

Queenstown Lakes District Council

Summary Annual Report 2011 / 2012

Contents

Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report. The specific disclosures included in the summary annual report have been extracted from the full annual report adopted by Council on 30 October 2012. The summary annual report can not be expected to provide as complete an understanding as provided by the full annual report. The full financial report dated 30 October 2012 has received an unqualified audit report. A copy of the full Annual Report can be obtained on the Council website - www.qldc.govt.nz

This summary annual report has been examined by the auditor for consistency with the full annual report. The auditor's report is included with this summary.

The Council's full annual report has complied with NZ GAAP and stated explicitly that they comply with NZ equivalents to IFRS (International Financial Reporting Standards) as applicable for public benefit entities. The summary annual report complies with FRS 43 - summary financial statements.

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Introduction

The purpose of this Summary Annual Report is to represent fairly and consistently the major matters dealt with in the Annual Report.

The purpose of the Annual Report is to account for Council's achievements against objectives included in the 2011/2012 Annual Plan. The 2011/2012 year represents year three of the 2009 10-Year Plan. A revised 10-Year Plan was adopted in June, 2012.

The Council undertook significant consultation with the community during the 2010/11 year, resulting in the 2011/12 Annual Plan. Community participation strongly influenced a number of key decisions. Some of the key issues consulted through the Annual Plan process were:

Debt and Rates

Included in the budgets for 2011/12 were several proposals, which collectively reduced debt by an additional \$1.9m. These also impacted on rates, as approved budgets allowed for significant debt repayments over the next year with just over \$8m provided for. This was made possible through a combined approach of increased rate funding and applying the expected dividend to reduce debt.

Roading – level of service

Three options were consulted on in the 2011/12 Annual Plan involving road gritting, road oiling and the Crown Range. After considering submissions the Council decided to continue with gritting (based on revised funding arrangement with the New Zealand Transport Agency), cease road oiling due to environmental concerns but ensure oil can be privately purchased and any safety concerns are addressed. Note the Council will continue an on-going programme to Otta seal unsealed roads (a dust suppression seal with a seven year plus life expectancy).

Waste Management

The Council proposed paying lower rates (waste management charge) and maintain recycling user charges. This was supported through the submission process in the Annual Plan 2011/12.

Community Services Consolidation

The Council decided to defer a number of capital works in 2011/12 after a period of investment in previous years however it will continue to fund NZ Cycleways.

Financial Result 2011/2012

The Council and its subsidiaries; Queenstown Airport Corporation, Lakes Leisure Limited and Lakes Environmental Limited, have reported a surplus of \$17.3m for the year. Each entity within the group has contributed to an improved financial result when compared to last year's \$6.6m group surplus. This is a very good result in continuing difficult economic conditions and has been based on stronger revenues and effective controls of costs during the period.

Explanation of Major Variances against Budget

Statement of Financial Performance

The Council alone recorded an operating surplus of \$14.7m for the year. This is up from the \$0.6m surplus recorded last year. Operating revenues were up by 18.6% on last year but below budget by 8.5% (see below). Operating costs were 4.5% under budget for the year and also down on last year by 2.5%. The reported surplus includes \$4.3m of unrealised losses pertaining to the revaluation of investment property. This follows a 2011 value reduction of \$1.6m.

Revenue was below estimate by \$8.9m for the year ended 30 June, 2012. The following major items (all relating to capital expenditure) contributed to this variance:

- Development contribution income was below budget by \$2.9m for the year principally because of the continued slowdown in consent related activity.
- Vested Assets (these are assets passed to Council through subdivision and include roads, infrastructure and reserves) were \$2.5m below budget for the year.
- Roothing subsidy was \$3.5m under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.

Operating expenditure was \$3.6m (4.5%) below budget for the year ended 30 June 2012. This is very pleasing and means that we were able to stay within budget from an operating perspective. It has been achieved through savings across most activities. These are the major items; mostly positive, that contributed to this variance:

- Interest expense for the year is \$1.93m less than budget. This is a result of the deferral of some capital works and lower than expected interest rates.
- Staff related costs for the year are \$0.56m lower than budget. This is a result of fewer staff being employed and modest increases to remuneration for the year.
- Depreciation expense for the year is \$0.17m lower than budget. This is a non-cash item and relates primarily to the timing of project expenditure and lower than anticipated levels of vested assets.
- Legal costs for the year are \$0.26m below budget. This variance is mostly due to the reduced cost of planning legal expenses including appeals.
- There is \$1.4m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it.
- The balance of the positive variance of \$1.5m relates primarily to reduced maintenance and operational costs for utilities, roading and community services.

Big Issues

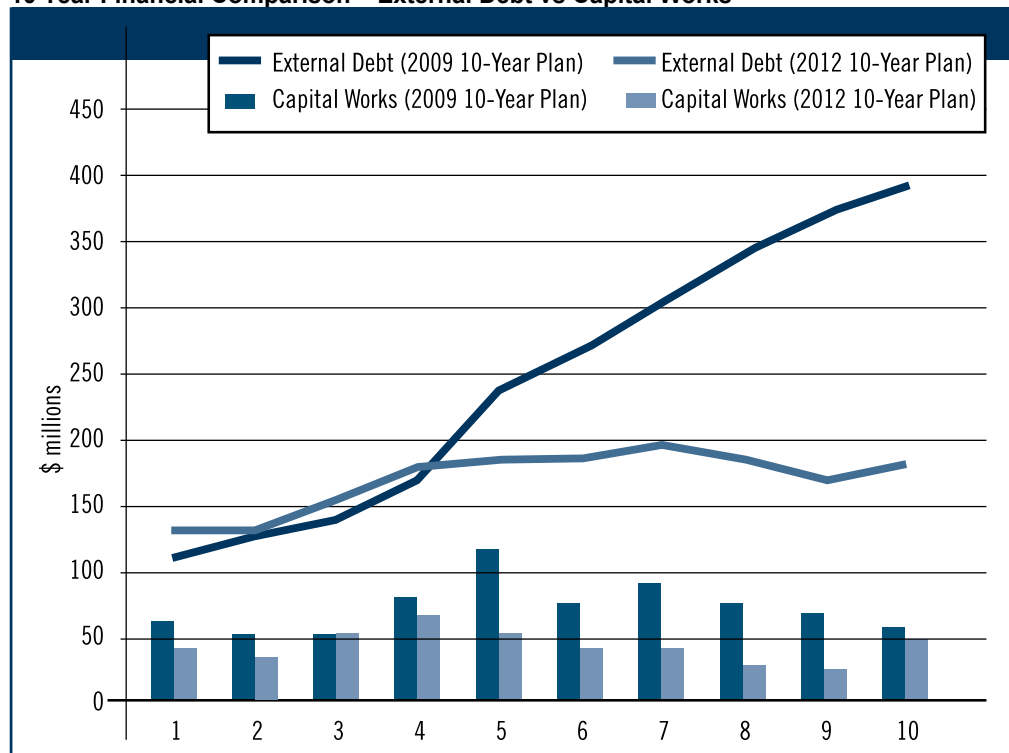
10-Year Plan

A 10-Year-Plan Steering Committee comprising elected members and staff was established in 2009 when the total forecast external debt was \$393 million. At that time forecast debt in the later years (2013-19) of the 10-Year Plan was unaffordable. The group has spent three years reviewing operating and capital expenditure, prioritising projects and focusing on debt reduction. This work continued successfully during the 2011/12 year culminating in the adoption of an affordable 10-Year-Plan 2012-22 in June 2012.

Debt reduction

Water demand management was identified as showing the greatest potential for saving (\$72.4 million from the 10-Year Plan capital programme). A review of infrastructure projects revealed potential savings of \$65.8 million, mainly through prioritisation and improvements to cost estimating methodology and market conditions. The revised 10-year capital expenditure programme with \$167.8million in savings has been incorporated in the financial models for development contributions and the 10-Year Plan. It showed peak debt levels in 2018/19 reducing by 32%, a reduction of \$125.7 million. Financial affordability has been the number one key driver over the last three years. The following graph shows a comparison of the 2012 10-Year Plan for capital works and external debt over the 10-Years. The improvement in the debt position is very obvious as the gap between the two lines is over \$220 million.

10 Year Financial Comparison – External Debt vs Capital Works



Value for money

The 2011/12 year saw a significant drive towards value for money, which included a three waters contract review, a reduction in the staff costs and a review of organisational performance management.

Project Shotover

This project is outlined in more detail on pg 81, however it should be acknowledged that a significant amount of work was done on this project to address affordability. The Council consulted on a treatment proposal only, recommending removal of 31% of the cost (\$8.8 million) by deferring disposal to land. Council consulted on the rate impact of 10-15% in 2016/17.

Wanaka Sports Facility

This project is outlined in more detail on pg 70 An important part of the 10-Year Plan consultation was ensuring the Wanaka community was consulted over the cost and the impact on rates, which will increase by 2.35% in 2015/16.

Project delivery

What have we delivered?

Here are some of the projects that have been delivered during 2011/12:

Infrastructure

A reduction in growth and the deferral of projects and savings - due to closer scrutiny by staff - are key reasons the Council district-wide infrastructure capital works was \$10.9 million under budget for the 2011/12 (\$20.1 million under budget for the 2010/11 year). A significant amount of the under-expenditure has been in roading and wastewater projects. In total this is a budget underspend of 26.5%. There were several reasons for the under expenditure:

- Short term deferrals.
- Long term deferrals (where a project may be set back for 5-10 years or more).
- Savings (where a project or part of a project is not needed or the scope can be reduced without changing the level of service).

The key advantage is that this means less borrowing on the part of the Council and therefore less debt. For work in progress but not completed in the financial year, funds have been carried forward into 2012/13 to allow completion.

The following projects were completed in the 2011/12 year:

- Wastewater: Frankton Beach Pump Upgrade (Wastewater). Started 2011/12, completed September 2012 (cost \$3.87 million).
- Water Supply: Arrowtown Reservoir Stability (cost estimate \$292,750).
- Water Supply: Arrowtown Burst Valve (cost estimate \$222,695)
- Roading: Hensman- Edinburgh Upgrade (cost estimate \$981,027)
- Roading: Adamson Drive Upgrade (cost estimate \$881,278)
- Roading: Centennial Avenue Upgrade (cost estimate \$574,410)
- Roading: Buckingham Upgrade (cost estimate \$412,128)
- Roading: Littles Road Upgrade (cost estimate \$648,388)
- Roading: Perkins West Upgrade (cost estimate \$187,124)

Community

Key projects included the Queenstown Cycleway, Earnslaw Park Toilets and the Wanaka Sports Facility. Funds were carried forward for the latter two projects and the toilets are subject to on-going consultation with a decision anticipated in October 2012. The Wanaka Sports Facility has proceeded to a hearing on the designation (September 2012). The Queenstown Cycleway project is a major enhancement to the local trails network. In conjunction with the Wakatipu Trials Trust, this project is on target for its official opening on October 18, 2012.

Consolidation in Community Services expenditure continues, however a number of important minor projects have been listed under Delivering Community Outcomes.

Other Project Highlights

Shaping our Future - Consultation

This is a community driven project of major significance to the Council as it brings together residents, business, local government and other agencies to debate the important issues for the future of the district. The first community forums commenced in the last financial year and have focused initially on the economic future and events in the district. The forums have been well attended. Ultimately the work being undertaken by the community has fed into the 10-Year Plan process where appropriate. The Council provided \$25,000 to the Shaping Our Future process to allow for a visioning component in 2011/12.

Wanaka Sports Facilities/Aquatic Centre

In March 2011 the Council took a decision on the location of the proposed Wanaka facility. The decision was to locate the new facility, future aquatic centre and associated courts on land located on Three Parks and North Three Parks. It is scheduled to be constructed in the next four years. The 10-Year Plan 2009 has \$10.6 million to build the sports facility. Work was on-going in the 2011/12 year. The Stage one project (indoor sports facility and hard court area) is scheduled to commence next year (2013).

Shotover Delta – flood protection

Work has continued on the \$1.2 million Shotover Delta training and revetment line, which was completed in the later part of 2011. The structure is a joint venture between the Council and the Otago Regional Council and is designed to mitigate flooding by channelling the Shotover River at peak flows.

Project Shotover

Council has continued to work towards the upgrade of the Wakatipu Waste Treatment Plant by 2014 (when the current consent expires). The existing system is continuing to deliver for the short to medium term with minor upgrades that have been undertaken in the 2011/12 year and are on-going including the de-sludging of the ponds (commenced in April 2012 and to be completed in October 2012 with an estimated cost of \$1 million) and carrying out some other operational improvements. Staffs has continued to engage with the various stakeholders and interested and affected parties, with significant consultation on the project taking place in the 2012 10-Year Plan. The \$27.1 million project is to be tendered 2012/13.

Delivering Community Outcomes:

Sustainable growth management and Quality landscapes, natural environment and enhanced public access

District Plan Review

A three year project was commenced that aims to notify a reviewed District Plan in November 2013. A project plan for the review has been agreed by Council. Initial consultation and monitoring reports have been undertaken and the project is currently meeting timelines. Our aim of the review is to simplify the plan and to:

- Protect the natural environment and landscape values of the District.
- Ensure that growth is provided for in appropriate locations.
- Ensure new development is of high quality.
- Ensure the future social and economic wellbeing of the District.

District Plan

Following the resolution of the only outstanding matter (financial contributions) the District Plan was made fully operative in December 2009.

Plan Changes Notified

None

Private Plan Changes Notified

Plan Change 43 Frankton Mixed Use Zone

Plan Changes Under Appeal

Plan Change 19 Frankton Flats (B)
Plan Change 24 Community and Affordable Housing
Plan Change 26 Wanaka Airport
Plan Change 34 Remarkables Park
Plan Change 36 Wanaka Industrial Zoning Extension
Plan Change 41 Shotover Country

Plan Changes Operative

Plan Change 18 Mount Cardrona
Plan Change 27A Updating Noise Measurement and Assessment Standards
Plan Change 30 Urban Boundary Framework
Plan Change 37 Quail Rise

Wilding Tree Strategy Rollout

The Wilding Control Group was set up in April 2009 to meet the communities desire to see wilding conifers controlled. Spend and total area cleared over the last two years is displayed below:

Operational Year	Total Ha Controlled	WCG Spend	DOC Spend	Total Spend
2010-11	10,332	\$260,500	\$365,000	\$625,500
2011-12	7,397	\$402,200	\$235,600	\$637,800

QLDC contributes \$129,000 to the group and the other funding has come from Central Lakes Trust, Lottery Grants Board, Skyline Enterprises, LINZ and Landowners.

Trails

The Upper Clutha Tracks Trust and the Wakatipu Trails Trust continue to deliver outstanding results. The UCTT has worked with Council and DOC to form the Clutha River Track and the Glendhu Bay Track and the WTT has assisted Council with the completion of the Kelvin Peninsula Track upgrade. With assistance and support from the Council WTT was also successful in receiving approval for \$1.8m of funding from the Government for the development of the Queenstown Trail. The trust has worked to secure access for the New Zealand Cycleway and officially opens in October 2012.

Council also increased the trail maintenance budget by \$20,000 for increased maintenance on QLDC mountain bike trails.

Cardrona

The Council has allowed for \$200,000 capital budget for possible Cardrona land acquisition, in anticipation of the disposal of abandoned land by the Public Trust. This would allow for reserve to be created.

A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes.

Summerdaze

Another successful Summerdaze programme was held with strong attendance from locals and residents. Summerdaze is a celebration of summer, held across all communities and includes New Year's Eve celebrations in Queenstown and Wanaka.

CCTV

CCTV is now operating in Wanaka and Queenstown, with a total of \$150,000 for instalment committed in 2011/12. Council further agreed to increase the budget for Wanaka Town Centre Improvements by \$25,000 for implementation of CCTV in association with the Queenstown project. Council has now also installed security cameras in the Queenstown town centre. Council is also continuing to provide funding for Queenstown Community Guides as a first response and crime prevention initiative. Council has also continued to support the 'Mellow Yellow' initiative involving close co-operation between police, bar staff and the community guides. Council is grateful to Queenstown and Wanaka police for their on-going commitment to this project.

Affordable Housing

The Council continues to implement 15 ongoing actions of the Housing our People in Our Environment (HOPE) Strategy (adopted June 2005). The Queenstown Lakes Community Housing Trust has delivered 55 homes (2011/12). Stage 1 of five homes at Nerin Square, Lake Hayes Estate was completed in December 2009. Construction of Stage 2 (22 homes) is well underway. In a survey undertaken in 2011/12 by the QLCHT, 76% of ratepayers wanted Council to be engaged with the issue of affordable housing. Plan Change 24: Affordable and Community Housing (adopted by Council in December 2008) continues to be with the Environment Court (2012).

Lakes Leisure

The 2011/12 period has seen the fourth full year of operation for Lakes Leisure Limited, which commenced in February 2008. The not for profit Council Controlled Organisation completed the aquatics project in October 2009 with the opening of the Alpine Health and Fitness Centre. Lakes Leisure has enjoyed a significant increase to visitors and strong satisfaction levels reflected in the 2012 satisfaction survey. Notably a new question about satisfaction with the Aquatic Centre achieved 91.9% satisfaction.

Wanaka Skate Park Extension

The Council brought forward \$180,000 capital budget for Stage 1 of the extension to Wanaka Skate park (assumes \$60,000 to come from local fundraising).

Effective and efficient infrastructure that meets the needs of growth.

Transport and Carparking Strategy

Safety continued to be a key focus of 2011/12 and is part of our road upgrade program. We worked to improve areas with poor safety performance. Initiatives include such things as School Travel Safety Plans and the winter gritting and de-icing. We have also had a focus on the smoothness of road pavements as this can help reduce vehicle operating costs and improve travel comfort. Council continues with carparking initiatives (to enable debt associated with the

parking facilities to be reduced), encouraging commuters to consider the range of travel choices, and to free up parking for visitors to the Queenstown town centre. This has impacted on the level of satisfaction with carparking in the 2012 survey.

Key roading projects

Emergency Reinstatement Works

In 2011/12 the district experienced 3 snow events, 1 wind events and one localised flood event that all required emergency reinstatement work. As a consequence of the snow events Council was not able to meet its level of service as regards ensuring roads are not closed for longer than 12 hours following an event.

Glenda Drive Notice of Requirement

The implementation of a joint project to install a new state highway roundabout and local roading links in the vicinity of the SH6/Glenda drive intersection has been delayed by an Environment Court appeal against the notice of requirement. The substantive issues were resolved in 2011/12 and it is expected that construction of the roading works will happen in 2012/13.

Ardmore Brownston

The completion of the design of the new roundabout – which forms a key part of the overall Ardmore Brownston Street project – and the resolution of property issues has taken longer than expected due to the importance of resolving property access and safety issues. Construction of the new roundabout is expected to commence in spring 2012.

Malaghans Road Site 5

This will be completed in December 2012 at an estimated cost of \$1.7 million.

Crown Range

Upgrades of \$1.3 million 2011/12 have continued.

Glenorchy Road

The Glenorchy Road Upgrade commenced in 2011. The project is estimated to cost \$1.8 million

Mt Aspiring Road

This project, estimated to cost \$1.78 million, commenced in March 2012 and will be completed in November 2012.

Gorge Road – Stage 2

This project, estimated to cost \$1.7 million, commenced in December 2011 and will be completed in November 2012.

Water supply demand management

The 2009 10-Year-Plan included expenditure for implementing water supply demand management initiatives. It did not include any evaluation of the potential savings resulting from these initiatives. This analysis has now been undertaken at a high level as part of the capital review.

The work to date has shown that demand management together with improved engineering solutions will enable postponement of a significant proportion of the water supply capital expenditure identified in the 2009 10-Year Plan. We know that the amount of water used is high and our biggest challenge is managing the summer peaks.

The achievement 2011/12 shows per household use of 542 litres per day against a target of 550 litres, however leakage continues to be a significant issue. Leak detection work has been ongoing. In 2011/12 Council continued to work towards strategies to reduce the projected capital expenditure to \$72.4 million in the next 10-Years (\$171 million in 2009).

Algae

The Council received a report containing recommendation regarding the Lake Wanaka algae issue in March 2011. As a result of this investigation two streams of work were undertaken, being a 'micro-filtration' trial and a survey of the topography of the lakebed. Other works have been undertaken to reduce the effect of this problem, including regular cleaning of the lake intakes and investigation of extending the intakes to a greater depth. Monitoring is ongoing. This body of work in the 2011/12 year informed consultation in the 10-Year Plan (2012), which resulted in continuing with managing the problem at the 'point of use', as opposed to investing \$6.6 million in a treatment plant.

Waste Management

In October 2011 the Wanaka recycling contract was awarded to a new contractor. The contract (six years with a possible extension of up to three years) was awarded to Smart Environmental Limited (SEL) over two other tenders, including Wanaka Wastebusters. The decision was a difficult but, ultimately, clear cut in terms of delivering value for money to the ratepayer. SEL already holds the processing contract for recycling in the Wakatipu Basin, utilising an automated sorting plant at the Wakatipu Recycling Centre. The company had the capacity to extend its services to include Wanaka recyclables. Through a number of efficiencies, SEL's contract price more than halved the existing recycling budgets, while still delivering on the environmental attributes embedded in the tender procedure.

Hawea

The Council approved a 'one-off' capital grant of \$120,000 for a project to extend the Hawea Community Centre. It also agreed to bring forward \$10,000 capital budget for a Norski Toilet at John Creek, Hawea. A further \$10,000 was brought forward from the capital budget for Hawea foreshore improvements.

High quality urban environments respectful of the character of individual communities.

Urban Design and Urban Design Guidelines

In the 2011/12 year there were 10 Queenstown Urban Design Panel review meetings, compared with 15 in the previous 12 months. The Wanaka Panel reviewed five projects compared to two in the previous 12 months. This continues to reflect a lower level of development in the Upper Clutha. Following public consultation in October 2011, the Cardrona Village Character Guideline was adopted by Council in January 2012.

A strong and diverse economy.

Small Community Grants

Community grants were made available to our 'smaller community' associations to cover administration and maintenance costs on community owned facilities. The funding (total of \$50,000 per annum) was also granted to assist with a number of landscaping and beautification projects throughout the district.

Funding

The Council continued to commit to its ongoing funding of its promotional bodies, the film office and community grants (including the heritage grants).

Economic model

The Council included funding in the 2011/12 Annual Plan to provide \$25,000 to allow for the purchase of a district-wide economic model.

Preservation and celebration of the district's local cultural heritage.

Lakes District Museum

The museum receives an annual grant of \$40,000 from the Council. It offers an essential window into our district's heritage and sustains an invaluable and rich archive of historic material. Notably the museum has held some outstanding exhibitions in its gallery space in the previous year.

Gold 150th Celebration

October 2012 will make the anniversary for the discovery of gold in our Otago. This celebration has been two years in the making. The 2011/12 Annual Plan approved funding assistance of \$30,000 to celebrate 150th Anniversary of the discovery of gold in Otago.

Heritage Strategy

In May 2008 the Council established the Heritage Strategy working party whose role was to develop a heritage strategy that provides for the proactive future management of historic heritage in the district. The working party developed a draft heritage strategy which was released for community feedback in September 2009, finalised in March 2010. The Council adopted the strategy in April 2010 and during Annual Plan 2011/12 deliberations approved a one-off grant to establish a Queenstown Lakes District Heritage Trust of \$5,000. The Trust has now been established.

Wanaka Cemetery

The Council approved a one-off grant to the Upper Clutha Historic Records Society of \$2,000 towards memorial wall project in the Wanaka Cemetery.

Overall Perception of Performance

Overall Performance QLDC

Our 2008/2009 Residents' Satisfaction and Opinion Survey introduced a new methodology which offered the opportunity for those participating to choose a neutral position (this is known as a 5-point system). Previously participants were asked to mark either satisfied or dissatisfied.

The move to the 5-point system is considered to be 'best practice' methodology because it shows the true level of satisfaction and dissatisfaction. For the purposes of reporting against 4-point targets, the achievements contained in the report are re-calculated to a 4-point scale.

Overall, on the basis of the 4-point scale we have seen a decrease in satisfaction with the Council being 78.5% satisfaction 2012 (86 % 2011). However this remains higher than 2010 (76%) and 2009 (73.1%). Wanaka residents were less satisfied, affecting the percentage, while Queenstown and Out of Town ratepayers were the most satisfied.

Conclusion

This financial year the Council has continued to focus on addressing cost, debt levels and value for the ratepayer. It is good news that the Council can report a satisfactory financial result for 2011/12.

The Council continues to have a strong policy framework. The work begun in 2009/10 to take financial stock, re-forecast debt levels and to scrutinise the work programme has been substantial. It has enabled the Council to put down a sound financial framework for the long term future. The previous drive to deliver projects has been strengthened by more careful prioritisation and to look for greater cost effectiveness in the projects and services the Council carries out on behalf of the Communities it serves.

QLDC continues to face uncertainty in the pace of change and the rate of growth. There are some challenges ahead for example in how we manage our water resources, Project Shotover (Wakatipu wastewater disposal to land) and in delivering the Wanaka Sports facilities in a location and to a standard of which the whole District can be proud. The Council has demonstrated a commitment to our communities to provide good services and real value.

One of our biggest challenges was to deliver an affordable 10-Year-Plan in 2012, this has now been achieved.

Thanks

The Council's aim is to deliver outstanding services and value for the communities it serves and to do this always depends upon the efforts of many people. My thanks go to:

Our people (all the staff, contractors and Council Controlled Organisations) who work hard to deliver great service.

The elected members – thank you for the enormous contribution you have personally made in your second year of office.

Community and special interest groups, residents and non resident ratepayers, who take time to give feedback and to participate in consultation meetings and whose engagement informs the Council to make better decisions.

And finally to the media who inform the debate.

Stewart Burns

**Acting Chief Executive
Queenstown Lakes District Council**

30 October 2012

Summary Statement of Financial Performance

	Council			Group	
	2012	Budget	2011	2012	2011
For the Financial Year Ended 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Total income	91,709	105,931	79,565	113,381	103,209
Expenditure					
Employee benefits expense	7,933	8,494	7,881	17,191	17,145
Depreciation and amortisation expense	17,397	17,568	16,545	21,251	19,951
Finance costs	6,470	8,403	6,469	7,688	7,465
Other expenses	45,219	46,184	48,117	47,961	50,381
Total operating expenditure	77,019	80,649	79,012	94,091	94,942
Surplus/(Deficit) before income tax	14,690	25,282	553	19,290	8,267
Income tax expense	-	-	-	2,018	1,684
Surplus/(Deficit) for the period	14,690	25,282	553	17,272	6,583
Surplus/(Deficit) attributable to:					
- Council	14,690	25,282	553	15,982	5,381
- Non controlling interest	-	-	-	1,290	1,202
	14,690	25,282	553	17,272	6,583

Statement of Comprehensive Income

	Council			Group	
	2012	Budget	2011	2012	2011
For the Financial Year Ended 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Surplus/(Deficit) for the period	14,690	25,282	553	17,272	6,583
Other Comprehensive Income					
Gain/(Loss) on revaluation	-	-	70,543	-	70,543
Cash flow hedges	-	-	-	(1,164)	(357)
Income tax relating to other comprehensive income	-	-	-	326	100
Share revaluation	-	-	(8)	-	(8)
Total Comprehensive Income	14,690	25,282	71,088	16,434	76,861
Attributable to:					
- Council	14,690	25,282	71,088	15,354	75,724
- Non controlling interest	-	-	-	1,080	1,137
	14,690	25,282	71,088	16,434	76,861

Statement of Changes in Equity

Council	Revaluation Reserves	Operating Reserves	Capital Reserves	Hedging Reserve	Retained Earnings	Attributable to Equity Holders of Parent	Non Controlling Interest	TOTAL EQUITY
For the Financial Year Ended 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	308,103	13,875	13,055	-	461,109	796,142	-	796,142
Total Comprehensive Income for the year	-	-	-	-	14,690	14,690	-	14,690
Transfers from/(to) retained earnings	(4,377)	(53)	(4,390)	-	8,820	-	-	-
Balance at 30 June 2012	303,726	13,822	8,665	-	484,619	810,832	-	810,832
For the Financial Year Ended 30 June 2011								
Balance at 1 July 2010	239,229	14,979	13,949	-	456,897	725,054	-	725,054
Total Comprehensive Income for the year	70,535	-	-	-	553	71,088	-	71,088
Transfers from/(to) retained earnings	(1,661)	(1,104)	(894)	-	3,659	-	-	-
Balance at 30 June 2011	308,103	13,875	13,055	-	461,109	796,142	-	796,142
Group								
For the Financial Year Ended 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000	Attributable to Equity Holders of Parent	Non Controlling Interest	TOTAL EQUITY
Balance at 1 July 2011	383,091	13,875	13,055	(192)	474,485	884,314	30,230	914,544
Total Comprehensive Income for the year	-	-	-	(628)	15,982	15,354	1,080	16,434
Dividends paid	-	-	-	-	-	-	(1,072)	(1,072)
Transfers from/(to) retained earnings	(4,377)	(53)	(4,390)	-	8,820	-	-	-
Balance at 30 June 2012	378,714	13,822	8,665	(820)	499,287	899,668	30,238	929,906
For the Financial Year Ended 30 June 2011								
Balance at 1 July 2010	314,217	14,979	13,949	-	467,173	810,318	120	810,438
Total Comprehensive Income for the year	70,535	-	-	(192)	5,381	75,724	1,137	76,861
Capital introduced to QAC	-	-	-	-	-	-	27,245	27,245
Movement on dilution of shareholding in QAC	-	-	-	-	(1,728)	(1,728)	1,728	-
Transfers from/(to) retained earnings	(1,661)	(1,104)	(894)	-	3,659	-	-	-
Balance at 30 June 2011	383,091	13,875	13,055	(192)	474,485	884,314	30,230	914,544

Summary Statement of Financial Position

	Council			Group	
	2012	Budget	2011	2012	2011
As at 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Total current assets	12,310	14,159	10,007	16,367	14,994
Total non-current assets	919,741	1,040,077	901,028	1,071,666	1,047,060
Total assets	932,051	1,054,236	911,035	1,088,033	1,062,054
Total current liabilities	88,613	36,878	16,719	94,405	27,758
Total non-current liabilities	32,606	109,204	98,174	63,722	119,752
Total liabilities	121,219	146,082	114,893	158,127	147,510
Net assets	810,832	908,154	796,142	929,906	914,544
Equity attributable to:					
Council	810,832	908,154	796,142	899,668	884,314
Non controlling interest	-	-	-	30,238	30,230
Total Equity	810,832	908,154	796,142	929,906	914,544

Mayor

30 October 2012



Acting Chief Executive

30 October 2012



Summary Statement of Cashflows

	Council			Group	
	2012	Budget	2011	2012	2011
For the Financial Year Ended 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Net cash inflow/(outflow) from operating activities	28,232	33,169	23,392	36,178	30,036
Net cash inflow/(outflow) from investing activities	(32,430)	(52,177)	(21,898)	(43,501)	(35,452)
Net cash inflow/(outflow) from financing activities	4,447	19,008	(829)	7,166	5,823
Net increase/(decrease) in Cash and cash equivalents	249	-	665	(157)	407
Cash and cash equivalents at the beginning of the financial year	991	135	326	3,516	3,109
Cash and cash equivalents at the end of the financial year	1,240	135	991	3,359	3,516

Accounting Policies

The financial statements are presented in thousands of New Zealand dollars. New Zealand dollars are the Council and Groups' functional currency.

The 2011/12 annual report has been audited and gained an unqualified opinion, which means the report has met the requirements of the Local Government Act 2002.

This summary financial report has been examined by the auditor for consistency with the full financial report. The auditor's report is included with this summary. The Council's full financial report has complied with NZ GAAP and stated explicitly that they comply with NZ equivalents to IFRS (International Financial Reporting Standards) as applicable for public entities. The summary report complies with FRS 43 – Summary Financial Statements.

Subsequent Events

Queenstown Airport Corporation Ltd (QAC)

On 27 August 2012 the QAC Board resolved to pay a final dividend for the year ended 30 June 2012 of \$0.1610 per share, resulting in a dividend of \$2,586,506 (2011: \$3,288,060). Council's share of this dividend will be 1,940,138 (2011: \$2,466,373).

Contingent Liabilities

Council

Legal Claims

A total of six building related legal claims were received for buildings within the district at 30 June 2012. Council has been joined as a party in all of these claims, all of which were in respect of alleged weathertightness building defects. The total of the claims is \$10.96m. Claims are dealt with on a case by case basis. Council's liability in relation to these claims has not been established and it is not possible to determine the outcome of the claims at this stage. A loss provision of \$0.8m has been recognised based on current knowledge (note 16). Note that any claims received subsequent to 30 June 2009 are not covered by insurance. Other claims covered by insurance are subject to a cap as to the level of cover provided.

Explanation of Major Variances against Budget

Statement of Financial Performance

The Council alone recorded a surplus of \$14.7m for the year. This is up from the \$0.6m surplus recorded last year. Operating revenues were up by 18.6% on last year but below budget by 8.5% (see below). Operating costs were 4.5% under budget for the year and also down on last year by 2.5%. The reported surplus includes \$4.3m of unrealised losses pertaining to the revaluation of investment property. This follows a 2011 value reduction of \$1.6m.

Revenue was below estimate by \$8.9m for the year ended 30 June, 2012. The following major items (all relating to

capital expenditure) contributed to this variance:

- Development contribution income was below budget by \$2.9m for the year principally because of the continued slowdown in consent related activity.
- Vested Assets were \$2.5m below budget for the year.
- Roading subsidy was \$3.5m under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.

Operating expenditure was \$3.6m (4.5%) below budget for the year ended 30 June 2012. This is very pleasing and means that we were able to stay within budget from an operating perspective. It has been achieved through savings across most activities. These are the major items; mostly positive, that contributed to this variance:

- Interest expense for the year is \$1.93m less than budget. This is a result of the deferral of some capital works and lower than expected interest rates.
- Staff related costs for the year are \$0.56m lower than budget. This is a result of fewer staff being employed and modest increases to remuneration for the year.
- Depreciation expense for the year is \$0.17m lower than budget. This is a non-cash item and relates primarily to the timing of project expenditure and lower than anticipated levels of vested assets.
- Legal costs for the year are \$0.26m below budget. This variance is mostly due to the reduced cost of planning legal expenses including appeals.
- There is \$1.4m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it.
- The balance of the positive variance of \$1.5m relates primarily to reduced maintenance and operational costs for utilities, roading and community services.

Statement of Financial Position

The main variance relates to the difference in expected capital expenditure for the year. Capital expenditure was below estimate by \$22.1m for the year ended 30 June 2012. The following major items contributed to this variance:

- The main component of the variance relates to \$5.7m of project expenditure within the water supply and wastewater activities which has been delayed or deferred. Wastewater projects include Project Shotover (short term upgrades) and upgrades to Wanaka (Bremner Bay) and Frankton wastewater pump stations. Water Supply projects include upgrades to Wanaka (Stone Street) and Queenstown (Leary's Gully) water pump stations, as well as the upgrade to the SCADA system and various water demand projects.
- There is \$3.8m of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road (\$3.1m) and upgrades to the Ardmore/Brownston intersection in Wanaka (\$0.7m). There are also various rehabilitation projects incomplete at year end: Gorge Rd (stg 2); Malaghans Road and Mt Aspiring Road.
- There is also \$4.1m of project expenditure within the community services activity which has been delayed or deferred. Most of the budget for the Wanaka Sports Facilities project (\$0.39m) was not spent and has been carried forward. Other areas affected were Wakatipu and Wanaka Reserve Land (\$3.8m).
- There is also \$1.7m of project expenditure within the commercial property activity which has been delayed or deferred. This mainly relates to the timing of the development of the Commonage subdivision in Queenstown (\$1.1m) and the upgrade of the apron at Wanaka airport (\$0.6m).
- Vested Assets were \$2.5m below budget for the year.
- Loan Repayments were \$0.7m below budget for the year.

- The remaining component of the variance relates to savings achieved against budget for several infrastructure projects and to \$1.4m of project expenditure which was classified as capital expenditure within the budget but which has been charged as an operating expense for the year.

The revaluation of investment property resulted in an unbudgeted reduction in value of \$4.3m for the year. This movement coupled with the \$23.7m unrealised loss for previous three years, has led to the main variation in the balance sheet which shows Investment Property \$28.5m below the forecast position. Borrowings are \$25m below forecast; this positive variance relates mainly to the deferral and savings associated with capital projects (see above).

Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses (for 2012 as described above and for 2011) has resulted in an equity variance of \$97m below forecast.

Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Cash Flow Statement, particularly cash flows from investing and financing activities. Purchase of property, plant and equipment (i.e. capital expenditure) was \$19m below estimate and new borrowings were consequently around \$15m less than expected.



Overall Perception of Performance

Overall Performance QLDC

Our 2008/2009 Residents' Satisfaction and Opinion Survey introduced a new methodology which offered the opportunity for those participating to choose a neutral position (this is known as a 5-point system). Previously participants were asked to mark either satisfied or dissatisfied.

The move to the 5-point system is considered to be 'best practice' methodology because it shows the true level of satisfaction and dissatisfaction. For the purposes of reporting against 4-point targets, the achievements contained in the report are re-calculated to a 4-point scale.

Overall, on the basis of the 4-point scale we have seen a decrease in satisfaction with the Council being 78.5% satisfaction 2012 (86 % 2011). However this remains higher than 2010 (76%) and 2009 (73.1%). Wanaka residents were less satisfied, affecting the percentage, while Queenstown and Out of Town ratepayers were the most satisfied.

The following is a selection of our key targets by activity. Details of all targets are available in the full annual report.

Governance and District Promotion - Key Targets

Overall activity performance: 60% of targets achieved. (56% 2011).

Community Leadership

Target	Achievement
75% satisfaction with the level of community consultation as determined by the annual residents satisfaction survey.	79% satisfaction achieved. (77% 2011).

Tourism Marketing

Target	Achievement
90% satisfaction, as determined by the annual residents satisfaction survey, with Tourism Promotion.	90% Destination Queenstown, 83% Arrowtown Promotion Board, 81% Lake Wanaka Tourism (87% 2011).

Property - Key Targets

Overall activity performance: 57% of targets achieved (50% 2011).

Camping Grounds

Target	Achievement
80% satisfaction for all camping grounds as determined by annual residents satisfaction survey.	74% satisfaction achieved. (75% 2011).

Community - Key Targets

Overall activity performance: 75% of targets achieved. (81% 2011).

Library Services

Target	Achievement
95% satisfaction with the range of books available as determined by the annual residents satisfaction survey.	93% satisfaction achieved. (96% 2011).

Community Development

Target	Achievement
85% satisfaction with community grants as determined by the annual residents satisfaction survey.	84% satisfaction achieved. (88% 2011)

Community Information

Target	Achievement
85% satisfaction with how well residents are kept informed, as determined by the annual residents satisfaction survey.	77% satisfaction achieved. (84% 2011).

Public Toilets

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey:	
75% provision of public toilets	86% satisfaction achieved. (86% 2011)
75% cleanliness	83% satisfaction achieved. (90% 2011)

Community Facilities

Target	Achievement
80% satisfaction with swimming pools, as determined by the annual residents satisfaction survey.	84% satisfaction achieved. (80% 2011)
90% satisfaction with community halls, as determined by the annual residents satisfaction survey.	79% satisfaction achieved. (83% 2011)

Waterways Facilities

Target	Achievement
80% satisfaction with waterways facilities as determined by annual residents satisfaction survey.	77% achieved. (84% 2011).

Parks and Recreation Facilities

Target	Achievement
90% satisfaction with parks, reserves and gardens maintenance as determined by the annual residents satisfaction survey.	96% satisfaction achieved. (97% 2011).
85% satisfaction with number of sportsgrounds, as determined by the annual residents satisfaction survey.	84% satisfaction achieved. (86% 2011).
90% satisfaction with provision of cycleways and walkways, as determined by the annual residents satisfaction survey.	97% satisfaction achieved. (96% 2011).

Emergency Services

Target	Achievement
90% satisfaction with rural fire suppression, as determined by the annual residents satisfaction survey.	93% satisfaction achieved. (94% 2011)
90% satisfaction with Civil Defence activities as determined by the annual residents satisfaction survey.	87% satisfaction achieved. (91% 2011)

Resource Management and Regulation - Key Targets

Overall activity performance: 65% of targets achieved. (73% 2011).

The District Plan

Target	Achievement
70% Satisfaction with District Plan planning policy as determined by the annual residents satisfaction survey.	Protection natural landscapes 74% satisfaction (73% 2011). Protection ecosystem 73% satisfaction (76% 2011). Protection rural character 74% satisfaction (69% 2011). Protection amenities in town centre 84% satisfaction (69% 2011).

Resource Consents

Target	Achievement
50% satisfaction with resource consent planning as determined by the annual residents satisfaction survey.	22% satisfaction achieved. (49% 2011)
100% of resource consent applications and related functions are processed within statutory timeframes.	100% achieved. (97% 2011)

General Environmental Health

Target	Achievement
80% Satisfaction with noise control as determined by annual residents satisfaction survey.	51% satisfaction achieved. (67% 2011)

Inspection and Licensing

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey: Liquor Licensing - 60% Food Premises - 80%	81% satisfaction achieved. (81% 2011) 85% satisfaction achieved. (94% 2011)

Dog and Animal Control

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey: 80% Registration and Licensing.	74% satisfaction achieved. (86% 2011)

Carparking Enforcement

Target	Achievement
60% satisfaction with parking enforcement services as determined by the annual residents satisfaction survey.	42% satisfaction achieved. (65% 2011).

Building Control

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey:	
Building Control Services - 60%	40% satisfaction achieved. (51% 2011).
LIM Services - 80%	71% satisfaction achieved. (85% 2011).

Waterways Control

Target	Achievement
90% satisfaction with Harbourmaster Services as determined by the annual residents satisfaction survey.	87% satisfaction achieved. (89% 2011).

Utilities - Key Targets

Overall activity performance: 44% of targets achieved. (50% 2011).

Water Supplies

Target	Achievement
Satisfaction as determined by the annual residents satisfaction survey:	
95% water quality	78% satisfaction achieved. (80% 2011).

Stormwater

Target	Achievement
90% Satisfaction with storm water facilities as determined by the annual residents satisfaction survey.	70% satisfaction achieved. (76% 2011)

Wastewater

Target	Achievement
90% Satisfaction with wastewater as determined by annual residents satisfaction survey.	82% satisfaction achieved. (86% 2011)

Waste Management

Target	Achievement
Satisfaction with:	
Recycling Collection Service - 85%	87% satisfaction achieved. (92% 2011)
Refuse Collection Service - 85%	80% satisfaction achieved. (89% 2011)
Resource Recovery Parks - 85%	91% satisfaction achieved. (89% 2011)
Landfill site management - 85%	78% satisfaction achieved. (90% 2011)
Transfer station - 85%	84% satisfaction achieved. (89% 2011)
Based on the annual residents satisfaction survey.	
In accordance with the Waste Management Strategy to divert 35% of waste from landfill.	29% achieved. (29% 2011)

Roading and Parking - Key Targets

Overall activity performance: 67% of targets achieved. (85% 2011)

Roading

Target	Achievement
Satisfaction with:	
70% Sealed roads	77% satisfaction achieved. (83% 2011)
70% Unsealed roads	60% satisfaction achieved. (78% 2011)
60% Footpaths	67% satisfaction achieved. (74% 2011)
65% Bus Stop Facilities	84% satisfaction achieved. (85% 2011)
90% Trails and Cycleways	97% satisfaction achieved. (96% 2011)
100% Street and litter cleaning.	87% satisfaction achieved. (83% 2011)
65% Accessibility and convenience of the Transport Network (new measure)	77% satisfaction achieved.
based on the annual residents satisfaction survey.	

Parking Facilities

Target	Achievement
60% Overall Satisfaction with parking facilities based on the annual residents satisfaction survey.	42% satisfaction achieved. (56% 2011).





INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN LAKES DISTRICT COUNCIL AND GROUP'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 9 to 17, which was derived from the audited statements in the annual report of the Queenstown Lakes District Council (the Council) and group for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 30 October 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2011, 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 Council and group'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 25 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 Council and group.

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.

In addition to the audit we have carried out tax compliance services and other assurance services including the audit of the long term plan, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.

P F Heslin
DELOITTE
On behalf of the Auditor-General
Dunedin, New Zealand
30 October 2012

Matters relating to the electronic presentation of the summary audited financial statements, non-financial performance information and the other requirements

This audit report relates to the summary financial statements, non-financial performance information and the other requirements of the Queenstown Lakes District Council and group for the year ended 30 June 2012 included on the Queenstown Lakes District Council's website. The Council is responsible for the maintenance and integrity of the Queenstown Lakes District Council's website. We have not been engaged to report on the integrity of the Queenstown Lakes District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, non-financial performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the summary financial statements, non-financial performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements, non-financial performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements, non-financial performance information and the other requirements as well as the related audit report dated 30 October 2012 to confirm the information included in the audited summary financial statements, non-financial performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.