

# Clutha District Council Annual Report 2011/12



## A Summary

## Mayor's Introduction

The 2011/12 Annual Report provides me with the opportunity to reflect on recent milestones for our district and articulate, from a political perspective, where I see we are at. In compiling this report I referred back to our 2011/12 Annual Plan and it has amazed me that in such a challenging and ever changing environment, so many of the fundamentals remain the same.

We are all aware of the continued global and national economic pressures that we presently operate in. Wherever we go there seems to be ever increasing demand on finances. It concerns me what the ramifications of this will mean for levels of service in our district in the longer term, especially around roading. But least for now it is pleasing to see Council once again fulfil its core requirements.

A number of long-standing projects have come to fruition in 2011/12, like our district's footpath renewal and upgrades programme, Biofiltro sewage treatment upgrades in four townships, and swimming pool upgrades for Milton and Balclutha. At time of compiling this report I hope that the saga of the two pools is nearing an end and residents of our district can finally reap the benefits they deserve from these facilities. Meanwhile several towns have had water treatment and storage upgrades (such as Balclutha pictured below), and of course this year saw the introduction of kerbside recycling.

This year also saw us resolve and progress on several long-standing, and at times contentious issues, like the future flow of traffic through the Balclutha Main Street and subsequent upgrade, addressing Milton's flooding issues and



**Construction of Balclutha's water treatment upgrade**

the instigation of action plans around the Milton 2060 studies, work physically starting on the new sewerage schemes for both Benhar and Tokoiti, and a new direction taken for delivery of District Development services.



So what has this meant to you the ratepayer? Many of these projects focus on upgrades in our urban areas and consequently the driver to urban rate increases in 2011/12 correlated directly to projects undertaken. For example, Kaitangata had no major projects (other than the first stage of a water treatment upgrade) and consequently they had a reduction in their rates, compared with Owaka, for example, with major upgrades to water and sewerage that contributed to a rate increase of around 8% in 2011/12. Less funding assistance for roading from central government meant rural rates primarily reflected what is happening in roading hence their rates either declined or remained neutral.

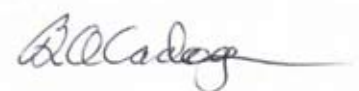
Our district has also seen the progression of community and social initiatives. Highlights for me have included the cohesion and engagement from the Owaka community as they formulate their community plan, and the developments around the imminent introduction of the Clutha Gold Trail. This is not just exciting, but I believe could be transformational for the Beaumont-Lawrence area, and our whole district.

It has been heartening as I travel throughout the district to see so many individuals and groups contributing so positively towards making our area an even more special place to live.

In conclusion, I believe our district has maintained a strong and resilient position financially that places us in good stead for the future. Our solid financial position, with no external debt and about \$18.5M externally invested, allows us to look to the future with confidence and the ability to take advantage of future opportunities, and hopefully challenges.

I once again thank you for taking the time and interest in Council's progress in 2011/12.

**Bryan Cadogan**  
**Mayor**  
**Date:**

  
18 October 2012

# Chief Executive's Summary



I am pleased to present Council's Annual Report for the 2011/12 financial year which shows Council's financial and non-financial achievements against its targets for the year. As can be seen, it has been both a busy and challenging year.

It has been challenging in the sense that Council has made some key decisions during 2011/12 that will influence the future of the district for years to come. These were not easy decisions and involved a considerable amount of consultation and debate before they were made. They included:

- **Tokoiti and Benhar Sewerage schemes:** Decisions on how the schemes were to be funded, who was to be included, and finally on awarding the contracts for the build of the schemes.
- **District Development:** Decisions to, in the future, disestablish the District Development Board and move towards using a non-council organisation to focus on economic development for the district while Council retains resources for community and youth development functions.
- **Balclutha Main Street:** Decisions on the traffic management through Balclutha retaining the current situation with the State Highway in the main street (Clyde Street) and two heavy vehicle bypasses (northbound Charlotte Street and southbound James Street). Work can now begin on the design of the main street upgrade.
- **Long Term Plan:** Council adopted its Long Term Plan for the period 2012 to 2022. This contained some extra reporting requirements, in particular the development and reporting of a financial strategy. It also had to deal with less central government funding assistance for its future roading programme.
- **Representation Review:** Thorough consultation and a decision on future representation arrangements for Council, including the decision to retain Community Boards for Lawrence-Tuapeka and West Otago.
- **Putting Water Services out to open contract:** Council decided that the Water Services Contract would be put out to open tender rather than negotiating with the current contractor as it had done previously. This was done to test

the market and ensure Council was paying a fair price for the operation and maintenance of its water, sewerage, and stormwater systems throughout the district. The current contractor Fulton Hogan Ltd. was awarded the contract at less than was budgeted, so savings were able to be passed on to ratepayers.

- **Berm mowing:** The new greenspace maintenance contract saw Council review its berm mowing policy and reduce the number of street berms that it would cut on a regular basis.
- **Milton 2060:** Council worked with Otago Regional Council to develop a draft strategy for the management of risk from flooding in Milton and surrounding areas. The draft strategy went out for consultation with information being distributed to all affected properties and followed up with meetings and an open day with the community.

It has been a busy year in the sense that \$21M was spent renewing or improving assets around the Clutha District and several important projects were started or completed during the year.

- **Footpaths:** The footpath upgrade and renewal programme is coming to an end with 5.47km of new footpath and 1.05 km of renewed footpath completed in 2011/12. This means that 13.4km new footpath and 14.6km renewed footpath at a cost of \$4.8M has been constructed during the past four years.
- **Water Treatment Upgrades:** Upgrades of Balclutha, Kaitangata, Lawrence, and Tapanui water treatment plants were virtually completed through the year and work also started on the new water storage reservoirs at Balclutha, Lawrence, Milton and Tapanui.
- **Sewage Treatment Upgrades:** Four new "Biofiltro" treatment facilities were installed in Lawrence, Owaka, Stirling, and Tapanui.
- **Waste Management:** The new kerbside recycling collection service began. This has been the most significant change to our solid waste service since the introduction of wheelie bins in the early 1990s.
- **Swimming Pools:** While the Milton swimming pool changing rooms upgrade was completed during the year (pictured left), the Balclutha swimming pool upgrade was not, much to the frustration of the public and Council.



*The upgraded Milton swimming pool*

## Non-Financial Performance

How Council rates and scores itself in a non-financial sense, referred to as the Statement of Service performance, was not as strong in 2011/12. This was largely due to not meeting targets for swimming pools and less than anticipated resident satisfaction in some areas. The overall pass rate was 60%, where 53 of 89 performance targets were met. Council will be focusing on improving these results.

# Chief Executive's Summary (continued)

## Council's Financial Position

The Statement of Financial Performance shows Council's income for the year was higher than budgeted by \$0.49M; however our expenditure was also above budget by \$0.72M resulting in a deficit above budget of \$0.23M. As can be seen from the table below this is almost entirely due to depreciation of our roading assets being higher than budget. This is very much a book entry exercise and does not have an impact on rates.

	Budget	Actual	Difference	Main Variances
<b>Income</b>				
Rates	21.36	21.54	0.18	Sale of extra water units \$0.11M, sewerage income - \$0.2 Additional NZTA funding - \$0.5M
Other Revenue	12.38	13.05	0.67	Less Govt funding for water upgrades (\$0.14M) Budgeted forestry income not realised (\$0.14M)
Other Gains / (losses)	1.14	0.78	(0.36)	Additional interest income \$1M but offset by devaluation of forestry (\$0.24M)
Total Income	34.88	35.37	0.49	
<b>Expenditure</b>				
Employee benefits expense	4.17	4.17	-	
Depreciation and amortisation expense	13.06	15.19	2.13	Roading depreciation higher by \$1.5M, Water depreciation higher by \$0.3M, Roading budget was under stated by (\$0.9M).
Other expenses	18.04	16.62	(1.41)	West Otago Health grant not made (\$1.00M) Tuapeka Aquatic Centre grant not made (\$1.00M) Budgeted internal interest not recorded as expenditure for accounting purposes (\$0.60M), Sanitary included provision for landfill costs of \$0.6M
	35.26	35.98	0.72	
Surplus / (Deficit)	(0.38)	(0.61)	(0.23)	

## Borrowing, Debt, and Investments

Council is in the fortunate position that it can borrow from its own special funds rather than from banks etc to fund its recent projects. It has been able to undertake a number of projects over the year using this borrowing, including:

Project	Amount (\$M)
Water upgrades	0.57
Sewerage upgrades	1.24
Swimming Pool upgrades	3.92
Footpath renewals and upgrades	2.07
Lawrence main street upgrade	0.38
District Plan renewal	0.03
Total	8.21

This money borrowed from our special funds has to be paid back to these special funds with interest, so that we can fund infrastructure renewals in the future. To make sure we have the capacity to pay this money back and that our repayments do not get too onerous, Council has set some limits. As we can see from the table below Council is still comfortably within these limits.

Debt	Limits	2009/10	2010/11	2011/12
Total Debt		\$10.5M	\$12.8M	\$20.5M
Debt per Capita	\$1,500	\$611	\$744	\$1,195
Interest Cost as % Annual Rates	10%	1.91%	2.50%	\$2.92%

In the following table we can see that while Council has increased the amount it has borrowed from its special funds or in another way of looking at it, investing in itself, it still has funds invested externally, which it does in accordance with a conservative investment policy. This external investment provided a \$1.9M return over the past year, some of which offsets rates.

Investments (\$M)	June 2010	June 2011	June 2012
External Investments	24.1	24.6	18.5
Internal Investments	10.5	12.8	20.5
Total Investments	34.6	37.4	39.0

Council's net worth at the end of the year was \$989.1 million, an increase of \$90.3 million from the previous year. This was mostly due to the \$92 million increase in the value of our local roading network, from \$722 million to \$844 million.

Council Assets	June 2010	June 2011	June 2012
Net Assets	885,935	898,738	989,062

Finally I want to thank Councillors and Council staff for the way they have worked together to meet the challenges of the year. We now look forward to another busy year ahead and working towards the various projects and initiatives set out in the 2012-22 Long Term Plan.

**Charles Hakkaart**  
Chief Executive  
Date:

  
18 October 2012

# Community Leadership

## Representation Review

Council completed its six-yearly review of representation arrangements. This resulted in some ward boundary changes to meet the +/-10% 'fair representation' rule and the boundary for the Lawrence/Tuapeka Ward was also adjusted to allow the Tuapeka Mouth area to become part of the Clutha Valley Ward.

## Community & Business Support

Council provided support for the Clutha Gold Trail under construction. This included a series of community and tourism development workshops aimed at enabling the community to maximise opportunities arising from the trail.

Council also helped facilitate community development workshops in Owaka as the township and surrounding area worked towards developing its own community development plan.

Support for community and youth development initiatives also continued, including the Clutha District Youth Council, 'Making a Difference with Mazey' programme, and through Council's Community Coordinator. A highlight was the district's first ever Volunteer Value Week in May 2012, which involved a series of

events orientated towards supporting volunteers and the invaluable work they do in our district. Council continued to promote and support the business, agricultural and forestry sectors through the District Development Board and its contractors.

## District Development Review

Work towards improving the delivery of District Development, particularly economic and community development also continued in 2011/12.

After a thorough review by an independently-chaired Working Party, Council decided the best way forward is to continue providing community development coordination and delivery in-house, and for a non-Council organisation to provide economic development coordination and initiatives.

This will see a new board established that is governed and managed independent of Council, although Council could be represented on the Board. Council believes the proposed changes will refocus and strengthen its contribution towards supporting economic and community development in the district, along with getting the best value possible for ratepayers.



**\$1.8m**  
**expenditure in**  
**2011/12**  
**( 5% of total expenditure)**

**22 potential**  
**new businesses**  
**assisted**  
**( seven above target)**

**811 youth**  
**participated**  
**in careers**  
**programme**  
**( 611 above target)**

**63% resident**  
**satisfaction**  
**with overall**  
**performance of**  
**Council**  
**( 3% above target)**



*The Clutha Careers Expo was held at the Balclutha Memorial Hall in May 2012*

# Roading

Just over \$17.5 million was spent on maintaining, and in some cases improving, Clutha local roading network in 2011/12, including:

- \$2.5m spent maintaining the district's 2,000km network of unsealed roads. As an overall average across the network, roads were graded 3.9 times.
- \$2.5m spent resealing 51km of roads.
- \$2.5m rebuilding 10km of sealed roads as pavement rehabilitation.
- \$1.3m on a continuation on footpath renewals and upgrades.
- \$1m worth of safety improvements.

## Balclutha Main Street Upgrade

Significant progress was also made towards the proposed upgrade of Balclutha's main street during 2011/12 with the decision about the future flow of traffic through the area being made. Council resolved to retain Clyde Street as the State Highway Route through Balclutha following a month-long consultation process and years of debate on the issue of traffic flows through the town.

The consultation process attracted around 770 submissions, with the vast majority of these (95%) in favour of retaining Clyde Street as the State Highway route. Common themes amongst submissions were that traffic moves through Balclutha well

at present, and that any change to the State Highway route would have an adverse impact on Clyde Street businesses. Councillors were pleased so many submitters had contributed positive and constructive suggestions for the Balclutha main street upgrade which is now budgeted to take place during the 2012/13 financial year.

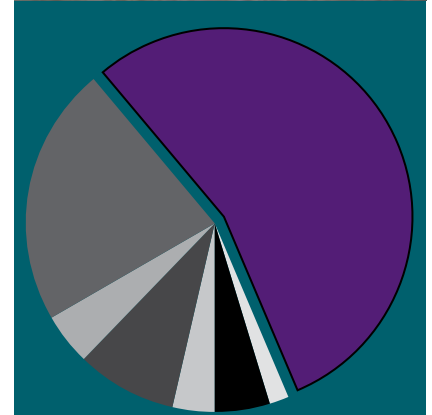
## Clydevale Bridge

The Clydevale Bridge has been subject to speed and weight restrictions while longer term options for its renewal or replacement were being investigated. Major progress was made towards this during 2011/12 when it was determined that ultimately, the best option would be to strengthen the current bridge to class 1 standards, extending its life for another 25 years. The strengthening work is scheduled for 2012/13, subject to NZTA approval. The estimated cost is \$974,000, of which Council's share will be \$302,000.

## Resident Satisfaction

Overall resident satisfaction with local roads increased to 58% in 2011/12. While this is still below our target of 60%, it was up from a 53% resident satisfaction rate in 2010/11.

Resident satisfaction with Council footpaths was 40% - also below the target of 50%. This rating has increased significantly, however, from 31% before the current upgrade and renewal programme began.



**\$18.2m**  
**expenditure in**  
**2011/12**  
**( 51% of total expenditure )**

**58% resident**  
**satisfaction**  
**with local roads**  
**( 2% below target )**

**40% resident**  
**satisfaction**  
**with footpaths**  
**( 10% below target )**

**Unsealed**  
**roading**  
**network graded**  
**an average of 3.9**  
**times**  
**( 0.6 above target )**



*An artist's impression of the proposed Balclutha Main Street upgrade*

# Water Services

## Water Supply Upgrades

Major upgrades to water supply treatments in Balclutha, Kaitangata, Lawrence and Tapanui were substantially completed in 2011/12. These upgrades are due to legislation which requires all water supplies to “take all practicable steps” to comply with New Zealand Drinking Water Standards. The work done and measures put in place will mean consumers should notice their water looks cleaner, with reduced risk of contaminants. Our annual Resident Survey revealed a 51% resident satisfaction rating with the taste and cleanliness of urban water supply. The survey, however, was carried out prior to the completion of the upgrades, so the results are not yet thought to reflect the increased level of service.

Water treatment upgrades for various rural water schemes were budgeted, but largely deferred because the Drinking Water Standards for these supplies have not yet been finalised.

## Sewage Treatment Upgrades

A number of the district’s sewerage schemes needed upgrades so they would meet more stringent discharge consent conditions. In December 2010, new 35-year consents were awarded for Lawrence, Owaka, Stirling and Tapanui, subject to them upgrading to a new Biofiltro treatment like the one that has been operating successfully in

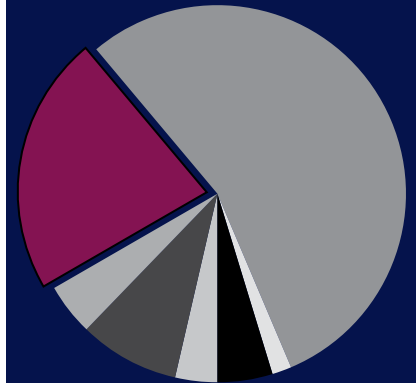
Kaka Point since the beginning of 2010. A major achievement for 2011/12 was the substantial completion of the construction of these four plants. While the respective sewerage rates will go up, the annual costs of the Biofiltro systems are a lot cheaper than the more conventional options previously looked at for these townships and the 35-year consents provide future certainty and security for these townships.

## Benhar & Tokoiti Sewerage

After widespread consultation and public feedback, Council decided that half the costs of building respective sewerage schemes for Benhar and Tokoiti would be funded by affected property owners while ratepayers from throughout the district would help these small communities with the remaining half of the cost. Construction of both systems is expected to be complete by the end of 2012.

## Stormwater improvements

Balclutha stormwater drainage and discharge improvements involved installing telemetry monitoring at key pump-stations. Meanwhile the upgrade programme to improve flood protection and drainage for Milton continued. These works included final costs on the new floodbank and pumpstation and some minor local drainage improvements.



**\$8.4 million expenditure in 2011/12**  
(23% of total expenditure)

**51% resident satisfaction with urban water taste and cleanliness**  
(9% below target)

**51% resident satisfaction with rural water taste and cleanliness**  
(14% below target)

**87% resident satisfaction with sewerage services**  
(3% below target)



Four new 'Biofiltro' sewage treatment plants were installed during the year

# Sanitary Services

## New Kerbside Recycling Service

Council's wheelie bin collection is one of our most popular and cost-effective services, consistently scoring over 90% in resident satisfaction surveys. In response to community demand for recycling services and the increasing cost of disposing waste to landfill, kerbside recycling was added to the service in April 2012.

The service now alternates between collection of the original green-lidded bins one week and collection of new 240 litre yellow-lidded bins for recyclables (excluding glass) the next. Glass was excluded from the recycling collection due to the significant cost to collect and sort, but can still be dropped off for free at Mt Cooee landfill and the Clinton, Lawrence, Milton, Owaka and Tapanui transfer stations.

Most households have adapted well to the two-bin service and collectively we are now recycling four times as much than we were before kerbside recycling!

Over 292 tonnes of recyclables were diverted from Mt Cooee landfill in the first three months of the service – offsetting the cost to ratepayers rather than attracting waste levy and emissions trading scheme costs.

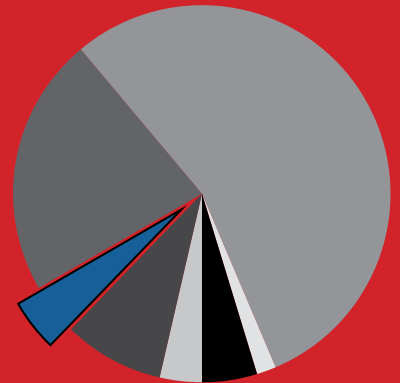
The annual resident survey revealed a 95% resident satisfaction rating for the wheelie bin kerbside collection service. The survey was undertaken, however, before the introduction of the two bin system.

## Public Toilets

Public toilets continue to be one of Council's lowest ranking services, with just a 51% satisfaction rating. Common concerns about the facilities continue to relate to cleanliness and vandalism. Despite this, 98% of inspections showed that sites met contract specifications.

## Cemeteries

Satisfaction with Council cemeteries continues to rate consistently high and was 83% in the 2011 Resident Survey.



**\$2.3 million  
expenditure in  
2011/12  
( 6% of total expenditure)**

**95% resident  
satisfaction  
with wheelie bin  
service  
( 15% above target)**

**292 tonnes of  
recyclables  
diverted from  
landfill**

**51% resident  
satisfaction with  
public toilets  
( 9% below target)**

**83% resident  
satisfaction with  
cemeteries  
( 3% above target)**



The new yellow-lidded recycling wheelie bins were introduced in April 2012

# Community Services

## Swimming Pool upgrades

During 2011/12 there were major improvements at the Milton pool, including new male and female changing rooms as well as a new unisex family changing room.

The pool reopened in February 2012 and overall there was positive feedback. The impact of the improvements on pool usage was quickly felt. The facility had its busiest March and April for a number of years, where average swims per day increased by 25% and 45% respectively, compared with 2010/11.

Meanwhile, the extensive \$3.9 million upgrade project of the Balclutha pool continued. At the close of the 2011/12 year, although behind what was initially scheduled, a significant majority of the physical works had been completed.

Despite the lengthy closures of both the Milton and Balclutha pools, overall resident satisfaction for pools rose from 31% to 43% in anticipation of the improved facilities reopening.

## Smokefree Public Places Policy

A policy developed by the Clutha District Youth Council in 2011/12 resulted in Council formalising a smokefree stance for its parks, playgrounds and sportsgrounds throughout the district, and signage to make people aware of this was erected. Compliance with the policy is voluntary and aims to promote

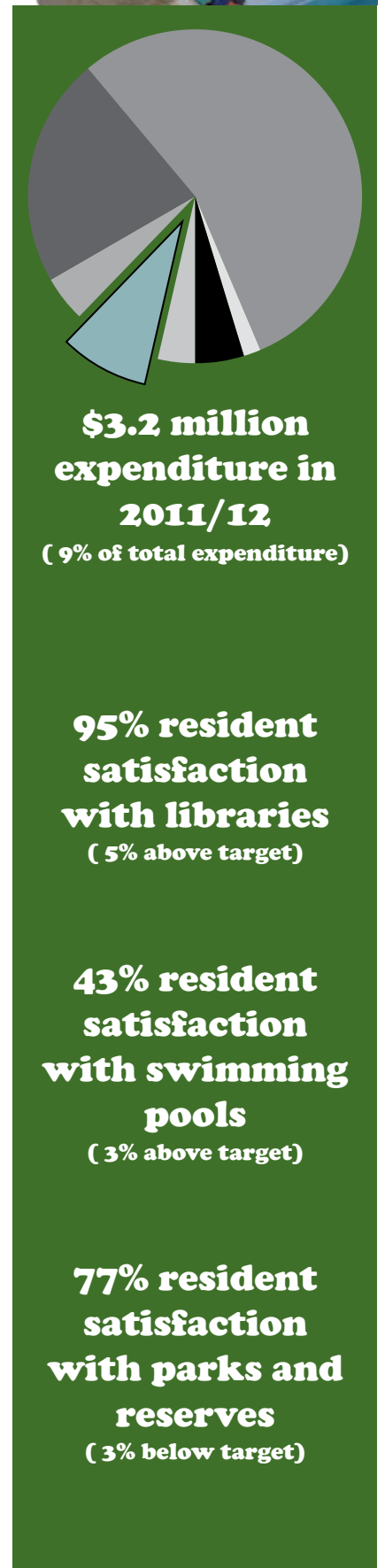
a healthy environment and to discourage smoking in public places where people, particularly children, spend time.

## Enhanced Library services

Libraries continue to rank as one of the most popular Council services with a 95% resident satisfaction rating. As well as upgrading its computer management system, Clutha District Libraries also began to offer customers e-books during the year, and extended its reciprocal borrowing arrangements to now also include Dunedin, Waitaki, Central Otago and Queenstown-Lakes.

## New approach to berm mowing

Council formalised its approach to berm mowing during the year and in most cases now only mows berms when the grass is very long (about 500mm). The change was made to reduce the amount of money being spent on mowing berms, and ultimately help to keep rates down. This change may have accounted for the drop in resident satisfaction for parks and reserves to 77%, a drop of 10% on the previous year. Council has acknowledged the changes were an emotional issue for some residents. The general consensus, however, has been that the new guidelines will result in cost savings, be fairer to all ratepayers, and give communities the opportunity to take more ownership of the appearance of their towns.



**\$3.2 million expenditure in 2011/12**  
( 9% of total expenditure)

**95% resident satisfaction with libraries**  
( 5% above target)

**43% resident satisfaction with swimming pools**  
( 3% above target)

**77% resident satisfaction with parks and reserves**  
( 3% below target)

The Youth Council developed a Smokefree Policy for Playgrounds





# Regulatory & Emergency Services

## District Plan Review

During 2011/12, Council continued with its staged approach to updating the District Plan. Proposed Plan Changes dealing with biodiversity and energy were publicly notified. The changes would improve the protection for indigenous vegetation and habitats, and update the rules for electricity generation (including more support for renewable generation). Further work is also continuing to prepare new provisions dealing with infrastructure and landscape.

## Milton 2060

The town of Milton is exposed to flood hazard from a number of different sources, and has a history of flooding since it was first settled. Following the 2007 flood, the Otago Regional and Clutha District councils formed a joint working party, with the aim of developing a strategy to enable long-term, sustainable occupation and development in Milton. The joint collaboration, called Milton 2060, reached the consultative stage with the presentation of the draft strategy during April to June 2012. The draft strategy took a 'principles-based' approach to managing flood risk, based around the key themes of ensuring safety, planning ahead, and allowing sustainable land use. In general the

process demonstrated a good level of public support for the findings and recommendations in the strategy.

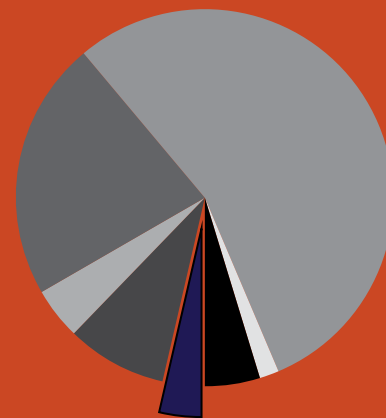
## Civil Defence plan updated

Staff were involved with the update of the Otago Group Civil Defence Emergency Management (CDEM) Plan. The process highlighted the real benefits in terms of sharing ideas and resources, developing joint plans and responses, and working together better during emergency events. The details of how this will be put in practice is set out in the plan, and potentially represents a significant step forward in collaboration in CDEM across Otago.

## Civil Defence preparedness

The appointment of a full time Civil Defence officer enabled an increased focus on civil defence education and preparedness. For example, various schools, pre-schools and children's groups benefited from the use of the Southland earthquake trailer and 'Turtle Safe' message.

This work, along with media coverage around the Canterbury earthquakes, seems to have led to an increase in residents taking steps to prepare themselves for the possibility of a Civil Defence emergency - 59% in the 2011 Resident Survey, compared to 53% the year before.



**\$1.4m combined expenditure in 2011/12**  
( 4% of total expenditure)

**100% of building consents & PIMS processed within 20 days**

**59% of residents have taken steps to prepare for a Civil Defence emergency**  
( 10% above target)

**95% of fire permit applications processed within 5 days**  
(5% below target)

*The Civil Defence earthquake trailer helped schoolchildren to 'Get Ready'*



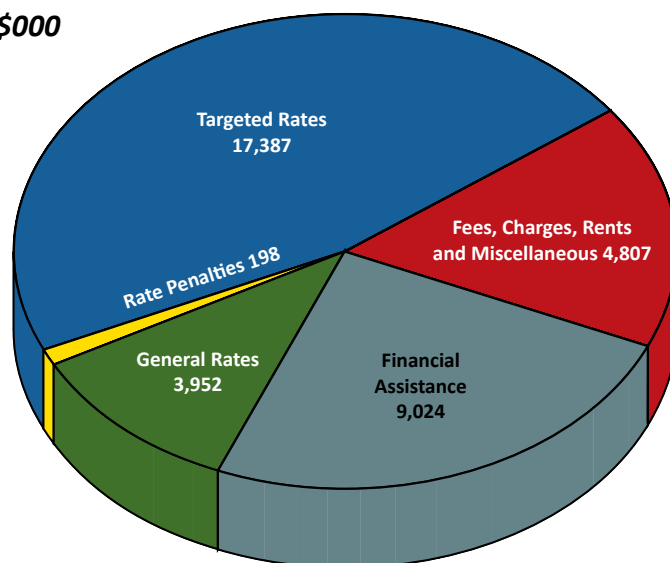
# Financial Information

## Key Financial Indicators 2011/12

	ACTUAL 30 June 11 (\$,000)	EST. 30 June 12 (\$,000)	ACTUAL 30 June 12 (\$,000)
<b>Summary Statement of Financial Performance</b>			
Income			
Rates Revenue	20,782	21,359	21,537
Other Operating Revenue	15,562	13,522	13,832
Total Operating Revenue	36,344	34,881	35,369
Expenditure			
Employee Benefits Expense	4,076	4,165	4,169
Depreciation	14,666	13,061	15,187
Interest Expense	1	1	1
Other Expenditure	18,560	18,038	16,621
Total Operating Expenditure	37,303	35,265	35,978
Surplus/(Deficit)	-959	-384	-609
<b>Summary Statement of Comprehensive Income</b>			
Available for sale valuation gain/(loss)	-47	0	-12
Gain/(loss) on PP&E revaluation	13,809	0	90,946
Total comprehensive income	12,803	-384	90,933
<b>Summary Statement of Changes in Equity</b>			
Equity at the beginning of the year	885,935	888,382	898,738
Equity at the end of the year	898,738	887,998	989,062
<b>Summary Statement of Financial Position</b>			
Current Assets	26,427	14,996	23,370
Non current Assets	878,492	879,174	974,304
Total Assets	904,919	894,171	997,674
Current Liabilities	5,602	5,713	7,466
Non current Liabilities	579	459	1,146
Total Liabilities	6,181	6,173	8,612
Net Assets/Equity	898,738	887,998	989,062
<b>Summary Statement of Cashflows</b>			
Net Cashflows from Operating activities	10,192	12,656	15,814
Net Cashflows from Investing activities	-10,228	-12,603	-16,058
Net Cashflows from Financing activities	2	-3	994
Net Cashflows for the Year	-34	50	750

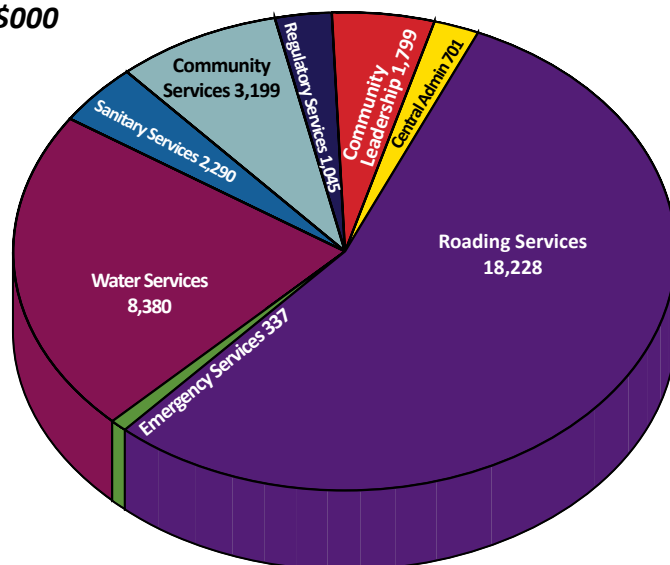
## Total Income 2011/12

\$000



## Total Expenditure 2011/12

\$000



## EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanation of major variations from Council's estimated figures in the 2011/12 budget are as follows:

### Statement of Financial Performance

The net operating loss of \$(609,497) was above the budgeted loss by \$225,497. The components of this are explained below.

Total income was approximately \$0.5 million greater than budget for the year ended 30 June 2012. The following major variances contributed:

- Interest income was more than budget by \$1,047 million. This occurred principally as a consequence of the increase in the unrealised market value of Council's fixed interest investments.
- New Zealand Transport Agency Financial Assistance was \$0.456 million more than budgeted due to additional funding for preventative maintenance.

# Financial Information

- Sewerage miscellaneous income from the Department of Corrections was ahead of budget by \$0.251 million. This is due to the timing of the invoices and payments.
- Council recorded an unrealised loss of \$0.245 million on the revaluation of forestry, and a loss on disposal of \$0.930 million in respect of water assets.

Operating expenditure was also above budget by \$0.7 million for the year ended 30 June 2012. The following major variances contributed to this:

- Roading Depreciation was greater than budget by \$1.5 million.
- Sanitary services included and an additional provision of \$0.6 million for the Mt Cooee land fill and Kaka Point closed landfill.
- Water expenses are higher than budgeted due to depreciation being higher by \$0.3 million.
- Budgeted roading expenditure was understated by \$0.9 million due to an income item incorrectly offsetting an expense item within the budget.
- Community services and Governance expenses were less than budget by \$1.0 million as loans to the Tuapeka Aquatic Centre were not made. It is expected these will be provided in 2012/13.
- The \$1 million budgeted grant for the West Otago Health Centre was not required during the 30th June 2012 year. This has been deferred until 2012/13.
- Other expenses were less than budget because internal interest of \$0.6 million is removed from the year end actuals.

## Statement of Financial Position

- Short term investments exceeded budget by \$8.2 million. This occurred because internal loans were not drawn down until after balance date (approx. \$8.0 million), to meet the cash requirements of Council.
- Property plant & equipment was higher than budget by \$94 million. This is due to the current year revaluation of roading of \$94 million.

## Statement of Changes in Equity

Variances in the surplus have been commented on under the Statement of Financial Performance above.

## Statement of Cashflows

Variances in the surplus have been commented on under the Statement of Financial Performance above.

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.

This summary booklet of the Annual Report 2011/12 provides:

- An outline of Council's end of year financial position.
- An overview of Council services during 2011/12.
- A statement from Council's auditors - Deloitte.

The specific disclosures included in the summary have been extracted from the full Annual Report 2011/12 adopted on 18 October 2012. This summary document cannot be expected to provide as complete an understanding as provided by the full financial report itself.

A full copy of the Annual Report 2011/12 is available from

Council main office at Rosebank Terrace, Balclutha or by contacting 0800 801 350. It is also available on the Council website at [www.cluthadc.govt.nz](http://www.cluthadc.govt.nz).

The Annual Report 2011/12 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 financial report complies with FRS 43 - summary financial statements.

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF THE CLUTHA 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 4 to 11, which was derived from the audited statements in the annual report of the Clutha District Council (the Council) for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 18 October 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2012, and summaries of the statement of financial performance, 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'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 18 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.

#### 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 an assignment in the area of conducting the audit of the long term plan, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Council.



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