,487,435</b>	<b>1,446,079</b>
<b>Current assets:</b>						
Cash and cash equivalents	15	13,409	2,981	10,033	729	2,298
Debtors and other receivables	16	13,157	9,745	11,229	8,358	6,932
Other financial assets	13	7,621	22,993	7,621	7,762	22,993
Inventory	17	7,343	7,281	7,047	253	7,012
Non-current assets land and buildings held for sale	18	793	393	793	1,789	393
Current tax assets		-	392	-	-	-
<b>Total current assets</b>		<b>42,323</b>	<b>43,785</b>	<b>36,723</b>	<b>18,891</b>	<b>39,628</b>
<b>Total assets</b>		<b>1,715,516</b>	<b>1,658,433</b>	<b>1,595,984</b>	<b>1,506,326</b>	<b>1,485,706</b>
<b>Liabilities:</b>						
<b>Non-current liabilities:</b>						
Derivative financial instruments	28	3,319	6,103	870	-	1,632
Borrowings	19	63,053	84,855	63,053	39,000	28,000
Provisions	20	3,242	2,609	1,364	1,694	1,207
Deferred tax liability	9	11,697	12,638	-	-	-
<b>Total non-current liabilities</b>		<b>81,311</b>	<b>106,205</b>	<b>65,287</b>	<b>40,694</b>	<b>30,839</b>
<b>Current liabilities:</b>						
Creditors and other payables	21	16,153	13,947	16,724	12,195	13,380
Employee entitlements	22	3,255	2,978	2,278	2,097	2,139
Derivative financial instruments	28	106	-	-	-	-
Provisions	20	129	92	129	-	92
Current tax liabilities	9	374	-	-	-	-
Borrowings	19	19,798	-	19,798	-	-
<b>Total current liabilities</b>		<b>39,815</b>	<b>17,017</b>	<b>38,929</b>	<b>14,292</b>	<b>15,611</b>
<b>Total liabilities</b>		<b>121,126</b>	<b>123,222</b>	<b>104,216</b>	<b>54,986</b>	<b>46,450</b>
<b>Net assets</b>		<b>1,594,390</b>	<b>1,535,211</b>	<b>1,491,768</b>	<b>1,451,340</b>	<b>1,439,256</b>
<b>Equity:</b>						
Accumulated funds	23	646,098	628,344	592,714	593,363	582,518
Other reserves	23	948,292	906,867	899,054	857,977	856,738
<b>Total equity</b>	23	<b>1,594,390</b>	<b>1,535,211</b>	<b>1,491,768</b>	<b>1,451,340</b>	<b>1,439,256</b>

The accompanying notes form part of these financial statements.  
For explanations of major variances refer to note 31.

# Statement of Cash Flows

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Cash flows from operating activities:</b>					
Receipts from rates revenue	62,071	60,742	62,828	61,976	61,417
Receipts from other revenue	76,627	72,221	46,686	39,900	45,185
Goods and Services Tax (net)	(102)	(92)	(102)	-	(92)
Interest received	1,016	855	1,683	696	798
Payments to suppliers and employees	(94,718)	(86,143)	(81,513)	(77,626)	(72,280)
Interest paid	(4,260)	(4,530)	(2,336)	(2,157)	(1,521)
Income tax paid	(1,866)	(2,604)	-	-	-
<b>Net cash flow from operating activities</b>	<b>38,768</b>	<b>40,449</b>	<b>27,246</b>	<b>22,789</b>	<b>33,507</b>
<b>Cash flows from investing activities:</b>					
Receipts from sale of property, plant and equipment	2,430	6,214	2,403	-	6,195
Sale / (acquisition) of investments	14,981	(14,931)	14,980	13,082	(14,932)
Advances received	153	-	725	-	135
Dividends received	10	12	1,267	1,214	1,158
Receipts from sale of non-current property held for sale	286	4,930	286	-	4,930
Purchase of investment property	(627)	(1,679)	-	-	-
Purchase of forestry assets	(501)	(336)	(501)	-	(336)
Purchase of intangible assets	(2,487)	(638)	(2,473)	-	(622)
Advances made	-	-	(54,340)	-	-
Purchase of property, plant and equipment	(40,581)	(34,789)	(36,709)	(48,012)	(28,756)
<b>Net cash flow from investing activities</b>	<b>(26,336)</b>	<b>(41,217)</b>	<b>(74,362)</b>	<b>(33,716)</b>	<b>(32,228)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings	62,778	13,480	55,728	11,000	9,000
Repayment of borrowings	(64,782)	(13,100)	(877)	-	(9,500)
<b>Net cash flow from financing activities</b>	<b>(2,004)</b>	<b>380</b>	<b>54,851</b>	<b>11,000</b>	<b>(500)</b>
<b>Net increase / (decrease)</b>	<b>10,428</b>	<b>(389)</b>	<b>7,735</b>	<b>73</b>	<b>779</b>
Cash, cash equivalents and bank overdrafts:					
At the beginning of the year	2,981	3,370	2,298	656	1,519
<b>At the end of the year</b>	<b>13,409</b>	<b>2,981</b>	<b>10,033</b>	<b>729</b>	<b>2,298</b>

note:

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	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
<b>Surplus after tax</b>	<b>16,492</b>	<b>18,404</b>	<b>9,588</b>	<b>18,272</b>
<b>Add / (less) non-cash items:</b>				
Depreciation and amortisation expense	25,512	23,547	22,227	20,694
Decrease in forestry value due to harvest	3,228	3,493	3,228	3,493
Vested assets	(3,137)	(1,041)	(3,137)	(1,041)
Movement in deferred tax	295	(1,231)	-	-
Runway seal provision	476	354	-	-
Landfill aftercare provision	157	59	157	59
Weathertight homes and other provisions	37	(418)	37	(418)
Fair value of biological assets	(2,110)	(2,792)	(2,110)	(2,792)
Fair value of investment property	721	2,348	(30)	(70)
Fair value of investments	140	81	140	81
Derivative financial instruments	(2,677)	3,912	(762)	1,416
	<b>22,642</b>	<b>28,312</b>	<b>19,750</b>	<b>21,422</b>
<b>Add / (less) items classified as investing or financing activities:</b>				
(Gains) / losses on disposal of property, plant and equipment and non-current assets held for sale	1,089	(7,336)	1,115	(7,411)
(Increase) / Decrease in capital creditors	(358)	(43)	(358)	(43)
Other	(380)	(135)	(572)	(135)
Dividend income	(10)	(10)	(1,266)	(1,155)
	<b>341</b>	<b>(7,524)</b>	<b>(1,081)</b>	<b>(8,744)</b>
<b>Add / (less) movements in working capital items:</b>				
Debtors and other receivables	(3,878)	1,811	(4,307)	1,865
Inventory	(62)	(219)	(35)	(252)
Creditors and other payables	3,220	411	3,192	903
Income tax payable/(receivable)	(126)	(788)	-	-
Employee entitlements	139	41	139	41
	<b>(706)</b>	<b>1,256</b>	<b>(1,010)</b>	<b>2,557</b>
<b>Net cash inflow / (outflow) from operating activities</b>	<b>38,768</b>	<b>40,449</b>	<b>27,246</b>	<b>33,507</b>

The accompanying notes form part of these financial statements.  
For explanations of major variances refer to note 31.



# Notes to Financial Statements

## 1. Statement of Accounting Policies for the year ended 30 June 2017

Marlborough District Council is a unitary authority located in New Zealand that is governed by the Local Government Act 2002 (LGA). The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Marlborough District Council Group (MDC or Group) consists of:

The ultimate parent, Marlborough District Council (Council).

- Council's 88.5% share of the joint committee Marlborough Regional Forestry (MRF) which is accounted for in these financial statements as an activity of Council.
- Council's wholly owned subsidiary MDC Holdings Limited (MDCH). The wholly owned subsidiaries of MDCH include:
  - Marlborough Airport Ltd
  - Port Marlborough NZ Ltd which in turn has two wholly owned subsidiaries: PMNZ Marina Holdings Limited and Waikawa Marina Trustee Limited.
- Marlborough Housing for the Elderly Trust.

The primary objective of MDC is to provide goods and services and benefit to the community rather than making a financial return. Accordingly, Council has designated itself and the Group as public benefit entities (PBEs).

These financial statements of MDC are for the year ended 30 June 2017. The results for Marlborough Housing for the Elderly Trust which are consolidated into these accounts are for the year ended 31 March 2017.

The financial statements were authorised for issue by Council on 26 October 2017.

### 1.1 Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

#### (i) Statement of Compliance

The financial statements of MDC have been prepared in accordance with the requirements of the LGA which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 1 PBE Accounting Standards.

#### (ii) Measurement Base

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

#### (iii) Functional and Presentational Currency

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

**(iv) Standards issued and not yet effective, that have been early adopted**

*Impairment of Revalued Assets*

In April 2017, the XRB issued Impairment of Revalued Assets, which now scopes in revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment assets measured at cost were scoped into the impairment accounting standards.

The Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017 year onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class of-asset to which the asset belongs.

**(v) Changes in Accounting Policies**

There have been no other changes in accounting policies for the 2016-17 financial reporting year.

**Accounting Policies not contained in the notes that follow on pages 105 to 147**

**(i) Standards issued and not yet effective, and not early adopted**

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and Group are:

*Interests in other entities*

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 - 38). These new standards 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, with early application permitted. The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and Group have not yet assessed the effects of these new standards.

*Financial instruments*

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and Group have not yet assessed the effects of the new standard.

**(ii) Critical Accounting Estimates and Assumptions and Critical Judgments in Applying Accounting Policies**

The preparation of financial statements in conformity with NZ PBE IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, at the time. Actual results may differ from these estimates. The most significant is our estimate of the economic life of assets which impacts on depreciation. Further details are found in note 10. this year there are also estimates used for earthquake impairment and earthquake related contingent assets. Further details are found in note 30.

## ***Summary of Significant Accounting Policies***

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

### **(i) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Council and enterprises controlled by Council. The consolidated financial statements are prepared adding together like items on a line by line basis. All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

### **(ii) Impairment of assets**

At each balance sheet date the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and for indefinite life intangibles, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset estimates are made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount with the expense being recognised in the Statement of Comprehensive Revenue and Expense.

For non-revalued assets impairment losses are recognised as an expense immediately.

For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

### **(iii) Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented on a GST-inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

### **(iv) Cost Allocation**

The costs of providing support services for Council are accumulated and are allocated to each Activity using appropriate allocation bases which reflect the usage and /or capacity for each significant Activity.

### **(v) Budget Figures**

The budget figures are those approved by Council in its 2015-25 Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

### **(vi) Dividends**

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

## 2. Summary Cost of Services

	Council		
	2016-17 Actual \$000's	2016-17 Budget \$000's	2015-16 Actual \$000's
<b>Revenue:</b>			
People	9,665	9,907	9,277
Community facilities	10,463	9,846	10,313
Roads and footpaths	20,235	19,946	17,101
Flood protection and control works	7,046	6,882	6,984
Sewerage	11,866	10,654	11,322
Stormwater drainage	3,135	2,269	2,148
Water supply	9,864	10,028	10,024
Solid waste management	10,274	8,279	9,015
Environmental management	8,256	8,438	8,462
Regulatory	7,175	6,915	7,265
Regional development	5,502	5,340	5,859
<b>Total activity revenue</b>	<b>103,481</b>	<b>98,504</b>	<b>97,770</b>
Plus other revenue (including forestry)	25,474	17,154	28,162
Less internal revenue	(6,594)	(7,288)	(7,500)
<b>Total revenue</b>	<b>122,361</b>	<b>108,370</b>	<b>118,432</b>
<b>Expenditure:</b>			
Democratic process	3,121	3,157	2,800
Culture and heritage	3,397	1,008	828
Community housing	1,407	1,336	1,293
Community support	2,534	2,125	1,793
Library	2,056	2,143	2,526
Emergency management	1,154	883	816
<b>People group</b>	<b>13,669</b>	<b>10,652</b>	<b>10,056</b>
<b>Community facilities</b>	<b>11,207</b>	<b>9,340</b>	<b>9,970</b>
<b>Roads and footpaths</b>	<b>21,935</b>	<b>21,272</b>	<b>16,476</b>
<b>Flood protection and control works</b>	<b>5,228</b>	<b>4,782</b>	<b>5,166</b>
<b>Sewerage</b>	<b>10,507</b>	<b>10,524</b>	<b>10,487</b>
<b>Stormwater drainage</b>	<b>2,397</b>	<b>2,081</b>	<b>2,438</b>
<b>Water supply</b>	<b>8,648</b>	<b>8,407</b>	<b>8,578</b>
<b>Solid waste management</b>	<b>9,114</b>	<b>7,951</b>	<b>7,640</b>
Environmental policy	1,491	1,426	1,394
Environmental science and monitoring	3,452	4,178	3,309
Resource Consents	2,530	2,501	2,524
Environmental protection	1,242	1,255	1,229
<b>Environmental management group</b>	<b>8,715</b>	<b>9,360</b>	<b>8,456</b>
Biosecurity	1,536	1,220	1,383
Building Control	3,261	2,991	2,902
Environmental health	499	513	412
Animal control	731	732	724
Harbours	1,376	1,470	1,362
<b>Regulatory</b>	<b>7,403</b>	<b>6,926</b>	<b>6,783</b>
<b>Regional development</b>	<b>6,503</b>	<b>5,988</b>	<b>7,268</b>
<b>Total activity expenditure</b>	<b>105,326</b>	<b>97,283</b>	<b>93,318</b>
Plus other expenditure (including forestry)*	14,041	10,689	14,342
Less internal expenditure	(6,594)	(7,288)	(7,500)
<b>Total expenditure</b>	<b>112,773</b>	<b>100,684</b>	<b>100,160</b>

\*The "other revenue" and "other expenditure" in the summary cost of services includes revenue and expenditure of MRF and those areas of MDC which are not included in the Activity Grouping – specifically Property, Land Development and General Revenues. The latter captures all corporate financing revenue and expenditure and other Council wide items eg; rates remission.

### 3. Rates Activity

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
Rates, excluding rates for metered water supply:					
People	7,673	6,772	7,673	7,585	6,772
Community facilities	7,904	7,446	7,904	7,875	7,446
Roads and footpaths	9,427	9,260	9,427	9,326	9,260
Flood protection and control works	3,903	3,921	3,903	3,872	3,921
Sewerage	8,028	7,915	8,028	7,992	7,915
Stormwater drainage	1,859	1,682	1,859	1,852	1,682
Water supply	6,717	7,118	6,717	6,731	7,118
Solid waste management	2,777	2,729	2,777	2,713	2,729
Environmental management	6,361	6,057	6,361	6,337	6,057
Regulatory	2,669	2,819	2,669	2,660	2,819
Regional development	3,030	2,582	3,030	2,844	2,582
<b>Total activity rates</b>	<b>60,348</b>	<b>58,301</b>	<b>60,348</b>	<b>59,787</b>	<b>58,301</b>
Plus non-activity rates	2	2	2	2	2
Less related party rates eliminated	(492)	(441)	-	-	-
<b>Total gross rates revenue</b>	<b>59,858</b>	<b>57,862</b>	<b>60,350</b>	<b>59,789</b>	<b>58,303</b>
Rates remissions	597	601	597	543	601
<b>Rates, excluding targeted water rates net of remissions</b>	<b>59,261</b>	<b>57,261</b>	<b>59,753</b>	<b>59,246</b>	<b>57,702</b>
<b>Targeted Rates for Metered Water Supply</b>					
Targeted rates for metered water supply	2,147	2,794	2,412	2,187	3,028

#### Accounting Policy

Rates are set annually by Council resolution and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Revenue is measured at the fair value of consideration received or receivable. Rates revenue is recognised by Council as being revenue when Council has struck the rates and provided the rates assessment.

### 4. Finance Expenses

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Finance costs:</b>					
Interest expense:					
Interest on borrowings	4,166	4,396	2,336	2,157	1,521
Interest derivatives (presented net):					
Fair value movement on interest rate swaps	(2,677)	3,912	(762)	-	1,416
<b>Total finance expense</b>	<b>1,489</b>	<b>8,308</b>	<b>1,574</b>	<b>2,157</b>	<b>2,937</b>

#### Accounting Policy

Interest rate swaps are measured at fair value with gains or losses on re-measurement recognised through the surplus or deficit.

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

## 5. Gains

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Non-financial instruments:</b>					
Property, plant and equipment - gains on disposal	1,405	4,300	1,405	1,212	4,300
Non-current assets held for sale- gains on disposal	203	3,355	203	-	3,355
Investment property - revaluation gain/(loss) (note 14)	(721)	(2,348)	30	-	70
Forestry - revaluation gain (note 12)	2,110	2,792	2,110	613	2,792
Other	96	73	-	-	-
<b>Total gains</b>	<b>3,093</b>	<b>8,172</b>	<b>3,748</b>	<b>1,825</b>	<b>10,517</b>

## 6. Other Revenue

Other revenue	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
User charges	17,618	15,981	17,620	15,457	15,984
Regulatory revenue	4,270	4,004	4,708	4,322	4,446
Infringements and fines	547	704	547	632	704
Vested assets	3,137	1,045	3,137	1,139	1,045
Land subdivision revenues	1,817	1,047	1,817	874	1,047
Rendering of services	20,246	18,745	-	-	-
Rental revenue from investment properties	9,832	9,180	163	165	165
MRF Revenue	8,058	8,515	8,058	6,576	8,515
Other revenue	3,267	2,804	4,685	2,816	4,107
<b>Total other revenue</b>	<b>68,792</b>	<b>62,025</b>	<b>40,735</b>	<b>31,981</b>	<b>36,013</b>

### Subsidies and grants

New Zealand Transport Agency roading subsidies	9,354	6,196	9,354	8,262	6,196
Other donations and grants	795	494	795	1,355	494
<b>Total subsidies and grants</b>	<b>10,149</b>	<b>6,690</b>	<b>10,149</b>	<b>9,617</b>	<b>6,690</b>

### Development and financial contributions

Capital contributions	766	521	766	238	521
Other contributions	196	446	196	245	446
Development contributions	2,303	2,104	2,303	1,632	2,104
Development impact levies	19	12	19	160	12
<b>Total development and financial contributions</b>	<b>3,284</b>	<b>3,083</b>	<b>3,284</b>	<b>2,275</b>	<b>3,083</b>

**Accounting Policy**

**Subsidies and Grants**

New Zealand Transport Agency roading subsidies (received in respect to maintaining and constructing the roading infrastructure) and other government grants/subsidies are recognised as revenue upon entitlement i.e. when conditions relating to eligible expenditure have been fulfilled. This revenue is shown as subsidy revenue. Other Government assistance received includes contributions towards the upkeep of Returned Servicemen Association cemetery plots, community housing, community safety and environmental control.

**Provision of Services Partial Cost Recovery/Subsidised**

Revenue from a subsidised sale of services is recognised as non-exchange revenue. Revenue from a contract to provide services is recognised by reference to the outstanding obligations of the contract at reporting date.

**Provision of Services Full Cost Recovery**

Significant revenue from full cost recovery sale of services is recognised as exchange revenue. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

**Vested Assets**

Assets vested in Council, with or without conditions, are recognised as revenue, at fair value, when control over the assets is obtained.

**Sales of Goods**

Sales of goods are recognised when goods are delivered and title has passed.

**Insurance Revenue**

Insurance receipts arise from earthquake related material damage claims. These receipts have been recognised on as revenue when its receipt is considered virtually certain and reliably measured. Refer to note 30.

**Financial/Development Contributions**

Financial/development contributions are recognised as revenue when received. Development contributions are classified as part of "Other revenue". If the service for which the contribution as charged is not undertaken in the same year Financial/Development contributions received are allocated to the appropriate Reserve until such time Council provides, or is able to provide, the service.

## 7. Personnel Costs

	<b>Actual 2016-17 \$000's</b>	<b>Actual 2015-16 \$000's</b>	<b>Actual 2016-17 \$000's</b>	<b>Budget 2016-17 \$000's</b>	<b>Actual 2015-16 \$000's</b>
Salaries and wages and related entitlements	25,062	24,305	19,024	19,311	18,388
Defined contribution plan employer contributions	1,065	1,019	806	823	762
<b>Total personnel costs</b>	<b>26,127</b>	<b>25,324</b>	<b>19,830</b>	<b>20,134</b>	<b>19,150</b>

**Accounting Policy**

**Defined contribution schemes**

Employer contributions to KiwiSaver, the Government Superannuation Fund and the State Sector Retirement Savings Scheme which are defined contribution superannuation schemes, and are expensed.

7.2 Chief Executive

The retired Chief Executive received the following remuneration :

	Council	
	2016-17 \$000's	2015-16 \$000's
Salary including 2015-16 annual leave paid out on retirement	-	304
Vehicle, Superannuation and Other	-	13
<b>Total Chief Executive compensation</b>	<b>-</b>	<b>317</b>

The incumbant Chief Executive received the following remuneration:

Salary	266	147
Vehicle, Superannuation and Other	17	9
<b>Total Chief Executive compensation</b>	<b>283</b>	<b>156</b>

Total Chief Executive compensation

<b>283</b>	<b>473</b>
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	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's

7.3 Elected representatives

Elected representatives received the following remuneration:

**Mayor:**

John Leggett*	104	-	94	-
Alistair Sowman*	44	147	41	137

**Councillors:**

Jenny Andrews	37	36	37	36
Jamie Arbuckle	51	51	51	51
Jessica Bagge	11	36	11	36
Graeme Barsanti	20	53	20	53
Cynthia Brooks	42	47	42	47
Brian Dawson	38	37	38	37
Geoff Evans	41	38	41	38
Michael Fitzpatrick	26	-	26	-
Trevor Hook	53	51	53	51
Gerald Hope	27	-	27	-
Peter Jerram	14	47	14	47
John Leggett	20	57	20	47
David Oddie	59	64	59	64
Mark Peters	26	-	26	-
Laressa Shenfield	48	47	48	47
Terry Sloan	46	46	46	46
Nadine Taylor	28	-	28	-
<b>Total elected representatives' remuneration</b>	<b>735</b>	<b>757</b>	<b>722</b>	<b>737</b>

Remuneration includes payment for attendance at resource consent hearings.

\*The Mayor and Councillor Leggett were directors of MDCH during the reporting periods 2016-17 and were paid directors' fees by MDCH. A Sowman (resigned) received \$3,052 (2016: \$9,512), and J C Leggett received \$10,320 (2016: \$9,517).



#### 7.4 Staff employed Full Time Equivalent

At balance date the Council employed 218 full time employees (2015-16: 205) with the balance of staff representing 35 (2015-16: 36) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

#### 7.5 Individuals receiving total annual remuneration of:

	2015-16	2016-17
Up to \$59,999	109	120
\$60,000 to \$79,999	72	79
\$80,000 to \$99,999	47	47
\$100,000 to \$119,999	11	7
\$120,000 to \$139,999	7	10
\$140,000 to \$219,999	8	6
\$220,000 to \$319,999	2	2
<b>Total</b>	<b>256</b>	<b>271</b>

Total remuneration includes the estimated values of non financial benefits provided to employees.

## 8. Other Expenses

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Other expenses Include:</b>					
Fees to auditors:					
<b>Audit New Zealand for:</b>					
audit of financial statements	132	121	132	126	121
audit of the 2015-25 LTP/LTP amendment	-	-	-	-	9
audit of MDCH financial statements	18	17	-	-	-
<b>Deloitte for</b> audit of PMNZL and MAL financial statements	60	83	-	-	-
Grants and donations	6,398	5,018	6,399	3,373	5,013
Insurance premiums	1,759	1,701	1,690	1,676	1,632
Impairment adjustment of receivables (note 16)	(16)	(186)	(16)	-	(186)
Directors' fees	268	227	-	-	-
Property plant and equipment loss on disposal	2,223	244	2,223	109	244
Investment properties direct operating expenses	3,292	3,536	17	-	17
Investment property revaluation loss (note 14)	721	2,348	-	-	-
Operating leases payments	443	413	419	454	385
Loss on fair value of investments	140	81	140	-	81
<b>Depreciation and amortisation:</b>					
Depreciation expense (note 10)	24,855	22,992	21,700	22,340	20,276
Amortisation of intangible assets (note 11)	657	555	527	-	418
<b>Total depreciation and amortisation</b>	<b>25,512</b>	<b>23,547</b>	<b>22,227</b>	<b>22,340</b>	<b>20,694</b>

#### Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has provided an invoice.

## 9. Tax

	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
<b>9.1 Components of tax expense</b>				
Current tax expense	2,632	1,816	-	-
Deferred tax expense	(597)	(1,231)	-	-
<b>Tax expense</b>	<b>2,035</b>	<b>585</b>	<b>-</b>	<b>-</b>
<b>9.2 Relationship between tax expense and accounting profit</b>				
Surplus before tax	18,527	18,989	9,588	18,272
Tax at 28% (2016: 28%)	5,187	5,317	2,685	5,116
Plus / (less) tax effect of:				
Non-deductible expenditure	73	20	-	-
Non-taxable income	(3,225)	(4,752)	(2,685)	(5,116)
<b>Tax expense</b>	<b>2,035</b>	<b>585</b>	<b>-</b>	<b>-</b>

	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
<b>9.3 Current tax assets / (liabilities)</b>				
Tax (payable) / receivable	(374)	392	-	-

9.4 Deferred tax asset/ (liability)	Group	Council tax losses \$000's	Property, plant & Investment		Intangibles	Financial Instruments \$000's	Provisions \$000's	Total \$000's
			equipment \$000's	property \$000's				
<b>Balance at 30 June 2015</b>		<b>\$0</b>	<b>(\$6,477)</b>	<b>(\$2,614)</b>	<b>(\$72)</b>	<b>\$543</b>	<b>\$510</b>	<b>(\$8,110)</b>
(Charged)/credited to surplus		\$0	\$0	\$430	(\$72)	\$699	\$89	\$1,146
Charged to other comprehensive income		\$0	(\$5,674)	\$0	\$0	\$0	\$0	(\$5,674)
<b>Balance at 30 June 2016</b>		<b>\$0</b>	<b>(\$12,151)</b>	<b>(\$2,184)</b>	<b>(\$144)</b>	<b>\$1,242</b>	<b>\$599</b>	<b>(\$12,638)</b>
(Charged)/credited to surplus		\$892	\$248	(\$140)	(\$24)	(\$536)	\$157	\$597
Charged to other comprehensive income		\$0	\$344	\$0	\$0	\$0	\$0	\$344
<b>Balance at 30 June 2017</b>		<b>\$892</b>	<b>(\$11,559)</b>	<b>(\$2,324)</b>	<b>(\$168)</b>	<b>\$706</b>	<b>\$756</b>	<b>(\$11,697)</b>

Council has not recognised a deferred tax asset in relation to tax losses of 3186k (2016: 3189k). However, the asset has been recognised this year in the group figures.

### Accounting Policy

#### Income Tax

Income tax expense comprises both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit of the current year, and any adjustments in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted as at balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when MDC has a legal enforceable right to set off the recognised amounts and intends to settle on a net basis.

Taxable profit differs from net surplus as reported in Statement of Comprehensive Revenue and Expense because it excludes items that are not taxable or deductible and it further excludes items of revenue or expense that are taxable or deductible in other years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

## 10. Property, Plant and Equipment

	Carrying amount		WP & other reclassifications				Current year		Current year				Revaluation				Accumulated depreciation 30-Jun-2017 \$000's	Carrying amount 30-Jun-2017 \$000's
	Cost/valuation 1-Jul-2016 \$000's	Accumulated depreciation 1-Jul-2016 \$000's	Cost \$000's	Accm dpm \$000's	Additions \$000's	Disposals \$000's	Disposals adjustment \$000's	Impairment \$000's	Depreciation \$000's	Transfer adjustment \$000's	Transfers Dpn Adjustment \$000's	Cost adjustment \$000's	Depreciation adjustment \$000's	Cost /revaluation 30-Jun-2017 \$000's	Accumulated depreciation 30-Jun-2017 \$000's			
<b>2016-17 GROUP</b>																		
10.1 Infrastructural assets																		
Work in progress	8,440	-	(4,081)	-	3,671	(805)	-	-	-	-	-	-	-	-	-	7,225	7,225	
Infrastructure land	13,036	-	-	-	-	-	-	-	-	-	1,448	-	-	-	-	14,484	14,484	
Land under roads	135,528	-	-	-	403	-	-	-	-	-	-	-	-	-	-	135,931	135,931	
Flood protection and controlled works	156,510	-	42	-	1,531	(22)	(1,601)	169	-	-	-	-	-	-	156,460	169	156,291	
Road and footpaths	512,382	-	601	4	9,236	(99)	(560)	9,089	-	-	19,554	(9,087)	-	-	541,114	541,114		
Sewerage schemes other	111,318	-	643	-	838	(100)	(940)	2,444	-	-	(368)	(2,444)	-	-	111,391	111,391		
Sewerage treatment and facilities	40,605	-	-	-	124	-	-	587	-	-	560	(587)	-	-	41,289	41,289		
Stormwater drainage schemes	71,876	-	675	-	1,341	(212)	(649)	1,470	-	-	91	(1,470)	-	-	73,122	73,122		
Water supply schemes - other	121,967	-	(216)	-	4,709	(39)	(755)	2,738	-	-	(1,154)	(2,738)	-	-	124,512	124,512		
Water treatment and facilities	13,080	-	2,342	-	2,174	-	-	693	-	-	(1,130)	(693)	-	-	16,466	16,466		
Wharf infrastructure	46,789	240	-	-	140	(67)	-	-	-	-	151	(2,922)	-	-	44,091	44,091		
	<b>1,231,531</b>	<b>240</b>	<b>6</b>	<b>4</b>	<b>24,167</b>	<b>(1,344)</b>	<b>(4,505)</b>	<b>18,359</b>	<b>151</b>	<b>64</b>	<b>16,079</b>	<b>(17,019)</b>	<b>1,266,085</b>	<b>1,775</b>	<b>1,264,310</b>			
10.2 Operational assets																		
Work in progress	5,356	-	(4,566)	-	7,797	(279)	-	-	-	-	-	-	-	-	-	5,600	5,600	
Buildings	82,297	2,804	1,839	-	1,328	(149)	(506)	2,544	(2,708)	(9)	69	(3,088)	84,291	2,249	82,042	82,042		
Forest crops	1,603	-	-	-	-	-	-	-	(587)	-	-	-	1,603	-	1,603	1,603		
Improvements at fairmarket value	17,233	476	-	-	352	-	-	771	659	-	(1,091)	-	17,153	1,247	15,906	15,906		
Land	104,030	609	4	-	200	(493)	-	97	549	220	10,241	(916)	114,531	-	114,531	114,531		
Landfill	3,280	2,098	2,595	-	61	-	-	334	-	-	-	-	5,936	2,432	3,504	3,504		
Library books	2,258	968	-	-	256	-	-	214	-	-	-	-	2,514	1,182	1,332	1,332		
Other structures and improvements	30,003	2,975	(15)	(4)	5,696	(103)	(500)	361	-	-	-	-	35,081	3,311	31,770	31,770		
Office equipment, furniture and fittings	4,713	3,190	-	-	469	(107)	(98)	485	(10)	(10)	-	-	5,065	3,537	1,528	1,528		
Plant, machinery and equipment	19,165	10,147	-	-	2,502	(2,209)	(1,472)	1,339	(751)	(83)	-	-	18,707	9,931	8,776	8,776		
	<b>269,938</b>	<b>23,267</b>	<b>(143)</b>	<b>(4)</b>	<b>18,661</b>	<b>(3,340)</b>	<b>(1,006)</b>	<b>6,115</b>	<b>(2,948)</b>	<b>118</b>	<b>9,219</b>	<b>(4,004)</b>	<b>290,481</b>	<b>23,889</b>	<b>266,592</b>			
10.3 Restricted assets																		
Buildings	10,382	168	-	-	230	(698)	(437)	180	-	-	(212)	(168)	9,265	174	9,091	9,091		
Land	26,175	-	2	-	1,087	(32)	-	-	-	-	1,503	-	28,735	-	28,735	28,735		
	<b>36,557</b>	<b>168</b>	<b>2</b>	<b>-</b>	<b>1,317</b>	<b>(730)</b>	<b>(437)</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>1,291</b>	<b>(168)</b>	<b>38,000</b>	<b>174</b>	<b>37,826</b>			
<b>Total operational and infrastructural assets</b>	<b>1,538,026</b>	<b>23,675</b>	<b>(135)</b>	<b>-</b>	<b>44,145</b>	<b>(5,414)</b>	<b>(5,948)</b>	<b>24,854</b>	<b>(2,697)</b>	<b>182</b>	<b>26,589</b>	<b>(21,191)</b>	<b>1,594,566</b>	<b>25,838</b>	<b>1,568,728</b>			

2016-17 COUNCIL	WIP & other reclassifications										Current year			Revaluation			Carrying amount 30-Jun-2017 \$000's
	Carrying amount 1-Jul-2016 \$000's	Accumulated depreciation 1-Jul-2016 \$000's	Cost/valuation 1-Jul-2016 \$000's	Cost \$000's	Acn dpn \$000's	Additions \$000's	Disposals \$000's	Disposals depreciation adjustment \$000's	Impairment \$000's	Depreciation \$000's	Transfer adjustment \$000's	Cost adjustment \$000's	Depreciation adjustment \$000's	Cost/valuation 30-Jun-2017 \$000's	Accumulated depreciation 30-Jun-2017 \$000's		
<b>10.1 Infrastructural assets</b>																	
Work in progress	8,440	-	8,440	(4,081)	-	3,671	(805)	-	-	-	-	-	-	7,225	-	7,225	
Infrastructure land	13,036	-	13,036	-	-	-	-	-	-	-	1,448	-	-	14,484	-	14,484	
Land under roads	135,528	-	135,528	-	-	403	-	-	-	-	-	-	-	135,931	-	135,931	
Flood protection and controlled works	156,510	-	156,510	42	-	1,531	(22)	(1,601)	169	-	-	-	-	156,460	169	156,291	
Road and footpaths	512,382	-	512,382	601	4	9,236	(99)	(560)	9,089	-	19,554	(9,087)	-	541,114	-	541,114	
Sewerage schemes other	111,318	-	111,318	643	-	838	(100)	(940)	2,444	-	(368)	(2,444)	-	111,391	-	111,391	
Sewerage treatment and facilities	40,605	-	40,605	-	-	124	-	-	587	-	560	(587)	-	41,289	-	41,289	
Stormwater drainage schemes	71,876	-	71,876	675	-	1,341	(212)	(649)	1,470	-	91	(1,470)	-	73,122	-	73,122	
Water supply schemes - other	121,967	-	121,967	(216)	-	4,709	(39)	(755)	2,738	-	(1,164)	(2,738)	-	124,512	-	124,512	
Water treatment and facilities	13,080	-	13,080	2,342	-	2,174	-	-	693	-	(1,130)	(693)	-	16,466	-	16,466	
	<b>1,184,742</b>	<b>-</b>	<b>1,184,742</b>	<b>(143)</b>	<b>4</b>	<b>24,027</b>	<b>(1,277)</b>	<b>(4,505)</b>	<b>17,190</b>	<b>-</b>	<b>19,001</b>	<b>(17,019)</b>	<b>-</b>	<b>1,221,994</b>	<b>169</b>	<b>1,221,825</b>	
<b>10.2 Operational assets</b>																	
Work in progress	5,018	-	5,018	(4,566)	-	5,128	(279)	-	-	-	-	-	-	5,301	-	5,301	
Buildings	66,396	1,870	64,526	1,839	-	1,279	(149)	(506)	1,984	-	(381)	(1,871)	-	68,478	1,981	66,497	
Forest crops	1,603	-	1,603	-	-	-	-	-	-	-	-	-	-	1,603	-	1,603	
Improvements at fair/market value	4,758	476	4,282	-	-	351	-	-	272	-	(1,091)	-	-	4,018	748	3,270	
Land	83,090	-	83,090	4	-	82	(483)	-	-	-	10,484	-	-	93,177	-	93,177	
Landfill	3,280	2,098	1,182	2,995	-	60	-	-	334	-	-	-	-	5,935	2,432	3,503	
Library books	2,258	968	1,289	-	-	257	-	-	214	-	-	-	-	2,515	1,182	1,332	
Other structures and improvements	30,003	2,975	27,028	(15)	(4)	5,696	(103)	(500)	361	-	-	-	-	35,081	3,311	31,770	
Office equipment/furniture and fittings	4,702	3,180	1,522	-	-	469	(107)	(98)	455	-	-	-	-	5,064	3,537	1,527	
Plant, machinery and equipment	9,511	5,264	4,247	-	-	1,674	(2,043)	(1,349)	709	-	-	-	-	9,142	4,624	4,518	
	<b>210,619</b>	<b>16,831</b>	<b>193,788</b>	<b>(143)</b>	<b>(4)</b>	<b>14,996</b>	<b>(3,164)</b>	<b>(1,006)</b>	<b>4,329</b>	<b>-</b>	<b>9,012</b>	<b>(1,871)</b>	<b>-</b>	<b>230,314</b>	<b>17,815</b>	<b>212,499</b>	
<b>10.3 Restricted assets</b>																	
Buildings	10,382	168	10,214	-	-	230	(698)	(437)	180	-	(212)	(168)	-	9,265	174	9,091	
Land	26,175	-	26,175	2	-	1,087	(32)	-	-	-	1,503	-	-	28,735	-	28,735	
	<b>36,557</b>	<b>168</b>	<b>36,389</b>	<b>2</b>	<b>-</b>	<b>1,317</b>	<b>(730)</b>	<b>(437)</b>	<b>180</b>	<b>-</b>	<b>1,291</b>	<b>(168)</b>	<b>-</b>	<b>38,000</b>	<b>174</b>	<b>37,826</b>	
<b>Total operational and infrastructural assets</b>	<b>1,431,918</b>	<b>16,999</b>	<b>1,414,919</b>	<b>(135)</b>	<b>-</b>	<b>40,340</b>	<b>(5,171)</b>	<b>(5,948)</b>	<b>21,699</b>	<b>-</b>	<b>29,304</b>	<b>(19,058)</b>	<b>-</b>	<b>1,490,308</b>	<b>18,158</b>	<b>1,472,150</b>	

## 2015-16 GROUP

	Cost/ valuation 1-Jul-2015 \$000's	Accumulated depreciation 1-Jul-2015 \$000's	Carrying amount 1-Jul-2015 \$000's	WIP & other reclassifications			Current year			Current year			Revaluation			Accumulated depreciation 30-Jun-2016 \$000's	Carrying amount 30-Jun-2016 \$000's
				Cost \$000's	Acum \$000's	Disposals \$000's	Disposals \$000's	Impair- ment* \$000's	Deprec- iation \$000's	Transfer adjust- ment \$000's	Cost adjust- ment* \$000's	Deprec- iation adjustment \$000's	Cost \$000's	Revaluation \$000's	Cost \$000's		
<b>10.1 Infrastructural assets</b>																	
Work in progress	5,898	-	5,898	(2,332)	-	-	4,874	-	-	-	-	-	-	-	-	8,440	
Infrastructure land	12,676	-	12,676	138	-	-	682	-	-	-	-	-	(460)	-	-	13,036	
Land under roads	135,368	-	135,368	-	-	-	160	-	-	-	-	-	-	-	-	135,528	
Flood protection and controlled works	142,798	277	142,521	-	-	-	415	-	153	-	-	-	13,295	(430)	156,510		
Road and footpaths	508,867	-	508,867	735	-	-	8,992	-	8,699	-	-	-	(6,212)	(8,699)	512,382		
Sewerage schemes other	109,248	-	109,248	-	-	-	983	-	2,332	-	-	-	1,087	(2,332)	111,318		
Sewerage treatment and facilities	40,718	-	40,718	-	-	(5)	149	-	594	-	-	-	(257)	(594)	40,605		
Stormwater drainage schemes	69,218	-	69,218	-	-	-	502	-	1,367	-	-	-	2,156	(1,367)	71,876		
Water supply schemes - other	110,464	-	110,464	7,576	-	(11)	1,349	-	2,394	-	-	-	2,589	(2,394)	121,967		
Water treatment and facilities	18,813	-	18,813	(6,306)	-	-	6	-	745	-	-	-	567	(745)	13,080		
Wharf infrastructure	30,799	2,434	28,365	-	-	-	-	305	1,157	3,725	-	-	12,570	(3,351)	46,789		
	<b>1,184,867</b>	<b>2,711</b>	<b>1,182,156</b>	<b>(189)</b>	<b>-</b>	<b>(16)</b>	<b>18,112</b>	<b>305</b>	<b>17,441</b>	<b>3,725</b>	<b>25,335</b>	<b>(19,912)</b>	<b>1,231,531</b>	<b>240</b>	<b>1,231,291</b>		
<b>10.2 Operational assets</b>																	
Work in progress	5,825	-	5,825	(211)	-	-	4,024	-	-	(4,282)	-	-	-	-	-	5,356	
Buildings	76,345	3,189	73,156	179	-	(286)	5,868	970	2,369	-	1,250	(2,468)	82,297	2,804	79,493		
Forest crops	1,138	-	1,138	-	-	-	-	-	-	-	465	-	-	-	1,603		
Improvements at fair/market value	13,110	743	12,367	0	-	-	456	184	574	511	3,340	(841)	17,233	476	16,757		
Land	98,245	543	97,702	-	-	(1,693)	3,062	1,462	66	-	5,877	-	104,030	609	103,421		
Landfill	3,280	1,916	1,364	-	-	-	-	-	182	-	-	-	3,280	2,098	1,182		
Library books	3,441	2,084	1,357	100	-	(1,334)	202	-	218	-	-	-	2,258	968	1,290		
Other structures and improvements	29,072	2,631	26,441	-	-	-	832	-	344	-	-	-	30,003	2,975	27,028		
Office equipment, furniture and fittings	5,833	4,715	1,118	-	-	(1,859)	743	-	334	-	-	-	4,713	3,190	1,523		
Plant, machinery and equipment	18,369	9,851	8,518	-	-	(758)	1,805	6	1,296	46	(291)	(376)	19,165	10,147	9,018		
	<b>254,658</b>	<b>25,672</b>	<b>228,986</b>	<b>68</b>	<b>-</b>	<b>(6,074)</b>	<b>16,992</b>	<b>2,622</b>	<b>5,383</b>	<b>(3,725)</b>	<b>10,641</b>	<b>(3,685)</b>	<b>269,938</b>	<b>23,267</b>	<b>246,671</b>		
<b>10.3 Restricted assets</b>																	
Buildings	10,343	165	10,179	63	-	-	103	-	168	-	(127)	(165)	10,382	168	10,214		
Land	26,311	-	26,311	-	-	(58)	6	-	-	-	(84)	-	26,175	-	26,175		
	<b>36,654</b>	<b>165</b>	<b>36,490</b>	<b>63</b>	<b>-</b>	<b>(58)</b>	<b>109</b>	<b>-</b>	<b>168</b>	<b>-</b>	<b>(211)</b>	<b>(165)</b>	<b>36,557</b>	<b>168</b>	<b>36,389</b>		
<b>Total operational and infrastructural assets</b>	<b>1,476,179</b>	<b>28,548</b>	<b>1,447,632</b>	<b>(19)</b>	<b>-</b>	<b>(6,148)</b>	<b>35,213</b>	<b>2,927</b>	<b>22,992</b>	<b>-</b>	<b>35,765</b>	<b>(23,762)</b>	<b>1,538,026</b>	<b>23,675</b>	<b>1,514,351</b>		

\*The carrying amount for assets in MDCH Ltd and therefore in Group has been adjusted for prior impairments which are now reported as part of impairment and cost adjustment. This has no impact on the carrying value of Property, Plant and Equipment.

2015-16 COUNCIL

	Cost/ valuation 1-Jul-2015 \$000's	Accumulated depreciation 1-Jul-2015 \$000's	Carrying amount 1-Jul-2015 \$000's	WIP & other reclassifications		Current year		Current year		Revaluation		Accumu- lated depreciation 30-Jun-2016 \$000's	Carrying amount 30-Jun-2016 \$000's
				Cost \$000's	Acum'dm \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's	Impair- ment \$000's	Trans- fer adjust- ment \$000's	Cost adjust- ment \$000's		
<b>10.1 Infrastructural assets</b>													
Work in progress	5,898	-	5,898	(2,332)	-	4,874	-	-	-	-	-	-	8,440
Infrastructure land	12,676	-	12,676	138	-	682	-	-	-	(460)	-	-	13,036
Land under roads	135,368	-	135,368	-	-	160	-	-	-	-	-	-	135,528
Flood protection and controlled works	142,800	277	142,523	-	-	415	-	153	-	13,295	(430)	-	156,510
Road and footpaths	508,867	-	508,867	735	-	8,992	-	-	8,699	(6,212)	(8,699)	-	512,382
Sewerage schemes other	109,248	-	109,248	-	-	983	-	-	2,332	1,087	(2,332)	-	111,318
Sewerage treatment and facilities	40,718	-	40,718	-	-	149	(5)	-	594	(257)	(594)	-	40,605
Stormwater drainage schemes	69,218	-	69,218	-	-	502	-	-	1,367	2,156	(1,367)	-	71,786
Water supply schemes - other	110,464	-	110,464	7,576	-	1,349	(11)	-	2,394	2,589	(2,394)	-	121,967
Water treatment and facilities	18,813	-	18,813	(6,306)	-	6	-	-	745	567	(745)	-	13,080
	<b>1,154,070</b>	<b>277</b>	<b>1,153,793</b>	<b>(189)</b>	<b>-</b>	<b>18,112</b>	<b>(16)</b>	<b>-</b>	<b>16,284</b>	<b>12,765</b>	<b>(16,561)</b>	<b>-</b>	<b>1,184,742</b>
<b>10.2 Operational assets</b>													
Work in progress	1,611	-	1,611	(211)	-	3,618	-	-	-	-	-	-	5,018
Buildings	65,335	1,716	63,619	179	-	1,234	(39)	800	1,871	487	(1,717)	1,870	64,526
Forest crops	1,138	-	1,138	-	-	-	-	-	-	465	-	-	1,603
Improvements at fair/market value	4,302	236	4,066	-	-	456	-	-	240	-	-	476	4,282
Land	81,727	-	81,727	0	-	3,046	(1,690)	-	-	6	-	-	83,090
Landfill	3,280	1,916	1,364	-	-	-	-	-	182	-	-	2,098	1,182
Library books	3,441	2,084	1,357	-	-	202	(1,385)	-	218	-	-	968	1,289
Other structures and improvements	29,071	2,631	26,440	100	-	832	-	-	344	-	-	2,975	27,028
Office equipment, furniture and fittings	5,822	4,705	1,117	-	-	743	(1,863)	-	334	-	-	3,180	1,522
Plant, machinery and equipment	8,921	5,120	3,801	-	-	1,174	(585)	(491)	635	-	-	5,264	4,247
	<b>204,648</b>	<b>18,408</b>	<b>186,240</b>	<b>68</b>	<b>-</b>	<b>11,305</b>	<b>(5,562)</b>	<b>(3,684)</b>	<b>800</b>	<b>959</b>	<b>(1,717)</b>	<b>16,831</b>	<b>193,788</b>
<b>10.3 Restricted assets</b>													
Buildings	10,343	165	10,179	63	-	103	-	-	168	(127)	(165)	168	10,214
Land	26,311	-	26,311	-	-	6	(58)	-	-	(84)	-	-	26,175
	<b>36,654</b>	<b>165</b>	<b>36,490</b>	<b>63</b>	<b>-</b>	<b>109</b>	<b>(58)</b>	<b>-</b>	<b>168</b>	<b>(211)</b>	<b>(165)</b>	<b>168</b>	<b>36,389</b>
<b>Total operational and infrastructural assets</b>	<b>1,395,372</b>	<b>18,850</b>	<b>1,376,523</b>	<b>(58)</b>	<b>0</b>	<b>29,526</b>	<b>(5,636)</b>	<b>(3,684)</b>	<b>800</b>	<b>20,276</b>	<b>(18,443)</b>	<b>16,999</b>	<b>1,414,919</b>

## Council Core Infrastructure Asset Disclosures

Asset Class	Closing Book Value \$'000	Additions \$'000		Most Recent Replacement Cost \$'000
		Constructed	Vested	
Flood protection and controlled works	156,290	1,993	-	162,458
Road and footpaths	541,114	9,613	803	722,816
Sewerage schemes-other	111,391	4,344	330	186,810
Sewerage treatment and facilities	41,289	471	-	46,583
Stormwater drainage	73,123	339	1,170	119,876
Water schemes-other	124,512	4,686	371	196,908
Water treatment and facilities	16,466	2,533	-	31,737

Asset Class	Closing Book Value \$'000	Additions \$'000		Most Recent Replacement Cost \$'000
		Constructed	Vested	
Flood protection and controlled works	156,510	415	-	162,458
Road and footpaths	512,382	8,538	454	661,576
Sewerage schemes-other	111,318	749	234	181,563
Sewerage treatment and facilities	40,605	149	-	45,194
Stormwater drainage	71,786	283	218	115,614
Water schemes-other	119,986	1,235	114	195,053
Water treatment and facilities	15,061	6	-	24,522

The Flood Protection and Controlled Works in the above tables does not include additional assets held in other classes, for example land.

## Council depreciation and amortisation by Group of Activities

Depreciation and amortisation by group of activities:	2016-17 \$'000's	2015-16 \$'000's
People	665	669
Community facilities	1,110	1,077
Roads and footpaths	8,948	8,556
Flood protection and control works	170	154
Sewerage	3,032	2,927
Stormwater drainage	1,472	1,370
Water supply	3,133	2,830
Solid waste management	539	332
Environmental management	108	100
Regulatory	152	137
Regional development	633	645

The above information is provided to meet the requirement of section 5(4) of the Local Government (Financial Reporting Regulations 2014). It does not include all of Council's depreciation and amortisation expense eg; MRF; investment activities.

## Work in Progress

Property, plant and equipment in the course of construction by class of asset are detailed below:

Group		
	2016	2017
	\$'000	\$'000
Roading	767	1180
Sewerage treatment	156	347
Sewerage other	3,110	3837
Water other	2,848	348
Water treatment	212	359
Stormwater	873	168
River and drainage	275	463
Buildings	2,654	1781
Office equipment, furniture and fittings	135	0
Landfill	2,595	0
Other structures and improvements	164	789
Land	206	3238
Wharf infrastructure	270	179
Plant machinery and equipment	36	33
Land improvements	6	103
<b>Total work in progress</b>	<b>14,307</b>	<b>12,825</b>

The larger work in progress items in the table for 2017 are as follows:

- In Land the items are mainly the Boulevard on Taylor subdivision stage 4
- In Sewerage other the main item is Picton trunk sewer upgrade.
- In Buildings the significant item is the Picton Library development.
- In Roothing the main items are the 2 High Street green space development and Blenheim CBD, Market street upgrade.

### Accounting Policy

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and any impairment losses.

MDC has the following classes of property, plant and equipment:

- Infrastructural assets.
- Operational assets.
- Restricted assets

#### Infrastructural Assets

Infrastructural assets usually display some of all of the following characteristics: part of a system or network, specialised in nature and usually do not have alternative uses, immovable and they may be subject to constraints on disposal. Examples are road networks, sewer systems and water systems.

#### Operational Assets

Operational assets are acquired to enable the ongoing operations.

#### Restricted Assets

Land and buildings in this category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977) or other restrictions (such as land or buildings under a bequest or donation that restricts the purpose for which the assets can be used).



### **Additions**

Additions between valuations are recorded at cost, except for vested assets. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended use. Certain infrastructural assets and land have been vested in Council as part of the subdivisional consent process. The vested reserve land has been initially recognised at the most recent appropriately certified government valuation which is their deemed cost. Vested infrastructural assets are initially valued based on the actual quantities of infrastructural components vested and the current "in the ground" cost of providing identical services and this is their deemed cost.

### **Depreciation**

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use. Depreciation rates and useful lives are reviewed annually. Depreciation on assets is charged to the surplus and deficit.

<b>Asset</b>	<b>Life</b>	<b>Rate</b>
<b>Roads, Streets and Bridges</b>	4 – 110 years	0.9 – 25%
- Land under roads and pavement formation	Not depreciated	
- Earth water channels	Not depreciated	
- Street berms	Not depreciated	
<b>Carparks</b>	5 – 50 years	2 – 20%
- Land and formation	Not depreciated	
<b>Buildings including public conveniences (excluding properties intended for sale)</b>	30-100 years	1 - 3%
<b>Council Computers</b>	4 - 5 years	20 - 25%
<b>Plant, equipment (excluding Council infrastructural assets)</b>	5 - 20 years	5 - 20%
<b>Mowers/chainsaws</b>	1 – 2.5 years	40 - 100%
<b>Sewerage</b>	10 to 100 years	1 – 10%
- Oxidation ponds:	Not depreciated	
<b>Stormwater</b>	25-100 years	1 – 4%
<b>Water</b>	20-100 years	1 - 5%
<b>Rivers and Drainage</b>	Mostly Not depreciated	
- Pump stations	25 - 100 years	1 - 4%
- Dam	100 years	1%
<b>Library books</b>	13.33 years	7.50%

### **Disposals**

On the sale or retirement of a revalued asset, the attributable revaluation profit remaining, net of any related deferred taxes, in the revaluation Reserve is transferred directly to accumulated funds. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the surplus or deficit.

### **Revaluation of property, plant and equipment is accounted for on a class of asset basis**

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation Reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation Reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expenses and then recognised in other comprehensive revenue and expense.

### **Impairment**

Impairment losses of \$5,948k, \$5,193k due to the November 2016 earthquake have been recognised this year mainly relating to infrastructural assets including earthenware pipes, and stop-banks. Water other, Renwick asbestos cement pipes were impaired \$755k due to degradation to pipes due to acidity of the water, reducing their remaining useful life.

Please refer to note 30 for impacts of the 14th November 2016 earthquake on the Property, plant and equipment

The impairment losses were recognised through the appropriate revaluation Reserve and through other comprehensive revenue and expense apart from the hockey turf \$500k which is recorded as a cost in the other expenses line in the accounts.

### *Infrastructural Assets*

Roads, bridges, carparks, wharves, street lighting, street berms and street furniture assets were valued at optimised depreciated replacement cost as at 30 June 2017 by John Vessey and Jaimie Cable of Opus International Consultants Limited.

River control and drainage assets were valued at optimised depreciated replacement cost as at 30 June 2016. The river control and drainage valuation was performed by Council's Rivers and Drainage Engineer and Alexander Hayward Limited conducted an independent peer review of the valuation.

Water, sewer and stormwater assets were valued at depreciated replacement cost and optimised depreciated replacement cost where possible as at 30 June 2017. The valuation was performed by Council engineering staff directly associated with managing these assets. An independent review of the valuation was conducted by Alexander Hayward Limited.

There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction. Unit rates can vary, based on asset location, topography and ground conditions.
- Contracts in the region for similar assets.
- Estimates are made when determining the remaining useful life over which the assets will be depreciated. These estimates can be affected by local conditions, for example, weather patterns, and traffic growth. If useful lives do not reflect the consumption of the benefits of the asset, then Council could be under or over estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise this risk Council has determined the infrastructural asset useful lives with reference to NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of Councils' asset management planning activities, which gives Council further assurance over its useful life estimates.
- The physical deterioration and condition of the assets, for example Council could be carrying an asset at an amount that does not reflect its physical condition. This is particularly so for those assets, which are not visible for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a number of physical inspections and condition modelling assessments of assets.

Land under roads was valued on a fair value basis as at 30 June 2009 by Lex Hayward of Alexander Hayward Limited. There is no intention to revalue these assets again.

### *Land and Buildings including Restricted Land and Buildings*

Council land was valued by QV Valuations (Registered Valuers) as at 1 July 2016. The basis of valuation is fair value with reference to highest and best use, as at 1 July 2016.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and other costs incurred to bring the asset into use.

Buildings were valued by Alexander Hayward Limited (Registered Valuers) as at 1 July 2016. The basis of valuation was fair value. Assets acquired subsequent to valuation are shown at cost less depreciation.

In the case of MRF, land and improvements were valued by Alexander Hayward Limited (Registered Valuers) as at 30 June 2017.

Council's forest (soil erosion prevention) was valued at 30 June 2016 by Merrill & Ring New Zealand Limited.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely. Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For Council's earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates are applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake-prone buildings and the associated lost rental during the time to undertake the strengthening work.

#### *Improvements on Land*

These are generally in the nature of playground equipment and other similar recreational structures on Council land and MRF improvements. These assets are stated at cost less any accumulated depreciation and impairment losses.

#### *Landfill*

Council has amortised the cost of the Blenheim landfill development over its remaining 54 year life and charged the amortisation to operating costs. The amortisation rate is based on volume utilisation divided by the estimated capacity of the landfill site.

#### *Library Books and Parking Meters*

These are stated at cost less accumulated depreciation plus additions at cost.

## 11. Intangible Assets

An Intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

	Group			Council		
	Group total \$000's	Carbon credits \$000's	Computer software \$000's	Council total \$000's	Carbon credits \$000's	Computer software \$000's
<b>Cost:</b>						
<b>Balance at 30 June 2015</b>	<b>5,968</b>	<b>462</b>	<b>5,506</b>	<b>4,728</b>	<b>462</b>	<b>4,266</b>
Additions	743	219	524	727	219	508
<b>Balance at 30 June 2016</b>	<b>6,536</b>	<b>604</b>	<b>5,932</b>	<b>5,280</b>	<b>604</b>	<b>4,676</b>
Additions	2,590	490	2,100	2,576	490	2,086
Disposals	(292)	(103)	(189)	(292)	(103)	(189)
<b>Balance at 30 June 2017</b>	<b>8,834</b>	<b>991</b>	<b>7,843</b>	<b>7,564</b>	<b>991</b>	<b>6,573</b>
<b>Accumulated amortisation and impairment:</b>						
<b>Balance at 30 June 2015</b>	<b>3,182</b>	<b>87</b>	<b>3,095</b>	<b>2,803</b>	<b>87</b>	<b>2,716</b>
Amortisation expense	555	-	555	418	-	418
Revaluation/ Impairment	-	-	-	-	-	-
Disposals	(70)	-	(70)	(70)	-	(70)
<b>Balance at 30 June 2016</b>	<b>3,667</b>	<b>87</b>	<b>3,580</b>	<b>3,151</b>	<b>87</b>	<b>3,064</b>
Amortisation expense	657	-	657	527	-	527
Disposals	(189)	-	(189)	(189)	-	(189)
<b>Balance at 30 June 2017</b>	<b>4,135</b>	<b>87</b>	<b>4,048</b>	<b>3,489</b>	<b>87</b>	<b>3,402</b>
<b>Carrying amount:</b>						
<b>Balance at 30 June 2015</b>	<b>2,786</b>	<b>375</b>	<b>2,411</b>	<b>1,925</b>	<b>375</b>	<b>1,550</b>
<b>Balance at 30 June 2016</b>	<b>2,869</b>	<b>517</b>	<b>2,352</b>	<b>2,129</b>	<b>517</b>	<b>1,612</b>
<b>Balance at 30 June 2017</b>	<b>4,699</b>	<b>904</b>	<b>3,795</b>	<b>4,075</b>	<b>904</b>	<b>3,171</b>

### Accounting Policy

#### **Software acquisition and development**

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs, maintenance and web related costs are recognised in the surplus or deficit when incurred.

#### **Carbon credits**

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

#### **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 amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software 3 to 5 years 20% to 33.3%

## 12. Forestry Assets (including jointly held assets)

Forestry assets are predominantly owned and managed by MRF.

The forestry estate is managed through a joint committee of Marlborough District Council (88.5%) and Kaikoura District Council (11.5%). The MRF estate covers 3,156 stocked hectares as at 30 June 2017 (2016: 3,073).

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Balance at 1 July</b>	15,472	15,837	15,472	15,333	15,837
Increase due to additions	501	336	501	220	336
Gains arising from changes attributable to physical changes (note 5)	1,552	2,019	1,552	613	2,019
Gains / (losses) arising from changes attributable to price changes (note 5)	558	773	558	-	773
Decreases due to sales	(3,228)	(3,493)	(3,228)	(1,308)	(3,493)
<b>Balance at 30 June</b>	<b>14,855</b>	<b>15,472</b>	<b>14,855</b>	<b>14,858</b>	<b>15,472</b>

### Accounting Policy

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Council's share of jointly controlled assets and any liabilities incurred jointly with KDC are recognised on a proportionate basis and classified according to their nature.

The stocked area consists predominantly of radiata pine with small areas planted in other species. The estate consists of six forest blocks - Para, Pukaka, Strachan Peak, Koromiko, Waikakaho and Speeds. The age distribution forecast as at 30 June 2017 of the MRF estate ranges from 1-14 years 78%; 15-28 years 13% and 29-44 years 9% (2016: 1-14 years 78%, 15-28 years 13% and 29-43 years 9%).

Independent registered valuer Alexander Hayward Limited has valued land and improvements as at 30 June 2017. Buck Forestry Service Limited has prepared the forestry crop valuations as at 30 June 2017 based on methodology recommended by the New Zealand Institute of Forestry. A pre-tax discount rate of 8% has been used in discounting the present value of expected cash flows. The sensitivity of crop value to discount rate is shown below:

	as at 30 June 2017		as at 30 June 2016			
	7%	8% (as used)	9%	7%	8% (as used)	9%
Tree crop value (\$000's)	19,446	16,786	14,648	19,967	17,482	15,476
MDC's 88.5% share (\$000's)	17,210	14,856	12,963	17,671	15,472	13,696

Key financial risks arise from increase in costs associated with logging/loads and cartage harvesting costs. Also there is a risk in sale price for forestry. Future yields in certain areas have shown lower volumes than expected which have been incorporated in the valuations.

Where Council transacts with the joint committee, unrealised profits and losses are eliminated to the extent of Council's share in the joint venture, except to the extent that unrealised losses provide evidence of impairment of the asset.

MRF Joint Venture	Council and Group	
	2016-17	2015-16
	\$000's	\$000's
Current assets	2,373	1,247
Non-current assets	25,837	23,705
Current liabilities	1,234	366
Non-current liabilities	-	-
Income	10,260	11,400
Expenses	7,487	7,659

### 13. Other Financial Assets

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Current portion:</b>					
Term deposits and bonds with maturities of 4-12 months	7,621	22,993	7,621	7,762	22,993
<b>Total current portion</b>	<b>7,621</b>	<b>22,993</b>	<b>7,621</b>	<b>7,762</b>	<b>22,993</b>
<b>Non-current portion:</b>					
Term deposits and bonds with maturities 12 months plus	4,397	4,705	4,397	3,683	4,705
Community loans	-	-	-	1,402	-
Unlisted shares in subsidiaries, (Investment in CCOs)	-	-	6,000	6,000	6,000
Advance to MDCH	-	-	54,340	-	-
Shares: NZ Local Government Insurance Corporation and the Local Government Funding Agency	1,293	733	1,293	85	733
Shares other	1	1	1	649	1
<b>Total non-current portion</b>	<b>5,691</b>	<b>5,439</b>	<b>66,031</b>	<b>11,819</b>	<b>11,439</b>
<b>Total other financial assets</b>	<b>13,312</b>	<b>28,432</b>	<b>73,652</b>	<b>19,581</b>	<b>34,432</b>

The carrying value of term deposits, bonds, and community loans approximates their fair value.

Financial assets are classified into the following categories for the purpose of measurement:

- Term deposits and bonds which are held to maturity investment.
- Loans and receivables and investments in Council Controlled Organisations and similar entities.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

#### Accounting Policy

##### *Investments in Subsidiaries and Similar Entities*

Investments in subsidiaries are recorded in Council's financial statements at cost less any subsequent accumulated impairment losses.

##### *Held-to-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where there is a positive intention and ability to hold to maturity. These include long and short term deposits with the bank. Council has a policy of holding investments to maturity and does not engage in the trading of investments. These investments are measured at their amortised cost, using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised and then are recognised in the deficit.

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit. Impairment is established when there is objective evidence that MDC will not be able to collect amounts due according to the original terms of the debt. MDC has no impairment for the year ended 30 June 2017 (\$nil: 30 June 2016).

## 14. Investment Property

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 July</b>	76,518	77,187	2,120	2,050	2,050
Additions from acquisition	654	1,140	-	-	-
Additions arising from work in progress	(110)	539	-	-	-
Transfer from property plant and equipment.	2,880	-	-	-	-
Fair valuation gains/(losses) (note 5)	(721)	(2,348)	30	-	70
<b>Balance at 30 June</b>	<b>79,221</b>	<b>76,518</b>	<b>2,150</b>	<b>2,050</b>	<b>2,120</b>

### Accounting Policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

The fair value of MDC's investment property at 30 June 2017 has been arrived at on the basis of a valuation carried out at that date by Jim Sampson, ANZIV, SPINZ of Alexander Hayward Limited, independent registered valuers not related to the Group. The fair value of the MDCH Group's investment property at 30 June 2017 has been arrived at on the basis of a valuation carried out at that date by Crighton Anderson Property and Infrastructure Limited trading as Colliers International (2016: Colliers International), independent registered valuers not related to the Group. The fair value of investment property has been determined using the capitalisation of net income and discounted cash flow methods. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

Revisions to accounting estimates are recognised in the period to which the estimate is revised if the revision effects only that period or the period of the revision and future periods if the revision effects both current and future periods.

## 15. Cash and Cash Equivalents

### Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## 16. Debtors and Other Receivables

### 16.1 Debtors and other receivables from non-exchange transactions

	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
Rates receivables	940	1,006	940	1,006
GST	858	756	858	756
Other	1,626	1,395	1,626	1,395
<b>Total non-exchange debtors and other receivables</b>	<b>3,424</b>	<b>3,157</b>	<b>3,424</b>	<b>3,157</b>

16.2 Debtors and other receivables from exchange transactions	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
Trade receivables	3,527	2,161	3,527	2,161
Related party receivables	-	-	-	46
Prepayments	735	126	735	126
Other	5,537	4,383	3,549	1,464
<b>Gross exchange debtors and other receivables</b>	<b>9,799</b>	<b>6,670</b>	<b>7,811</b>	<b>3,797</b>
Less provision for impairment	(66)	(82)	(6)	(22)
<b>Total exchange debtors and other receivables</b>	<b>9,733</b>	<b>6,588</b>	<b>7,805</b>	<b>3,775</b>

16.3 Total debtors and other receivables	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
<b>Gross total debtors and other receivables</b>	<b>13,223</b>	<b>9,827</b>	<b>11,235</b>	<b>6,954</b>
Less provision for impairment	(66)	(82)	(6)	(22)
<b>Total debtors and other receivables</b>	<b>13,157</b>	<b>9,745</b>	<b>11,229</b>	<b>6,932</b>

#### Accounting Policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

There is no concentration of credit risk with respect to receivables as the Group has a large number of customers (refer to note 28.3).

Council has provided a sum of \$5,936 (2016 \$22,085) for the impairment of trade debtors. The provision has been based on an analysis of previous year's losses and a review of specific debtors.

16.4 Impairment information	Group		Council	
	2016-17	2015-16	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's
Individual impairment	66	82	6	22
<b>Total provision for impairment</b>	<b>66</b>	<b>82</b>	<b>6</b>	<b>22</b>
Past due 1-60 days	-	-	-	-
Past due 61-120 days	60	60	-	-
Past due >120 days	6	22	6	22
<b>Total individual impairment</b>	<b>66</b>	<b>82</b>	<b>6</b>	<b>22</b>
<b>At 1 July</b>	<b>82</b>	<b>268</b>	<b>22</b>	<b>208</b>
Additional provisions made during the year (note 8)	66	82	6	22
Provisions reversed during the year (note 8)	(82)	(268)	(22)	(208)
<b>At 30 June</b>	<b>66</b>	<b>82</b>	<b>6</b>	<b>22</b>



The ageing profile of receivables at year end is detailed below:

16.5 Ageing profile of total receivables	2016-17			2015-16		
	Gross \$000's	Impair- ment \$000's	Net \$000's	Gross \$000's	Impair- ment \$000's	Net \$000's
<b>Group</b>						
Not past due	12,282	-	12,282	9,526	-	9,526
Past due 1-60 days	314	-	314	181	-	181
Past due >61-120 days	627	66	561	120	82	38
<b>Total</b>	<b>13,223</b>	<b>66</b>	<b>13,157</b>	<b>9,827</b>	<b>82</b>	<b>9,745</b>
<b>Council</b>						
Not past due	10,294	-	10,294	6,653	-	6,653
Past due 1-60 days	314	-	314	181	-	181
Past due >61-120 days	627	6	621	120	22	98
<b>Total</b>	<b>11,235</b>	<b>6</b>	<b>11,229</b>	<b>6,954</b>	<b>22</b>	<b>6,932</b>

## 17. Inventory

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Held for distribution inventory:</b>					
Goods held for maintenance	296	269	-	-	-
<b>Commercial inventory:</b>					
Quarry rock and gravel	241	394	241	253	394
<b>Other:</b>					
Inventory Queen Street Property	6,806	6,618	6,806	-	6,618
<b>Total inventory</b>	<b>7,343</b>	<b>7,281</b>	<b>7,047</b>	<b>253</b>	<b>7,012</b>

### Accounting Policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provision is made for obsolescence for inventories held for maintenance purposes, where applicable.

The Queen Street property, continues to be in the process of being prepared for sale. Other small inventories are held of goods for maintenance and quarry rock and gravel.

## 18. Non-current assets land and buildings held for sale

### Accounting Policy

Non-current assets (or disposal groups) classified as held for sale are separately disclosed in the Statement of Financial Position at the lower of their carrying amount and fair value less costs to sell. The valuation of net realisable value was carried out by Alexander Hayward Limited.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised as expenses.

## 19. Borrowings

### **Accounting Policy**

All borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using effective interest method.

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing.

### *Council*

#### **Westpac Facility**

Secured loans can be raised under a \$20M (2016: \$20M) wholesale advance facility agreement with Westpac New Zealand Limited (Westpac). The loans are secured via security stock issued by Council under a Debenture Trust Deed. Council has the option to renew the facility in December 2019.

There is no debt with Westpac in 2017 (2016: nil). Any current debt is issued at floating rates of interest.

#### **New Zealand Local Government Funding Agency Limited**

Total borrowing with the New Zealand Local Government Funding Agency Limited (NZLGFA) is \$82.9M (2016:\$28M). \$19.9M (2016: nil) of this is current and \$63M (2016: \$28M) is non-current.

The current \$19.9M portion was borrowed this year as a short fixed term debt with fixed interest rates ranging between 2.07% and 2.17%.

The non-current \$63M portion is a fixed term borrowing with \$35M issued this year at a variable rate and \$28M issued at a fixed rate, with fixed interest or fixed by a swap. The variable rates ranged between 2.49% and 2.77% (2016 nil) and the fixed rates ranged between 4.05% and 6% (2016: 4.05% and 6%).

Council has an interest rate swap of \$14M (2016: \$14M) in place fixed at 4.05% (2016: 4.05%) maturing 18 March 2025.

### *MDCHL*

During the year interest rates ranged between 2.07% and 5.21% (2016: 3.51% and 5.90%).

Loan maturities – MDCHL has a, \$10M facility with ASB Limited (ASB) (2016:\$35M). The ASB facility was agreed for three years and expires December 2017, The \$25M repayment of the ASB facility and repayment in full of the Westpac \$30M facility were funded by a Marlborough District Council loan from the LGFA, to decrease overall financing costs for the Group.

Term loans have been secured by way of uncalled capital issued to MDC.

### *Internal Borrowings*

Information about internal borrowings is provided in Activity Funding Group Impact Statement sections. Internal borrowings are eliminated on consolidation of activities in Council's financial statements.

## 20. Provisions

	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>Current portion:</b>				
Weathertightness claims	25	35	25	35
Other	104	57	104	57
<b>Total current portion</b>	<b>129</b>	<b>92</b>	<b>129</b>	<b>92</b>
<b>Non-current portion:</b>				
Landfill aftercare provision	1,364	1,207	1,364	1,207
Runway reseal provision	1,878	1,402	-	-
<b>Total non-current portion</b>	<b>3,242</b>	<b>2,609</b>	<b>1,364</b>	<b>1,207</b>
<b>Total provisions</b>	<b>3,371</b>	<b>2,701</b>	<b>1,493</b>	<b>1,299</b>

	Weather-tightness claims	Other	Landfill aftercare	Council	Runway reseal	Group
<b>Balance at 30 June 2016</b>	<b>35</b>	<b>57</b>	<b>1,207</b>	<b>1,299</b>	<b>1,402</b>	<b>2,701</b>
Additional provisions made	-	104	201	305	476	781
Unused amounts reversed	(6)	-	-	(6)	-	(6)
Amounts used	(4)	(57)	(44)	(105)	-	(105)
<b>Balance at 30 June 2017</b>	<b>25</b>	<b>104</b>	<b>1,364</b>	<b>1,493</b>	<b>1,878</b>	<b>3,371</b>

### Accounting Policy

Provisions are recognised when MDC has a present obligation as a result of a past event, a reliable estimate can be made for the amount of the obligation and it is probable that MDC will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date and are discounted to present value where the effect is material.

### *Weathertightness Claims*

No new claims have been lodged with the Weathertight Homes Resolution Service (WHRS) in the year to 30 June 2017 (2016: nil).

Council has provided \$25,000 (2016: \$35,000) for existing claims that relate to weathertightness issues of homes in the Marlborough District Council area that name Council as well as other parties. This provision for these claims has been quantified based on an assessment by Council's legal advisor.

One building related claims was partially settled in for \$4k (2016:\$55k).

### *Emission Trading Scheme Provision*

This provision recognises:

\$103,669 (2016: \$56,904) for the Emission Trading Scheme units cost for landfill use for the six months to 30 June 2017.

### *Landfill Closure and Aftercare Liability*

The long-term nature of these liabilities means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and known changes to legal requirements and an inflation factor of 2.0% (2016: 2.0%) and a discount rate of 6.0% (2016: 7.0%).

Council has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. Post-closure responsibilities include: treatment and monitoring of leachate, groundwater and surface monitoring, gas monitoring and recovery, implementation of remedial measures such as needling for cover and control systems, ongoing site maintenance for drainage systems, and final cover and vegetation. The uninflated cash outflows for landfill post-closure

monitoring and maintenance are estimated at \$46,200 per annum (2016: \$46,200) average to occur in perpetuity.

Council renewed a resource consent in 2009 for seven of its closed landfill sites. The remaining site was consented in 1998.

#### *Current Landfill*

Council gained a resource consent in November 1995 to operate the Bluegums landfill. Closure responsibilities occur at the closure of each stage of the landfill and upon final closure. Council has provided for closure of the stage currently in use and closure of the entire landfill in 2070.

The cash outflows for landfill post-closure are expected to occur in 53 to 83 years' time (ie: between 2070 and 2100). The estimated liability for closure and post-closure is \$1.68M (2016: \$1.87M).

The following major assumptions have been made in calculating the provision:

- The remaining capacity of the site is 2.08M (2016: 2.14M) cubic metres (refuse, clean fill and cover).
- The estimated remaining life is 53 years (2016: 53 years) based on historical volume information.
- The granting of resource consent renewals.

To provide for these estimated costs of aftercare of the currently used Blenheim landfill, a charge is made each year based on the net present value of the after care cost which it is estimated will be incurred following the closure of the landfill

#### *Runway Reseal*

To reflect the Marlborough Airport Limited's obligation to maintain the runway under their licence agreement with New Zealand Defence Force the provision for resealing is reviewed each year.

## 21. Creditors and Other Payables

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Creditors and other payables from exchange and non exchange transactions</b>					
Trade payables	9,877	8,180	8,351	3,139	6,611
Accrued expenses	2,247	2,054	2,247	4,470	2,054
Income in advance	2,136	2,350	2,136	2,748	1,848
Deposits	1,032	902	1,032	1,453	902
Other	861	461	2,958	385	1,965
<b>Total creditors and other payables</b>	<b>16,153</b>	<b>13,947</b>	<b>16,724</b>	<b>12,195</b>	<b>13,380</b>

#### **Accounting Policy**

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

## 22. Employee Entitlements

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Current portion</b>					
Accrued pay	530	446	530	326	446
Annual leave and sick leave	2,439	2,252	1,462	1,440	1,413
Retirement and long service leave	286	280	286	331	280
<b>Total current portion</b>	<b>3,255</b>	<b>2,978</b>	<b>2,278</b>	<b>2,097</b>	<b>2,139</b>
<b>Total employee entitlements</b>	<b>3,255</b>	<b>2,978</b>	<b>2,278</b>	<b>2,097</b>	<b>2,139</b>

### Accounting Policy

Provision is made in respect of the MDC's liability for retiring gratuity allowances, annual and long service leave and sick leave. The retiring gratuity liability and long service leave liability are assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate. Liabilities for accumulating short-term compensated absences (e.g.; annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance sheet date.

Sick leave, annual leave, vested long service leave and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as current.

## 23. Equity and Capital Management

	Group		Council		
	Actual	Actual	Actual	Budget	Actual
	2016-17	2015-16	2016-17	2016-17	2015-16
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Accumulated funds</b>					
<b>Balance at 1 July</b>	628,344	616,563	582,516	589,062	575,691
Transfers (to) / from Reserves	2,186	(11,903)	2,186	(4,594)	(11,903)
Transfers (to) / from Restricted Reserves	(2,495)	(291)	(2,495)	1,209	(291)
Transfers from property Revaluation Reserves on disposal	1,572	5,574	918	-	749
Surplus for the year	16,492	18,401	9,588	7,686	18,272
<b>Balance at 30 June</b>	<b>646,099</b>	<b>628,344</b>	<b>592,713</b>	<b>593,363</b>	<b>582,518</b>
<b>Ordinary and Council created Reserves</b>					
<b>Balance at 1 July</b>	57,125	45,221	54,509	38,094	42,605
Transfers (to) / from accumulated funds	(2,176)	11,904	(2,176)	4,594	11,904
Reclassification to Restricted Reserves	-	-	-	-	-
<b>Balance at 30 June</b>	<b>54,949</b>	<b>57,125</b>	<b>52,333</b>	<b>42,688</b>	<b>54,509</b>
<b>Restricted Reserves:</b>					
<b>Balance at 1 July</b>	1,538	1,247	1,538	(973)	1,247
Transfers (to) / from accumulated funds	2,495	291	2,495	(1,209)	291
Reclassification from ordinary Reserves	-	-	-	-	-
<b>Balance at 30 June</b>	<b>4,033</b>	<b>1,538</b>	<b>4,033</b>	<b>(2,182)</b>	<b>1,538</b>
<b>Restricted Reserves consists of:</b>					
Development contribution reserves	798	(46)	798	(1,807)	(46)
Land subdivision reserve	3,235	1,584	3,235	(375)	1,584
<b>Property Revaluation Reserve:</b>					
<b>Balance at 1 July</b>	848,204	802,937	800,691	801,315	770,284
Net revaluation gains	42,336	56,600	42,916	16,156	31,156
Income tax recognised directly in other comprehensive revenue and expense	344	(5,759)	-	-	-
Transfers to accumulated funds on disposal of property	(1,573)	(5,574)	(918)	-	(749)
<b>Balance at 30 June</b>	<b>889,311</b>	<b>848,204</b>	<b>842,689</b>	<b>817,471</b>	<b>800,691</b>
<b>Total other Reserves</b>	<b>948,292</b>	<b>906,867</b>	<b>899,055</b>	<b>857,977</b>	<b>856,738</b>
<b>Total equity</b>	<b>1,594,390</b>	<b>1,535,211</b>	<b>1,491,768</b>	<b>1,451,340</b>	<b>1,439,256</b>

### Accounting Policy

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

Equity is the community's interest in MDC and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified into a number of Reserves to enable clearer identification of the special uses that MDC intends to make of its accumulated surpluses. The components of equity are:

- Accumulated Funds.
- Ordinary Reserves.
- Restricted Reserves.
- Property Revaluation Reserves.

### Accumulated funds

Accumulated funds are the capital fund made up of accumulated surpluses and deficit. A surplus in any year is added to the fund and is a deficit in any year and deducted from the fund.

Ordinary Reserves are Reserves created by Council decision. Council may alter the purpose of a Reserve without reference to a third party or the Courts. Transfers to and from these Reserves is at the discretion of Council.

### **Restricted Reserves**

Restricted Reserves are those Reserves subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfer from these Reserves can be made by certain specified purposes or when certain specified conditions are met.

### **Property revaluation Reserves**

Property revaluation Reserves relate to the revaluation of property, plant and equipment to fair value.

Ordinary Reserves	Activities to which the reserve is applied	Opening Balance 1 July \$000's	Transfer to reserve \$000's	Transfer from reserve \$000's	Closing Balance 30 June \$000's
<b>2017</b>					
Emergency events	Infrastructural assets including roading network and Wairau floodplain river protection	10,029	3,442	(3,309)	10,162
Forestry and land development *	All activities	7,774	5,065	(10,253)	2,586
Infrastructure upgrade	Infrastructure such as water and sewerage and other activities as determined by Council from time to time	6,936	2,821	(3,890)	5,867
Land subdivision loan reserve	Blenheim Swimming Pool loan	(1,200)	400	0	(800)
PMNZL special dividend	All activities	4,313	258	(258)	4,313
People	People focused services including youth, elderly, community services, housing and energy efficiency, democratic participation, safety and learning.	(525)	989	(1,577)	(1,113)
Community facilities	Community facilities	1,325	600	(168)	1,757
Roads and footpaths	Roads and footpaths	4,452	4,668	(4,002)	5,118
Flood protection	Flood protection	3,335	1,298	(726)	3,907
Sewerage	Sewerage	2,162	3,929	(1,554)	4,537
Stormwater	Stormwater	2,298	1,537	(25)	3,810
Water supply	Water supply	6,243	2,858	(4,502)	4,599
Solid waste management	Solid waste management	670	1,318	(170)	1,818
Environmental management	Environmental management	279	108	0	387
Regulatory	Regulatory	493	225	(22)	696
Regional development	Regional development	1,413	906	(1,731)	588
Other non activity	All activities	4,512	5,769	(6,180)	4,101
<b>Total Ordinary Reserves 2017</b>		<b>54,509</b>	<b>36,191</b>	<b>(38,367)</b>	<b>52,333</b>

Restricted Reserves	Activities to which the reserve is applied	Opening Balance	Transfer to reserve	Transfer from reserve	Closing Balance
		1 July			30 June
		\$000's	\$000's	\$000's	\$000's
Land Subdivision	Community facilities	1,584	3,073	(1,422)	3,235
Sewerage	Development contribution reserve	(601)	1,548	(187)	760
Stormwater	Development contribution reserve	0	1	0	1
Water supply	Development contribution reserve	555	0	(518)	37
<b>Total Restricted Reserves 2017</b>		<b>1,538</b>	<b>4,622</b>	<b>(2,127)</b>	<b>4,033</b>

### Purpose of each Reserve Fund

Special 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 Council.

**Emergency Events Reserves:** This Reserve is to protect Council's infrastructural assets: roads, water, sewerage, and river protection.

**The Forestry and Land Development Reserve** Receives revenue from MRF, surpluses from Boulevard Park on Taylor Land development, and sale of Non-Activity assets for funding any projects approved by Council.

**Infrastructure Upgrade Reserve:** To be used to fund up to 50% of essential infrastructure.

**Land Subdivision Reserve:** To provide for Reserve Contributions and their utilisation in accordance with the provisions of the Local Government Act 2002.

**Port Marlborough NZ Limited Special Dividend Reserve:** Unspent elements of a \$10M special dividend available to the Blenheim Vicinity, Picton Vicinity and General Rural geographic rating areas, or the interest on any unspent balance to be used to subsidise general rates in those areas.

**People, Community Facilities, Roads and Footpaths, Flood Protection, Sewerage, Stormwater, Water Supply, Solid Waste Management, Environmental Management, Regulatory, Regional Development, and other Non-Activity Reserves** are for a specific Activity or individual scheme etc. and exist for the following purposes:

- **General Reserve:** to accumulate targeted rates or other revenue for use in subsequent years.
- **Depreciation Reserve:** to accumulate rates levied to fund depreciation expense, which may be used to fund capital expenditure or repayment of debt raised to fund capital expenditure.
- **Landfill Aftercare Reserve:** to accumulate "dump fees" charged from the operation of the landfill (or of a stage) required to fund its closure and management once it is fully utilised.
- **Development Contribution Reserve:** to accumulate development and financial contributions to fund qualifying capital expenditure.



## 24. Capital Commitments and Operating Leases

	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>Capital commitments:</b>				
Property, plant and equipment	25,186	9,873	24,455	8,878
<b>Total capital commitments</b>	<b>25,186</b>	<b>9,873</b>	<b>24,455</b>	<b>8,878</b>
	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>Operating leases as lessee:</b>				
Not later than one year	510	261	459	228
Later than one year and not later than five years	1,297	314	1,297	314
Later than five years	59	138	59	138
<b>Total non-cancellable operating leases</b>	<b>1,866</b>	<b>713</b>	<b>1,815</b>	<b>680</b>

### Operating Leases

MDC leases motor vehicles in the normal course of its business. All operating lease contracts contain market review clauses in the event that the option to renew is exercised. MDC does not have an option to purchase the leased asset at the expiry of the lease period.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain review clauses in the event that MDC exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the relevant lease.

	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>Operating leases as lessor:</b>				
Not later than one year	8,257	9,844	3,566	4,038
Later than one year and not later than five years	24,048	25,615	12,980	14,396
Later than five years	37,442	45,769	27,897	34,957
<b>Total non-cancellable operating leases</b>	<b>69,747</b>	<b>81,228</b>	<b>44,443</b>	<b>53,391</b>

Group operating leases relate to rental property owned by Port Marlborough (PMNZ) with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that PMNZ exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

MDC leases its investment property, some non-current assets held for sale and some land and buildings held for service delivery purposes under operating leases. The majority of these leases have a non-cancellable term of more than five years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are detailed above.

## 25. Contingent Assets and Liabilities

### 25.1 Contingent Assets

#### Earthquake Insurance Claim Revenue

There is an unquantifiable contingency asset for earthquake insurance claim revenue. Please refer to note 30.

## 25.2 Contingent Liabilities

	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
Uncalled capital in MDC Holdings Limited	-	-	70,000	70,000
Financial guarantees	2,852	5,054	2,852	5,054
Ministry for the Environment security for funding	-	776	-	776
<b>Total contingent liabilities</b>	<b>2,852</b>	<b>5,830</b>	<b>72,852</b>	<b>75,830</b>

Contingent liabilities are liabilities that may or may not occur as they are dependent on another uncertain event. Judgement is exercised in determining whether the uncertain event is probable, possible or remote.

### *Local Government Funding Agency*

Council is a shareholder and guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a local currency credit rating from Standard and Poor's of AA+ and a foreign currency rating of AA.

Council is one of 30 local authority shareholders and 11 local authority guarantors of the NZLGFA. In that regard Council has uncalled capital of \$200,000. When aggregated with the uncalled capital of other shareholders, \$20M is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of a proportion of NZLGFA's borrowings. This is based on Council's rates as a proportion of the total rates for all guaranteeing Local Authorities. At 30 June 2017 NZLGFA had borrowings totalling \$7.946 billion (2016: \$6.445 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value Council's share of this guarantee is 1.3% (2016:1.4%). We believe the 2017 fair value of the liability to be less than \$2M. Council has not recognised this and consider it extremely unlikely to ever be called on. This is because the LGFA maximum maturity in any one year from any one Council is \$505M (2016:\$505M) which is more than covered by the LGFA held portfolio of liquid investments and their \$1 billion standby facility with the Crown.

### *Financial Guarantees*

Council is listed as sole guarantor for a small number of community organisation bank loans. Council is obligated under each guarantee to make loan payments in the event that the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. At balance date, Council expects it will not be called upon by banks for these financial guarantees. The possibility of any call on these guarantees is remote.

The Council has guaranteed three Marlborough Civic Theatre Trust (the Trust) loans. Initially loans by the ASB and Rata Foundation for \$3.1 M and \$0.5M respectively, were approved in May 2015. An additional guarantee of \$1.5M was approved by Council in March 2016 The amount outstanding on the loan at 30 June 2017 is \$2.8M (2016: \$5.0M)

### *Local Authority Protection Programme (LAPP)*

Council is a member of the Local Authority Protection Programme (LAPP) The Trust Deed of LAPP provides that the Trustees may adopt or determine such methods of setting Extra Contributions for coverage for any part of portion of a year. Council is not aware of any request for Extra Contributions from LAPP in the current year.

## 26. Related Parties Transactions

The consolidated financial statements include the results and assets and liabilities of Council and other entities in which Council has a controlling interest. Any related party disclosures also have been made for transactions with entities within the Group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such Group transactions.

Any related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that is it reasonable to expect Council and Group would have adopted in dealing with the party at arms-length in the same circumstances.

	<b>Council</b>	
	<b>2016-17</b>	<b>2015-16</b>
	\$000's	\$000's
<b>Key management personnel</b>		
<b>Councillors including the Mayor:</b>		
Remuneration	722	737
Full-time equivalent members	14	14
<b>Senior management team including the Chief Executive:</b>		
Remuneration	1,646	1,531
Full-time equivalent members	9	7
<b>Total key management personnel compensation</b>	<b>2,368</b>	<b>2,268</b>
<b>Total full-time equivalent personnel</b>	<b>23</b>	<b>21</b>

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with MDC (such as payment of rates, purchase of rubbish bags etc). These goods and services were supplied on normal commercial terms.

No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2016: nil).

## 27. Severance Payments

For the year ended 30 June 2017 Council made no severance payments to employees, (2016: nil), that required disclosure under the Local Government Act 2002.

## 28. Financial Instruments

### 28.1 Financial instrument categories

The accounting policies for financial instruments have been applied to the financial instrument asset categories of term deposits and bonds, cash and cash equivalents, debtors and other receivables, shares and community loans and to the financial instrument liability categories of derivative financial liability instruments, creditors and other payables, and secured loans. The carrying amount is the approximate fair value for each of these classes of financial instruments, as shown in the Statement of Financial Position.

### 28.2 Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Quoted market price (level 1) financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

Financial derivatives valued as observable inputs (level2) for the Group are \$3,425k (2016: \$6,103k) and for Council are \$870k (2016: \$1,632k).

## 28.3 Financial instrument risks

### (a) Credit risk

Credit risk is the risk that a third party will default on its obligation to MDC causing it to incur a loss. Financial Instruments which potentially subject Council to credit risk principally consist of bank accounts, local authority stock and accounts receivable.

Council (both itself and through its funds manager) places its cash and short term deposits in high rating financial institutions. Council's Treasury policy results in a spread of investments with limitations placed on the level of credit exposure to any one financial institution.

A potential concentration of credit risk exists in respect of amounts owing from NZTA of \$1,405k (2016: NZTA \$1,150k). This receivable is considered to be fully recoverable. Other accounts receivable balances are spread over a large customer base, therefore, minimising exposure to credit risk in respect of these debtors.

Council has a series of policies to manage the risks associated with financial instruments. These policies can be found on the MDC website. The web address is:

[http://www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/~/\\_media/Files/MDC/Home/Your%20Council/Plan%20and%20Reports/Treasury\\_Management\\_Policies.pdf](http://www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/~/_media/Files/MDC/Home/Your%20Council/Plan%20and%20Reports/Treasury_Management_Policies.pdf)

Council and the Group hold no other collateral or credit enhancements for financial instruments that give rise to credit risk.

MDC's maximum credit exposure for each class of financial instrument is as follows:

	Group		Council	
	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>i) Maximum exposure to credit risk</b>				
Cash at bank and term deposits and bonds	25,427	30,656	22,050	29,973
Debtors and other receivables	13,157	10,084	11,229	6,932
Financial guarantees	2,852	5,120	2,852	5,120
<b>Total credit risk</b>	<b>41,436</b>	<b>45,860</b>	<b>36,131</b>	<b>42,025</b>
<b>ii) Credit quality of financial assets</b>				
Counterparties with credit ratings - cash at bank and term deposits				
AA	514	532	514	532
AA-	23,896	29,104	20,519	28,421
BBB +	1,017	1,020	1,017	1,020
<b>Total</b>	<b>25,427</b>	<b>30,656</b>	<b>22,050</b>	<b>29,973</b>

### (b) Liquidity risk

#### (i) Management of liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

MDC manages its liquidity in accordance with its funding and financial policies, which include cashflow forecasting, maintaining its financial market investments in liquid instruments, and a debt maturity policy to avoid concentrations of debt maturity dates. The Council has an AA credit rating with Standard and Poors and banks have indicated that they want to do business with Council. The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. The LGFA have a billion dollar facility. See their website at <http://www.lgfa.co.nz/about-lgfa/lgfa-news/news-lgfa-aims-to-arrange-1b-in-debt>.

These policies were adopted in 2014-15 and can be found on the Council website. The web address is: [http://www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/~/\\_media/Files/MDC/Home/Your%20Council/Plan%20and%20Reports/Treasury\\_Management\\_Policies.pdf](http://www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/~/_media/Files/MDC/Home/Your%20Council/Plan%20and%20Reports/Treasury_Management_Policies.pdf)

(ii) Contractual maturity analysis of financial liabilities	Carrying Amount	Contractual Cashflow	< than 1 year	1-2 years	2-5 years	5+ years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's

This table analyses MDC's financial liabilities into maturity groupings based on the remaining period at the balance date to the contractual maturity date.

**Group 2016**

Creditors and other payables	13,948	13,948	13,948	-	-	-
Secured loans	84,855	108,884	3,804	28,121	48,325	28,634
Interest rate swaps	6,103	3,608	147	168	614	2,679
<b>Total financial liabilities</b>	<b>104,906</b>	<b>126,440</b>	<b>17,899</b>	<b>28,289</b>	<b>48,939</b>	<b>31,313</b>

**Group 2017**

Creditors and other payables	16,154	16,154	16,154	-	-	-
Secured loans	82,851	94,372	22,225	6,325	43,700	22,122
Interest rate swaps	3,425	3,426	106	303	833	2,184
<b>Total financial liabilities</b>	<b>102,430</b>	<b>113,952</b>	<b>38,485</b>	<b>6,628</b>	<b>44,533</b>	<b>24,306</b>

**Council 2016**

Creditors and other payables	13,381	13,381	13,381	-	-	-
Secured loans	28,000	37,812	1,422	1,422	11,865	23,103
Interest rate swaps	1,632	1,632	-	-	-	1,632
<b>Total financial liabilities</b>	<b>43,013</b>	<b>52,825</b>	<b>14,803</b>	<b>1,422</b>	<b>11,865</b>	<b>24,735</b>

**Council 2017**

Creditors and other payables	16,725	16,725	16,725	-	-	-
Secured loans	82,851	94,372	22,225	6,325	43,700	22,122
Interest rate swaps	870	870	-	-	-	870
<b>Total financial liabilities</b>	<b>100,446</b>	<b>111,967</b>	<b>38,950</b>	<b>6,325</b>	<b>43,700</b>	<b>22,992</b>

The table following analyses MDC's financial assets into maturity groupings based on the remaining period to the contractual maturity date as at the balance date.

<b>Contractual maturity analysis of financial assets</b>	<b>Carrying Contractual</b>					
	<b>Amount</b>	<b>Cashflow</b>	<b>&lt; than 1</b>	<b>1-2</b>	<b>2-5</b>	<b>5+</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>
			<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
This table analyses MDC's financial assets into maturity groupings based on the remaining period at the balance date to the contractual maturity date.						
<b>Group 2016</b>						
Cash and cash equivalents	2,958	2,958	2,958	-	-	-
Debtors and other receivables	9,745	9,745	9,745	-	-	-
Other financial assets:						
Term deposits	27,535	25,320	20,267	1,656	3,397	-
Local Authority stock and government bonds	448	625	-	-	174	451
<b>Total financial assets</b>	<b>40,686</b>	<b>38,648</b>	<b>32,970</b>	<b>1,656</b>	<b>3,571</b>	<b>451</b>
<b>Group 2017</b>						
Cash and cash equivalents	13,410	13,410	13,410	-	-	-
Debtors and other receivables	13,157	13,157	13,157	-	-	-
Other financial assets:						
Term deposits	12,018	12,018	7,891	1,064	3,063	-
Local Authority stock and government bonds	1,203	1,203	-	82	707	414
<b>Total financial assets</b>	<b>39,788</b>	<b>39,788</b>	<b>34,458</b>	<b>1,146</b>	<b>3,770</b>	<b>414</b>
<b>Council 2016</b>						
Cash and cash equivalents	2,275	2,275	2,275	-	-	-
Debtors and other receivables	6,932	6,932	6,932	-	-	-
Other financial assets:						
Term deposits	27,535	25,320	20,267	1,656	3,397	-
Local Authority stock and government bonds	448	625	-	-	174	451
<b>Total financial assets</b>	<b>37,190</b>	<b>35,152</b>	<b>29,474</b>	<b>1,656</b>	<b>3,571</b>	<b>451</b>
<b>Council 2017</b>						
Cash and cash equivalents	10,033	10,033	10,033	-	-	-
Debtors and other receivables	11,229	11,229	11,229	-	-	-
Other financial assets:						
Term deposits	12,018	12,018	7,891	1,064	3,063	-
Local Authority stock and government bonds	1,203	1,203	-	82	707	414
<b>Total financial assets</b>	<b>34,483</b>	<b>34,483</b>	<b>29,153</b>	<b>1,146</b>	<b>3,770</b>	<b>414</b>

**(c) Sensitivity analysis**

The table following illustrates the potential effect on the surplus or deficit and equity (excluding accumulated funds) impact for reasonable possible market movements, with all other variables held constant, based on MDC's financial instrument exposures at balance date.

	2016-17		2015-16	
	-50bps Surplus \$000's	+50bps Surplus \$000's	-50bps Surplus \$000's	+50bps Surplus \$000's
<b>GROUP INTEREST RATE RISK</b>				
<b>Financial assets</b>				
Other financial assets - term deposits	(70)	70	(146)	146
<b>Financial liabilities</b>				
<b>Borrowings:</b>				
Secured loans	240	(240)	150	(150)
Interest rate swaps	(769)	2,039	(1,840)	1,610
Total sensitivity to interest rate risk	(599)	1,869	(1,836)	1,606
<b>COUNCIL INTEREST RATE RISK</b>				
<b>Financial assets</b>				
Other financial assets - term deposits	(60)	60	(138)	138
<b>Financial liabilities</b>				
<b>Borrowings:</b>				
Secured loans	344	(344)	70	(70)
Interest rate swaps	284	1,218	(566)	541
Total sensitivity to interest rate risk	568	934	(634)	609

**(d) Interest rate risk**

Interest rate risk is the risk that MDC may be affected by changes in the general level of interest rates. MDC is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swaps contracts.

Under interest rate swap contracts the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year. The following table detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding fixed for floating	Average contract	Notional principa		Fair value		
	2016-17 %	2015-16 %	2016-17 \$000's	2015-16 \$000's	2016-17 \$000's	2015-16 \$000's
<b>Group</b>						
Less than one year	4.72%	-	7,400	-	(106)	-
1 to 2 years	4.01%	5.00%	10,000	10,900	(303)	(442)
2 to 5 years	4.52%	4.30%	13,400	23,000	(833)	(1,733)
Greater than 5 years	4.20%	4.20%	41,400	41,800	(2,185)	(3,928)
Total sensitivity to interest rate risk	<b>4.28%</b>	<b>4.34%</b>	<b>72,200</b>	<b>75,700</b>	<b>(3,427)</b>	<b>(6,103)</b>
<b>Council</b>						
2 to 5 years	-	-	-	-	-	-
Greater than 5 years	4.05%	4.05%	14,000	14,000	(870)	(1,632)
Total sensitivity to interest rate risk	<b>4.05%</b>	<b>4.05%</b>	<b>14,000</b>	<b>14,000</b>	<b>(870)</b>	<b>(1,632)</b>

**(e) Cash flow interest rate risk**

Cash flow interest rate risk is the risk that cash flows from an instrument will vary due to fluctuations in interest rates. A balance is achieved through having variable terms that spreads the risk of fluctuating interest rates. Council's subsidiaries mitigate exposure to fair value and cash flow interest rate risk by having a mixture of floating and fixed loans and by the use of interest rate swaps.

	Group		Council		
	Actual 2016-17 \$000's	Actual 2015-16 \$000's	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Actual 2015-16 \$000's
<b>Current liability portion:</b>					
Interest rate swaps	106	-	-	-	-
<b>Non-current liability portion:</b>					
Interest rate swaps	3,319	6,103	870	-	1,632
<b>Total derivative financial instruments liabilities</b>	<b>3,425</b>	<b>6,103</b>	<b>870</b>	<b>-</b>	<b>1,632</b>

(f) **Currency risk**

Council and the Group have minimal currency risk given that financial instruments are transacted in New Zealand dollars.

## 29. Insurance

The total net book value of Council assets as at 30 June 2017 is \$1.49 billion.

Council has assessed its maximum probable loss from either, earthquake, tsunami or flood to be about \$485M.

Council has taken the approach of a mix of full insurance, risk sharing and self-insurance for any applicable excess taking into account the following:

- Not all assets are likely to be impacted on one event, given their diverse nature and location.
- Immediate replacement of all damaged assets will not be required, immediately following an event.
- The balance between premium costs and risk.
- Councils do not generally insure roads or other land. Roads reinstatement is subject to NZTA subsidies.
- Council has an Emergency Events Reserve, currently at \$10.2M.

	2016-17 Assets Value at Cost \$'000	2016-17 Maximum cover \$'000	2015-16 Assets Value at Cost \$'000	2015-16 Maximum cover \$'000
<b>Council Insurance</b>				
Total value of assets covered by Insurance contracts and maximum amount to which they are insured.	198,994	453,746	312,781	430,153
Total value of assets covered by financial risk arrangements and the maximum available under these arrangements.	465,487	50,000	339,604	50,000
Total value of self-insured assets and value of any fund held for that purpose.	572,246	10,162	538,469	10,029
Land	277,952	-	263,724	-
<b>TOTAL</b>	<b>1,514,679</b>	<b>513,908</b>	<b>1,454,578</b>	<b>490,182</b>

- (a) The total value of assets held by the local authority that are covered by insurance contracts are insured to a maximum replacement value of \$454M.

**Community assets:** with a few exceptions, this replacement cover is for community assets on Council or Council controlled land, for example water treatment plant, WIP, sewerage treatment plant, buildings, library books, computers and office equipment.

**Vehicles:** All vehicles including the leased fleet, mowers, trucks, mobile pumps are insured at replacement value for \$3.5M.

Council has an 88.5% share in the MRF. Their assets and standing timber are insured at replacement/ reinstatement value of \$21.1M.

- (b) **Underground reticulation and flood protection assets:** These assets are covered by the financial risk sharing arrangement, the Local Authority Protection Programme, with the replacement value of \$565M. The cover is for \$50M for a first event. A further 60% of central government funding is available for eligible events.



- (c) The total value of all assets that Council has self-insured is \$572M and a further \$278M for land.

**Land:** includes **MRF land valued at \$9.4M and land under roads \$136M.**

**Roading and footpath and carpark assets excluding most bridges:** These activities have a value of \$714M and are not insured. Any reinstatement cost would be subsidised by New Zealand Transport Agency at a minimum of 51%. Most bridges are uninsured.

**Bridges: Uninsured** bridges have a value of \$51M. Any reinstatement cost would be subsidised by New Zealand Transport Agency at a minimum of 51%.

### 30. Earthquake Impacts

The 14 November 2016 earthquake caused Marlborough District Council to suffer some damage, resulting in insurance and subsidy claims. Damage assessment work is ongoing and repair work will continue for a number of years. One of the reasons this takes a long period of time is that underground pipelines require assessment with specialist CCTV equipment which is then reviewed by experienced staff.

In 2016-17 Council has recognised \$5,193k of asset impairments due to earthquake damage. These amounts are estimated based on the reduced expected useful life of the damaged assets given their damaged condition.

With underground assets there is uncertainty on the weakening and life reduction as a result of the damage. About 50% of the older earthenware sewer pipe CCTV review is completed showing 80% damage. We have assumed earthenware stormwater pipe damage will be at the same level as sewer earthenware pipes. The earthenware pipes are approximately 3% to 5% of the Council's sewer and stormwater pipe network respectively.

These damage estimates do not include additional costs for seismic strengthening upgrades to bring buildings up to building code strength.

The Council is in the process of working with its private insurers, the Local Authority Protection Programme Disaster Fund (LAPP), and Ministry of Civil Defence and Emergency Management (MCDEM) to determine the extent of claims and recoveries. Advances of \$701k have been made as at 30 June 2017. At this point the quantum of the total claim amount is not sufficiently certain to recognise further revenue. However, the Council has disclosed an unquantifiable contingent asset per note 25.1.

Estimated repair costs based on current investigation work is approximately \$26.5M. The Council is continuing to discuss with insurers the level of recoveries likely in relation to this. Until discussions with insurers progress to provide a higher level of certainty, we are unable to recognise further insurance proceeds.

Asset impairment includes impairment in the categories Flood protection and controlled works, Roads and footpaths, Sewerage, Storm water, Buildings and Other Structures and Improvements. The Blenheim Storm water and Sewerage assets are expected to have up to five year service and this allows enough time for repair or replacement to be undertaken. Flood protection and controlled works and the Roads and footpaths impairments were based on time and material estimates to repair and return to full service, which will be completed by 30 June 2018. Major buildings and other structures are impaired based on engineering estimates from professional consultants to repair and return to full service.

**2016-17 Earthquake related transactions.**

	<b>Council 2016-17 \$'000</b>
<b>REVENUE</b>	
Deposits on claim payments from insurers	701
NZTA earthquake related road repair subsidy	2,841
<b>EXPENSES</b>	
Earthquake damage repairs and maintenance 2016-17	(650)
Earthquake damage roading repairs and maintenance 2016-17	(4,082)
Earthquake grant paid to strengthen Stadium 2000 wall	(155)
<b>Net Cost to Council in 2016-17</b>	<b>(1,345)</b>
<b>IMPAIRMENT</b>	
Impairment in other expenses	(500)
Impairment through revaluation reserves	(4,693)
<b>Asset impairment recognised in 2016-17</b>	<b>(5,193)</b>

*Note the roading costs and NZTA subsidy include storm damage that immediately followed the earthquake requiring it to be treated as one event.*

### 31. Variance Explanation

Explanations for major budget variances from the Council budget figures in the Annual Plan are as follows:

Statement of Comprehensive Revenue and Expense				
	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Variance \$000's	Comments
Finance Income	1,683	696	987	Higher finance revenue is from the interest paid by MDCH Limited for the \$55M loan for the purpose of refinancing their debt to take the benefit of the Marlborough District Council AA rating, and reduce finance costs for the Group.
Development and financial contributions	3,284	2,275	1,009	Development contributions and financial contributions are higher by \$1,009k due to increased sub division activity.
Subsidies and grants	10,149	9,617	532	Roading subsidies are higher by \$1,092k and this includes earthquake subsidised repairs.
Other revenue	40,735	31,981	8,754	Other revenue is higher in several categories. Vested assets are higher due to increased sub division activity, \$1,998k. Our Marlborough Regional Forestry joint venture income was more than budgeted \$1,482k and so were dump fees as a result of increased dump volumes \$1,604k.
Gains	3,748	1,825	1,923	Gains are higher mostly due to Marlborough Regional Forestry gains of \$1,497k being higher than budgeted.
Other expenses	69,142	56,053	13,089	The significant contributors to the higher expenditure are earthquake repair costs, \$4,887k, donation to partially repay the Civic Theatre Trust debt \$2,150k, and Loss on sale of assets \$2,114k, which includes \$590k for the loss on sale on the transfer of the fire plant to the newly formed Fire and Emergency NZ and \$690k lost on the demolition of the Jim Fraser centre at Lansdowne Park. Further items are contracts, grants, consultancy and the energy efficiency scheme.

Statement of Financial Position				
	Actual 2016-17 \$000's	Budget 2016-17 \$000's	Variance \$000's	Comments
Cash and cash equivalents	\$10,033	\$729	\$9,304	Cash and cash equivalents are higher due to section sales ahead of budget in timing and the delay in capital spending, resulting in short-term term deposits.
Debtors and other receivables	\$11,229	\$8,358	\$2,871	Debtors are higher due to more than average June invoicing for other lessor amounts including trade waste, one-off invoices like the Ministry of Business, Innovation and Employment subsidy for the Picton i-Site public conveniences, \$215k.
Inventory	\$7,047	\$253	\$6,794	Inventory is higher as the Queen Street building is being held in inventory while it is being prepared for sale.
Non-current assets held for sale	\$793	\$1,789	(\$996)	The Boulevard on Taylor sections were sold earlier than budgeted for reducing the non-current assets held for sale.
Non-current Other financial assets	\$66,031	\$11,819	\$54,212	Other financial assets have increased due to lending to MDCH Limited for the purpose of refinancing their debt to take the benefit of the Marlborough District Council AA rating, and reduce finance costs for the Group.
Property, plant and equipment	\$1,472,150	\$1,458,124	\$14,026	The revaluation was higher than budget by \$26.8M. This increase was partially offset by earthquake impairments of \$5.9M (see note 30) the new additions were also \$8.7M below budgeted further offsetting the revaluation increase.
Intangible Assets	\$4,075	\$584	\$3,491	Intangible assets are above budget as budget was for software was understated.
Creditors and other payables	\$16,724	\$12,195	\$4,529	Creditors are higher with the highest being due to an additional \$0.7M owed to NZTA as at 30 June 2017, higher due to roading earthquake repairs. The rest of the variance is spread across many suppliers and is mainly due to capital projects.
Total borrowings	\$82,851	\$39,000	\$43,851	Borrowings have increased due to the new borrowing of \$55M which was on lent to MDCH Limited to take the benefit of the Marlborough District Council AA rating, and reduce finance costs for the Group.

### 32. Events after the Balance Date

There have been no significant post balance day events between year-end and the signing of the report that have had a material effect on the assets and liabilities or disclosures in these statements.

# Funding Impact Statement

FUNDING IMPACT STATEMENT FOR YEAR ENDED 30 JUNE:				
Marlborough District Council	2017	2017	2016	2016
	(Actual)	(AP)	(Actual)	(LTP)
	\$000's	\$000's	\$000's	\$000's
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	39,357	39,246	37,015	37,046
Targeted rates (other than a targeted rate for water supply)	21,784	20,337	21,615	20,571
Subsidies and grants for operating purposes	6,968	5,323	3,854	5,022
Fees, charges, and targeted rates for water supply	17,554	15,959	16,681	15,311
Interest and dividends from investments	2,949	1,596	1,948	1,658
Other receipts including fuel tax, fines and infringement fees	19,502	15,986	19,188	16,763
<b>Total operating funding</b>	<b>108,114</b>	<b>98,446</b>	<b>100,301</b>	<b>96,371</b>
Payments to staff and suppliers	72,476	73,940	63,149	69,066
Finance costs	2,336	2,157	2,937	3,674
Other operating funding applications	13,639	3,594	13,055	4,924
<b>Total applications of operating funding</b>	<b>88,451</b>	<b>79,692</b>	<b>79,141</b>	<b>77,664</b>
<b>Surplus of operating funding</b>	<b>19,663</b>	<b>18,754</b>	<b>21,160</b>	<b>18,708</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	3,764	4,294	3,155	3,107
Development and financial contributions	3,599	1,410	3,164	1,198
Lump sum contributions	0	0	250	0
Increase in debt	0	11,000	(500)	20,000
Gross proceeds from sale of assets	4,683	10,835	6,195	2,608
<b>Total sources of capital funding</b>	<b>12,046</b>	<b>27,540</b>	<b>12,264</b>	<b>26,913</b>
<b>Applications of capital funding</b>				
Capital expenditure to meet additional demand	13,941	14,943	4,616	14,364
Capital expenditure to improve the level of service	15,649	18,075	12,613	17,650
Capital expenditure to replace existing assets	9,485	16,068	10,315	20,115
Increase (decrease) in reserves	654	(2,792)	12,340	(6,508)
Increase (decrease) of investments	(8,020)	0	(6,461)	0
<b>Total applications of capital funding</b>	<b>31,709</b>	<b>46,294</b>	<b>33,424</b>	<b>45,621</b>
<b>(Deficit) of capital funding</b>	<b>(19,663)</b>	<b>(18,754)</b>	<b>(21,160)</b>	<b>(18,708)</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reconciliation</b>				
<b>Total operating funding</b>	108,114	98,446	100,301	96,371
plus - Subsidies and grants for capital expenditure	3,762	4,294	3,154	3,107
plus - Development and financial contributions	3,599	1,410	3,164	1,198
plus - Lump sum contributions	0	0	250	0
plus - Gain on sale of fixed assets	1,609	1,824	7,655	2,104
plus - Contributions vested assets	3,137	2,395	1,045	1,778
plus - Fair value gains	30	0	70	0
plus - Forestry asset revaluation gain	2,110	0	2,792	0
<b>Total revenue as per Statement of Comprehensive Revenue and Expense</b>	<b>122,361</b>	<b>108,371</b>	<b>118,432</b>	<b>104,558</b>
<b>Total applications of operating funding</b>	88,451	79,692	79,141	77,664
plus - Depreciation and amortisation	22,221	20,883	20,694	20,334
plus - Fair value losses	140	0	81	0
plus - Loss on sale of fixed assets	2,223	109	244	0
plus - Impairment on fixed assets	500	0	0	0
plus - Movement on Sawp gain/(loss)	(762)	0	0	0
<b>Expenditure as per Statement of Comprehensive Revenue and Expense</b>	<b>112,773</b>	<b>100,684</b>	<b>100,160</b>	<b>97,998</b>

**FUNDING IMPACT STATEMENT FOR YEAR ENDED 30 JUNE:**

Marlborough District Council	2017	2017	2016	2016
	(Actual)	(AP)	(Actual)	(LTP)
	\$000's	\$000's	\$000's	\$000's
<b>Surplus of operating funding</b>	19,663	18,754	21,160	18,708
less - Depreciation and amortisation	(22,221)	(20,883)	(20,694)	(20,334)
less - Loss on sale of fixed assets	(2,223)	(109)	(244)	0
less - Impairment on fixed assets	(500)	0	0	0
less - Fair value losses	(140)	0	(81)	0
plus - Forestry asset revaluation gain	2,110	0	2,792	0
plus - Fair value gains	792	0	70	0
plus - Subsidies and grants for capital expenditure	3,762	4,294	3,154	3,107
plus - Development and financial contributions	3,599	1,410	3,164	1,198
plus - Lump sum contributions	0	0	250	0
plus - Gain on sale of fixed assets	1,609	1,824	7,655	2,104
plus - Contributions vested assets	3,137	2,395	1,045	1,778
<b>Surplus as per Statement of Comprehensive Revenue and Expense</b>	<b>9,588</b>	<b>7,686</b>	<b>18,272</b>	<b>6,560</b>

## Part 4: Policies

- Maori Capacity Development Policy
- Council Controlled Organisations



## Maori Capacity Development Policy

Council currently engages with the eight Tangata Whenua Iwi within the Marlborough District: Ngati Apa, Ngati Koata, Ngati Kuia, Ngati Rarua, Ngati Toa, Rangitane, Ngai Tahu, Te Atiawa and also Marlborough Maata Waka. Marlborough Iwi and Marlborough Maata Waka make an important contribution to community wellbeing for Maori and the wider community. Progressing Treaty of Waitangi settlements with the Crown has been a principal objective for Marlborough Iwi with Council providing considerable assistance in this endeavour.

At a strategic level Iwi provides input by means of:

- An appointed representative on each of Council's main Standing Committees. On these Committees the representative has both speaking and voting rights.
- An eight member Iwi working party on the Regional Policy Statement Review, including identification of resource management issues of significance to Marlborough's Tangata Whenua Iwi.

At an operational level, advice continues to be sought from Iwi in respect of Environmental Planning and Policy projects, resource consent applications and major Assets and Services projects where Iwi are known or deemed to have an interest.

A heightened mutual awareness and understanding of both Council's and Iwi's respective positions (by both parties) is opening pathways for communication which is positively influencing decision making on final project designs and the manner in which they are implemented.

## Council Controlled Organisations

Marlborough District Council operates the following Council Controlled Organisations (CCO's):

- MDC Holdings Limited.

Marlborough Housing for the Elderly Trust would be a CCO but Council has exempted it under section 7(3-6) of the Local Government Act 2002.

The Local Government Act 2002 (Schedule 10 section 7) requires Council to include in the Long Term Plan information on CCO's, including:

- The nature and scope of the activities to be provided by the CCO;
- Council's significant policies and objectives in relation to the ownership and control of the organisation; and
- The key performance targets and other measures by which performance is to be judged.

### MDC Holdings Limited

MDC Holdings Limited is 100% owned by Marlborough District Council. Council established MDC Holdings Limited for the purposes of:

- Separating commercial trading activities from the other functions it carries out;
- Bringing Council's main trading activities into one structure; and
- Obtaining commercial borrowing facilities at the most attractive rate attainable.

MDC Holdings Limited wholly owns the subsidiaries Port Marlborough New Zealand Limited and Marlborough Airport Limited.

Port Marlborough New Zealand Limited undertakes all the activities typically associated with a port and also wholly owns subsidiaries PMNZ Marina Holdings Limited and Waikawa Marina Trustee Limited.

Marlborough Airport Limited is responsible for the maintenance of the runways and taxiways used by civil aircraft by means of an operating lease from the New Zealand Defence Force. It is also responsible for the provision of a terminal facility and associated minor freight handling.

The significant policies in place for MDC Holdings Limited are:

- That it operate in a commercial manner;
- Decisions to:
  - Acquire assets, the value of which is more than 10% of the value of the company's assets before acquisition;
  - Dispose of any shares in Port Marlborough New Zealand Limited and Marlborough Airport Limited require the prior written approval of Council as the major shareholder; and
- That it distribute by way of dividend, subject to solvency requirements, all the net tax paid profit available.

Consistent with an entity operating in a commercial manner, there is only one significant target which is to generate a long-term tax paid return on opening shareholder funds at 7.0%. The return achieved for 2015-16 was 13.9%.

### Marlborough Housing for the Elderly Trust

Marlborough Housing for the Elderly Trust is a charitable trust that assists in the provision of adequate housing for the elderly people of Marlborough and other members of the community.



## Part 5: Statement of Compliance and Audit Report



# Statement of Compliance

## Compliance

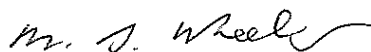
Council and Management of Marlborough District Council confirm that all the statutory requirements of the Local Government Act have been complied with.

## Responsibility

Council and management of Marlborough District Council accept responsibility for the presentation of the annual report, including the Financial Statements and the judgments used in them.

Council and management of Marlborough District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Council and management of Marlborough District Council, the annual report for the year ended 30 June 2017 fairly reflect the financial position and operations and service performance achievements of the Marlborough District Council and Group.



MARK WHEELER  
**CHIEF EXECUTIVE**  
31 October 2017



JOHN LEGGETT  
**MAYOR**  
31 October 2017

## Independent Auditor's Report

### To the readers of Marlborough District Council and Group's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Marlborough District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to report on the information in the District 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 District 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 District 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 31 October 2017. This is the date on which we give our report

### Opinion on the audited information

In our opinion:

- the financial statements on pages 100 to 146:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2017;
    - the results of the 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;
- the funding impact statement on pages 147 to 148, 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 District Council's annual plan;
- the performance information on pages 22 to 98:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 22 to 98, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and
- the funding impact statement for each group of activities on pages 22 to 98, 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 District Council's Long-term plan.

## Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 18 to 148, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

## Uncertainties related to the effects of the 14 November 2016 earthquake

Without modifying our opinion, we draw your attention to Note 30 of the financial statements, which explains how the 14 November 2016 earthquake affected the District Council and group. This note explains the extent of the impairment of assets, the assumptions around the insurance proceeds expected to be received, and the inherent uncertainties involved in estimating them.

## 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 District Council and the Group 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 District 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 District Council and Group'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 performance information, as a reasonable basis for assessing the levels of service achieved and reported by the District 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 District Council and Group'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 District Council and the Group 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 obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 17, 150 to 151 and 158, 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 District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit and our report on the disclosure requirements, and our limited assurance audit of the Debenture Trust Deed, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



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

## Appendix

- MDC Directory



## MDC Directory

### *Contact Details*

PO Box 443, Blenheim 7240

Telephone: (03) 520 7400

Facsimile: (03) 520 7496

Email: [mdc@marlborough.govt.nz](mailto:mdc@marlborough.govt.nz)

Web: [www.marlborough.govt.nz](http://www.marlborough.govt.nz)

### *Addresses*

#### *District Administration Building*

15 Seymour Street, Blenheim 7201

#### *Picton Service Delivery Centre (includes Library)*

67 High Street, Picton

#### *Harbour Control*

Mariner's Mall, Picton

#### *Marlborough Library*

Corner Arthur and Seymour Streets, Blenheim

#### *Works and Operations Depot*

Wither Road, Blenheim

#### *Reserves Depot*

Pollard Park, Blenheim

#### *Solicitor*

P J Radich of Radich Law, Blenheim

#### *Bankers*

Bank of New Zealand, Blenheim

Westpac, Blenheim

#### *Auditor*

Andy Burns, Audit New Zealand, Christchurch on behalf of the Auditor-General

### *General Statistics*

Population (Census count March 2013) 46,302

Population (Usually Resident March 2013) 43,416

Inter-Census Population Movement (+) 2.0%

District Area 17,517 square kilometres

#### **as at 30 June 2017**

Rateable Land Value \$7,539,824,550

Rateable Capital Value \$15,538,464,800

Number of Rate Assessments 26,154

#### **as at 30 June 2016**

Rateable Land Value \$7,501,645,600

Rateable Capital Value \$15,289,306,350

Number of Rate Assessments 26,479