

# Working Together



ANNUAL REPORT 2013/2014

# ANNUAL REPORT SUMMARY



A full copy of the Annual Report can be obtained from any Southland District office or library, or on our website [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz). You can also phone Council on 0800 732 732 to request a copy be sent to you.

Audit New Zealand has audited Council's full Annual Report and Summary and has issued an unmodified report on both. As part of the audit, the auditors looked at whether the financial statements fairly reflect Council's financial performance and position and comply with generally accepted accounting practice. Additionally they looked at Council's non-financial performance and how fairly it has monitored and reported on its activities.

As noted in its report, Audit New Zealand has reviewed this summary for consistency with the full Annual Report and has confirmed that it fairly and consistently represents the major matters dealt with in the full report for the year ended 30 June 2014. It is noted, however, that the summary cannot be expected to provide as complete an understanding of the financial and non-financial performance of Council as the full Annual Report.

The full Annual Report and summary were authorised for release by Chief Executive Steve Ruru on 8 October 2014.

VISION - to have thriving healthy communities - MISSION - working together for a better Southland

# WORKING TOGETHER

*Welcome to the summary document  
of the 2013/2014 Annual Report,  
Working Together*

It has been an extremely busy year for Southland District Council, with a lot of significant changes. Long-serving Mayor Frana Cardno did not stand for re-election in the October 2013 elections, and I was elected your new Mayor. We farewelled Deputy Mayor Jim Copland, and Crs Diane Ridley and Wally Jack; and welcomed new councillors Neil Paterson, Julie Keast and Alistair Jukes.

As part of the elections, we moved to a new ward based system and reduced our community boards to 8 and increased our community development area (CDA) sub-committees to 19. We also farewelled Chief Executive David Adamson in June.

Alongside these major changes, Council also faced more reform decisions from central Government and increased costs in the roading area. Roading is our biggest spend and Council continues to work hard to find innovative ways to manage our roads. However, we have remained fiscally responsible and this year's Annual Report shows Council remains in a strong financial position. Surplus for the year was \$7.6 million, which is \$10.2 million above budget.

This predominantly related to increased revenue from government grants, forestry sales and vested assets totalling \$6.7 million, as well as reduced expenditure of \$3.5 million. Council remains externally debt free.

After many years of hard work, collection of a Stewart Island visitors' levy began on 1 October 2013. \$85,000 was given out to five projects on the Island this year, after only nine months of collecting the levy.

Key Council projects also progressed during the year, with most of Stage One of the Around the Mountains Cycle Trail (from Kingston to Mossburn) constructed, by the end of June 2014. Plans are well underway for Stage Two from Mossburn to Walter Peak.

Resource consent application for the treatment and disposal of wastewater from Te Anau was lodged with Environment Southland in November 2013. The project proposes to pipe the treated wastewater to land near the airport and irrigate it via centre pivot. The project, at a cost of approximately \$13 million, is being undertaken because the present consent expires in 2014 and

disposal to water, as is now happening, is unlikely to be allowed. Open days at the Te Anau Airport Manapouri were held in January to explain the proposal and encourage people to have their say to Environment Southland. A hearing was held in front of three independent commissioners in Te Anau in July 2014.

Hearings began on the proposed District Plan after 288 submissions were received in the first round of consultation.

A further 28 submissions were received in the second round. The first hearings were held in Te Anau in May, with the others in Invercargill. A recommending report is likely to go to Council late in 2014.

The Year in Review gives an overview of the key highlights for the year and a financial overview.

If you want a detailed view of the significant progress made by Southland District Council on behalf of its residents and ratepayers, I recommend you read the full Annual Report, which is available on our website [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz) and at our Area Offices.



I would like to thank Councillors, Community Board and CDA members and staff for their hard work in what has been a year of change and their commitment towards "Working together for a better Southland".

A handwritten signature in black ink, appearing to be 'G. Tong', written over a white background.

Gary Tong  
MAYOR

# KEY HIGHLIGHTS

## Roading

Council has focused on improving value for money and increasing efficiency in managing our roads. The New Zealand Transport Agency (NZTA) has capped funding for 2012-2015 and has reduced its financial assistance rate by 1% to Council, so there adds to the pressure.

NZTA has also introduced a national standard road classification called One Network Road Classification, which is designed to be a standard framework for specifying levels of service for different classes of roads that have the same functional purpose across the country. This will be implemented in 2014-2015.



## Water and waste

Resource consent applications for a new wastewater treatment and disposal system for Te Anau were lodged with Environment Southland in late 2013.

Open days on the proposed scheme were held at the Te Anau Airport Manapouri to raise public awareness and to answer questions. Environment Southland received 152 submissions. The hearing before three independent Commissioners was held in July 2014 in Te Anau and was adjourned for further information.

Council continued to work towards upgrading its treatment schemes to improve compliance with national standards for schemes. Council continued to assess the conditions of all its schemes to work out the optimum timing of renewals.

## Local Government Reforms

As at 30 June 2014, local government was still waiting on the outcome of the Local Government Act 2002 Amendment Bill which was still passing through Parliament. The amendment bill was enacted in August 2014.

This Bill made a number of changes to councils' governing legislation including providing more flexibility around how councils engage with its residents and ratepayers.

In addition, councils will be required to develop an infrastructure strategy that shows planned capital works over the next 30 years.

# KEY HIGHLIGHTS

## Around the Mountains Cycle Trail



The majority of Stage One of Around the Mountains Cycle Trail (Kingston to Mossburn) was completed by the end of June 2014, with only the swing bridges and a small section at Athol to be finished.

An opening of the stage is planned for October 2014. Planning also got under way for Stage Two - from Mossburn to Walter Peak. During the year extra funding of \$500,000 was received from government to change the trail route to go through Athol.

In addition, the funding from the Ministry of Business Innovation and Employment of \$3.7 million, along with funding from Council grants over two financial years (2013/2014 and 2014/2015) and New Zealand Transport Agency, provided total funding of \$4.51 million towards this project.

The estimated cost of completion of Stage One is \$4.58 million.

Funding of \$1 million was also approved from the Lotteries Commission for Stage Two, which has an estimated cost of \$4.77 million.

Overall for the total project (Stage One and Stage Two) the balance of funding needed is \$3.84 million. This has been underwritten by Southland District Council but funding is being sought from several different sources.

The trail is expected to offer considerable long term benefits to the communities and is expected to be fully completed by December 2015.

## Stewart Island/Rakiura Visitor Levy

The Stewart Island/Rakiura Visitor Levy fund collected \$113,566 in its first nine months.

An allocation committee was established and allocated \$85,000 to various projects on the Island.

The levy helps pay for infrastructure, services and amenities that are used by visitors.

The cost of the levy is \$5.



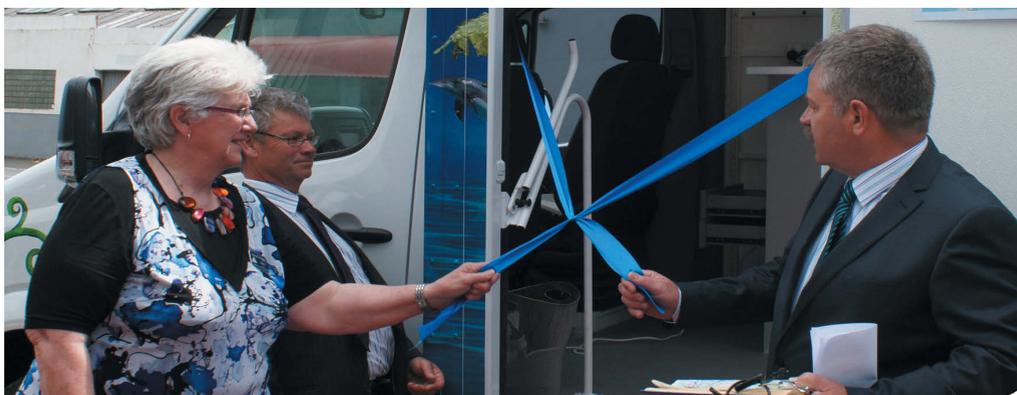
# KEY HIGHLIGHTS

## New mobile library commissioned

Southland District Council launched a new mobile library in February 2014.

The mobile library is a Mercedes Sprinter which has been customised specifically for the delivery of library services. It is safer to drive and is more comfortable for librarians to work in.

Library users are encouraged to order items through the SDC website or 0800 number and books will be delivered at their local stop.



## District Plan Update

Hearings began into the proposed Southland District Plan in May after it was publicly notified at the end of November 2012.

288 submissions were received and another 28 were received after a call for further submissions was held. The first hearing was held in Te Anau, with the rest being held in Invercargill.

## Youth Council

The Southland District Youth Council had a busy year, with a hugely successful youth forum held in September and a Clash of the Youth Councils in May. Youth Council members also made a submission to Council's 2014/2015 draft Annual Plan supporting the Around the Mountains Cycle Trail.

A community spirit award was given out at the end of the 2013 year.

## Venture Southland

In 2014 a new Heads of Agreement was agreed between the funding councils: Southland District Council, Invercargill City Council and Gore District Council.

The new agreement changed the governance structure of the organisation to reflect what was occurring in practice. The Directorate became the Joint Committee and the Joint Committee became an Advisory Subcommittee.

New planning and reporting processes were also included.

# SUMMARY ACTIVITY REPORT

## Activity Grouping

### Regulatory Services includes

- Building Control
- Dog Control
- Health Regulation
- Resource Management

### Other District Services includes

- Civil Defence
- Community Housing
- District Support
- Forestry
- Libraries
- Work Schemes

### Other Local Services includes

- Beautification
- Community Centres
- Airports
- Parks and Reserves
- SIESA
- Public Conveniences
- Cemeteries
- Council Buildings and Property

158 projects and 99 service performance targets were included in the 2013/2014 Annual Plan.

Eighty nine of the 99 performance targets were measured and 10 were not measured as they were part of several surveys that happen either every two or three years.

The table below provides a snapshot of the status of projects and achievements of targets as at 30 June 2014.

Of the 158 projects, 70 (44%) were completed by the end of the year, with a large proportion of the 32 projects (20%) that were still in progress and 40 projects (25%) deferred due to be completed in 2014-2015.

Six projects were not started (4%) and 10 projects (6%) were deleted.

Of the 99 service performance targets, 60 (67%) were achieved and 29 (33%) were not achieved, but some of those not achieved were very close to being achieved.

ACTIVITY	CAPITAL PROJECTS			PERFORMANCE TARGETS		
	Complete <sup>1</sup>	In Progress	Not Started <sup>2</sup>	Achieved	Not Achieved	Not Measured
Roading and Transport	3	6	13	8	1	
Solid Waste Management	0	0	0	2	4	
Other District Services	1	0	0	20	7	6
Stormwater, Wastewater, Water	55	22	28	6	3	1
Other Local Services	11	4	15	11	6	0
Regulatory Services	0	0	0	10	5	3
Governance, Strategy, Communication	0	0	0	2	3	
Grants and Donations	0	0	0	1	0	
<b>TOTAL 2013/2014</b>	<b>70 (44%)</b>	<b>32 (20%)</b>	<b>56 (35%)</b>	<b>60 (67%)</b>	<b>29 (33%)</b>	<b>10</b>
TOTAL 2012/2013	37 (27%)	40 (29%)	61 (42%)	42 (64%)	24 (36%)	26

<sup>1</sup> In addition to the 83 projects identified for 2013/2014 being completed, Council also completed several projects carried forward from previous years.

Details of individual projects are included in the project tables in the Activity.

<sup>2</sup> Includes projects which were not started, deferred or deleted.



# FINANCIAL OVERVIEW

The financial overview provides a summary of the year-end financial results for Council. For a full financial statement please read the Annual Report 2013/2014.

The table shows the financial year-end results, as at 30 June 2014 and includes comparisons from the previous financial year and the budget as outlined in the 2013/2014 Annual Plan.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand.

The full Financial Report in the Annual Report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The Annual Report complies with NZ International Financial Reporting Standards, as appropriate for public benefit entities. A copy of the full Annual Report can be found at our offices or at [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz)

The information included in this summary report has

been prepared in accordance with FRS 43: Summary Financial Statements.

It does not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

FINANCIAL SUMMARY			
Actual 2012/2013 (\$000)		Actual 2013/2014 (\$000)	Budget AP 2013/2014 (\$000)
<b>COMPREHENSIVE INCOME</b>			
65,085	Revenue Earned (incl Asset Development)	71,180	64,465
61,714	Less Total Expenditure	63,526	67,056
44	Less Finance Costs	21	20
(5)	Plus Share of Associate Surplus/(Deficit)	-	-
3,322	Net Surplus/(Deficit) after Tax	7,633	(2,611)
(10)	Movement in Fair Value Reserve	15	
21,516	Movement in Asset Revaluation Reserve	(11,246)	44,149
24,827	Comprehensive Income	(3,598)	41,538
<b>CHANGES IN EQUITY</b>			
1,369,113	Equity at Start of Year	1,393,940	1,420,255
24,827	Total Comprehensive Income	(3,598)	41,538
1,393,940	Equity at the End of the Year	1,390,342	1,461,794

FINANCIAL POSITION			
1,393,940	Total Equity	1,390,342	1,461,794
16,746	Current Assets	20,878	7,523
1,387,245	Non-Current Assets	1,380,739	1,465,863
1,403,992	Total Assets	1,401,617	1,473,385
9,844	Current Liabilities	11,089	11,412
208	Non-Current Liabilities	186	180
10,052	Total Liabilities	11,275	11,592
1,393,940	Net Assets (Assets less Liabilities)	1,390,342	1,461,794
<b>CASH FLOWS</b>			
19,885	Operating Cashflow	24,376	20,759
(12,782)	Investing Cashflow	(21,637)	(24,987)
(131)	Financing Cashflow	(17)	(300)
6,971	Net Cashflow Increase/(Decrease)	2,722	(4,528)
1,884	Opening Cash Balance	8,855	3,209
8,855	Closing Cash Balance	11,577	(1,319)

## DEFINITIONS

### Comprehensive Income

What income Council has left after operational costs are paid.

### Equity

Net assets owned by ratepayers.

### Net Assets

What Council owns and what it owes at the end of the year.

### Cashflow

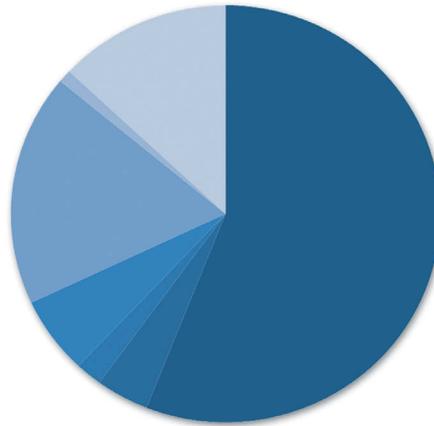
How Council generated and used cash during the year.

# REVENUE

## SOURCES OF REVENUE

(incl Asset Development, excl Venture Southland)

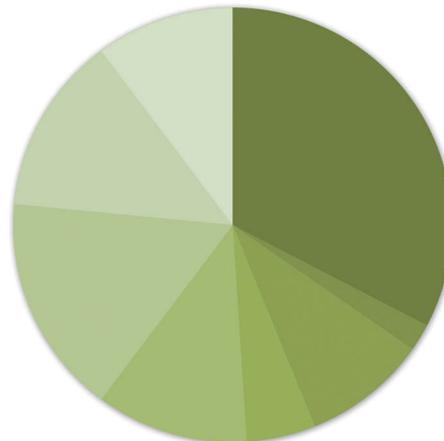
- Rates Revenue (56%)
- Asset Development (4%)
- Other Gains/(losses) (2%)
- Grants and Subsidies (6%)
- NZ Transport Agency (18%)
- Interest and Dividends (1%)
- Other Revenue (13%)



## RATES EXPENDITURE

(Per Property)

- Roothing and Transport (32%)
- Grants and Donations (2%)
- Governance Strategy and Communication (9%)
- Regulatory Services (5%)
- Other Local Services (11%)
- Stormwater, Wastewater and Water (16%)
- Other District Services (13%)
- Solid Waste Management (10%)



### REVENUE

\$71.2 million of revenue was collected during the financial year. Overall revenue is \$7.6 million more than budget.

Key variances included increases of additional government grants of \$2.1 million towards the Around the Mountains Cycle Trail, \$1.8 million of additional forestry income (accelerated harvest \$500,000; valuation \$900,000; interest \$400,000) \$1.6 million vested interests and \$900,000 of Ministry of Health subsidies.

### WHERE THE REVENUE CAME FROM

Council's consolidated revenue this year is \$71.2 million, including \$39.5 million from rates. The breakdown of this revenue is shown in the pie chart.

### WHERE YOUR RATES WERE SPENT

The pie chart shows the breakdown of where the rates per property were spent in 2013/2014.

The most significant areas were roading and transport, followed by stormwater/water and sewerage. Other district services groups together the Civil Defence, district support and library activities. Other local services groups together community buildings, pools, water structures, jetties.

# KEY HIGHLIGHTS

## Operational Expenditure

\$63.5 million was spent on operating expenditure with nearly half of this going to roading and transport (43.2%). Overall operating expenditure was under budget by \$3.5 million. Key variances are summarised below:

INCREASES	DECREASES
<ul style="list-style-type: none"> <li>\$0.3 million of additional forestry costs relating to the accelerated harvesting.</li> </ul>	<ul style="list-style-type: none"> <li>\$3.3 million less depreciation than budgeted primarily relating to roading.</li> <li>\$0.4 million relating to timing of costs for the District Plan.</li> </ul>

## Net Assets and Equity

Overall Council's total net assets have slightly decreased from last year (Council has total assets of approximately \$1.4 billion). Additionally, as a result of internally funding projects from existing cash reserves, long term projected external borrowings were not required, which meant that non-current liabilities are lower than expected in the budget.

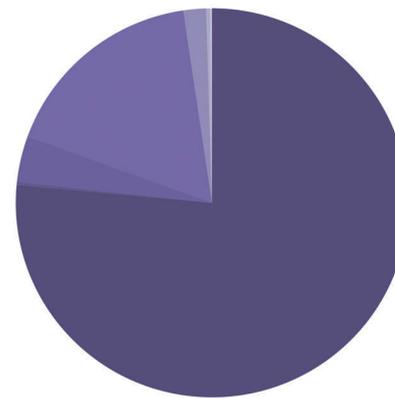
## Cash Flow

Council's operating cash flow was \$3.6 million more than forecast. This is primarily due to grants and subsidies being \$1.6 million higher than budgeted, and by decreased cash expenditure of \$1.0 million. Council's net cash out flow from investing activities was \$3.3 million less than forecast due to lower than expected capital works. Overall, Council has ended the year with a cash balance of \$11.6 million which is \$12.9 million higher than budget.

## Capital Expenditure

Council spent \$22.1 million on capital projects, of which \$18.1 million (77%) was spent on roading and transport projects and \$4 million (17%) was spent on stormwater, water and sewerage projects.

The capital project spending was lower than the \$25.5 million budgeted in the Annual Plan due to some stormwater, water and wastewater capital projects still in progress or not yet started at 30 June 2014. Additionally, the level of vested assets is \$1.6 million more than budgeted.



- Roading and Transport \$18,052,160
- Solid Waste Management \$60,195
- Other District Services \$899,240
- Stormwater, Wastewater, Water \$4,042,273
- Other Local Services \$442,144
- Governance, Strategy and Communication \$79,839
- Regulatory Services \$31,642

## Events after balance date

Events subsequent to balance date are as follows:

Steve Ruru was appointed as chief executive and will start at Council on 8 October 2014.

Bede Carran resigned as Group Manager Corporate and Financial Services in August 2014. At the date of this report no replacement has been appointed.

# AUDITOR'S REPORT

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

### Independent Auditor's Report

To the readers of  
Southland District Council's  
Summary annual report  
for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Southland District Council (the District Council) for the year ended 30 June 2014.

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 3 to 10:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as the summary activity report) of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 8 October 2014.

### 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 FRS 43 (PBE): 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 8 October 2014 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 District 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 FRS 43 (PBE): 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 FRS 43 (PBE): Summary Financial Statements.

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



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor General  
Dunedin, New Zealand  
15 October 2014



*People First*

Southland District Council

*Te Rohe Pōtae O Murihiku*

[www.southlanddc.govt.nz](http://www.southlanddc.govt.nz)