



Summary Document

Southland District Council

ANNUAL REPORT 2011/2012



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A full copy of the Annual Report is available from any Southland District Council office or library, online at www.southlanddc.govt.nz or you can 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 2012. 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 David Adamson on 31 October 2012.

Vision

TO HAVE HEALTHY, THRIVING COMMUNITIES

Mission Statement

WORKING TOGETHER FOR A BETTER SOUTHLAND

From the Mayor and Chief Executive



Mayor Frana Cardno and Chief Executive David Adamson

Council has had another roller-coaster year, with fallout from the Christchurch earthquakes not only challenging us to ensure we have appropriate systems in place if a similar disaster hit Southland but also by the change of regulation that is expected to flow. We have also been confronted with major legislative change in Central Government's "Better Local Government" reform package in March 2012. This has created a significant amount of work for both councillors and staff as a number of the reforms could significantly impinge on rural New Zealand.

We have also been very busy talking to our communities about the way in which they are represented in Council. Under legislation we have to review our representation system every six years. Unfortunately the status quo was not considered a viable or legal option and therefore some change to

the way Council, community boards and community development area subcommittees are elected is necessary. A strong theme that came through the submissions and public meetings was the desire of communities to make their own decisions about their own communities. The final outcome from the representation review will not be known until 2013.

Council has had significant increases in insurance and from next year will have a reduction in the financial assistance rates for roading, which will make the job of minimising any rates increase even more difficult. As part of the local government planning cycle Council prepared its Long Term Plan for the next 10 years and has made it a priority to minimise costs so that any rate rise will be kept as a minimum. It is pleasing to see that the rate rise was significantly below that projected three years ago.

This Annual Report shows that Council remains in a strong financial position. Surplus for the year was approximately \$920,000 above budget. This was because Council made savings carried over from the previous year and had a lower than expected depreciation expense. Council remains externally debt free. However, we continue to work hard to look for efficiencies and effectiveness. It is incredibly pleasing that after approximately 20 years the Stewart Island visitors levy legislation finally passed through Parliament and Council is working hard to put the Levy in place as soon as possible. Council is still pursuing a number of community initiatives including Around the Mountain cycle trail, Curio Bay reserve development, a joint office on Stewart Island and Discover Fiordland.

We recommend that you read this Annual Report as it gives you a detailed view of the significant progress made by Southland District Council on behalf of its residents and ratepayers. We would like to thank councillors, community board and CDA subcommittee members and staff for the commitment towards "working together for a better Southland".

Frana Cardno, QSO JP
MAYOR

David Adamson
CHIEF EXECUTIVE



Key Highlights

FOCUS ON OUR COMMUNITIES

Curio Bay

A shared vision for Curio Bay has been developed between Southland District Council, Department of Conservation and the South Catlins Development and Environmental Charitable Trust. This was cemented by the signing of a Memorandum of Understanding so that the groups can work together to provide the required infrastructure for the area. Council also decided to contribute around \$300,000 in 2012/2013 towards a sewerage system in Curio Bay. This project will be a key part in the expansion of economic growth in the District as well as protecting a significantly important recreational and scientific reserve for all of New Zealand.

Combined Dog Pound

The new 27-kennel dog pound facility at Clifton was nearly complete by the end of the financial year and was formally opened on 18 July 2012. The pound is a joint initiative by Invercargill City Council and Southland District Council.

Property

As part of the Long Term Plan, Council also approved the move to District funding of Council's public conveniences to ensure the infrastructure is paid for on an equitable basis.

Library Services

Council's libraries continued to develop as more than just a place where people get books. During the year, an increasing number of people came to the library for other services including computing, wifi, browsing, genealogy, reading newspapers and magazines. More than 11,000 new books, magazines and videos were added to the Southland District collection. The Southland District has approximately 621 eBook titles exclusively for their own users and the SouthLib consortia have a total of 900 titles.

Representation

During the year, Council began consultation on the review of its representation arrangements. This involved publication of a discussion document which was circulated to all households and nine public meetings throughout the District as well as individual meetings with key stakeholders. A final decision should be made by 2013.

Stewart Island Visitor Levy

The Stewart Island/Rakiura visitor levy which is to help pay for infrastructure, services and amenities that are used by visitors was progressed, with Parliament enacting the Southland District Council (Stewart Island/Rakiura Visitor Levy) Empowering Act on 26 March 2012. Subsequently, Council developed a discussion document on how to implement the levy and commenced targeted consultation with key stakeholders, feedback was received and workshops were held. The levy is expected to be implemented by October 2013.

Local Government Reform

At the beginning of 2012, the Government announced potential reform of local government which may result in significant changes. Council will make a submission to the Local Government Act 2002 Amendment Bill about its concerns about the proposed changes including the removal of the community's wellbeing.



FOCUS ON ROADING

Roading

Council has been working hard on realigning the roading maintenance and renewal programme to better manage our network. It has been a challenge to keep maintenance and renewals within the budget constraints. The Government, through the NZTA, capped the level of financial assistance available to Council for 2009-2012 and we had to return \$1.2 million of funding because of work not being able to be done because of unsuitable weather and carry-overs to 2012/13 not allowed. This work still has to be completed and will be an early draw on 2012-2015 funds.

NZTA has also set a flatline cap to funding for 2012-2015, meaning there is no allowance for inflation or growth regardless of cost increases or roading maintenance or renewal needs. Council has been proactive and strategic in its approach to preparing the District's land transport plan with a focus on improving value for money, increasing efficiency in service delivery and improving long term outcomes for the network.

Around the Mountain Cycle Trail

Council applied for a resource consent to construct the Around the Mountain cycle trail project which goes from Walter Peak to Kingston. A joint hearing with Environment Southland was held at the end of April/early May before an Independent Hearing Commissioner, who has since released his decision to grant partial resource consent. As a result, Council is considering starting construction on the consented parts of the trail.



FOCUS ON WATER/STORMWATER/WASTE

Water and Wastewater

During the year Council completed an upgrade on the Browns wastewater treatment plant resulting in a significant improvement to the discharge quality. Council also worked towards upgrading a number of other treatment systems (notably Winton and Riversdale) to improve compliance with standards for schemes. In reviewing the capital renewal programme, Council was, however, faced with the issue of affordability of water and sewerage scheme improvements (particularly for the smaller schemes), because the Ministry of Health financial subsidies are no longer available.



FOCUS ON RESOURCE MANAGEMENT/BUILDING CONTROL

Building Control and Resource Planning

During the year there were fewer resource consent and building applications. This reflects the national economic, development and construction trends. There was a slight decrease in the number of resource consents processed with 261 consents processed compared to 280 in 2010/2011. In line with the slow down in the global economy there were less complex notified consents (seven compared to 23). At the end of July 2010 the new Resource Management Discount regulations came into effect which requires Councils to refund 1% of consent fees for each day they are late. Council issued two discounts for the year compared to nine last year (out of 261 consents); these amounted to a total of \$21. Under the Dangerous, Insanitary and Earthquake-prone Building Policy there were 11 investigations and two demolitions. One was a building situated on Council road reserve land on Stewart Island, which was demolished on 18 April 2012. One dangerous building notice was issued and the owner demolished a building in Nightcaps. Building consent numbers slightly decreased in 2011/2012 but overall values were up from \$93 million in 2010/2011 to \$97 million in 2011/2012.

District Plan

In 2011/2012 the review of the District Plan was progressed and a Draft Second Generation District Plan prepared. The Second Generation Southland District Plan will be presented to Council for approval for public notification on 31 October 2012, with formal public notification to follow in early November 2012.

Earthquake-Prone Buildings

During the year, the Christchurch earthquake continued to impact on building control in Southland. The impact has included insurance premium increases and development of policy. Council completed a district-wide survey to identify potentially earthquake-prone buildings and 106 buildings were identified as potentially

earthquake-prone. The building owners have been given timeframes ranging between 15-30 years to provide an Initial Evaluation Procedure (IEP) assessment from a Chartered Professional Engineer, demonstrating the building either meets 34% of the new building standard or is structurally upgraded or is removed. Some of these buildings are Council-owned buildings and Council will be actively moving to address these to ensure they are suitably strengthened within the timeframes specified in the Policy. The Royal Commission of Enquiry into the earthquake strengthening performance in the Christchurch earthquake continues, which may mean further review of Council's earthquake-prone building policy may be necessary, and possibly expansion of the District's building stock survey.



Summary Activity Report

The Annual Plan 2011/2012 included 149 projects for the year as well as 158 service performance targets (of which 111 were measured) for its 27 activities. The table below provides a snapshot of the status of projects and achievement of targets as at 30 June 2012. More detail about the individual results including commentary on specific projects is included in the Activity Sections of the Annual Report.

Overall nearly a quarter of all projects were completed by the end of the year, with a large proportion of projects (particularly for stormwater, wastewater and water) still in progress or deferred and due to be completed in 2012/2013. Generally projects which were not completed are multi-year projects.

In terms of service performance targets, more than two thirds of these targets were achieved which is a slight improvement as last year. Some of those “Not achieved” were very close to being achieved.

ACTIVITY	Capital Projects			Performance Targets	
	Complete ¹	In Progress	Not Started ²	Achieved	Not Achieved
Roading and Transport	6	5	9	7	0
Solid Waste Management	0	0	0	1	1
Other District Services	0	0	1	19	6
Stormwater, Wastewater, Water	18	54	30	6	8
Other Local Services	7	5	14	13	7
Regulatory Services	0	0	0	7	11
Governance, Strategy, Communication	0	0	0	4	1
Grants and Donations	0	0	0	17	3
Total 2011/2012	31 (21%)	64 (43%)	54 (36%)	74 (67%)	37 (33%)
Total 2010/2011	28 (22%)	55 (44%)	43 (34%)	96 (65%)	51 (35%)

¹ In addition to the 31 projects identified for 2011/2012 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 Reports of the full Annual Report.

² Includes projects which were not started (0), deferred (48) or deleted (6).

Activity Grouping

Other District Services includes

Civil Defence, Community Housing, District Support, Forestry, Libraries and Work Schemes.

Other Local Services includes

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

Regulatory Services includes

Building Control, Dog Control, Health Regulation and Resource Management.

Financial Overview

This is a summary of year-end financial results for Southland District Council. The financial results include information about the Council, Stewart Island Electricity Supply Authority and Venture Southland. The table shows the financial year-end results, as at 30 June 2012 and includes comparisons from the previous financial year and the 2011/2012 Annual Plan budget.

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

The information included in the summary report has been prepared in accordance with FRS 43: Summary Financial Statements.

For more details, please read the full Annual Report 2011-12.

FINANCIAL SUMMARY			
Actual 2010/2011		Actual 2011/2012	Budget 2011/2012
	COMPREHENSIVE INCOME		
56,952,555	Revenue Earned (incl Asset Development)	62,938,512	64,126,172
(58,621,070)	Less Total Expenditure	(61,252,686)	(62,912,908)
(30,830)	Less Finance Costs	(94,401)	(541,871)
(323)	Plus Share of Associate Surplus/(Deficit)	(255)	-
(1,699,667)	Net Deficit after Tax	1,591,169	671,393
241,339	Movement in Fair Value Reserve	3,574	-
34,905,319	Movement in Asset Revaluation Reserve	37,410,731	59,723,892
33,446,990	Comprehensive Income	39,005,474	60,395,285
	CHANGES IN EQUITY		
1,296,660,497	Equity at Start of Year	1,330,107,487	1,381,180,658
33,446,990	Total Comprehensive Income	39,005,474	60,395,285
1,330,107,487	Equity at the End of the Year	1,369,112,961	1,441,575,943
	FINANCIAL POSITION		
1,330,107,487	Total Equity	1,369,112,961	1,441,575,943
9,858,270	Current Assets	12,633,863	10,375,886
1,331,383,039	Non-Current Assets	1,367,454,013	1,456,569,176
1,341,241,309	Total Assets	1,380,087,876	1,466,945,062
10,732,689	Current Liabilities	10,783,361	10,406,452
401,133	Non-Current Liabilities	191,554	14,962,667
11,133,822	Total Liabilities	10,974,915	25,369,119
1,330,107,487	Net Assets (Assets less Liabilities)	1,369,112,961	1,441,575,943
	CASHFLOWS		
18,759,994	Operating Cashflow	22,239,876	21,408,360
(19,658,891)	Investing Cashflow	(21,482,161)	(29,401,670)
(245,011)	Financing Cashflow	(219,987)	8,824,260
(1,143,908)	Net Cashflow Increase/(Decrease)	537,728	830,950
2,490,416	Opening Cash Balance	1,346,508	1,772,816
1,346,508	Closing Cash Balance	1,884,236	2,603,766

COMPREHENSIVE INCOME
what income Council has left after operational costs are paid

EQUITY
net assets owned by ratepayers

FINANCIAL POSITION
what Council owns and what it owes at the end of the year

CASHFLOW
how Council generated and used cash during the year

Surplus

Council has a net surplus after tax of \$1.6 million compared to the budgeted surplus of \$0.7 million.

REVENUE

Revenue is \$1.2 million less than budget. This is due to vested assets received being \$2.2 million less than budgeted as a result of fewer

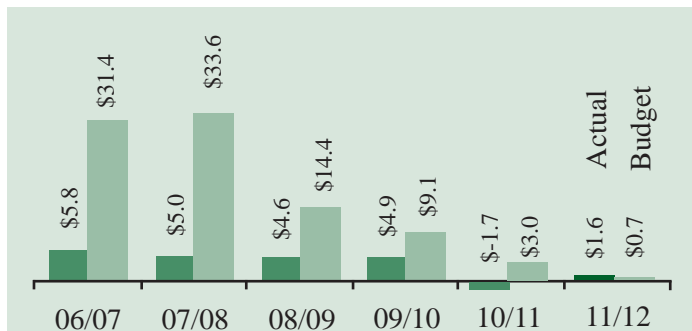
subdivisions being competed. This decrease has been offset by increased grants and subsidies of \$0.7 million in relation to Around the Mountain Cycle Trail, Stewart Island Heritage Building (both of which we receive to offset project specific costs) as well as a grant from Meridian Energy towards the Tuatapere water supply.

OPERATIONAL EXPENDITURE

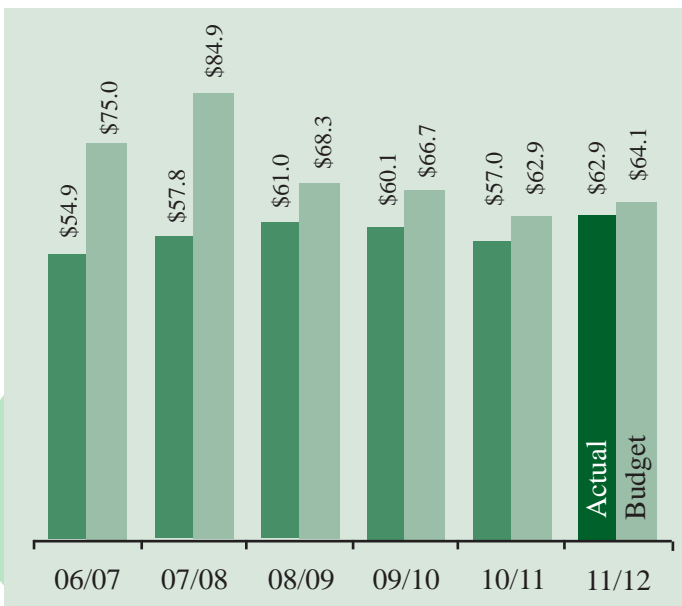
\$61.3 million was spent on operating expenditure, with nearly half of this going to Roothing and Transport services (45%). Overall operating expenditure was under budget by \$2.2 million. **Key variances are summarised in the table below:**

Increases	Decreases
<ul style="list-style-type: none"> \$1.2 million relating to 42% share of Venture Southland's expenses. (Note that Council's Annual Plan does not include information on Venture Southland's budgets, however Council is required in its Annual Report to consolidate its 42% share of Venture in its results, hence showing a variance). 	<ul style="list-style-type: none"> \$1.5 million less depreciation than budgeted primarily relating to roading \$1.0 million less operating expenditure, ie, maintenance (as a result of underspends in various activities.) \$0.5 million less external finance costs due to usage of internal funding rather than external funding. \$0.3 million less staff costs which includes contractor payments, community board honorarium (budgeted in other council expenditure), as well as extraordinary staff costs.

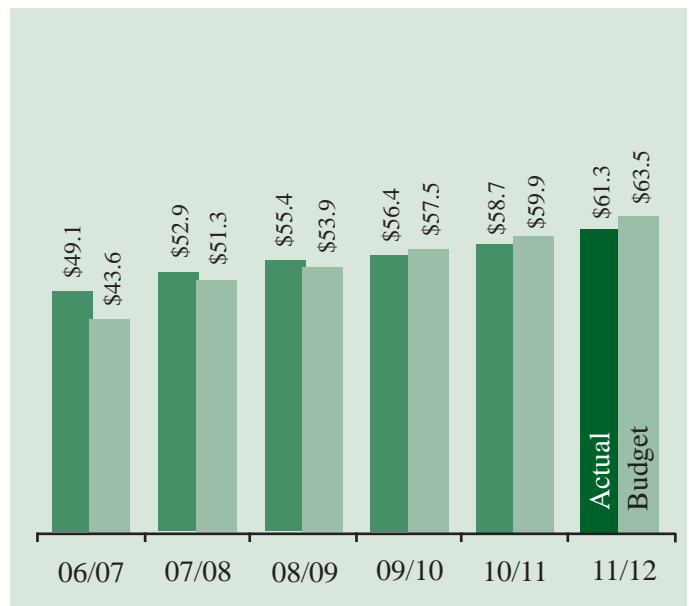
Net Surplus (\$million)



Revenue (Including Asset Development) (\$million)



Operating Expenditure (Including Income Tax) (\$million)



NET ASSETS AND EQUITY

Overall, total net assets have increased from last year. This is mainly due to an increase in the revaluation of Council's infrastructural assets (included within non-current assets). Additionally, as a result of internally funding projects from existing cash reserves, long term projected external borrowings were not required and this meant that non-current liabilities are lower than expected in the budget.

CASH FLOW

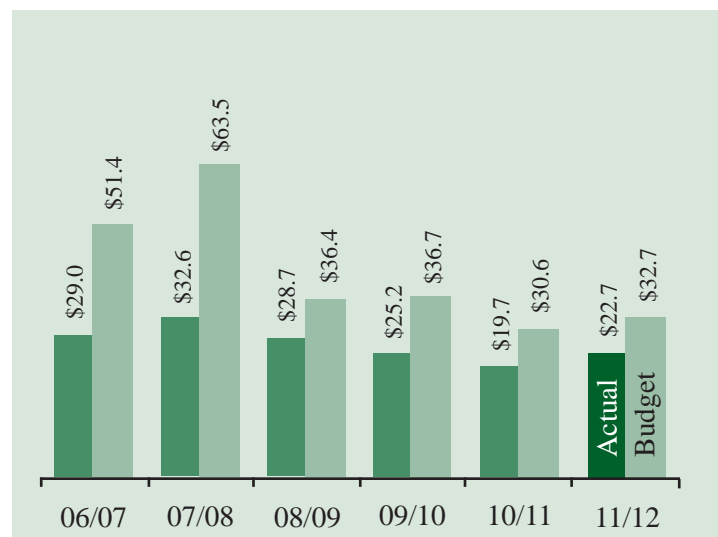
Net cash inflow from operating activities is higher than budget by \$0.8 million. This is primarily due to \$2.1 million more than budgeted other income as well as increases in all other income streams. This increase is offset by NZTA receipts being \$1.9 million lower than budget. This is because 30 June 2012 was the end of the three-year NZTA approved roading programme, and therefore a final reconciliation of the three-year programme resulted in a funding accrual at year end significantly larger than budgeted. The net cash outflow from investing activities is lower than budget by \$7.9 million due to the deferral/delay of a number of water/wastewater and roading capital projects. Net cash inflows from financing activities are \$9.0 million below budget. The budget had assumed external financing of capital projects, but the maturity of investments and lower capital expenditure has enabled Council to utilise its cash reserves to fund projects (internal funding) and repay existing debt, rather than seek external sources.

Overall, Council has ended the year with a cash balance of \$1.9 million which is \$0.7 million lower than budget.

CAPITAL EXPENDITURE

Council spent \$22.7 million on capital projects in 2011/2012. Of this total, \$19.3 million (85%) was spent on roading and transport projects throughout the District and \$2.1 million (9%) was spent on stormwater, water and wastewater projects in local townships. The capital project spending was lower than the \$32.7 million budgeted in the Annual Plan, due to delays in roading works as a result of weather, land ownership issues (\$2.8 million), and a number of stormwater, water and wastewater capital projects still in progress or not yet started at 30 June 2012 (\$7.1 million). More detail on these are shown in the Activity Reports in the full Annual Report.

Capital Expenditure (Including Vested Assets)
(\$million)



WHERE THE REVENUE CAME FROM

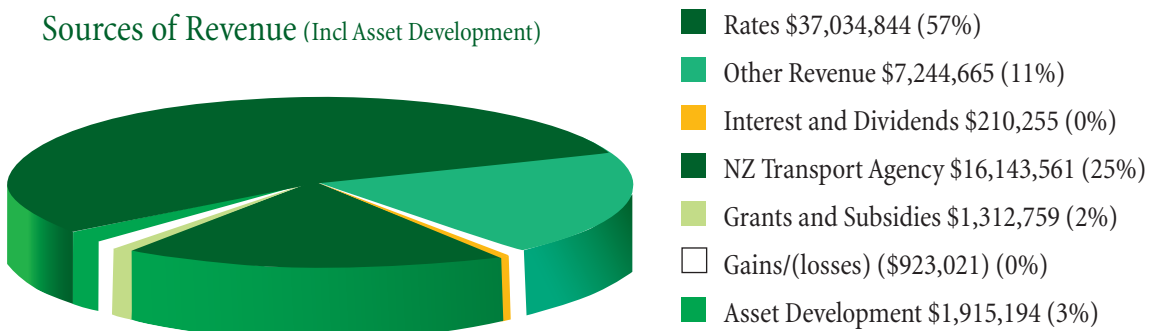
Council's consolidated revenue this year is \$62.9 million, including \$37.0 million from rates. The breakdown of this revenue is shown in the pie chart.

WHERE YOUR RATES WERE SPENT

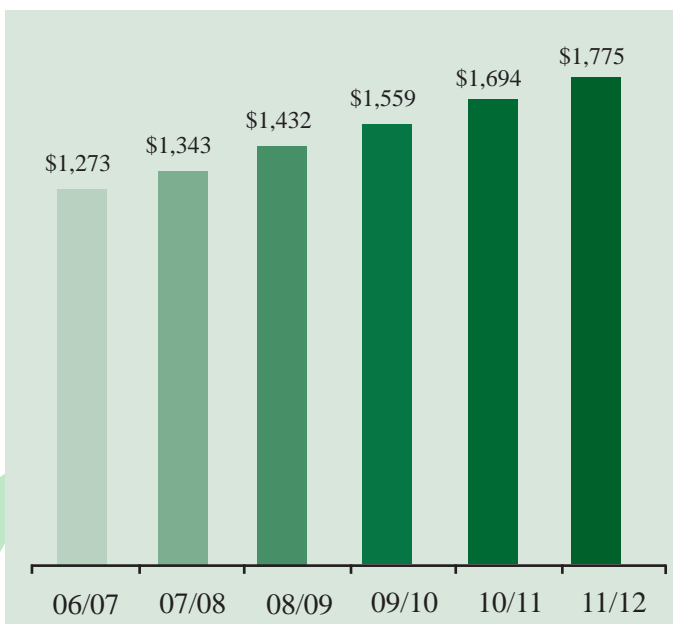
The average annual rates per property for the past six years are shown in the graph. The pie chart shows the breakdown of where the average rates of \$1,775 per property was spent in 2011/2012. Spending on Roothing and Transport topped the list, followed by Stormwater/Water and Wastewater, Other District Services, Other Local Services, Governance, Strategy and Communication and Solid Waste Management. "Other District Services" groups together the Civil Defence, District Support and Library activities. "Other Local Services" groups together community buildings, pools, water structures, jetties etc.

The majority of Council's expenditure (operational and capital) is on essential infrastructure such as roads, wastewater and water.

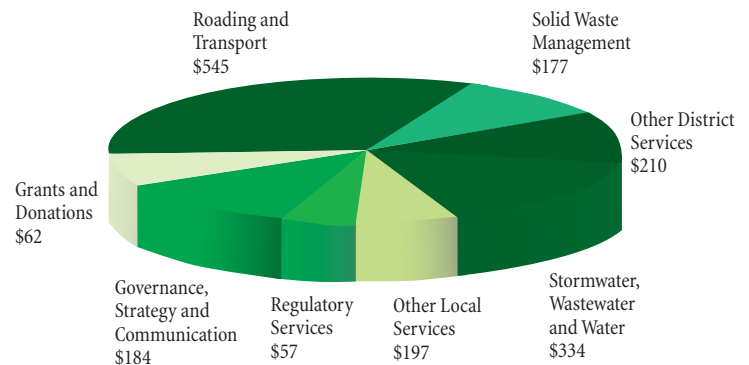
Sources of Revenue (Incl Asset Development)



Rates Per Property (Rateable)



Rates Expenditure Per Property (Rateable)



Disclosure

EVENTS AFTER BALANCE DATE

Events after balance date are events which happen after the end of the financial year which affect the Council's financial position. Subsequent to balance date Erik Barnes (Group Manager of Services and Assets) resigned, and was replaced by Ian Marshall. Additionally, an unconditional sale and purchase agreement for the Waiiau Airport was entered into in May 2012. Settlement will occur on 18 October 2012. Venture Southland's associate company, Crops for Southland, resolved to go into voluntary liquidation subsequent to balance date. No other significant events have taken place after balance date which would affect the Annual Report and Summary.

RELATED PARTIES

A related party transaction is a transaction between two parties that have a relationship. Council, Councillors and Council executive staff meet the definition of related parties. During the year ending 30 June 2012, Council was involved in transactions with Councillors and key management, as part of a normal customer relationship (for example, Councillors and staff pay rates and other fees and charges that are charged by Council in its day-to-day operations). Council was also involved in transactions with Venture Southland (as part of its 42% interest in the organisation).

COMMITMENTS

A commitment is an obligation to pay for future expenditure which has been contracted but not undertaken as a balance date. Southland District Council has contracts committing us to spend \$27.2 million (2011: \$26.7 million) on goods and services (this excludes the 42% share of Venture Southland commitments).

CONTINGENCIES

Contingencies are events that potentially may occur and therefore may or may not require future expenditure. Council has contingent liabilities of \$242,500 (2011: \$231,500) relating to potential Building Act claims lodged. Additionally, Council has a contingent liability under the Emissions Trading Scheme in relation to deforestation penalties of \$127,015 (2011: \$504,351). Council has no intention of deforesting this land. Council has contingent assets of \$345,128 (2011: \$934,032) in relation to units expected to be received in 2013 under the Emissions Trading Scheme. More details can be found in the financial statement section of the full Annual Report.

Independent Auditor's Report

To the readers of Southland District Council's summary of the annual report for the year ended 30 June 2012

We have audited the summary of the annual report (the summary) as set out on pages 2 to 12, which was derived from the audited statements in the annual report of Southland District Council (the District Council) for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 31 October 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2012, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the District Council's non-financial performance information and summaries of other information contained in its annual report.

Opinion

In our opinion, the information reported in the summary complies with FRS-43: Summary Financial Statements and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements, from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 31 October 2012 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the 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 in accordance with FRS-43: Summary Financial Statements. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor, which includes obligations to carry out the audit of the annual report and the audit of the long term plan, we have no relationship with, or interests in, the District Council.



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
31 October 2012

Notes:

