



CHATHAM ISLANDS

Annual Report 2012/13



chatham islands council

Profile of the Chatham Islands

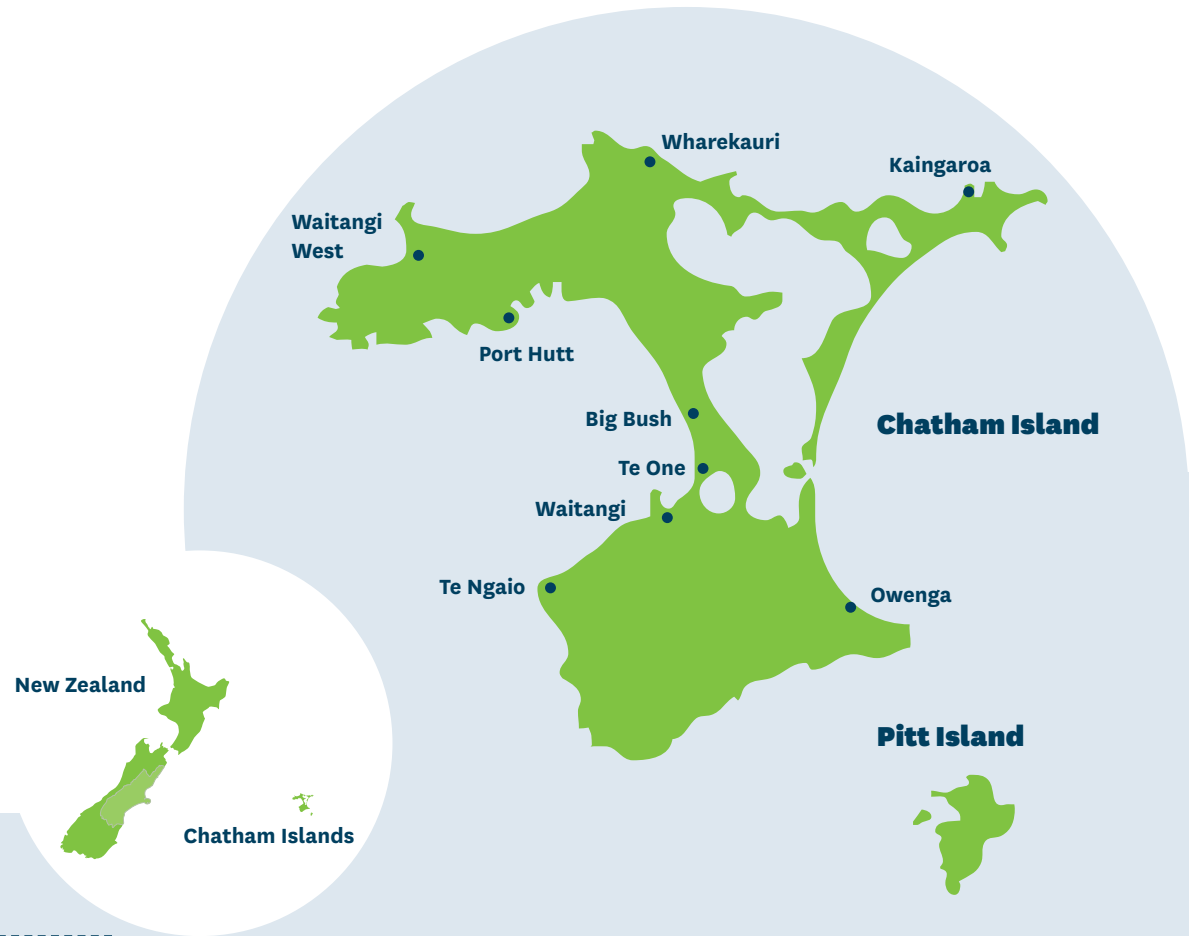
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

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

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

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

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



The islands at a glance

609 people usually live in the Chatham Islands.

Its population is the smallest in size out of the 73 districts in New Zealand.

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

56% of households have access to the Internet, compared with 61% of households throughout New Zealand.

3% of households have access to a cellphone, compared with 74% for New Zealand. This is because there is no cell phone coverage on the Chatham Islands.

47% of households in private occupied dwellings own the dwelling, with or without a mortgage; the equivalent figure is 55% for New Zealand as a whole.

There are 536 rateable properties and 102 non-rateable properties.

The unemployment rate in Chatham Islands Territory is 1% for people aged 15 years and over, compared with 5% for all of New Zealand.

Source: Statistics New Zealand 2006 Census Data

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Introduction

This Annual Report is an account of Chatham Islands Council's performance in the year from 1 July 2012 to 30 June 2013. It outlines what we committed to achieving in the Annual Plan for the year and describes how we delivered it. The report can be divided into three sections:

1. The overview, including a summary of our strategic approach, function and key highlights of the year,
2. Financial statements, detailing the Council's position and performance in financial terms,
3. Group of activity summaries, which detail the work completed in each major area of Council activities and funds spent to deliver this to the community.

The Council has the following groups of activities:

- **Democracy services** – planning and support for the Council and its activities,
- **Infrastructure services** – planning and maintaining infrastructure on the Islands,
- **Community and regulatory services** – promoting community development through recreation, the arts and cultural heritage,
- **Environmental services** – maintaining and sustaining natural resources to promote a sound resource base and protect the environment,
- **Emergency management** – providing an efficient and effective system of emergency management to minimise the potential effect of all hazards on the community,
- **Coasts, harbours and navigation** – harbour control to ensure safety in the territory's waterways.

Both the financial information and the statements of service performance are externally audited.

The Chatham Islands key accountability documents are as follows:

The Annual Plan and Long-Term Plan

The ten year Long-Term Plan and the Annual Plan set out in detail how the Council manages its funding. They cover what projects are to be undertaken and how this is to be funded. These plans also document how the Council consults with its community including Māori and Moriori. It identifies the Council's plans for the medium and long term, including coping with uncertainty and changing circumstances.

Annual Report

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



Mayor & General Manager's Report



It is our pleasure to present this 2012/13 Annual Report. It is a must-read document if you are interested in the progress being made towards the Council's goal of creating a sustainable future for the Chatham Islands.

There is much happening at present, all aimed at reducing the costs associated with living and working on the Chatham Islands. Many hours have been spent working with Government and its officials to secure the funding support required.

In 2011/12 we listed six areas that the Council was working to find funding for, so it is worth providing an update on progress for each:

1. Jointly with the Chatham Islands Enterprise Trust (CIET) to establish an all-weather port facility at Waitangi. *This will be the subject of a Cabinet paper which will be considered and determined late in 2013.*
2. Jointly with the Chatham Islands Enterprise Trust to reinstate wharf and breakwater infrastructure at Flower Pot on Pitt Island and to provide a new fit-for-purpose barge. *CIET has commissioned the construction of a new purpose-built barge which is nearing completion. Funding for the port restoration works will be included in the Cabinet paper referred to above.*
3. For the provision of high-speed and affordable broadband and possibly mobile telephone services. *Tenders have been received but are over the allocated budget. The project will either be re-defined or an increased budget sought.*
4. Solutions to the high energy cost and its flow-on problems. *This matter continues to be promoted with little progress being made. CIET is working on alternative energy sources to lessen the diesel influence on power prices.*
5. The provision of compliant water supply schemes at Kaingaroa, Owenga and Waitangi with a possible extension into Te One. *Funding has been secured for the works planned for Kaingaroa. Work is continuing with the Ministry of Health to find solutions for Owenga, Te One and Waitangi.*
6. The continuance of support for the Council and its contractual relationships. *Core funding is secured. Additional funding requested has been declined until after a review has been completed by central government with the involvement of an independent person. This is programmed for completion by the end of October 2013.*

On the home front, work is progressing with the Solid Waste Management Strategy. The sanitary landfill site has been secured, and an access road has been established and the landfill area drained. An application for resource consent has been lodged and tenders for construction advertised. Transfer station sites are being identified, with Kaingaroa the first to progress.

Roading is the Council's largest activity each year and this year was no different with \$3.6 million being spent on roading work. Financial assistance of \$3.0m was provided from the New Zealand Transport Agency for this.

We continue to progress the proposed joint accommodation with CIET to the point of having an architect's design and quantity surveyor's estimate of cost. The proposed new complex includes a new town hall, museum and a space for a war memorial. It will occupy the sites currently occupied by the council office and hall and the two neighboring houses on Tuku Road. Funding support applications are being progressed.

On the regulatory front, the proposed new Chatham Islands Resource Management Document has been drafted and awaits public consultation.

The Chatham Islands' operating surplus for the 2012/13 financial year was \$1.5 million. The operating surplus improves on the 2011/12 result of a \$0.8 million surplus; however, it is below the budgeted result for 2013/14 of \$2.9 million. The budget assumed sufficient funding would be provided by central government during the year to support on-island infrastructural development. Such funding was not secured and these key on-island projects have been delayed. The Council will continue to work with central government to secure funds for these projects.

With support from our Regional Council contractors, substantial effort has been applied to Chatham Islands Council's biosecurity functions. These range from regular border surveillance at ports and airports to making contestable funds available to landowners for gorse control.

The year ahead has some exciting prospects which include possible economic development opportunities being provided by phosphate mining on the Chatham Rise, and some interest from Chinese investors in food production.

In conclusion we wish to record our appreciation to all those who work for and with the Council for their enthusiasm and hard work in ensuring we continue to contribute positively towards building a sustainable community.

Alfred Preece

Mayor

Owen Pickles

General Manager

8 November 2013

Our strategic approach

The Council's vision

The Council's aim is to work towards a sustainable future for our people and our Islands for present and future generations.

This is a vision that sets the direction of the Council and is guided by the values of:

Sustainability – sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

A collective approach – recognising the importance of a collective approach to achieving community well-being and the role the Council plays as an advocate, a facilitator or actively leading in activities and issues that enhance the well-being of our community.

A valued community – recognising that our community is made up of a diverse range of communities and their contributions towards community well-being are important and valued.

We will achieve our vision by:

- Strengthening relationships and working in partnership with the community, key organisations and central government
- Facilitating sustainable management of natural and physical resources
- Working towards achieving meaningful outcomes for our community.

Everyone in our community has a role to play to improve community well-being. A community outcome is the result that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region, in the present and for the future.

There are a number of community aspirations or outcomes that have been determined and prioritised by the community and which assist the Council in promoting the well-being of our community.

Understanding community outcomes enables the Council to work together with the community to find effective ways of achieving common goals. In other words, the community outcomes inform and guide the plans of local authorities, central government agencies and other organisations who work with the community. This ensures these groups know what is important to the community they are serving.

Community outcomes



Amendment to the Local Government Act

Following an amendment to the Local Government Act 2002 (the Act) in December 2012, reference to “promoting the social, environmental, economic and cultural well-being” of communities was removed from the Act. However, the core services of local government, as stated in the Act, remain the same. The Act continues to require councils to have a sustainable development approach, which includes taking the social, economic and cultural interests of the community into account while working to maintain and enhance the quality of the environment.

Therefore, consideration has been given to how council services benefit the community's social, environmental, economic and cultural well-being, even though this is no longer specifically referenced in the Act.

Māori and Moriori engagement

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

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

The Council recognises the obligation to ‘actively promote’ Māori and Moriori participation in the decision-making process. The key goals of the Council in progressing relationships with Iwi/Imi are:

- Working towards formalising working relationships
- Building capacity to enhance participation in the decision-making process
- Providing information to assist Māori and Moriori to effectively contribute to the decision-making process
- Education and awareness for staff and elected members to gain an appreciation of the Māori and Moriori values and traditions in relation to the Local Government Act 2002 and the Resource Management Act 1991,
- Consultation with Māori and Moriori on key decisions.

The Council also recognises an obligation to the Chatham Islands community under the Long-Term Plan 2012–22. In enhancing and acknowledging the importance of tangata whenua / tchakat henu.

The Council’s policy on Māori, Moriori and Chatham Islands Council was adopted in 2012 as part of the Long-Term Plan process, and is included in Appendix 1 of this document.



Government funding

The Council submitted a funding bid in 2011/12 to secure funding for the next three years. Based on the bid submitted, core funding from central government was secured. However, the amount was insufficient to cover the Council's increased operating obligations under the Local Government Act 2002. Negotiations for additional funding have been suspended until an independent review of the Council's operations has been completed, including review of the Long-Term Plan budget.

Waitangi Port and Pitt Island Wharf upgrade

Chatham Islands Council in conjunction with the Chatham Islands Enterprise Trust has been working with central government to address the infrastructure issues associated with an all-weather port facility at Waitangi, and reinstating the wharf infrastructure at Pitt Island wharf. Securing central government funding is fundamental to these issues being addressed.

Review of the Resource Management Document

The Chatham Islands Resource Management Document has been drafted and is currently being consulted on. This includes the development of a working relationship with Imi/Iwi. Protocols will be developed to assist in progressing the review of the Chatham Islands Resource Management Document and recognition of Imi/Iwi and their relationship with their accustomed environments.

Waste Management Strategy

Progress towards implementing the Waste Management Strategy continued throughout the year. Land has now been made available for the establishment of a compliant sanitary landfill to meet health and environmental standards. A work programme is in place and underway.

Sustainable water

Water scheme upgrades for Kaingaroa, Owenga, Waitangi and Te One are a key priority to address issues of non-compliance with minimum water standards and to respond to community concerns on the impacts on health and safety. To provide sustainable and reliable water sources for these townships, the Council has been working with the Ministry of Health to provide financial support for these developments. The Ministry of Health has recently confirmed funding support for the Kaingaroa Water Supply upgrade.

Social housing

Work towards the establishment of a Social Housing Project has begun as a collaborative effort involving the Council, the Chatham Islands Enterprise Trust and Ngāti Mutunga o Wharekauri Iwi Trust.

Emergency Management Operations Centre

The Council continued to progress the Emergency Management Operations Centre Project. Land for the facility has been secured.

Community complex – shared administration centre

The Council in collaboration with the Chatham Islands Enterprise Trust has begun investigations into the establishment of a new community complex and shared administration centre. A concept plan has been completed.

Community Resilience Project

Through the Community Development Scheme, funding of \$240,000 for the 'Community Resilience Project' was secured in 2011/12. The Community Resilience Project is now into its second year.

Long-Term Plan 2012/22 – “A Shared Vision”

The Council’s Long-Term Plan (LTP) was adopted in June 2012. Developed in consultation with the community, the LTP “A Shared Vision” is a plan that reflects the programmes and desires of the people for the provision of a better future and is underpinned by our community outcomes.

Looking forward

Over the next ten years the Council will endeavour to progress current projects that will contribute to enhancing the well-being of the community and realising the community outcomes. Key projects include:

- The completion of a water project that will result in a sustainable and compliant water supply for Kaingaroa, Te One, Owenga and Waitangi
- The completion of a sanitary landfill, transfer stations and a recycling programme
- New social housing
- A new Emergency Management Operations Centre
- Community complex and shared administration centre
- Roading projects
- The completion of a Community Resilience Project
- Successful Island relationships that result in achieving infrastructure outcomes such as the Port Project, broadband and energy
- A sound and respectful working relationship with Imi/Iwi.

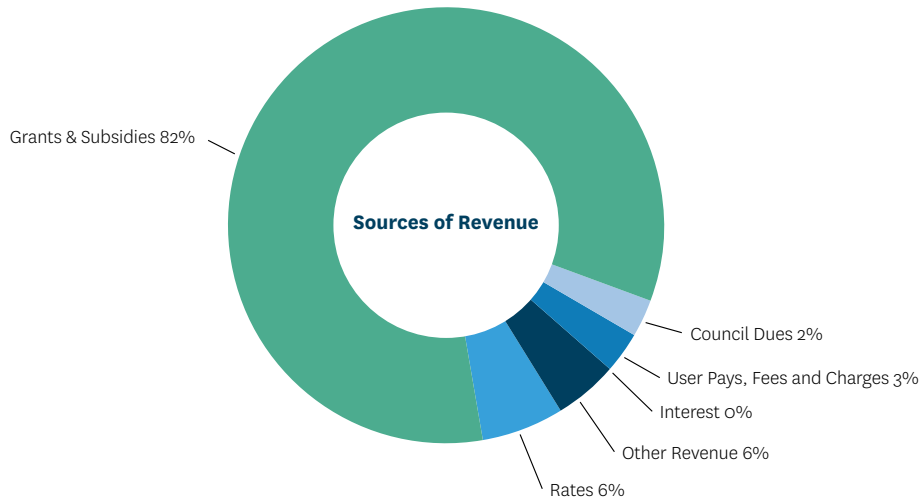


Financial highlights

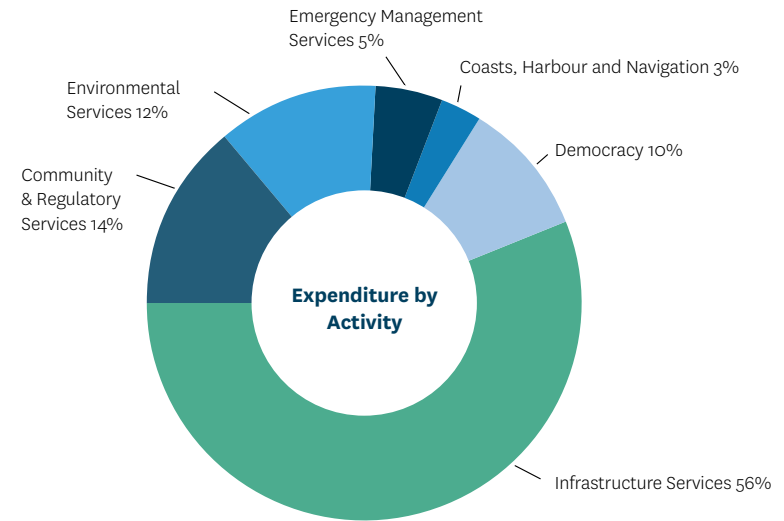
The Chatham Islands' operating surplus for the 2012/13 financial year was \$1.5 million; this was before revaluation movements from our roading infrastructure of \$8.2 million. The operating surplus improves on the 2011/12 result of a \$0.8 million surplus; however, it is below the budgeted result for 2013/14 of \$2.9 million. The budget assumed sufficient funding would be provided by central government during the year to support on-island infrastructural development integral to improving the well-being of our community. Such funding was not secured during the year and these key on-island projects such as the upgrade to the on-island water supply have been delayed for a further year. The Council will continue to work with central government to secure funds for these projects, with the Ministry of Health recently confirming funding for the Kaingaroa Water Supply upgrade.

Operating surpluses are used to fund our capital works programme for the current and future financial years. Our sources and application of capital funding are highlighted in our Council Funding Impact Statement on page 30. Our reserves balance after capital expenditure has increased by \$0.8 million in the year, reflecting ear-marked funds received for the sanitary landfill development not utilised in the year. This work will be carried into the 2013/14 financial year.

The Council does not have an investment portfolio or population base to support its required levels of service. Consequently, it is reliant on external support from central government to ensure the Council meets the current legislated level of service requirements. The revenue sources the Council received in 2012/13 are summarised in the chart below. Both operating and capital grants levels are below budgeted expectation and have impacted on our ability to deliver our vision to the community.

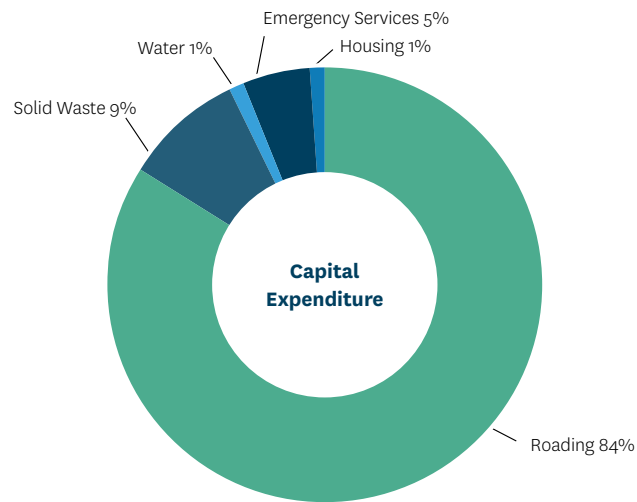


Operating expenditure by activity is summarised in the chart below; the largest portion of expenditure is on infrastructure, particularly the roading network. This is in line with last year's expenditure, but overall expenditure is less than budget.





The Council is also committed to developing on-island infrastructure for the community. The development of these capital assets is dependent on sufficient funding being agreed with central government or other external sources. The chart below summarises the Council's capital expenditure programme by area. The majority of capital expenditure relates to maintaining and improving our roading assets. However, expenditure has increased in the areas of solid waste and emergency services with the commencement of the sanitary landfill development and Emergency Management Operations Centre respectively.



At the end of the financial year, the Council's net assets are valued at \$54.6 million, compared with the closing position of \$44.8 million for the previous financial year. Of this movement \$8.2 million relates to a 'non-cash' increase in the valuation of the Council's roading assets.

A summary of our financial statistics compared with last year is summarised in the table below:

Council Financial Statistics	Actual 2012/13	Actual 2011/12
Proportion of Rates Revenue to Total Revenue	6.17%	6.65%
Proportion of Dues Revenue to Total Revenue	3.08%	3.98%
Net Public Debt (as a percentage of Total Assets)	2.77%	2.24%
Public Debt (per rateable property)	\$2,871	\$1,981
Public Debt (per head of population)	\$2,588	\$1,744

Overall our rates and council dues are in line with 2011/12. However, our level of debt is greater than 2011/12. This is because our bank overdraft at year-end was higher than the closing balance in 2011/12. The Council has used this facility to finance capital and operating requirements during the year. In July 2013, the annual operating grant from central government was received, reducing these public debt ratios.

To the readers of Chatham Islands Council's annual report for the year ended 30 June 2013

The Auditor General is the auditor of Chatham Islands Council (the Council). The Auditor General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the Council that comprise:
 - the statement of financial position as at 30 June 2013 on page 17;
 - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2013 on pages 16 and 17;
 - the funding impact statement of the Council on page 30;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the Council on pages 32 to 53 and 55 to 57; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 18 to 29;
- the statement of service provision (referred to as Groups of Activities disclosures) of the Council on pages 32 to 53 and 55 to 57, and the funding impact statements in relation to each group of activities of the Council on pages 32 to 53 and 55 to 57.

In addition, the Auditor General has appointed me to report on whether the Council's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - reserve funds on pages 26 and 27;
 - each group of activities carried out by the Council on pages 32 to 53;
 - remuneration paid to the elected members and certain employees of the Council on pages 28 and 29;
 - employee staffing levels and remuneration on page 29; and
 - severance payments on page 29;

- a report on the activities undertaken by the Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision making processes on page 54; and
- a statement of compliance signed by the mayor of the Council, and by the Council's chief executive on page 15.

Opinion

Audited information

In our opinion:

- the financial statements of the Council on pages 16 to 29:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Council's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the Council on page 30, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Council on pages 32 to 53 and 55 to 57, fairly reflect by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Council's long term plan.
- the Groups of Activities disclosures of the Council on pages 32 to 53 and 55 to 57:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Council's levels of service for the year ended 30 June 2013, including:
 - the levels of service as measured against the intended levels of service adopted in the long term plan; and
 - the reasons for any significant variances between the actual service and the expected service.



- the funding impact statements in relation to each group of activities of the Council on pages 32 to 53 and 55 to 57, fairly reflect by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's long term plan.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the Council's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 8 November 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and Groups of Activities disclosures. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Council's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported Groups of Activities disclosures within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of the Council

- The Council is responsible for preparing:
 - financial statements and Groups of Activities disclosures that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Council's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast;

- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflect by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's long term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflect by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Council's long term plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

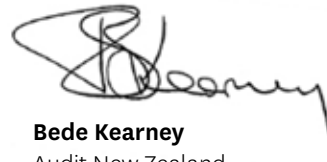
The Council's responsibilities arise under the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the Other Requirements, we have no relationship with, or interests, in the Council.



Bede Kearney

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

8 November 2012

Financial statements

Statement of Compliance and Responsibility

Compliance

The Council and management of Chatham Islands Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, except the adoption of the Annual Report before the statutory reporting deadline. Further explanation is provided in Note 20.

Responsibility

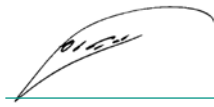
The Council and management of Chatham Islands Council accept responsibility for the preparation of the annual financial statements and the judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as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

In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2013 fairly reflect the financial position, results of operations, cash flows and service performance achievements of Chatham Islands Council.



Alfred Preece

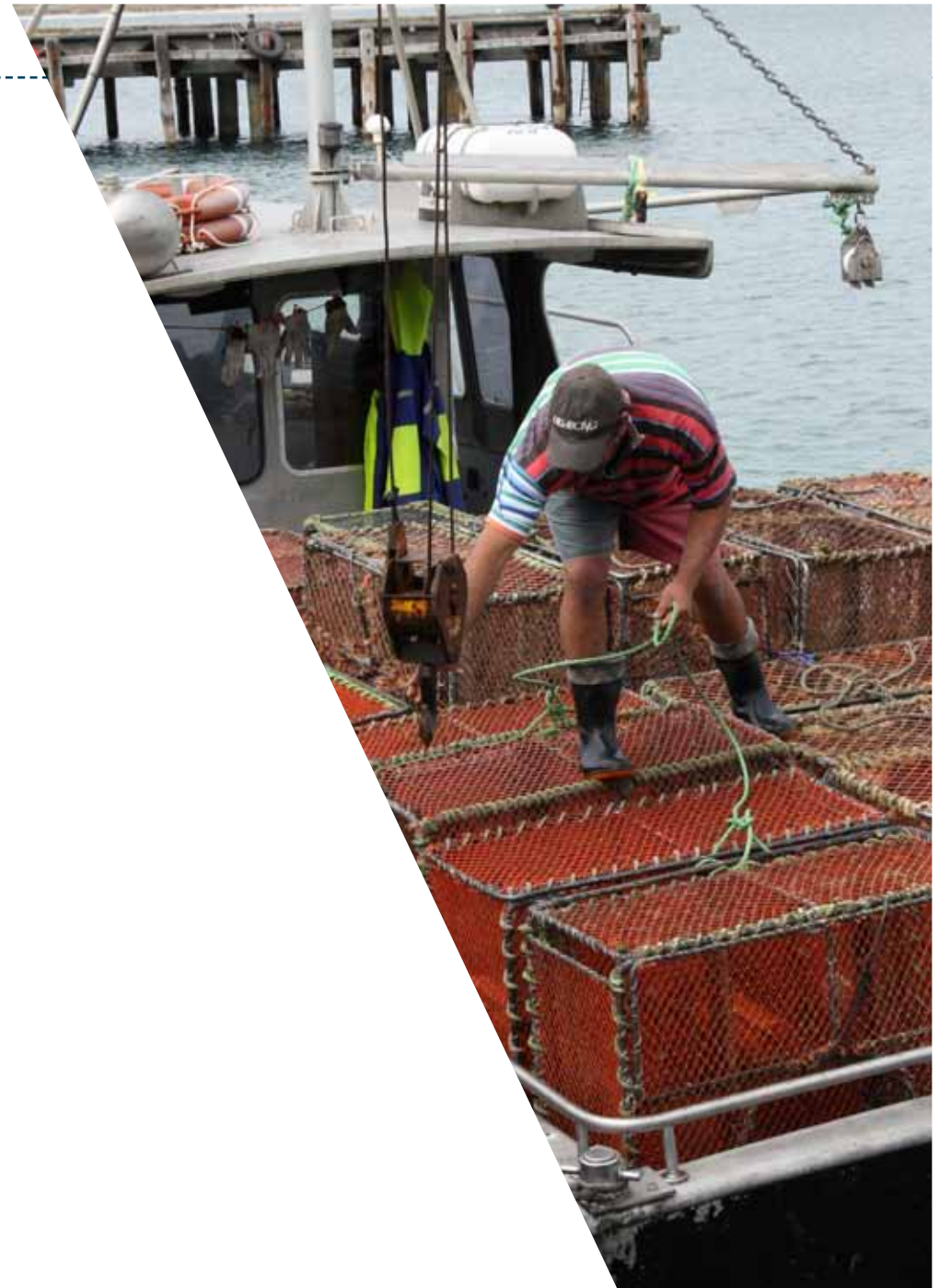
Mayor



Owen Pickles

General Manager

8 November 2012



Statement of Comprehensive Income for the year ended 30 June 2013

	Note	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000
Revenue				
Rates other than targeted rate for water supply	2	436	423	406
Targeted rate for water supply	2	60	62	60
Grants & subsidies	2	6,607	8,799	5,821
Council dues		248	265	279
User pays, fees & charges		229	318	162
Interest		5	-	3
Other revenue		454	-	271
Total revenue	1	8,039	9,867	7,002
Expenditure	3			
Depreciation and amortisation	3	1,798	2,374	1,620
Employment benefits		815	636	661
Financial costs	3	35	71	28
Other expenditure		3,857	3,910	3,909
Total expenditure	1	6,505	6,991	6,218
Total surplus/(deficit)	1	1,534	2,876	784
Comprehensive income				
Increase/(decrease) in revaluation reserve	12	8,199	3,585	-
Total other comprehensive income		8,199	3,585	-
Total comprehensive income		9,733	6,461	784

Statement of Changes in Equity for the year ended 30 June 2013

	Note	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000
Equity at the beginning of the year		44,837	46,960	44,053
Total comprehensive income		9,733	6,461	784
Equity at the end of the year	12	54,570	53,421	44,837

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



Statement of Financial Position as at 30 June 2013

	Note	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000
Current assets				
Cash & cash equivalents	4	355	-	1
Funds held in trust	4	97	-	-
Current trade and other receivables	5	647	1,180	751
Total current assets		1,099	1,180	752
Non-current assets				
Non-current trade and other receivables	5	146	-	63
Intangible assets	6	10	7	14
Property, plant & equipment	7	55,547	55,383	46,600
Total non-current assets		55,703	55,390	46,677
Total assets		56,802	56,570	47,429
Current liabilities				
Bank overdraft	4	970	757	423
Trade & other payables	8	428	1,149	1,289
Employee entitlements	9	61	76	79
Provision - current	10	47	27	42
Current portion of term liabilities	11	51	54	45
Total current liabilities		1,557	2,063	1,878
Non-current liabilities				
Provision - non-current	10	120	93	120
Term liabilities	11	555	993	594
Total non-current liabilities		675	1,086	714
Total liabilities		2,232	3,149	2,592
Net assets		54,570	53,421	44,837
Public equity				
Accumulated funds & reserves	12	54,570	53,421	44,837
Total public equity		54,570	53,421	44,837

Statement of Cash Flows for the year ended 30 June 2013

	Notes	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000
Cash flow from operating activities				
Receipts from rates revenue		483	481	470
Receipts from council dues		248	265	280
Receipts from grants and subsidies		5,876	8,219	6,124
Interest received		5	-	3
Receipts from other revenue		1,222	149	442
Payments made to employees		(833)	(733)	(646)
Interest paid		(35)	(71)	(28)
Other payments to suppliers		(4,007)	(3,583)	(4,024)
Net cash flow from operating activities	14	2,959	4,727	2,621
Cash flow from investing activities				
Purchase of fixed assets		(2,950)	(5,748)	(2,599)
Sale/(purchase) of other assets		(72)	-	-
Net cash flow from investing activities		(3,022)	(5,748)	(2,599)
Cash flow from financing activities				
Loans raised		12	633	80
Repayment of loans		(45)	(57)	(16)
Net cash flow from financial activities		(33)	576	64
Increase/(decrease) in cash held		(96)	(445)	86
Opening cash balance		(422)	(312)	(508)
Closing cash balance	4	(518)	(757)	(422)

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

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

Statement of Accounting Policies

For the year ended 30 June 2013.

Reporting entity

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

The primary objective of Chatham Islands Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Chatham Islands Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Chatham Islands Council are for the year ended 30 June 2013. The financial statements were authorised for issue on 8 November 2013.

Basis of preparation

The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). This includes preparing the accounts on a going concern basis. The Council has adopted this assumption as it considers it will continue to receive operational funding from central government in order for it to fulfil its required regional and territorial local government responsibilities.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

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

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

Financial assumptions, judgements and estimations

The financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and, if applicable, future periods if the revision affects both current and future periods.

Changes in accounting policies

There have been no changes in accounting policies, except to update the revaluation cycle of certain infrastructure assets. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

NZ IFRS standards, interpretations and amendments that have been issued but are not yet effective, which Chatham Islands Council has not yet applied, include:

- NZ IFRS 9 Financial Instruments. This will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. This new standard is required to be adopted for the year ended 30 June 2016
- In addition, the Minister of Commerce has approved a new Accounting Standards Framework developed by the External Reporting Board. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014.

Chatham Islands Council has not early-adopted these new standards and interpretations and it has not yet assessed the effects of them.



Revenue recognition

All revenue is recognised when it is billed or earned on an accrual basis with the following exceptions:

- Rates revenue is recognised when it is levied.
- The New Zealand Transport Agency (NZTA) roading subsidies are recognised when the conditions pertaining to eligible expenditure have been fulfilled.
- Government assistance and grants are recognised when eligibility is established.
- Other grants and bequests are recognised when control over the asset is obtained.
- Other revenue is recognised when it is earned by the Council.
- Interest income is recognised using the effective interest method.

Expenditure

Non-discretionary grant expenditure includes grants that are awarded if the grant application meets the specified criteria.

Discretionary grants expenditure includes those grants where Chatham Islands Council has no obligation to award on receipt of the grant application and that are recognised as expenditure when a successful applicant has been notified of the Chatham Islands Council decision.

Goods and services tax

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

The net amount of GST paid to or received from 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Debtors and other receivables

Trade and other receivables are non-interest bearing and are measured at fair value, less any provision for impairment.

Financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the Statement of Comprehensive Income.

Chatham Islands Council classifies its short-term deposits as 'loans and receivables' as described in NZ IFRS 7.

Loans and receivables are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income. Loans and receivables are classified as "other financial assets" in the Statement of Financial Position.

Property, plant and equipment

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet these criteria are expensed.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses, and classes of assets are grouped as follows: operational assets and infrastructural assets.

Intangible assets

Computer software is valued at cost less accumulated amortisation.

Amortisation

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

Asset	Years
Computer software	5 years

Operational assets

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

Infrastructure assets

Infrastructure assets are revalued when it is considered the market value of the assets are significantly different to the book value; generally this is on a five-yearly basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation, this balance is expensed in the Statement of Comprehensive Income.

Roading

Roading assets (excluding land under roads) were revalued by MWH Ltd (Registered Engineers) at depreciated replacement cost*, as at 30 June 2013. Land under roads is recorded at cost and is not depreciated. Subsequent additions are included at cost.

*NOTE: Depreciated replacement cost is ascertained by identifying the current cost to replace the existing services with appropriate services then depreciating that value over the useful life of the asset.

Stormwater and sewerage reticulation

The reticulation systems were valued by MWH Ltd (Registered Engineers) as at 30 June 2008. The valuation provided is depreciated replacement cost. Subsequent additions are included at cost.

Water

The reticulation systems were valued by MWH Ltd at depreciated replacement cost as at 30 June 2008. Subsequent additions are included at cost.

Impairment

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset.

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

Employee entitlements

Provision has been made in respect of the Council's liability for annual leave, at balance date. This has been calculated on an actual entitlement basis using current rates of pay. Chatham Islands Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The liability for sick leave is measured as the amount of unused entitlement accumulated at balance date that the entity anticipates employees will use in future periods in excess of the days they are entitled to.

Depreciation

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

Asset	Years
Motor vehicles	5 years
Furniture/fittings	5-10 years
Buildings	25-50 years
Office equipment	5 years
Roading:	
Top surface (seal)	10 years
Pavement (base course) Sealed	66 years
Unsealed	Not depreciated
Pavement Unsealed (wearing course)	5 years
Sub-base	Not depreciated
Formation	Not depreciated
Culverts	75-100 years
Footpaths	60 years
Kerbs	60 years
Signs	25 years
Street lights	50 years
Retaining walls	50 years
Bridges	30-50 years
Water reticulation:	
Pipes	25 years
Valves, hydrants	25 years
Pump stations	5-25 years
Tanks	80 years
Sewerage reticulation:	
Pipes	80 years
Manholes	60 years
Sand filter	26 years
Stormwater system:	
Pipes	40- 60 years
Harbour:	
Owenga wharf	50 years

Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operation lease are recognised as an expense on a straight-line basis over the lease term.

Chatham Islands Council does not have any finance leases of fixed assets, where substantially all the risks and benefits incidental to the ownership pass to the Council.

Provisions

Chatham Islands Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; in such cases, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the future expected expenditure.

Financial instruments

Chatham Islands Council is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, borrowings, debtors and creditors. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income. Except for those items that are covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Equity

Equity is the community's interest in Chatham Islands Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are:

- Retained earnings
- Restricted reserves
- Asset revaluation reserves.

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Chatham Islands Council. Restricted reserves are those subject to specific conditions accepted as binding by Chatham Islands Council and that may not be revised by Chatham Islands Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach subject to the netting of cash flows in respect of investments and borrowings that have been rolled over under arranged facilities to provide more meaningful information. The following are the definitions used in the Statement of Cash Flows:

Cash includes cash on hand and current bank accounts net of overdrafts.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.

Financing activities are those activities that result in changes in the size and composition of the capital structure of Chatham Islands Council, including both equity and debt not falling within the definition of cash.

Notes to the financial statements

NOTE 1: SUMMARY OF REVENUE AND EXPENDITURE BY ACTIVITY

	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000
Revenue by activity:			
Democracy	630	926	579
Infrastructure services	5,190	6,833	4,987
Community and regulatory services	870	903	497
Environmental services	804	860	808
Emergency management	410	214	77
Coasts, harbours & navigation	135	131	54
Total revenue	8,039	9,867	7,002
Expenditure by activity:			
Democracy	638	923	732
Infrastructure services	3,682	4,113	3799
Community and regulatory services	917	739	537
Environmental services	806	860	926
Emergency management	291	194	143
Coasts, harbours & navigation	171	162	81
Total expenditure	6,505	6,991	6,218
Net surplus/(deficit)	1,534	2,876	784

NOTE 2: REVENUE

Rates Revenue:	Actual 2012/13 \$000	Actual 2011/12 \$000
General rates	256	243
Targeted rates allocated to activities:		
Roading	48	47
Solid waste	55	48
Water	60	60
Sewerage	58	59
Total targeted rates	221	214
Rates penalties	18	9
Total rates	496	466

Compliance with rating processes

The Council is required to set rates in accordance with its rating funding impact statement and the Long-Term Plan for that financial year, per section 23(2)(b) of the Local Government (Rating) Act 2002. While the Annual Rates Resolution is consistent with the rating funding impact statement, the water targeted rate was charged to some properties that were not covered by the Council's Annual Rates Resolution.

Council is also required to explain in the rating funding impact statement for that financial year, how the liability for the each targeted rate is to be calculated, per clause 15(4)(c)(i) of schedule 10 of the Local Government Act 2002. The wording used as a basis for setting and adopting the fish (waste) targeted rate omitted reference to the capital value base that the rate was to be set on.

In both instances, the Council considers that there is no material impact on ratepayers, and that the risk of challenge or potential liability arising is very low. It is currently considering the most appropriate remedy to address these matters.

Grants and Subsidies:	Actual 2012/13 \$000	Actual 2011/12 \$000
Department of Internal Affairs - crown appropriation	3,466	2,233
New Zealand Transport Agency (NZTA)	2,922	3,489
Ministry of Civil Defence & Emergency Management	59	-
Other	160	99
Total grants & subsidies	6,607	5,821

NOTE 3: EXPENDITURE

Depreciation and Amortisation Expense by Group of Activity:	Actual 2012/13 \$000	Actual 2011/12 \$000
Democracy	8	8
Roading	1,624	1,475
Sewerage	38	38
Solid waste	6	6
Water	30	28
Stormwater	1	-
Community and regulatory	41	30
Environment	6	-
Emergency services	6	1
Coasts, harbours and navigation	38	34
Total depreciation and amortisation expense	1,798	1,620

Other expenses:	Actual 2012/13 \$000	Actual 2011/12 \$000
Audit fees - financial statement	64	64
Audit fees - other	-	45
Donations	52	60
Change in doubtful debts provision	(125)	(40)
Interest expense	35	28
Operating lease rentals	57	53

NOTE 4: CASH AND CASH EQUIVALENTS

The carrying amounts of cash at bank and term deposits with maturities less than three months approximate their fair value. Cash and cash equivalents includes the following for the purposes of the statement of cash flows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Cash at bank and on hand	355	1
Funds held in trust	97	-
Bank overdrafts	(970)	(423)
Total cash and cash equivalents	(518)	(422)

The Council holds \$97,173 of funds generated by the Chatham Islands Radio Society (now ceased operations) in Trust to support the provision of television reception for Islanders and run an on-island radio service. Of this total, \$25,490 will mature after 90 days.

NOTE 5: TRADE AND OTHER RECEIVABLES

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

	Actual 2012/13 \$000	Actual 2011/12 \$000
Rates	91	78
Sundry debtors	217	262
NZTA Assistance	109	440
Clean Heat loans advanced	10	10
GST recongnised	148	86
Prepayments	72	-
Total	647	876
Less provision for impairment	-	(125)
Total current trade and other receivables	647	751
Trade and other receivables non-current		
Clean heat loans advanced non-current	146	63
Total non-current trade and other receivables	146	63

The Council has specific powers under the Chatham Islands Council Act 1995 and Local Government Act 2002 to recover council dues and rates. These powers supersede usual debt collection processes and have been utilised in the year to ensure collection of prior period impairments. Council holds no security over receivables.

The status of current trade receivables as at 30 June is detailed in the following table:

	Actual 2012/13			Actual 2011/12		
	Gross	Impairment	Net	Gross	Impairment	Net
Past due 1 - 60 days	476	-	476	636	-	636
Past due 61 - 90 days	31	-	31	95	-	95
Past due > 90 days	140	-	140	145	(125)	20
Total	647	-	647	876	(125)	751

Movements in the provision for the impairment of trade and other receivables was as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
As at 1 July	125	165
Additional provisions made during the year	-	-
Provisions reversed during the year	(125)	(40)
Provision as at 30 June	-	125

NOTE 6: INTANGIBLE ASSETS

	Actual 2012/13 \$000	Actual 2011/12 \$000
Opening cost - software	17	6
Additions/(disposals) software	-	11
Closing cost - software	17	17
Opening accumulated amortisation software	(3)	-
Amortisation - software	(4)	(3)
Closing accumulated amortisation and impairment	(7)	(3)
Closing book value	10	14

No software is pledged as security for liabilities. There are no restrictions over the title of these assets.

NOTE 7: PROPERTY, PLANT & EQUIPMENT

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

Actual 2012/13	Opening Cost/ Revaluation \$000	Accumulated Depreciation \$000	Carrying Value at the Start of the Year \$000	Additions/ Transfers \$000	Impairment/ Disposals at Cost \$000	Depreciation \$000	Revaluation ¹ \$000	Carrying Value at the End of Year \$000
Operational Assets								
Land	181	-	181	90	-	-	-	271
Buildings	1,458	(575)	883	13	-	(29)	-	867
Furniture and fittings	114	(56)	58	14	-	(10)	-	62
Plant and office equipment	96	(72)	24	8	-	(9)	-	23
Vehicles	46	(35)	11	26	-	(9)	-	28
Parks and reserves	99	(49)	50	-	-	(4)	-	46
Total operational assets	1,994	(787)	1,207	151	-	(61)	-	1,297
Infrastructure assets								
Roading	49,226	(7,625)	41,601	2,119	-	(1,625)	8,199	50,294
Solid waste	42	(29)	13	239	-	(7)	-	245
Stormwater	12	(7)	5	-	-	-	-	5
Sewerage	1,205	(239)	966	-	-	(37)	-	929
Water	1,500	(251)	1,249	32	-	(29)	-	1,252
Harbour	1,665	(106)	1,559	2	-	(36)	-	1,525
Total infrastructure assets	53,650	(8,257)	45,393	2,392	-	(1,734)	8,199	54,250
Property, plant and equipment	55,644	(9,044)	46,600	2,543	-	(1,795)	8,199	55,547

¹ Roothing infrastructural assets were revalued during the year, resulting in an increase to the value of these assets by \$8.2 million. Associated with this revaluation, \$9.3 million of previously recognised depreciation was reversed.

There are no restrictions on title, nor have any assets been pledged as security for liabilities for all property, plant and equipment owned by the Council.

NOTE 7: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Actual 2011/12	Opening Cost/ Revaluation \$000	Accumulated Depreciation \$000	Carrying Value at the Start of the Year \$000	Additions/ Transfers \$000	Impairment/ Disposals at Cost \$000	Depreciation \$000	Revaluation \$000	Carrying Value at the End of Year \$000
Operational Assets								
Land	181	-	181	-	-	-	-	181
Buildings	1,451	(546)	905	7	-	(29)	-	883
Furniture and fittings	108	(47)	61	6	-	(9)	-	58
Plant and office equipment	89	(62)	27	7	-	(10)	-	24
Vehicles	46	(30)	16	-	-	(5)	-	11
Parks and reserves	99	(45)	54	-	-	(4)	-	50
Total operational assets	1,974	(730)	1,244	20	-	(57)	-	1,207
Infrastructure assets								
Roading	46,694	(6,170)	40,524	2,532	-	(1,455)	-	41,601
Solid waste	36	(23)	13	6	-	(6)	-	13
Stormwater	12	(7)	5	-	-	-	-	5
Sewerage	1,205	(201)	1,004	-	-	(38)	-	966
Water	1,500	(223)	1,277	-	-	(28)	-	1,249
Harbour	1,650	(72)	1,578	15	-	(34)	-	1,559
Total infrastructure assets	51,097	(6,696)	44,401	2,553	-	(1,561)	-	45,393
Property, plant and equipment	53,071	(7,426)	45,645	2,573	-	(1,618)	-	46,600

NOTE 8: TRADE AND OTHER PAYABLES

	Actual 2012/13 \$000	Actual 2011/12 \$000
Creditors & accruals	428	811
Income in advance	-	478
Total trade and other payables	428	1,289

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of trade and other payables approximates their fair value.

NOTE 9: EMPLOYEE BENEFIT LIABILITIES

	Actual 2012/13 \$000	Actual 2011/12 \$000
Annual and sick leave	44	58
Accrual for employee benefits	17	21
Total employee benefits	61	79

NOTE 10: PROVISIONS

	Actual 2012/13 \$000	Actual 2011/12 \$000
Current Provisions		
Pitt Island Barge Society	20	15
Landfill closure	27	27
Total current provisions	47	42
Non-current provisions		
Landfill closure	120	120
Total non-current provisions	120	120
Total provisions	167	162

A provision has been recognised for landfill closure costs, that are expected to be incurred in the next five years. MWH estimated the provision using the Ministry for Environment Guide to the Management of Closing and Closed Landfills in New Zealand. The provision has been valued at current estimated costs.

A provision has also been made for the estimated refund of one year of council dues to the Pitt Island Barge Society. Council dues are payable on the production of audited accounts by the Pitt Island Barge Society.

NOTE 11: TERM LIABILITIES

	Actual 2012/13 \$000	Actual 2011/12 \$000
Loans	606	639
Less current portion of term liabilities	(51)	(45)
Total term liabilities	555	594

The Council has a Heartlands loan from the Chatham Islands Enterprise Trust, refinanced for a period of 15 years. Interest rates are fixed at 7.62%.

The Council has a loan for the Norman Kirk Memorial Reserve with the Chatham Islands Enterprise Trust, for a period of five years. Interest rates are fixed at 6.20%.

The Council also has three Warm Homes loans with the Chatham Islands Enterprise Trust, all for a term of 10 years. Fixed interest rates range from 5.37-6.00%.

The Council has three 10-year loans with ANZ Bank with variable interest rates (ranging from 5.74% to 6.25%).

There is a suspensory loan from Housing New Zealand for \$90,000 which will not be repaid if the loan conditions are met.

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

NOTE 12: PUBLIC EQUITY

The Council's capital is its public equity, which includes retained earnings and reserves. The Local Government Act 2002 requires the Council to manage its finances prudently and in a manner that promotes the current and future interests of the community. Public equity is a derivative of managing revenues, expenses, assets, liabilities, investments, and other general financial dealings.

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

	Actual 2012/13 \$000	Actual 2011/12 \$000
General funds		
Opening balance	9,555	8,771
Net surplus/(deficit) for the year	1,534	784
Transfers (to)/from other reserves	198	-
Closing balance	11,287	9,555
Te Whanga opening reserve		
Opening balance	(3)	(3)
Transfer (to)/from general funds	-	-
Closing balance	(3)	(3)
RMA document fund reserve		
Opening balance	172	172
Transfer (to)/from general funds	(172)	-
Closing balance	-	172
Burial register reserve		
Opening balance	31	31
Transfer (to)/from general funds	-	-
Closing balance	31	31
Museum displays valuation reserve		
Opening balance	26	26
Transfer (to)/from general funds	(26)	-
Closing balance	-	26
Asset revaluation reserve		
Opening balance	35,056	35,056
Revaluations/impairments	8,199	-
Closing balance	43,255	35,056
Total equity at end of year	54,570	44,837

Chatham Islands Council has the following reserve funds:

General Funds - Income appropriation account to fund future development.

Te Whanga Opening - Funds set aside for the opening of Te Whanga (lagoon).

RMA Document Fund - Funds set aside to create the resource management policy.

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

Museum Displays Valuation Reserve - Funds set aside to fund the valuation of displays in the Chatham Islands Museum.

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

NOTE 13: FINANCIAL INSTRUMENT RISKS

Chatham Islands Council is risk averse and seeks to minimise exposure from its treasury activities. As part of its normal operations, the Council is exposed to credit risk, interest rate risk and liquidity risk. The Council's exposure to these risks and the action taken to minimise these risks are detailed below:

Credit risk

Credit risk is the risk that a third party will default on its obligations, resulting in a loss to the Council.

The maximum exposure to credit risk at balance date is the fair value of the financial instrument, as stated in the Statement of Financial Position. Significant concentrations of credit risk apply principally in respect of bank accounts and investments.

The Council has a policy of investing with ANZ Bank so as to assist with the maintenance of a banking facility on Island. In relation to receivables, there exists a moderate credit risk, as council dues are collected from a small number of transport firms. The Council's maximum credit exposure for each class of financial instrument is as follows:

	2012/13 \$000	2011/12 \$000
Cash at bank and investments *	(518)	(421)
Trade and other receivables **	573	728
Total credit risk	55	307

*Cash includes the bank overdraft.

**Debtors and other receivables exclude prepayments.

Cash at bank and term deposits (including funds held in Trust) are with ANZ Bank, which has a Standard and Poor's credit rating of AA- (2012: AA-). Debtors include rates and council dues which are subject to the Local Government (Rating) Act 2002 and the Chatham Islands Council Act 1995. There is no procedure to monitor the credit status of other debtors that mainly arise from the Council's statutory functions.

Interest rate risk

Interest rate risk is the risk that the value of the Council's financial instruments will fluctuate due to changes in market interest rates. The Council is exposed to interest rate risk from its interest-earning financial assets and interest-bearing liabilities. The Council is risk averse and seeks to minimise exposure arising from its treasury activities. Investment and borrowings are undertaken in accordance with the Council's investment and liability management practices. These policies do not allow the Council to enter into any speculative transactions.

The Council did not hold a significant amount of funds in investment accounts during the year. Consequently, the impact of fluctuating interest rates would have a minimal impact on interest income (2012 \$nil). The Council minimises the risk of interest rate risk on borrowings through fixed interest stocks and floating rate securities.

Liquidity risk

Liquidity risk is the risk that the Council will not be able to fund its commitments as they fall due. Facilities are maintained in accordance with the Council's investment and liability management policies. The Council maintains an overdraft facility with ANZ and manages its cash flows on a daily basis to ensure obligations are met as they fall due.

The following table shows a contractual maturity analysis of financial instruments. All financial assets have a maturity of less than one year.

Financial Liabilities 2012/13	Carrying Amount \$000	Contracted Cash Flows \$000	Less than 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000
Trade and Other payables*	428	428	428	-	-
Income in advance	-	-	-	-	-
Loans**	516	694	85	325	284

Financial Liabilities 2011/12	Carrying Amount \$000	Contracted Cash Flows \$000	Less than 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000
Trade and Other payables*	811	811	811	-	-
Income in advance	478	478	478	-	-
Loans**	549	755	78	324	353

*Creditors and other payables exclude employee benefit liabilities and income in advance.

**Loans exclude loans that will not be repaid if certain conditions are met.

NOTE 14: CASH FLOW RECONCILIATION

	Actual 2012/13 \$000	Actual 2011/12 \$000
Surplus/(deficit) after tax	1,534	784
Add/(less) non-cash items:		
Depreciation and amortisation	1,798	1,620
Donated assets	(12)	-
Movement in working capital items:		
(Increase)/decrease in trade and other receivables	156	(52)
(Increase)/ decrease in GST receivable	-	15
Increase/(decrease) in trade and other payables (excluding capital)	(57)	(64)
Increase/(decrease) in income in advance	(478)	301
Increase/(decrease) in employee entitlements	18	14
Increase/ (decrease) in provisions	-	3
Net Cash Flow from operating activities	2,959	2,621

NOTE 15: REMUNERATION OF ELECTED MEMBERS & GENERAL MANAGER

Elected members' remuneration:

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

Name	Position	Actual 2012/13	Actual 2011/12
Alfred Preece	Mayor	45,778	45,268
Jeffrey Clarke	Deputy Mayor	13,797	13,644
Monique Croon	Councillor	7,238	7,158
Keri Day	Councillor	7,238	7,158
Gregory Horler	Councillor	7,238	7,158
Nigel Ryan	Councillor	7,238	7,158
Ronald Tuuta	Councillor	4,817	7,158
Dale Whaitiri	Councillor	7,238	7,158
Nathaniel Whaitiri	Councillor	7,238	7,158
Total Honoraria		107,820	109,018

General Manager remuneration:

The General Manager of the Council was appointed in accordance with section 42 of the Local Government Act 2002. The total cost of salary and benefits paid during the year including fringe benefit tax was \$173,751 (2012 \$168,492).

Total payments to key management personnel

During the year the following payments were made to key management personnel (comprising the General Manager, the Mayor and Councillors' honoraria).

	Actual 2012/13 \$	Actual 2011/12 \$
Short Term Employment Benefits	281,571	277,510
Total compensation of key management personnel	281,571	277,510

Council staffing levels and remuneration

At balance date, the Council employed nine full-time employees with the remaining four part-time staff representing two full-time equivalent employees (in 2012 there were eight full-time and four part-time staff representing two full-time equivalent employees).

Total annual remuneration by band for employees as at 30 June based on head count is disclosed below:

Band	Actual 2012/13 \$	Actual 2011/12 \$
Under \$59,999	8	8
\$60,000 - \$179,999	5	4
Total	13	12

Severance payments

For the year ended 30 June 2013 the Council made no severance payments (2012 \$nil).

NOTE 16: RELATED PARTY TRANSACTIONS

A party is considered to be related to the Council if it could be perceived to have a significant influence on decisions made by the Council, or vice-versa. This may be through ownership or as a member of management/Council or a close family member of such an individual. During the year, payments were made to entities that meet this definition as follows:

Description	Actual 2012/13		Actual 2011/12	
	Actual	Outstanding balances	Actual	Outstanding balances
Refuse site lease and investigation	49,900	-	24,060	-
Waitangi Hardware	7,374	1,045	6,885	-
Awarakau Farmstays	6,085	1,065	10,032	-
Total	63,359	2,110	40,977	-

The Council also provides accommodation to a member of key management personnel, at a rental rate approved by the Council.

In addition to the values disclosed above, key management personnel were involved in minor transactions with the Council as part of a usual business relationship.

NOTE 17: STATEMENT OF CONTINGENCIES

The Council made an application for additional government funding support leading up to the beginning of the 2012/13 year. Throughout the year the Council held expectations that this additional funding would be paid.

In August 2013 the Council was advised by Department of Internal Affairs officials that there would be no increase for the 2012/13 year and other years until the government books were back in surplus and that the Council would have to cut back on activities to match its incomes.

Since that meeting the Minister of Internal Affairs has offered to provide an independent person to assist the Council undertake a review of its budgets. The Minister confirmed that subject to the outcome of the review, that he would seek additional funding for the 2014/15 and out years.

NOTE 18: STATEMENT OF COMMITMENTS

As at 30 June the Council has capital or operating lease commitments as detailed below:

Contract Commitments	2012/13 Actual \$000	2011/12 Actual \$000
Not later than 1 year	4,111	3,191
Between 1 and 5 years	5,449	6,039
More than 5 years	-	-
Total lease commitments	9,560	9,230

These commitments include the following contracts:

- A building lease with Land Information New Zealand through to 30 June 2017
- A contract with Civica Pty Limited for software services to 30 June 2016
- A contract for Regional Council Services to Environment Canterbury to 30 June 2016
- A five-year road maintenance services contract with Downers NZ Limited. This contract ceases 30 June 2015
- A contract with Quotable Value for database management and information for a three-year period ceasing 30 June 2014.

The Council also has a contract of indeterminate length for building control functions with Christchurch City Council. There is no cost to the Council as work is performed on a user pays basis.

There are no restrictions placed on the Council with the current lease terms.

NOTE 19: SUBSEQUENT EVENTS

With the exception of the disclosure in Note 17: statement of contingencies, there are no significant post balance date events.

NOTE 20: STATUTORY DEADLINE

Council is required to complete and adopt its Annual Report within four months after the end of the financial year per section 98(3) of the Local Government Act 2002. Council was unable to comply with this requirement for the year ended 30 June 2013 as a quorum was not available to adopt the Annual Report. The Annual Report was not adopted until 8 November 2013.

Council Funding Impact Statement

The Local Government Act 2002 and the Local Government (Financial Reporting) Regulations 2011 require the Council to adopt a Funding Impact Statement both for the Council and for each group of activities. The objective of the policy makers is to provide information that is more easily understood. The Funding Impact Statement must identify: the sources of funding to be used; the amount of funds expected to be produced from each source; and how the funds are to be applied.

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

The Revenue and Financing Policy contained in the Long-Term Plan 2012-22 sets out Chatham Islands policies with respect to which funding mechanisms are to be used to finance the operating and capital expenditure.

FUNDING IMPACT STATEMENT FOR COUNCIL

	Actual 2012/13 \$000	Annual Plan 2012/13 \$000	Actual 2011/12 \$000	Annual Plan 2011/12 \$000
Source of operating funding				
General rates, uniform annual charge, rates penalties	274	257	252	244
Targeted rates (other than a targeted rate for water supply)	161	166	154	151
Subsidies and grants for operating purposes	3,098	4,007	3,493	3,402
Fees, charges and targeted rates for water supply	60	61	60	60
Local authorities fuel tax, fines, infringement fees, and other receipts	937	584	715	547
Total operating funding	4,530	5,075	4,674	4,404
Applications of operating funding				
Payments to staff and suppliers	3,610	4,317	3,444	3,812
Financial costs	35	71	28	109
Other operating funding applications	1,062	228	1,126	201
Total applications of operating funding	4,707	4,616	4,598	4,122
Surplus/(deficit) of operating funding	(177)	459	76	282
Source of capital funding				
Subsidies and grants for capital expenditure	3,509	4,792	2,328	2,281
Increase/(decrease) in debt	(33)	576	-	80
Total source of capital funding	3,476	5,368	2,328	2,361
Application of capital funding				
Capital expenditure				
- to improve the level of service	356	1,554	-	236
- to replace existing assets	2,175	4,258	2,573	2,833
Increase/(decrease) in reserves	768	15	(169)	(426)
Total applications of capital funding	3,299	5,827	2,404	2,643
Surplus/(deficit) of capital funding	177	(459)	(76)	(282)
Funding balance	-	-	-	-

Groups of activities disclosures

Democracy

Infrastructure services

Community and regulatory services

Environmental services

Emergency management

Coasts, harbour and navigation



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

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

Democracy's key activities involve the following functions:

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

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for our democratic functions:

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

Progress to achieving our democratic functions

- **Economic development and a sustainable Council:** Fundamental to sustaining financial viability, the Council places reliance on external funding sources to ensure it meets the legislative level of service requirements. This is primarily due to the Council not having an investment portfolio or the population base to support required levels of service. Core funding from central government is secured. However, additional funding to meet the Council's obligations in relation to the Long-Term Plan 2012-22 has been declined until after a review of the Council has been undertaken by central government and an independent person.
- **Building partnerships:** The Council continues to maintain a sound working relationship with the Chatham Islands Enterprise Trust and employs a collective Island approach to finding solutions to addressing sustainability of infrastructure for the islands. In partnership with the Chatham Islands Enterprise Trust, work is progressing with central government in addressing the infrastructure issues associated with the Waitangi and Pitt Island wharves and securing funding for the upgrades.
- **Recognition of Imi/Iwi:** The establishment of a working relationship with Imi/Iwi has begun. It is envisaged that protocols for a working relationship between the Council and Imi/Iwi will be developed and formalised. These protocols will assist in progressing the review of the Chatham Islands Resource Management Document and recognition of Imi/Iwi and their relationship with their accustomed environments.
- **Engaging and informing our community:** The Council undertakes the local authority elections, runs decision-making processes such as Council meetings, and informs and engages with our community. In 2013/14 the local elections will be held. To communicate The Council's key priorities, a pre-election report was created for the local election campaign. In 2012/13 the Council adopted the Annual Plan 2013/14 after consultation, which included the hearing of submissions from the public. The Council informs our community about decision-making and activities through our website, the Chatham Islander, the community e-list and other publications such as Council agendas.

The challenges we face delivering our democratic functions:

- We rely on government assistance to meet the Council's current statutory responsibilities. Securing continued funding support remains uncertain and could potentially affect the Council's ability to deliver and maintain a level of service in the future.
- Engaging with the community in ways that the community find meaningful. A lack of effective engagement could potentially affect participation and the bringing together of skills, experiences and knowledge in promoting a collective approach to finding solutions to sustainability.



- Raising understanding of Council decision-making processes and opportunities for input. A lack of understanding of Council's decision-making processes could potentially result in adverse reactions to Council decisions and inhibit opportunities for input.

FUNDING IMPACT STATEMENT FOR DEMOCRACY

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	475	614	364
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	155	313	224
Total operating funding	630	927	588
Applications of operating funding			
Payments to staff and suppliers	262	795	404
Financial costs	-	-	-
Internal charges and overheads applied	368	111	268
Total application of operating funding	630	906	672
Surplus/(deficit) of operating funding	-	21	(84)
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	-	-	-
Total source of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	-	12
- to replace existing assets	-	21	-
Increase/(decrease) in reserves	-	-	(96)
Total applications of capital funding	-	21	(84)
Surplus/(deficit) of capital funding	-	(21)	84
Funding balance	-	-	-

Major variances to budget explanation

The 2012/13 budget assumed sufficient central government support would be provided to cover the cost of the Council's operations. An application for such funding support was made; however, the level of support agreed was less than expected, although consistent with 2011/12 funding levels.

The variation in the application of funds is reflective of where expenditure has been allocated in the year. Overall expenditure is in line with budgeted levels.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Performance assessment

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

We also record levels of participation in elections and monitor the performance of our legislative requirements for governance, reporting and planning. Our performance against key reporting deliverables are detailed below:

1. Providing effective governance and leadership to the Chatham Islands community		
1.1	Measure: The percentage of residents who feel confident that Council decisions are made in the best interests of the community.	Target: 85% of residents are confident or very confident (measured by annual survey, on a scale of very confident, confident, unconfident, very unconfident).
	Result: ✗ Not achieved. Overall, 68% of respondents were confident or very confident, and 16% had no opinion that Council decisions are made in the best interests of the community. This year's result is less than the target of 85% and slightly higher than that reported in 2012 of 67%. The Council continues to explore ways to improve community engagement and input into decision-making processes. The Council's current focus is on effective communication with residents through the Council website, monthly Council news and advertised Council meetings.	

1.2	Measure: The percentage of residents who are satisfied with the advocacy by the Mayor and councillors on behalf of the community.	Target: 85% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied).
	Result: ✗ Not achieved. Overall, 70% of respondents were satisfied or very satisfied, 10% dissatisfied or very dissatisfied and 19% had no opinion. This year's result is lower than the 85% target and satisfaction is 5% lower than that reported last year.	
1.3	Measure: Voter turnout.	Target: In top quartile of New Zealand Territorial Authorities greater than 60%
	Result: ✗ Not measured in 2012/13. Next Territorial Authority Elections to be held in October 2013. At the last 2010 Territorial Authority Elections, voter turnout was 69.4%.	
2. Meeting legislative requirements for governance, planning and reporting		
2.1	Measure: The percentage of official meetings of elected representatives conducted in compliance with the Local Government Official Information and Meetings Act 1987 and Council Standing Orders.	Target: 100%.
	Result: ✓ Achieved. No incidents of non-compliance reported. The Local Government Official Information and Meetings Act 1987 requires the Council to make all agendas and reports available two days before meetings, apart from extraordinary meetings.	
2.2	Measure: LTP/Annual Plan and Annual Report compliant with the Local Government Act 2002.	Target: Audited without qualification.
	Result: ✓ Achieved. The Annual Plan 2013/14 was completed and approved in compliance with the Local Government Act 2002.	
2.3	Measure: The Council's governance statement is kept up to date.	Target: Kept up to date with legal requirements.
	Result: ✓ Achieved. An up-to-date governance statement that meets legal requirements is in place, having been adopted on 15 December 2010. A review of the Council's Governance Statement will be undertaken in 2013/14.	

Looking ahead - key projects:

- The Council will continue to work with central government in securing future funding support in order for the Council to continue to meet its statutory responsibilities and further enabling a sustainable future for the Island community.
- The Council will continue to take a collective approach to securing funding for a Waitangi and Pitt Island Wharf upgrade. We will sustain working relationships with central government and the Chatham Islands Enterprise Trust in promoting the interests of Islanders.
- The Council acknowledges the importance of Māori and Moriori in the decision-making process and developing a sound platform for building a working relationship in which a pathway to the sustainable management of Island resources is effectively managed.

Infrastructure services



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

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

Infrastructure services' key activities involve the following functions:

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

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for infrastructure services:

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

Progress to achieving our infrastructure service functions

- **Access to quality infrastructure:** Progress towards the implementation of the Waste Management Strategy and the establishment of a waste management system continues. Land has now been made available for the establishment of a compliant sanitary landfill to meet health and environmental standards. A work programme is in place and underway. The availability of financial resources to begin the implementation of the Council's Waste Management Plan ensures a positive economic impact.
- **A safe and secure community:** The Council is currently investigating funding sources to address the water supply issues on the Chatham Islands and the potential impacts on community health and safety. A working relationship with the Ministry of Health has been established and maintained during the year. Funding for an upgrade of the Kaingaroa water scheme has been secured.
- **Reliable transportation services:** The implementation of the Chatham Islands Land Transport Strategy continues. The Strategy sets out the features of the current land transport system and strategies for meeting the Islands' needs. The road maintenance programme has been adhered to over the year. Road safety and compliance remain a key focus of the roading programme.
- **Protecting our environment:** The Council continues to manage stormwater assets and to minimise the damage to property from flooding, erosion and water pollution. The Waitangi sewerage systems continue to operate to compliance. This also ensures that the Māori/Moriori relationship with their accustomed environment is not affected by adverse effects that the wastewater system may have on the environment.

The challenges we face delivering our infrastructure service functions

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

FUNDING IMPACT STATEMENT FOR INFRASTRUCTURE SERVICES

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	161	166	143
Subsidies and grants for operating purposes	1,511	1,822	1,379
Fees, charges and targeted rates for water supply	60	62	47
Local authorities fuel tax, fines, infringement fees, and other receipts	76	11	505
Total operating funding	1,808	2,061	2,074
Applications of operating funding			
Payments to staff and suppliers	1,900	1,845	1,464
Financial costs	-	18	-
Internal charges and overheads applied	80	12	54
Total application of operating funding	1,980	1,875	1,518
Surplus/(deficit) of operating funding	(172)	186	556
Source of capital funding			
Subsidies and grants for capital expenditure	3,382	4,773	2,520
Increase/(decrease) in debt	-	267	-
Total source of capital funding	3,382	5,040	2,520
Application of capital funding			
Capital expenditure			
- to improve the level of service	239	1,474	3,191
- to replace existing assets	2,151	3,737	-
Increase/(decrease) in reserves	820	15	(115)
Total applications of capital funding	3,210	5,226	3,076
Surplus/(deficit) of capital funding	172	(186)	(556)
Funding balance	-	-	-

Major variances to budget explanation

The primary expenditure relates to the provision of roads and roading infrastructure within the territory. Expenditure on capital works during the year was less than expected with priority diverted to operating projects. Consequently, the grant received from the New Zealand Transport Agency (which is based on the level of expenditure) was also lower than anticipated.

The budget also assumed key capital projects to develop an on-island sanitary landfill and reliable water supplies for a number of townships would be underway. Unfortunately, these capital projects were delayed. The landfill project has commenced now a suitable site has been leased. However water upgrades have not yet commenced, awaiting suitable funding to be secured. Expenditure on roading during the year was lower than expected, with priority given to the development of the sanitary landfill site. Work programmes will be carried over to the 2013/14 financial year.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Detailed Funding Impact Statements for each infrastructure category are provided in Appendix 2.

Performance assessment

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

1. Roading- Providing a safe, smooth and well-maintained and managed road network.		
1.1	Measure: The percentage of maintenance work identified in the Annual Roading Strategy undertaken.	Target: 100%
	Result: ✓ Achieved. 100% of maintenance work identified and completed. This is consistent with the performance in 2011/12.	
1.2	Measure: Number of motor vehicle crashes causing injury.	Target: Less than three injury crashes.
	Result: ✓ Achieved. No accidents causing injury. This is consistent with 2011/12 performance.	
1.3	Measure: The percentage of projects identified in the annual minor improvements programme completed.	Target: 100%
	Result: ✗ Not achieved. 69% of minor improvements projects were completed.	
1.4	Measure: The number of infestations of plant pests within the road reserve found in quarterly inspections.	Target: None.
	Result: ✓ Achieved. No infestations reported. Plant infestation is based primarily on no observed infestations during MWH's quarterly network inspections. This is also supported by no public complaints being received. This is consistent with results in 2011/12.	
1.5	Measure: The number of requests or complaints about the road network.	Target: No more than 10 complaints a year.
	Result: ✓ Achieved. In total ten complaints were received. There were; five for slaughtered beast removal complaints which were completed on the day of the request; one for lack of footpaths in Te One; one complaint about tidying up after road rehab; one complaint regarding a culvert; one complaint about a slippery footpath in Waitangi; and one complaint relating to a street light in Waitangi.	
1.6	Measure: The percentage of the contractor's response to written requests or complaints within five working days.	Target: 100% within five working days.
	Result: ✓ Achieved. 100% of requests/complaints were responded to within five working days.	

1.7	Measure: The percentage of residents who are satisfied with the overall extent and safety of the urban and rural road network.	Target: 75% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied).
	Result: ✗ Not achieved. Overall, 52% of respondents were satisfied or very satisfied, 33% dissatisfied or very dissatisfied and 14% had no opinion. This is below the 75% target. Satisfaction is 6% lower than last year.	
2. Solid and hazardous waste management - providing convenient and effective resource recovery and waste management facilities for the Chatham Islands that are economically and environmentally sustainable and protect public health.		
2.1	Measure: The percentage of the population within 20km of a transfer station or landfill.	Target: 75%.
	Result: ✓ Achieved. 75% of residents live within 20km of the three refuse sites provided. This has not changed from 2011/12.	
2.2	Measure: The number of complaints about facilities.	Target: No more than two complaints a year.
	Result: ✓ Achieved. Two complaints received; one relating to the maintenance of Kaingaroa dump and one relating to a fire at Owenga dump.	
2.3	Measure: The time to respond to written requests or complaints.	Target: 100% within five working days of notification.
	Result: ✓ Achieved. Responded to within five working days.	
3. Water supply - providing a safe and reliable water supply for Waitangi.		
3.1	Measure: Compliance of monthly water quality testing with New Zealand Drinking Water Standards.	Target: 100% compliant.
	Result: ✗ Not achieved. Under current Drinking Water Standards, the supply is not yet considered compliant. The current secure bore testing (i.e. monthly <i>E coli</i> sampling from the bore) needs to continue until 2015 before the Ministry of Health will review the results and be able to confirm secure status of the bore. It is also important to note that from a public health risk perspective, the secure bore testing started with three months of intensive weekly <i>E coli</i> sampling and no <i>E coli</i> was recorded during that time. No <i>E coli</i> has been detected in the continued monthly sampling either (both in raw and treated water). The three month intensive testing forms part of the procedure to determine the secure status of the Tiki Tiki aquifer. The monthly testing is a DWSNZ 2008 compliance requirement and is not related to the process to confirm the secure status of the borehole.	

3.2	Measure: The percentage of customers who are satisfied with the Waitangi water supply scheme.	Target: 80% of customers are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, and very dissatisfied).
	Result: ✗ Not achieved. 31% of respondents were connected to the Waitangi or Kaingaroa water supply. 65% were either very satisfied or satisfied, 34% dissatisfied or very dissatisfied and 4% had no opinion. This is below the target of 80% but 2% higher in satisfaction from 2011/12.	
3.3	Measure: The number of complaints about the water supply.	Target: No more than five complaints a year.
	Result: ✓ Achieved. Two complaints were received and related to the Waitangi water supply; one relating to water taste and one relating to leakages in supply.	
3.4	Measure: The time taken to respond to complaints and to restore lost supply.	Target: 95% of complaints are responded to within two hours and lost supply restored within eight hours of notification.
	Result: ✓ Achieved. Complaints were responded to within 24 hours.	
4. Stormwater - managing the level of Te Whanga and minimising flooding of land.		
4.1	Measure: The frequency of opening Te Whanga outlet.	Target: Te Whanga outlet will be opened a minimum of once every two years or more frequently as required.
	Result: ✗ Not achieved. Te Whanga outlet was not required to be opened during 2012/13. The outlet had been last opened in 2010/11.	
5. Wastewater (Sewerage) - providing a reliable, environmentally friendly sewerage system.		
5.1	Measure: Compliance with resource consent conditions (monthly monitoring of the system and an annual soil test).	Target: 100% compliance, other than minor non-compliance with nil or minor short-term adverse environmental effects.
	Result: ✓ Achieved. 100% compliance. No incidences of non-compliance were reported. This is consistent with performance in 2011/12.	
5.2	Measure: The number of complaints about odours or any other nuisances.	Target: No more than two complaints a year.
	Result: ✓ Achieved. No complaints about odours were received. This is consistent with performance in 2011/12.	

5.3	Measure: The number of complaints about the sewerage system.	Target: No more than five complaints a year.
	Result: ✓ Achieved. No complaints were received. This is consistent with performance in 2011/12.	
5.4	Measure: The time taken to respond to complaints of loss of service and to restore lost service.	Target: 95% of complaints are responded to within two hours and investigated within 12 hours and minor faults remedied within 24 hours of notification.
	Result: ✓ Achieved. Downer NZ is responsible for responding to complaints for loss of service. This is consistent with performance in 2011/12.	

Looking ahead - key projects

- The establishment of a new waste management system by way of a sanitary landfill and the provision of transfer stations.
- Continue to work towards a sustainable and reliable water sources for the townships of Kaingaroa, Owenga, Waitangi and Te One.
- Continue to provide a safe, smooth and well-maintained and managed road network.

Community and regulatory services



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

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

Community and regulatory services' key activities include:

- **Providing services to the community.** The Chatham Islands Council considers social and community development to be the cornerstone of the well-being of the Chatham Islands community. It views recreation, arts and culture as essential to the health and well-being of society and believes that a strong community is knowledgeable of its heritage, and preserves and respects achievements of the past
- **Processing licensing and building consents.** The Christchurch City Council and the Canterbury Regional Council are the Building Control Authority for the Chatham Islands. The Chatham Islands Council provides administrative support for these councils on an as required basis
- **Dog and animal control.** The Council carries out animal control functions in accordance with the Dog Control Act 1996, the Impounding Act 1995 and animal control bylaws.

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for community and regulatory services:

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

Progress to achieving our community and regulatory functions

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

The challenges we face delivering our community and regulatory services functions

- The Council's housing stock and council buildings require on going maintenance which, if not performed, could result in significant degradation of the assets. Two of the three council staff houses have been deemed unfit for purpose. It is the Council's intention to tender the two houses for removal. Replacement of the houses remains uncertain.
- While conditions on liquor licences and health registrations may constrain individuals' choices or actions, benefits accrue to the wider community and the environment from having such conditions.
- The Council continues to be non-compliant with the Health Act while there is no qualified on-island mortician.
- There remains uncertainty over the demand for community housing.

FUNDING IMPACT STATEMENT FOR COMMUNITY AND REGULATORY

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	274	257	248
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	39	461	23
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	571	185	496
Total operating funding	884	903	767
Applications of operating funding			
Payments to staff and suppliers	483	579	252
Financial costs	25	53	41
Internal charges and overheads applied	362	19	264
Total application of operating funding	870	651	557
Surplus/(deficit) of operating funding	14	252	210
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	-	310	-
Total source of capital funding	-	310	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	60	-
- to replace existing assets	14	502	-
Increase/(decrease) in reserves	-	-	210
Total applications of capital funding	14	562	210
Surplus/(deficit) of capital funding	(14)	(252)	(210)
Funding balance	-	-	-

Major variances to budget explanation

The budget assumed the three staff houses would be renovated to ensure they were more fit for purpose. This did not occur in the year. The variation in the application of funds is reflective of where expenditure has been allocated in the year. Overall expenditure is in line with budgeted levels.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Performance assessment

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

1. Community services - providing community services		
1.1	Measure: The percentage of residents who are satisfied with community services.	Target: 85% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied or very dissatisfied).
	Result: X Not achieved. Overall, 71% of respondents were satisfied or very satisfied, 8% dissatisfied or very dissatisfied, and 19% had no opinion. There has been a 2% decrease in satisfaction on last year's results. This result is still under the target of 85%.	
1.2	Measure: The number of complaints about community services.	Target: No complaints.
	Result: X Not achieved. Five complaints received; three related to public toilets, one related to cemeteries and one related to community housing.	
1.3	Measure: Time taken to respond to complaints about operations and facilities and to remedy faults.	Target: 100% are investigated within 12 hours and minor faults remedied within 24 hours of notification.
	Result: X Not achieved. The community housing response time was not achieved. Information on the response times for the other four complaints is not available.	

1.4	Measure: Compliance with NZS 5828 for safety of playground equipment.	Target: 100% compliance.
	Result: ✓ Achieved.	
1.5	Measure: The occupancy rate for council housing.	Target: Greater than 95%.
	Result: X Not achieved. 100% occupancy was achieved for part of the financial year under review. From December 2012, two of the three council houses were unoccupied. The two houses were deemed unfit in terms of health and safety. The one remaining council house has been 100% occupied.	
1.6	Measure: The increase in the number of social houses on the Chatham Islands, in collaboration with Housing New Zealand and Chatham Islands Housing Trust.	Target: Two new houses.
	Result: X Not achieved. No increase in the number of social housing. However, the Council in collaboration with the Chatham Islands Enterprise Trust and Ngāti Mutunga o Wharekauri Iwi Trust during the year are working towards a Social Housing Project.	
2. Community services - provision of a local library service		
2.1	Measure: Community satisfaction with the existing library service.	Target: 100%.
	Result: X Not achieved. The following question was asked: "How satisfied are you with community services such as the maintenance of parks, council buildings and cemeteries, the library and the provision of grants?" Overall, 71% of respondents were satisfied or very satisfied, 8% dissatisfied or very dissatisfied, and 19% had no opinion. There has been a 2% decrease in satisfaction on last year's results and the result is still under the target.	
2.2	Measure: Renewal of library books.	Target: Books renewed every six weeks.
	Result: X Not achieved. Books were renewed every two months through the Council's arrangement with Wellington City Council. This is consistent with 2011/12.	
3. Licensing and building - processing liquor licences and building consents		
3.1	Measure: The percentage of applications processed within statutory timeframes.	Target: 95%.
	Result: ✓ Achieved. Liquor licences – 18 applications were received and were issued within statutory timeframes. A General Manager's Refresher Course was held during 2012/13. ✓ Achieved. Building consents – the Chatham Islands Council no longer issues building consents. This function is performed by Christchurch City Council. The Chatham Islands Council acts as an agency to receive applications and payment of fees. 23 building consents were issued during 2012/13.	
3.2	Measure: The number of Liquor Licensing inspections.	Target: At least one Annual inspection.
	Result: ✓ Achieved. Two inspections were undertaken during the year. One inspection undertaken during December 2012 and one inspection during June 2013.	

4. Licensing and building - monitoring and enforcing compliance with liquor licence and building consent conditions		
4.1	Measure: The frequency of inspections of food premises, and premises registered as hairdressers, camping grounds, offensive trades, funeral directors and mobile traders to assess compliance with public health standards.	Target: At least one inspection annually for each business location.
	Result: ✓ Achieved. One inspection was undertaken by a Health Protection Officer in May 2013 through the Council's arrangement with Hawke's Bay District Health Board. All 11 food premises were inspected.	
4.2	Measure: The number of complaints about non-compliance with consent conditions.	Target: No more than five complaints received a year.
	Result: ✓ Achieved. No complaints were received in the year under review.	
4.3	Measure: Time taken to respond to complaints about non-compliance with consent conditions.	Target: 100% are resolved or have a resolution strategy in place within 21 days of notification.
	Result: ✗ Not measured. No complaints received.	
5. Dog and animal control - providing a safe and secure living environment for the community		
5.1	Measure: The number of complaints about dog and animal control.	Target: No more than five complaints a year.
	Result: ✗ Not achieved. Thirteen complaints received: Six dog complaints and seven stock.	
5.2	Measure: The time taken to respond to complaints.	Target: 100% are responded to as follows: 1. Dog attacks and rushes attended to within one hour of notification. 2. Possible threats to public safety attended to within five hours. 3. Complaints of general nuisance attended to within 48 hours. 4. All other complaints investigated within two working days.
	Result: 1. ✗ Not measured. No complaints of dog attacks. 2. ✓ Achieved. Two complaints were attended to within five hours. 3. ✓ Achieved. Three complaints were responded to within required timeframes. 4. ✗ Not achieved. Three complaints were not responded to within timeframe. Information on timeframes for six complaints is not available.	
5.3	Measure: The number of Island-wide inspections (including Pitt Island) carried out each year to make sure dogs are registered and to check animal welfare.	Target: Two inspections.
	Result: ✗ Not achieved. One inspection was undertaken.	

5.4	Measure: The percentage of residents who are satisfied with dog and animal control services	Target: 100% of residents are satisfied or very satisfied (measured by annual survey, on a scale of very satisfied, satisfied, dissatisfied, and very dissatisfied)
	Result: ✗ Not achieved. Overall, 45% of respondents were satisfied or very satisfied with dog and animal control, 41% dissatisfied or very dissatisfied and 13% had no opinion. These figures are significantly lower than the target of 100%.	
5.5	Measure: The level of cost recovery achieved through registration fees and fines.	Target: 100%.
	Result: ✓ Achieved.	

Looking ahead - The Long-Term Plan 2012-22 key projects:

- **Staff housing on-island:** The establishment of new social housing is being investigated with a view to undertaking a feasibility study. The Social Housing Project is in collaboration with the Chatham Islands Enterprise Trust, Ngāti Mutunga o Wharekauri Iwi Trust and the Council.
- **Morgue:** The Council continues to engage with Hawke's Bay District Health Board to address the issues relating to the morgue and appropriate mortician services. The Council's view is that the morgue and mortician services would be better resourced by Hawke's Bay District Health Board in order to achieve compliance.
- **Complex - library:** Access to information is a prerequisite for effective participation. To this end the Council is proposing to establish a public library system that ensures that there is equitable opportunity for people to access the information they need to participate fully in the community as informed citizens. The proposed library is part of a larger complex that may include the Council office, Enterprise Trust office, meeting facilities, and an information centre and art gallery. An indoor sports stadium is also a possibility. These developments have been proposed and will rely on community support, fund raising and grants to become a reality. A concept plan has been completed and a feasibility study will be initiated in moving the project forward.
- **Community Resilience Project:** Council continues to facilitate the 'Community Resilience Project' funded through the Community Development Scheme.

Environmental services

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

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

Environmental services' key activities include:

- **Managing the Community's resources.** The Council is responsible for the monitoring and reporting on the state of the Chatham Islands environment – its land, air, water and coastal resources and compliance with the requirements of the Resource Management Act 1991
- **Biosecurity control.** The Council carries out work under the Biosecurity Act 1993; this is to ensure the economic and ecological sustainability of the territory. The Council will carry out pest management in accordance with National and Regional Pest Management Strategies
- **Protection of historic places.** The Council ensures compliance with the Historic Places Act 1993 to protect historic areas and wāhi tapu on the Islands. There are 11 registered historic places on the Islands.

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for environmental services:

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



Progress to achieving our environmental services functions

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

The challenges we face delivering our environmental services functions

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

FUNDING IMPACT STATEMENT FOR ENVIRONMENTAL SERVICES

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	747	823	706
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	57	37	75
Total operating funding	804	860	781
Applications of operating funding			
Payments to staff and suppliers	722	860	714
Financial costs	-	-	-
Internal charges and overheads applied	82	-	60
Total application of operating funding	804	860	774
Surplus/(deficit) of operating funding	-	-	7
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	12	-	-
Total source of capital funding	12	-	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	(12)	-	7
Total applications of capital funding	(12)	-	7
Surplus/(deficit) of capital funding	-	-	(7)
Funding balance	-	-	-



Major variances to budget explanation

There are no significant variances to budget.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Performance assessment

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

We also assess our performance on maintaining an internal border control.

1. Resource management- authorising the use of natural and physical resources		
1.1	Measure: The percentage of resource consents processed within statutory timeframes.	Target: 100%.
	Result: ✓ Achieved. Four consents were issued. All four consents were processed within statutory timeframes.	
2. Resource management - responding to breaches of the Resource Management Act		
2.1	Measure: The time taken to respond to and initiate investigations for: 1. breaches of the Resource Management Act; 2. breaches of consent conditions.	Target: No complaints are received.
	Result: ✓ Achieved. No complaints were received.	
2.2	Measure: The time taken to develop a plan to resolve individual breaches.	Target: 80% within one week and 100% within one month.
	Result: ✗ Not measured. No complaints were received.	
3. Resource management - keeping the Resource Management Document compliant and up-to-date		
3.1	Measure: Efficiency and effectiveness review of the Chatham Islands Resource Management Document.	Target: The review will be completed 2012/13 and will be repeated in 2014/15.
	Result: ✓ Achieved. A review was completed and presented to the Council in May 2013 as the basis for the review of the Chatham Islands Resource Management Document (CIRMD).	
3.2	Measure: Full review of the document within statutory timeframes.	Target: Will be undertaken in 2012/13 to 2014/15.
	Result: ✓ Achieved. A full review of the document has been undertaken and a draft presented to Council.	

3.3	Measure: Changes to the Chatham Islands Resource Management Document are drafted, so as to give effect to the New Zealand Coastal Policy Statement (NZCPS) as necessary.	Target: Will be undertaken in 2012/13 to 2014/15.																																										
	Result: ✓ Achieved. The Council received a report on the necessary changes to the CIRMD as a result of the new NZCPS. Changes will be incorporated into the full review as reported above.																																											
4. Resource management - maintaining the water quality of Chatham Islands streams and rivers																																												
4.1	Measure: Nutrient concentrations.	Target: Annual median nitrogen concentrations (DIN) are maintained or reduced.																																										
	Result: ✓ Achieved. Nutrient levels have decreased at five sites and increased at four with four staying the same, as detailed in the table on the right. The nutrient concentration variances are very small and not ecologically significant.	<table border="1"> <thead> <tr> <th>Stream</th> <th>DIN (mg/L) 2012/13</th> <th>DIN (mg/L) 2011/12</th> </tr> </thead> <tbody> <tr><td>Awamata Stream</td><td>0.01</td><td>0.02</td></tr> <tr><td>Awatotara Creek</td><td>0.01</td><td>0.01</td></tr> <tr><td>Te Awainanga River</td><td>0.02</td><td>0.01</td></tr> <tr><td>Washout Creek</td><td>0.04</td><td>0.06</td></tr> <tr><td>Whangamoe Inlet Stream</td><td>0.01</td><td>0.05</td></tr> <tr><td>North Rakautahi tributary</td><td>0.02</td><td>0.02</td></tr> <tr><td>Blind Jims Creek</td><td>0.01</td><td>0.02</td></tr> <tr><td>Waitaha Creek</td><td>0.03</td><td>0.03</td></tr> <tr><td>Mangape Creek</td><td>0.10</td><td>0.08</td></tr> <tr><td>Mangahou Stream</td><td>0.01</td><td>0.01</td></tr> <tr><td>Te One Creek</td><td>0.01</td><td>0.02</td></tr> <tr><td>Waimahana Creek</td><td>0.03</td><td>0.02</td></tr> <tr><td>Waitamaki Creek</td><td>0.06</td><td>0.05</td></tr> </tbody> </table>	Stream	DIN (mg/L) 2012/13	DIN (mg/L) 2011/12	Awamata Stream	0.01	0.02	Awatotara Creek	0.01	0.01	Te Awainanga River	0.02	0.01	Washout Creek	0.04	0.06	Whangamoe Inlet Stream	0.01	0.05	North Rakautahi tributary	0.02	0.02	Blind Jims Creek	0.01	0.02	Waitaha Creek	0.03	0.03	Mangape Creek	0.10	0.08	Mangahou Stream	0.01	0.01	Te One Creek	0.01	0.02	Waimahana Creek	0.03	0.02	Waitamaki Creek	0.06	0.05
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4.2	Measure: The trophic state (Trophic Level Index, TLI) of lakes.	Target: The TLI of lakes is not increasing.																																										
<p>Result: ✓ Achieved. No lakes have increased TLI, two have decreased and three have remained the same. Shallow lakes are prone to variability in TLI due to temperature and water level fluctuations.</p>																																												
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5. Resource management - maintaining the water quality of Te Whanga

5.1	Measure: The percentage of times a year when chlorophyll concentrations at a site are less than 4 milligrams per litre. (ANZECC 2000 trigger value)	Target: The percentage is increasing.												
<p>Result: ✓ Achieved. Note there were fewer samples taken this year (2011/12 was an intensive investigation which had an abnormally large number of samples).</p>														
	<table border="1"> <thead> <tr> <th></th> <th>2012/13 % of samples below 4 milligrams per litre Chl a</th> <th>2011/12 % of samples below 4 milligrams per litre Chl a</th> </tr> </thead> <tbody> <tr> <td>Northern Basin</td> <td>67</td> <td>50</td> </tr> <tr> <td>Central Basin</td> <td>100</td> <td>88</td> </tr> <tr> <td>Southern Basin</td> <td>100</td> <td>88</td> </tr> </tbody> </table>		2012/13 % of samples below 4 milligrams per litre Chl a	2011/12 % of samples below 4 milligrams per litre Chl a	Northern Basin	67	50	Central Basin	100	88	Southern Basin	100	88	
	2012/13 % of samples below 4 milligrams per litre Chl a	2011/12 % of samples below 4 milligrams per litre Chl a												
Northern Basin	67	50												
Central Basin	100	88												
Southern Basin	100	88												

6. Biosecurity - preventing the arrival and establishment of new pests

6.1	Measure: Results of inspection of at risk sites.	Target: Improving trends.
<p>Result: ✓ Achieved. SPS carried out one intensive survey of 17 high risk sites on the Chatham Islands for new pests. No new or significant pests were detected.</p>		
6.2	Measure: Maintaining an internal border between Chatham Island, Pitt Island and New Zealand.	Target: Training provided to freight handlers at major ports supplying the Chatham Islands. Establishing a partnership with Biosecurity New Zealand to develop a Marine Biosecurity Plan as a part of the internal border.
<p>Result: ✓ Achieved. Awareness and skill checks were provided to key freight handling staff. The training focused on the four fundamental aspects of quarantine: Clean; Treat; Isolate; and Report. Skill checks have been conducted for employees of Chatham Islands Shipping, Napier, Port Sides Logistics, Napier South East Shipping, Timaru, Air Chatham staff and cargo handlers, Auckland and Christchurch. Pest control is conducted at key sites on the Chathams and mainland New Zealand where freight is stored. Both vessels servicing the Chathams have comprehensive pest programmes and checks for rodents.</p>		
6.3	Measure: Public awareness.	Target: Regular media coverage of pests.
<p>Result: ✓ Achieved. Regular articles have been placed in the "Chatham Islander" and "Uniquely Chathams" papers. These articles have highlighted topical biosecurity issues. Agrichain and SPS have compiled a series of pest leaflets which discuss the "safe" importation of goods.</p>		

7. Biosecurity - monitoring and enforcing operational and property plans

7.1	Measure: Results of enforcement action to ensure landowners and occupiers do not introduce, sell, propagate or distribute pest species. Results of enforcement action to ensure landowners carry out control of feral goats and gorse.	Target: 80% of plans implemented.
<p>Result: ✗ Not achieved. No enforcement action carried out in 2012/13. One proposed import of 30 tonnes of topsoil was deemed a potential threat and was prohibited. The importation of two pigs was prohibited due to lack of documentation. Active control on several low incidence plant pests has taken place. In March 2013 a large aerial gorse control programme was carried out. This resulted in 42% of total land mass being deemed gorse controlled and/or absent. Most notable, was the control of over 50% of all the gorse on Pitt Island.</p>		

Looking ahead - key projects:

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



Emergency management

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

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

There are plans for a unified civil defence headquarters to be built from new, and funding for this is being sought.

Emergency management's key activities include:

- **Civil defence.** The Civil Defence and Emergency Management Act 2002 imposed statutory obligations on the Council to carry out hazard-based risk management in four areas: reduction of risk, readiness for events, response and recovery after an event
- **Rural fire services.** The Council is a Rural Fire Authority under the Forest and Rural Fires Act 1977 and must meet requirements for the prevention, detection and suppression of rural fires
- **Marine oil spill response.** The Maritime Transport Act 1994 requires the council to prepare, maintain and review Regional Marine Oil Spill Contingency Plans.

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for emergency management:

- A safe and secure community
- An enterprising and innovative community that promotes economic development for its fishing, farming and tourism industries
- An environmentally conscious community that protects, sustains and enriches the environment for future generations
- A culturally enriched community that values the Chatham Islands 'way of life' and traditions.

Progress to achieving our emergency management functions

- **A safe and secure community:** The Council continues to progress the Emergency Management Operations Centre project. With the challenges associated with isolation and remoteness it is necessary to establish a resourced facility that supports, enables and strengthens community 'resilience' in times of 'threat'. This facility is significant and fundamental to New Zealand's most isolated community and continued community well-being. Land for the facility has been secured.
- **Promoting economic development:** The Council through the Civil Defence Emergency Management (CDEM) Group plan has a hazard risk analysis in place. This will assist organisations, agencies and groups to better plan for their needs.
- **Protecting, sustaining and enriching the environment:** The Council continues to have up-to-date emergency management plans in place. During the year the CDEM Group plan, rural fire plan, and health and Safety plan were reviewed. A Mass Casualty Deployment plan is in place.
- **Valuing the way of life and traditions:** The Council continues to ensure emergency management is proactive in understanding and protecting community values and the natural environment. During the year training was undertaken in oil spill, rural fire, and search and rescue.

The challenges we face delivering our emergency management functions

- The potential impact of a significant emergency, oil spill or fire could affect the Chatham Islands economically and in terms of both short-term and long-term quality of life. There is potentially a larger percentage of community safety (life and property) at risk, and the community may have a long-term recovery period.



FUNDING IMPACT STATEMENT FOR EMERGENCY MANAGEMENT

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	249	167	36
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	34	27	84
Total operating funding	283	194	120
Applications of operating funding			
Payments to staff and suppliers	205	194	88
Financial costs	-	-	-
Internal charges and overheads applied	80	-	58
Total application of operating funding	285	194	146
Surplus/(deficit) of operating funding	(2)	-	(26)
Source of capital funding			
Subsidies and grants for capital expenditure	127	20	-
Increase/(decrease) in debt	-	-	-
Total source of capital funding	127	20	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	117	20	-
- to replace existing assets	8	-	-
Increase/(decrease) in reserves	-	-	(26)
Total applications of capital funding	125	20	(26)
Surplus/(deficit) of capital funding	2	-	26
Funding balance	-	-	-

Major variances to budget explanation

There are no significant variances to budget.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Performance assessment

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

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

1. Emergency management - coordinating hazard analysis/trend and planning, providing an effective emergency response and recovery capability and raising community preparedness		
1.1	Measure: The state of readiness of the Emergency Management Operations Centre, including staff and volunteers, emergency management equipment, control facilities and communication systems.	Target: 1. 100% readiness, 24-hours/7 days. 2. 100% of staff and volunteers are appropriately trained and resourced.
	Result: 1. ✓ Achieved. The Emergency Management Operations Centre has management equipment, control facilities and communication systems in place. 2. ✓ Achieved. Response Team staff and volunteers are appropriately trained and resourced. Staff and volunteer training is ongoing. Annual response team training is ongoing.	
1.2	Measure: All emergency management plans are completed within statutory timeframes.	Target: 100% compliant.
	Result: ✗ Not achieved. The 20 Emergency Management Plans were not completed within statutory timeframes. This was due to a combination of under resource of staff and other factors outside council's influence e.g. awaiting Ministerial approval and having to rotate reviews across the civil defence, maritime oil spill, rural fire, and hazard risk management.	
1.3	Measure: The percentage of members of the multi-agency response team who have completed basic specialist emergency services training.	Target: 80%.
	Result: ✓ Achieved. All response team members completed abseiling and land rescue training in August 2012.	
1.4	Measure: The percentage of residents who consider they are prepared and know what to do in an emergency.	Target: 75% of residents are well prepared or prepared on a scale of well prepared, prepared, not well prepared.
	Result: ✓ Achieved. 81% felt they were prepared, 11% not well prepared, 7% no opinion.	

2. Emergency management - encouraging lifelines utilities to increase resilience		
2.1	Measure: The percentage of lifelines utilities that have identified the hazards with potential to affect their infrastructure.	Target: 100%.
	Result: ✓ Achieved. 100% of Chatham Islands' infrastructure would be impacted by the occurrence of a natural hazard. Hazard Risk Management Plan in place.	
3. Emergency management - providing support and assisting the recovery of social, emotional, economic and physical well-being of individuals and communities following emergency events		
3.1	Measure: The effectiveness of recovery assistance after emergencies.	Target: Subject to the scale of the emergency and the level of demand: 1. Immediate welfare needs of those affected have been met. 2. Systems have been established or reinstated to assist individual and community self-sufficiency. 3. Essential services have been restored to minimum operating levels.
	Result: 1. ✓ Achieved. Welfare needs would be met. 2. ✓ Achieved. Lifelines would be reinstated. All systems as per Contingency Plan. 3. ✓ Achieved. Restored to operating levels.	
4. Rural fire - providing an effective rural fire prevention and response capability		
4.1	Measure: Time taken to respond to events.	Target: 100% are responded to within one hour of notification.
	Result: ✗ Not measured. No events this year.	
5. Oil spill - Work closely with providers and community groups to ensure integrated analysis/trend, planning and provision of services to provide a safe and secure community		
5.1	Measure: Number of training exercises.	Target: At least one water equipment deployment exercise conducted annually.
	Result: ✗ Not achieved. No training exercise undertaken.	
5.2	Measure: Time taken to evaluate reports of oil spills.	Target: Oil spill reports evaluated within one hour of notification.
	Result: ✗ Not measured. No oil spills reported.	

Looking ahead - key projects:

- The Council will coordinate hazard analysis and planning, providing an effective emergency response and recovery capability and raising community preparedness. We will encourage lifelines utilities to increase resilience. The Council will provide support and assist in the recovery of social, emotional, economic and physical well-being of individuals and communities following emergency events. The Council will provide an effective rural fire prevention and response capability and work closely with providers and community groups to ensure integrated analysis, planning and provision of services to provide a safe environment.
- The Emergency Management Operations Centre Project employs a collective approach to addressing the need for a unified Island civil defence and emergency management centre that can respond to the needs of the community in the event of a 'threat'. The Council's overarching objective for the centre is to provide an efficient and effective system of emergency management that minimises the potential effect of all hazards on the community and the environment.
- It is envisaged that design work will commence in consultation and in partnership with Downer NZ Ltd, NZ Fire Service, Maritime Safety NZ, St John's and the Ministry of Civil Defence and Emergency Management. In 2013/14 it is planned that a construction contract will begin.

Coasts, Harbour and Navigation



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

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

The key activities of coasts, harbours and navigation include:

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

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

Community outcomes

Our 2012-22 Long-Term Plan identified the following outcomes as aspirations for coasts, harbour and navigation:

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

Progress to achieving our coasts, harbours and navigation function:

- **Access to quality infrastructure:** The Council continues to recognise the need to play both a facilitating and leading role in working with others to address barriers to social and economic development that are constraints on community well-being. During the year Council in partnership with the Chatham Islands Enterprise Trust continued to work with central government in securing funding for a Waitangi and Pitt Island wharf upgrade, as the 'lifeline' between the Chatham Islands and mainland New Zealand.
- **Promoting economic development:** The Owenga Wharf assists the development of the fishing industry. The Coasts, harbour and navigation activity assumes that the resources from the sea continue to be a major part of the Chatham Islands economy.
- **Reliable transportation services:** During the year, Council continued to maintain the 'lifeline' from Chatham Island to Pitt Island through the provision of the Owenga Wharf, which enables the movement of stock and goods.
- **Protecting our environment:** The Council continued to implement the Navigation Safety Bylaw and Regional Maritime Oil Contingency plans. During the year a review of the Navigation Safety Bylaw was undertaken and further training in oil spill response was undertaken.

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

- The Owenga Wharf ongoing maintenance costs are funded through the New Zealand Transport Agency. There is uncertainty over the level of grants, which are the subject of a government review into the financing of land transport.

FUNDING IMPACT STATEMENT FOR COASTS, HARBOUR AND NAVIGATION

	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	77	121	21
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	58	10	87
Total operating funding	135	131	108
Applications of operating funding			
Payments to staff and suppliers	37	131	63
Financial costs	-	-	-
Internal charges and overheads applied	96	-	70
Total application of operating funding	133	131	133
Surplus/(deficit) of operating funding	2	-	(25)
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	-	-	-
Total source of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	2	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	(25)
Total applications of capital funding	2	-	(25)
Surplus/(deficit) of capital funding	(2)	-	25
Funding balance	-	-	-

Major variances to budget explanation

There are no significant variances to budget.

Funding Impact Statements are a new way of presenting financial results. For more information, refer to page 30.

Performance assessment

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

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

1. Coasts, harbours and navigation - the community receives a service which meets its needs for safety		
1.1	Measure: Public satisfaction with administration of bylaws.	Target: Establish an upward trend for satisfaction on a scale of very satisfied, satisfied, dissatisfied, very dissatisfied.
	Result: ✗ Not achieved. The trend is yet to be established under the LTP target 2012-22. Overall, 31% of respondents were satisfied or very satisfied, 14% dissatisfied or very dissatisfied and 55% had no opinion.	
1.2	Measure: Formally respond to incidents and deal with complaints within seven days.	Target: 85% responded to within specified timeframes.
	Result: ✗ Not measured. No complaints received.	
2. Coasts, harbours and navigation - navigational aids are maintained in proper working order		
2.1	Measure: The frequency of inspection of leading lights. Number of complaints about navigation aids. The time to replace outages.	Target: 1. Inspections carried out every three months. 2. No more than five a year. 3. Outages replaced within 24 hours.
	Result: 1. ✓ Achieved. Four inspections were undertaken. 2. ✓ Achieved. No complaints received. 3. ✓ Achieved. No outages reported.	

3. Coasts, harbours and navigation - provide lifeline access between Chatham and Pitt islands

3.1	Measure: The availability of the Owenga Wharf for safe and efficient movement of people, stock and goods.	Target: At all times.
	Result: ✓ Achieved. No safety or inefficiency complaints were received.	

Looking head - key projects:

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

Appendix 1 - Policy on Māori and Moriori

The Local Government Act 2002 provides principles and requirements for local authorities that are intended to facilitate participation by Māori and Moriori in local government decision-making processes. This is to recognise and respect the Crown's responsibility to take appropriate account of the principles of the Treaty of Waitangi and to maintain and improve opportunities for Māori and Moriori to contribute to local government decision-making processes.

These principles and requirements are outlined as follows:

Opportunities for Māori and Moriori – a local authority should provide opportunities for Māori and Moriori to contribute to its decision-making processes.

Local authority decision making – where, in the course of the decision-making process a significant decision relates to land or a body of water, the local authority must take into account the relationship of Māori and Moriori and their culture and traditions with their ancestral land, water sites, wāhi tapu (sacred places), valued flora and fauna, and other taonga (treasures).

Contributions from Māori and Moriori – a local authority must ensure that it has in place processes to provide opportunities for Māori and Moriori to contribute to the decision-making processes of the local authority and also consider ways to foster the development of Māori and Moriori capacity.

Consultation with Māori and Moriori – a local authority must ensure that it has in place processes for consulting with Māori and Moriori that are in accordance with the principles of consultation as set out in section 82 of the Local Government Act.

Working with Māori and Moriori – the Long-Term Plan must outline how the local authority will work with Māori and Moriori to further community outcomes.

Working with tchakat henu, tangata whenua

While the Local Government Act sets out provisions relating to Māori and Moriori, it is recognised that within the Chatham Islands Territory Moriori are 'tchakat henu' and Māori are 'tangata whenua', both identities being the people of the land. They have special status in terms of the Chatham Islands Council resource management activities, and are not just another interest group. These activities can directly affect the interests of tangata whenua, particularly those relating to land and water. In addition to the Local Government Act obligations, the Resource Management Act 1991 gives the Council specific obligations regarding 'kaitiakitanga', the principles of the Treaty of Waitangi and the relationship between Moriori/Māori and their culture and their traditions with their ancestral lands, water sites, wāhi tapu and other taonga.

To give effect to the obligations under the Local Government Act and related obligations under the Resource Management Act, the Council must continue to develop its relationship with Imi/Iwi. This is essential for achieving the sustainable management of the natural resources within the Chatham Islands Territory.

Recognition of tikane Moriori and tikanga Māori

The Council recognises that differences may arise in the values, beliefs and traditions between Māori and Moriori, or tikane Moriori and tikanga Māori. When working with Māori or Moriori, consideration of such differences will be acknowledged.

Consultation and providing information

The Local Government Act 2002 states the obligations for local authorities in relation to the involvement of Māori in the decision-making process, or in this instance Māori and Moriori as separate identities. For the purpose of this policy, 'Māori and Moriori' means all individuals or groups who identify themselves as such. The Council will endeavour to identify and consult with as many Māori or Moriori as practical. The Council will work towards establishing a schedule of individuals and groups. This schedule will provide the basis for the dissemination of information and encouraging and providing opportunities for Māori and Moriori to participate in the decision-making process. The Council recognises the importance of 'kanohi ki te kanohi' (face to face) as a means of effective consultation with Māori and Moriori.

Strategic planning documents

The Chatham Islands Resource Management Document 2001 is a key document that 'tangata whenua' have had some significant contribution towards in terms of specifying matters of resource management significance to tangata whenua. These contributions have helped frame the Council's response for addressing these resource management matters. The Chatham Islands Long-Term Plan is also a key strategic document in which, through the identification of community outcomes, the Council acknowledges and values the importance of tangata whenua and tchakat henu as an integral part of the community.

Memorandum of Understanding

It is envisaged that the Council, in partnership with Māori and Moriori, will seek to promote closer working relationships.

Building capacity

Chatham Islands Council will work with Māori and Moriori and others to investigate how the Council may foster development of Māori and Moriori capacity to contribute to the decision-making processes of the Chatham Islands Council. Related to this process is the need for the Council to gain a clear understanding, through hui and ongoing relationships, of Māori and Moriori expectations; and to agree to and commit to practicable steps to building Māori and Moriori capacity. More formal arrangements, such as memoranda of understanding and consultative processes under the Local Government Act, will also need to be agreed upon.

Education and promotion

Chatham Islands Council recognises the need to resource education programmes for elected members and staff to provide for the development of Māori and Moriori values and traditions and gain an appreciation of these needs and expectations in relation to the Local Government Act 2002 and Resource Management Act 1991.

APPENDIX 2 – FUNDING IMPACT STATEMENT BY INFRASTRUCTURE CATEGORY

ROADING	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	48	48	45
Subsidies and grants for operating purposes	1,256	1,740	1,074
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	9	10	340
Total operating funding	1,313	1,798	1,459
Applications of operating funding			
Payments to staff and suppliers	1,500	1,469	916
Financial costs	-	-	-
Internal charges and overheads applied	-	-	-
Total application of operating funding	1,500	1,469	916
Surplus/(deficit) of operating funding	(187)	329	543
Source of capital funding			
Subsidies and grants for capital expenditure	1,909	2,788	2,506
Increase/(decrease) in debt	-	-	-
Total source of capital funding	1,909	2,788	2,506
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	749	3,177
- to replace existing assets	2,119	2,368	-
Increase/(decrease) in reserves	(397)	-	(128)
Total applications of capital funding	1,722	3,117	3,049
Surplus/(deficit) of capital funding	187	(329)	(543)
Funding balance	-	-	-

SEWERAGE	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	58	60	57
Subsidies and grants for operating purposes	65	67	-
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	41	-	65
Total operating funding	164	127	122
Applications of operating funding			
Payments to staff and suppliers	135	118	90
Financial costs	-	-	-
Internal charges and overheads applied	29	9	21
Total application of operating funding	164	127	111
Surplus/(deficit) of operating funding	-	-	11
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	-	-	-
Total source of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	11
Total applications of capital funding	-	-	11
Surplus/(deficit) of capital funding	-	-	(11)
Funding balance	-	-	-

SOLID WASTE	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	55	58	41
Subsidies and grants for operating purposes	34	-	305
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	10	1	8
Total operating funding	99	59	354
Applications of operating funding			
Payments to staff and suppliers	97	52	344
Financial costs	-	-	-
Internal charges and overheads applied	19	-	14
Total application of operating funding	116	52	358
Surplus/(deficit) of operating funding	(17)	7	(4)
Source of capital funding			
Subsidies and grants for capital expenditure	1,473	1,369	14
Increase/(decrease) in debt	-	-	-
Total source of capital funding	1,473	1,369	14
Application of capital funding			
Capital expenditure			
- to improve the level of service	239	-	14
- to replace existing assets	-	1,369	-
Increase/(decrease) in reserves	1,217	7	(4)
Total applications of capital funding	1,456	1,376	10
Surplus/(deficit) of capital funding	17	(7)	4
Funding balance	-	-	-

WATER	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	153	-	-
Fees, charges and targeted rates for water supply	60	62	47
Local authorities fuel tax, fines, infringement fees, and other receipts	14	-	85
Total operating funding	227	62	132
Applications of operating funding			
Payments to staff and suppliers	168	191	109
Financial costs	-	18	-
Internal charges and overheads applied	27	3	19
Total application of operating funding	195	212	128
Surplus/(deficit) of operating funding	32	(150)	4
Source of capital funding			
Subsidies and grants for capital expenditure	-	616	-
Increase/(decrease) in debt	-	267	-
Total source of capital funding		883	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	32	725	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves		8	4
Total applications of capital funding	32	733	4
Surplus/(deficit) of capital funding	(32)	150	(4)
Funding balance	-	-	-

STORMWATER	Actual 2012/13 \$000	Long-Term Plan 2012/13 \$000	Long-Term Council Community Plan 2011/12 \$000
Source of operating funding			
General rates, uniform annual charge, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	3	15	-
Fees, charges and targeted rates for water supply	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	2	-	7
Total operating funding	5	15	7
Applications of operating funding			
Payments to staff and suppliers	-	15	5
Financial costs	-	-	-
Internal charges and overheads applied	5	-	-
Total application of operating funding	5	15	5
Surplus/(deficit) of operating funding	-	-	2
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase/(decrease) in debt	-	-	-
Total source of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	2
Total applications of capital funding	-	-	2
Surplus/(deficit) of capital funding	-	-	(2)
Funding balance	-	-	-

Appendix 3 - Glossary of Terms

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

Activity

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

Annual Plan

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

Annual Report

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

Asset

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

Asset Management Plan

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

Capital Costs

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

Capital Value

Value of land including improvements.

Community Outcomes

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

Current Assets

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

Current Liabilities

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

Depreciation

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

Property, Plant and Equipment and Intangible Assets

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

Group of Activities

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

Infrastructure Assets

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

Iwi/Imi

People or tribe.

Land Value

Value of land excluding improvements.

Local Government Act 2002 (LGA 2002)

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

Long-Term Plan (LTP)

A ten-year plan which sets out Council's response to community outcomes and how Council will manage its finances and the community's resources. This plan was previously referred to as the Long Term Council Community Plan.

Operating Expenditure

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

Operating Revenue

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

Operating Surplus/(Deficit)

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

Performance Measures

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

Public Equity

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

Regulatory Role

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

Resources

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

Service Provider

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

Significance

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

Significance Policy

Sets out the way in which the Council determines how significant a project or decisions are and therefore the level of consultation and analysis required.

Statement of Cash Flows

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

Statement of Comprehensive Income

This can also be referred to as the Profit and Loss Statement, the Income Statement or the Operating Statement. It shows the financial results of the various Chatham Islands Council activities at the end of each period as either a surplus or deficit. It does not include asset purchases or disposals.

Statement of Financial Position

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

Sustainable Development

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

Well-being

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

The organisation

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