



# CHATHAM ISLANDS

Annual Report Summary 2015/16



chatham islands council

# Profile of the Chatham Islands

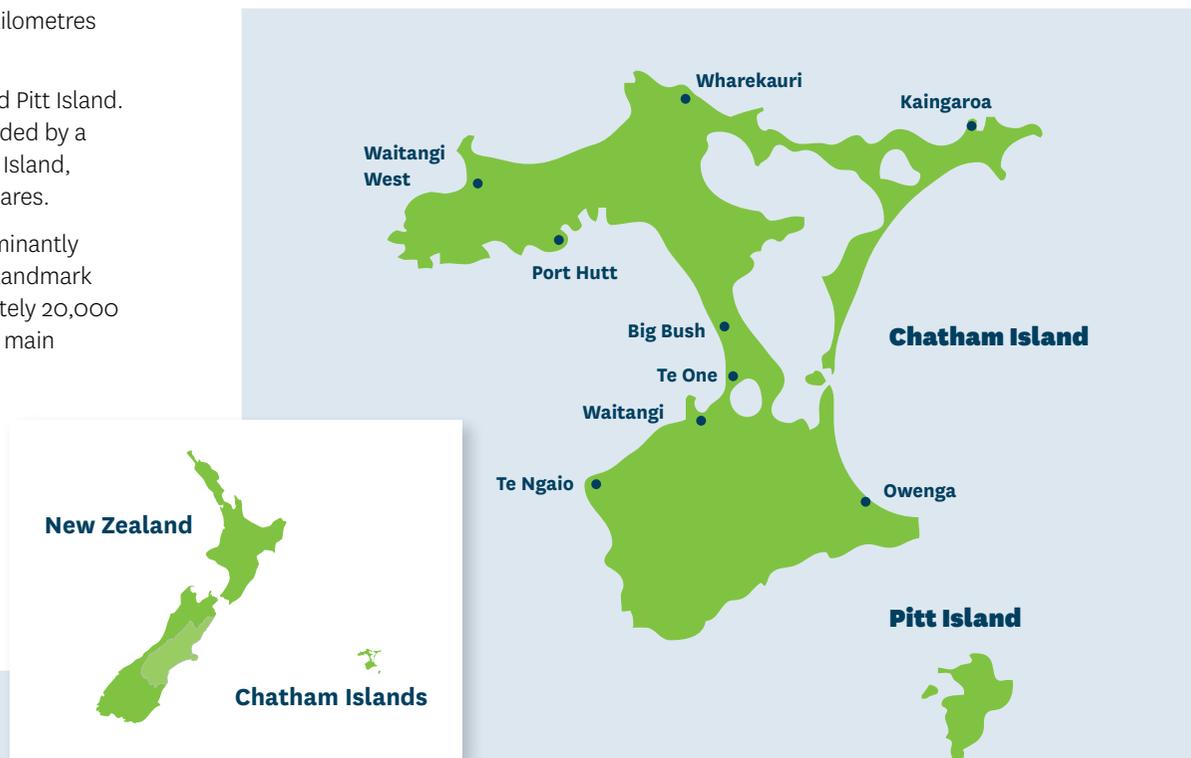
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

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 of Chatham Island is 'Te Whanga' which is a large lagoon that covers approximately 20,000 hectares or about one-fifth of the Island. There are five settlement areas on the main Island: Waitangi, Te One, Owenga, Port Hutt and Kaingaroa.

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

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



## The Islands at a glance

Usually 600 people live in the Chatham Islands.

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

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

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

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

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

There are 557 rateable properties and 102 non-rateable properties.

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

Source: Statistics New Zealand 2013 Census Data

# Mayor and Chief Executive's report

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Welcome to the Chatham Islands Council Annual Report 2015/16.

This document looks back at the last financial year and explains how Council has met its commitments to the Chatham Islands Community.

The 2015/16 year was one of change and challenges.

The big success of the year was that the Government approved funding for the proposed port facility at Waitangi. The Government has been lobbied to fund the project over the past 10 years, so it was great to see work finally commence.

The Resource Management consent for the wharf project attracted a lot of attention, with 16 submissions received. It was a credit to all involved to have consents issued well within the statutory time frames. The construction project will be part of our lives for another year with completion forecast for November 2017.

The Council's biggest contract (\$35m) covering roads, water supplies and wastewater disposal systems over the next 10 years, went into the competitive market during the year resulting in a change of contractor. Fulton Hogan Limited was the successful tenderer and began work in January 2016.

Roading also poses a funding challenge with the financial assistance received from NZTA reducing by 1% annually from 90% until the target of 85% is reached. This funding loss is considered unsustainable and Council continues to seek a review of this decision.

The Council also renewed its contractual relationship with the Canterbury Regional Council (\$5m) for the next 4 years. This contract covers the Council's regional council functions and corporate support where required.



In March 2015 the Islands were battered by tropical cyclone Pam resulting in extra unbudgeted expenses for both the Council and community. The Council will form a Mayoral Relief Fund Trust to enable it to react positively to offers of funding support in the future.

The waste management strategy is progressing with a transfer station now operating at Kaingaroa and the Te One receiving centre now staffed and operating. We are working towards the whole system being operative by July 2017.

In conclusion, we wish to record our appreciation to all those who work for and with the Council for their enthusiasm and hard work.

Alfred Preece  
Mayor

Owen Pickles JP  
Chief Executive

27 October 2016

# 2015/16 in review

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

The Summary Annual Report has been extracted from the Annual Report, which was adopted on 27 October 2016. The full Annual Report financial statements have been audited and an unmodified audit opinion was issued on the full financial statements.

The Summary Annual Report cannot be expected to provide as much detail as the full Annual Report. The full Annual Report is available from Council on request. Council can be contacted by telephone on (03) 305-0033 or via Council's website at [www.cic.govt.nz](http://www.cic.govt.nz).

The 2015/16 financial year was another year of change and challenges for the Council.

## Roading

On-island roading works progressed in accordance with our asset management plans. The level of funding for roading continues to create challenges to the Council. Confirmed financial assistance received from the New Zealand Transport Agency (NZTA) has reduced by 1% and will continue to reduce by this amount annually until funding reaches 85%. Council is continuing to seek a review of this decision in light of the impact these reductions will place on the community in moving forward.

## Sustainable water

Water scheme upgrades for Owenga, Waitangi and Te One remain a key priority. They will address issues of non-compliance with minimum water standards and will 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 the project. If unsuccessful, the project will be delayed until alternative financial support can be found.

The upgrade for Kaingaroa was completed in March 2015.

## Waste Management Strategy

The implementation of the Waste Management Strategy progressed during the year. This involved establishing a sanitary landfill complying with health and environmental standards. In addition, the transfer station at Kaingaroa and the Te One receiving centre are both now staffed and operating.

## Review of the Resource Management document

The draft Chatham Islands Resource Management document (CIRMD) was reviewed and subject to public consultation during 2013/14 and 2014/15. The CIRMD is awaiting approval from the Minister for the Environment before the document can be formally adopted by Council.

## Emergency Management

The Emergency Management Operations Centre project development remains on-going. Land for the facility has been secured; however the build has not yet commenced pending full funding for the project being secured. In the interim, the land has been leased to the Memorial Park Alliance as a work area for the duration of the Wharf development project.

Inundation mapping began in 2013 and has been progressed during this period. Mapping will be completed in November 2016 with a view to public consultation thereafter.

## Museum and Administration Facility

The Council considered a reduced facility option to establish a Museum and Administration structure as opposed to the originally proposed Community Complex. The Chatham Islands Enterprise Trust has opted not to progress with the shared administration proposal and there were difficulties in securing the local share of funding required for the community aspect of the building. A revised feasibility study is underway involving discussions with investors to fund this option.

The one-off funding grant of \$1.07m from the Ministry of Culture and Heritage towards a new Museum remains secure. Securing funding for the Administration side of the facility continues.

## Government funding

The Council submitted a funding bid during 2014/15. Based on the bid submitted, core funding from central government had been secured for 2014/15 through to 2017/18 to support Council's ongoing financial requirements in accordance with our Long-Term Plan (LTP) 2015-2025, a shared vision. This was confirmed by the Government budget announced in May 2015. The next review will be undertaken in 2017/18 for 2019 and beyond; the Council continues to rely on Government support to remain operational.



## Waitangi Port upgrade

Government funding for the new port facility for Waitangi has been sourced by Chatham Islands Council in conjunction with the Chatham Islands Enterprise Trust (CIET). Work on the port upgrade commenced during the year and is on-going; the facility is expected to be completed in November 2017.

## Social housing

Work towards the establishment of a Housing Project continued. As part of a collaborative approach to establishing a Chatham Island Housing Solution, Council collaborated with other Island groups and organisations in progressing this project. Lead by Ngāti Mutunga in partnership with key island groups, an agreement between the Council, the Chatham Islands Enterprise Trust, Hokotehi Moriori Trust and Ngāti Mutunga Wharekauri Iwi Trust to progress the Housing Solution for the Islands had been formalised. Work is yet to be scoped.

## Looking forward

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

Key projects include:

- The completion of a water project that provides a sustainable and compliant water supply for Te One, Owenga and Waitangi.
- The completion of transfer stations and a recycling programme.
- A new Emergency Management Operations centre.
- A New Museum and Administration facility.
- Roading projects.
- The implementation of the Islands Housing Solutions project.
- Successful Island relationships that achieves infrastructure outcomes such as the Port Project, broadband and cost-efficient energy sources.



## Affordability statistics

A summary of our affordability statistics compared with last year is presented in the table below.

Council Affordability Statistics	Actual 2015/16	Actual 2014/15
Proportion of Rates Revenue to Total Revenue	6.75%	5.91%
Proportion of Dues Revenue to Total Revenue	4.53%	4.19%
Net Public Debt (as a percentage of Total Assets)	0.74%	0.83%
Public Debt (per rateable property)	\$794	\$903
Public Debt (per head of population)	\$737	\$838

The ratios of rates over total revenue are slightly high than 2014/15, this is because grant and subsidy revenue has decreased between years, rate levels have not changed significantly.

The ratios of dues increased 0.32% in 2015/16.

Public debt statistics have both decreased, with in-year repayments reducing debt balances.

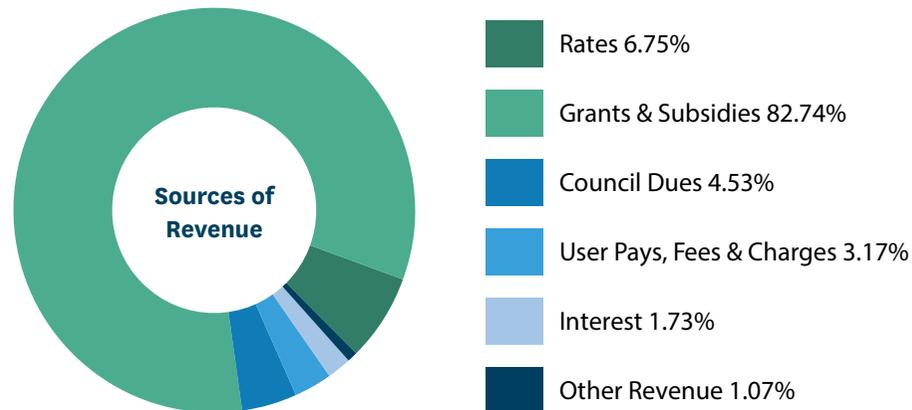
# 2015/16 in review

## Financial highlights

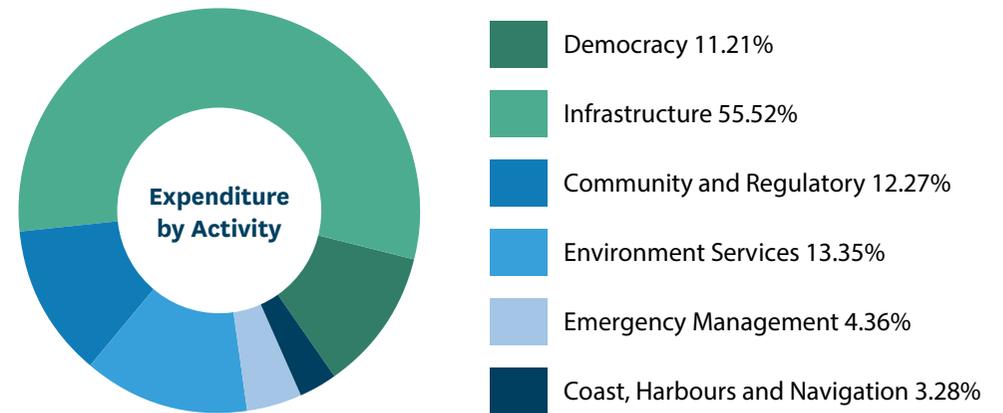
The Chatham Islands Council's operating surplus for the 2015/16 financial year was \$1.09 million. The operating surplus decreased \$0.4 million from \$1.5 million surplus in 2014/15; it is also below the budgeted result for 2015/16 of \$5.8 million. The budget assumed sufficient funding would be provided by central government during the year to support on-island infrastructural development integral to improving facilities for 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 and new solid waste transfer stations have been delayed for a further year. The Council will continue to work with central government to secure funds for these projects.

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 in the Annual Report 2015/16.

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 2015/16 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.

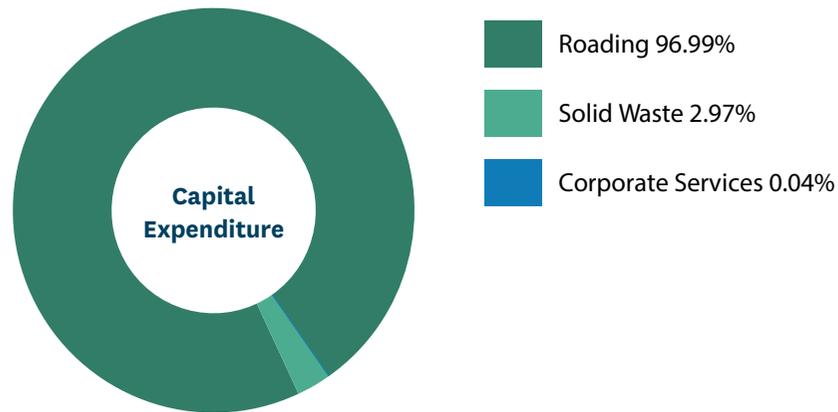


Operating expenditure by activity is summarised in the chart below; the largest portion of expenditure is on infrastructure, particularly the roading network. This is in line with last year's expenditure, but overall expenditure is less than budget.





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 \$57.8 million, compared with the closing position of \$57.3 million for the previous financial year.



### Explanations for major variations from the Council's budget figures in its Long-Term Plan 2015/16 are as follows:

#### Statement of comprehensive revenue and expense

Grants and subsidies are less than budgeted by \$5.5 million, with funding for major projects not being secured. These projects include: \$2.4 million for a new shared administration center, \$1 million for the new emergency services complex, \$1.2 million for the new transfer stations and closure of old dump sites and \$0.5 million for township water schemes. In addition, NZTA subsidies decreased by \$0.5 million, partially from the reduced funding support from NZTA and due to on-island roading works delayed from the change in contractor and transportation of roading equipment.

Interest revenue includes interest from investment of museum funds, which were not budgeted.

Depreciation and amortisation expenses are less than budgeted by \$0.3 million as the budget included proposed capital projects that were postponed due to lack of funding.

#### Statement of financial position

Property, plant & equipment is less than budgeted by \$3.9 million due to projects such as new transfer stations, township water schemes, new emergency services complex and new shared administration center being postponed as funding was not secured.

# Council performance during 2015/16

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

## Democracy services

### 2 of 4 Targets achieved

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

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

## Infrastructure services

### 28 of 39 Targets achieved

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

- We were fully compliant with New Zealand Drinking Water Testing Standards and working towards being compliant with the New Zealand Drinking Water Standards.
- Our infrastructure services contract went into the competitive market during the year, resulting in a change of contractor. This change has resulted in some of our targets not being achieved.
- Based on feedback from the community, we need to investigate and implement further cost efficient ways to increase satisfaction with the sealed and unsealed roading network and road safety, with surveyed satisfaction being below our desired target.

## Community and regulatory services

### 8 of 17 Targets achieved

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

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

## Environmental services

### 11 of 14 Targets achieved

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

- We are effectively monitoring the water quality and hydrology of Chatham Islands waterways, with results displayed on our website: [www.cic.govt.nz](http://www.cic.govt.nz). We aimed to have a summary report available for the public; however there was a delay in presenting this to the Council for review and approval. The report will now be presented to the Council after the 2016 Local Authority Elections.
- We have been proactively managing the biosecurity on-island pest threat by monitoring at risk sites and maintaining an internal border between Chatham Island, Pitt Island and New Zealand. Public education and regular training of SPS Biosecurity staff has also minimised the threat of pest outbreak. One 'new to Chathams' potential plant pest was identified and controlled by the resident Biosecurity Officer.
- The feral goat population in one geographical area has been eradicated, leaving approximately 50 goats in another area.
- We are working on an underwater surveillance programme to identify marine pests.

## Emergency management

### 5 of 8 Targets achieved

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

- The Council staff, volunteers and equipment remain in a state of readiness to respond to emergency events. In addition, all emergency management plans are up to date and in compliance with statutory requirements.
- Based on feedback from the community, we need to work further to educate the public to ensure they feel prepared for an emergency event, with the surveyed level of preparation being below our desired target.

## Coasts, harbours and navigation

### 3 of 6 Targets achieved

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

- The Navigation Safety Bylaw was kept up to date.
- Owenga Wharf, which provides lifeline access to Pitt Island from Chatham Island, remained open with no safety or inefficiency complaints received.
- Non-achievement of targets primarily due to no complaints received in year or systems insufficient to capture data.

# Financial overview

The full financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). The Chatham Islands Council has elected to prepare the financial statements in accordance with Tier 2 PBE accounting standards as it is not publicly accountable or large. The summary financial statements comply with FRS-43.

The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000).

## Statement of Comprehensive Revenue and Expense for the year ended 30 June 2016

	Actual 2015/16 \$000	Long-Term Plan 2015/16 \$000	Actual 2014/15 \$000
Rates	543	525	539
Grants & subsidies	6,648	12,121	7,674
Other revenue	844	634	902
<b>Total revenue</b>	<b>8,034</b>	<b>13,280</b>	<b>9,115</b>
Financial costs	29	26	31
Other expenditure	6,914	7,500	7,550
<b>Total expenditure</b>	<b>6,942</b>	<b>7,526</b>	<b>7,581</b>
Total surplus/(deficit)	1,092	5,754	1,534
Increase/(decrease) in revaluation reserve	-	-	-
<b>Total Comprehensive Revenue and Expense</b>	<b>1,092</b>	<b>5,754</b>	<b>1,534</b>

## Statement of Changes in Equity for the year ended 30 June 2016

	Actual 2015/16 \$000	Long-Term Plan 2015/16 \$000	Actual 2014/15 \$000
<b>Equity at the start of the year</b>	<b>56,503</b>	<b>56,304</b>	<b>54,969</b>
Total comprehensive revenue and expense	1,092	5,754	1,534
<b>Equity at the end of the year</b>	<b>57,595</b>	<b>62,058</b>	<b>56,503</b>



## Statement of Financial Position as at 30 June 2016

	Actual 2015/16 \$000	Long-Term Plan 2015/16 \$000	Actual 2014/15 \$000
Current assets	1,987	2,072	3,551
Non-current assets	57,955	61,792	57,397
<b>Total assets</b>	<b>59,942</b>	<b>63,864</b>	<b>60,948</b>
Current liabilities	1,936	1,309	3,963
Non-current liabilities	411	498	482
<b>Total liabilities</b>	<b>2,347</b>	<b>1,806</b>	<b>4,445</b>
<b>Net assets</b>	<b>57,595</b>	<b>62,058</b>	<b>56,503</b>
<b>Public equity</b>	<b>57,595</b>	<b>62,058</b>	<b>56,503</b>

## Statement of Cash Flows for the year ended 30 June 2016

	Actual 2015/16 \$000	Long-Term Plan 2015/16 \$000	Actual 2014/15 \$000
Net cash flow from operating activities	1,852	7,480	4,723
Net cash flow from investing activities	(2,410)	(7,732)	(3,531)
Net cash flow from financing activities	(61)	(22)	(49)
<b>Increase/(decrease) in cash held</b>	<b>(619)</b>	<b>(274)</b>	<b>1,141</b>
Opening cash balance	2,088	1,100	947
<b>Closing cash balance</b>	<b>1,469</b>	<b>825</b>	<b>2,088</b>

## TO THE READERS OF CHATHAM ISLANDS COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

The summary annual report was derived from the annual report of Chatham Islands Council (the Council) for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 8 and 9:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2016; and
- the summary service performance summaries (referred to as "Council performance during 2015/16") of the Council.

We expressed an unmodified audit opinion on the Council's full audited statements in our report dated 27 October 2016.

### Opinion

In our opinion:

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

### Basis of opinion

Our audit was carried out in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 27 October 2016 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the Council.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS 43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Council.



### Julian Tan

Audit New Zealand

On behalf of the Auditor-General Christchurch, New Zealand  
27 October 2016

# The organisation

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## Council and Management

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Joe Tapara (until May 2016)

## Council Staff

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Emergency Management Co-ordinator  
Rana Solomon  
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## Engineers

MWH Ltd (Christchurch)  
(MWH New Zealand Ltd)

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

Richard Bennett – Water and wastewater

John Cocks – Sanitation

## Contractors

Environment Canterbury  
Fulton Hogan Ltd

## Resource Management

Beca Ltd

## Solicitors

Wynn Williams

## Bankers

ANZ (Waitangi – Chatham Islands)

## Auditors

Audit New Zealand  
(on behalf of the Auditor General)



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