Queenstown Lakes District Council

Summary Annual Report 2012 / 2013

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 8 October 2013. 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 8 October 2013 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 2012-2022 10-Year Plan. The 2012/2013 year represents year one of the 2012 10-Year Plan.

The last financial year marked the beginning of significant change for our Council. We commenced an organisational review that included our council controlled organisations - Lakes Environmental and Lakes Leisure. Widespread changes from that review, including decisions to wind up both CCO's and bring their operations back within Council, has resulted in operational improvements and financial savings. Some of the savings are already reflected in this Summary Annual Report and they will increase over the coming financial year.

The changes coincided with important amendments to the Local Government Act, including redefined purposes of local authorities. There is a strong imperative on focusing on core local activities and ensuring they are delivered in the most efficient and effective manner. In this regard we have continued to deliver some impressive outcomes.

Debt levels are being carefully managed and capital expenditure projects are being prioritised. We still have a strong commitment to our infrastructure but the projects will only commence when there is a clear operational need and they are being continually assessed for further project savings.

The culmination of our drive for efficiency resulted in a 2013/14 Annual Plan which delivered a zero rate increase and a reduction of forecasted external debt – a $21 million improvement on forecast. Although this is a significant achievement, we can and will do better. Council's elected members have a clear expectation that we will continue to make savings across all of our operations, without compromising services.

While financial achievements are important, it is particularly rewarding that they have also been translated into a significant increase in satisfaction by our residents. The 2013 Annual Residents' and Ratepayers Survey is one of the best results we've seen in more than a decade, and it underscores the importance of delivering cost-savings to the benefits of the community while maintaining good "value for money" services.

Operational highlights at a glance

- **0% increase in rates from improved financial management in 2013/14;**
- **6.2% increase in overall public satisfaction with the Council (to 85%);**
- **Reduction of approximately 40 staff (full-time equivalent)**
- **$330k reduction in annual accommodation costs as a result of office rationalisation;**
- **Full integration of two CCO's into QLDC with consequential governance and back-office savings;**
- **2% reduction in average water demand (8% reduction in peak demand) and 7% reduction in leakage across the District;**
- **A new, streamlined management structure**
- **Significant across-the-board reductions of overdue Requests for Services**

Key issues

Key issues highlighted in the 2012-22 10-Year Plan are:

Events Funding - The Council resolved to implement an Events Strategy aimed at supporting events that either help drive economic growth in the District or are important community events. The Events Fund is divided into three categories: Commercial Events; Major Community Events; and Local Events.

Wanaka Sports Facility - Council's commitment to this project is unchanged and it is scheduled for completion in the first half of 2016. A design peer review of the proposed centre has been completed and an external project manager appointed to drive the remaining stages of the project. The $16.7 million development in Wanaka is one of the most significant projects in our ten-year plan, with the first stage including indoor courts, tennis courts, and two sports fields. Further stages include the development of an aquatic facility and expansion of the indoor courts.

Convention Centre Proposal - A major international convention centre has the potential to be an important catalyst for economic growth in the District. This financial year saw a preferred consortium for negotiation identified following an RFP, and in August/September 2013 the Council concluded a public consultation process with a resolution to lead the development of a convention centre proposal at the Lakeview site as part of an integrated development model at that site, subject to conditions.

Memorial Hall Upgrade - The $992,000 refurbishment of the Memorial Hall (subsequently renamed the Memorial Centre) was completed on time and within budget by March 2013.

Water Demand Management - The Council has continued to focus on Water Demand Management with flow meters installed at Queenstown Events Centre and Queenstown Airport. In addition, the meters installed at Luggate continue to be read every quarter to understand the supply and demand needs of a small community within the district.

The aim of this work is to achieve significantly lower water consumption, particularly in areas where maximum capacity is near to being reached, and thereby defer multi-million dollar capital expenditure in replacement infrastructure. Central to achieving this is the need to avoid unnecessary wastage along with avoiding use at times of peak demand.

Wanaka Algae - The Council continues to monitor problems associated with algae in the Wanaka water supply and as a result installed a new backwash valve at the western water intake. Point of use treatment, where households opt to install a 'pre-filter' at the street boundary, is proving to be an effective treatment.

Project Shotover - Project Shotover is a $35.9 million upgrade of the Wakatipu wastewater treatment system. It will be staged with the cost spread across the next 13 years. A $2.6 million contract has been awarded for the construction of Inlet Works, which will improve the initial screening process at the treatment facility. The next stage involves the construction of a treatment plant for purifying and removing solids at the site of the current treatment ponds, adjacent to the Shotover Bridge.

Event Centre Extension - Progress towards extension of the Event Centre was placed on hold following a review of proposed capital works. The project is now planned for 2016/17.

Financial Affordability - See Page 4 for detailed report back on Council's Financial Stategy.

Conclusion

Previous Annual Reports have highlighted that our single biggest challenge was the delivery of an affordable Ten Year Plan in 2012. As the summary of our financial performance below demonstrates, this has now been achieved and external debt levels have reduced significantly. QLDC is leading the way in adapting to the Local Government Act reforms by providing good quality local infrastructure, with services and regulatory services that are efficient, effective and have regard to the needs of current and future generations.

While we have achieved good results and our communities have given us a positive indication that we are delivering to their expected standards, there is more to do. The 2013 local body election will deliver a new council with new expectations while still ensuring major projects, such as Wanaka Sports Facility and a Convention Centre for Queenstown, are delivered.

Throughout what has been an eventful year, I would like to thank our elected representatives in both Council and the Wanaka Community Board who have made a very significant contribution to the community and driven an agenda for continual improvement. Their work is arduous, challenging and sometimes thankless but both the Council and the Community Board can reflect on achievements over the last triennium with pride.

I also want to thank all the staff of Council; Lakes Environmental and Lakes Leisure who have heard the Council's messages for change, improvement and greater responsiveness to public expectations. You have risen to these challenges while maintaining the integrity of day to day public services.

Finally, I would like to thank everyone in the community who, whether formally or informally, takes time to give feedback and to participate in consultation and engagement. Your voices are always heard and help the Council to make better decisions.

Adam Feeley

Chief Executive
Queenstown Lakes District Council

QLDC Financial Result 2012/2013

The Council alone recorded a surplus of $11.4 million for the year. This is down from the $14.7 million surplus recorded last year and against the budget of $17.9 million. The main reasons for the lower surplus are related to the following unbudgeted accounting adjustments which total $6.5 million:

1. There is $4.1 million 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. This includes $3.6 million of expenditure previously sitting in capital work in progress that relates to projects that will now not proceed.
2. The surplus includes $3.8 million of unrealised losses pertaining to the annual revaluation of investment property. This follows a 2012 value reduction of $4.3 million.
3. There is a $1.8 million of impairment (loss of value) relating to the council's investment in Lakes Environmental as a result of the decision to disestablish the company.
4. There is a $3.2 million gain as a result of the transfer of net assets from Lakes Leisure at disestablishment.

Before the adjustments (1 to 4) above, operating expenditure was $3.5 million (4.4%) under budget for the year ended 30 June 2013. This is very pleasing and means that we were able to deliver savings from an operating perspective. The material items that contributed to this variance:

- Interest expense for the year is $1.5 million 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 $0.3 million lower than budget. This is a result of fewer staff being employed and modest increases to remuneration for the year. Further, significant, savings will occur in 2013/14 as the changes from the organisational review take effect.
- Depreciation expense for the year is $1.1 million 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.
- The balance of the positive variance of $0.6 million relates primarily to reduced maintenance and operational costs for utilities, roading and community services.

Operating revenues were below budget by 5.1% for the year ended 30 June, 2013. This was below estimate by $5.1 million. The following major items (all relating to capital expenditure) contributed to this variance:

- Vested Assets were $6.7 million below budget for the year; this a non-cash item and relates to the value of assets transferred to Council via the subdivision process.
- Roading subsidy was $2.2 million under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.
- Grants were $3.2 million ahead of budget for the year, mainly as a result of external contributions to the Memorial Hall upgrade and purchase of the Pisa Snow farm.
- Development contribution income was below budget by $1.1 million for the year principally because of lower than expected development activity.

Capital expenditure was below estimate by $16.1 million for the year ended 30 June 2013. The following major items contributed to this variance:

- Vested Assets were $6.7 million below budget for the year.
- There is $4.4 million of project expenditure within the water supply activity which has been delayed or deferred. These projects include Leary's Gully Pump station ($0.65 million); UV treatment at Queenstown in-takes ($0.68 million); upgrades to Hawea scheme ($0.64 million), as well as the upgrade to the SCADA system (electronic monitoring) and various water demand projects.

- There is $3.6 million of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road ($3.5 million) and various upgrades and rehabilitation projects incomplete at year end: Cardrona; Arthurs Point; and Ardmore/Brownston Streets.
- There is also $1.2 million of project expenditure within the Stormwater activity which has been delayed or deferred. Most of the budget is for the Glenda Drive interceptor ($0.62 million) was not spent and has been carried forward.
- There is also $0.95 million of project expenditure within the overhead activity which has been delayed or deferred. This mainly relates to the timing of the new enterprise system project ($0.6 million) and office alterations ($0.38 million), both of which have been carried forward to 2013/14.

Borrowings are $21 million below forecast; this positive variance relates mainly to the deferral and savings associated with capital projects (see below).

Financial Strategy

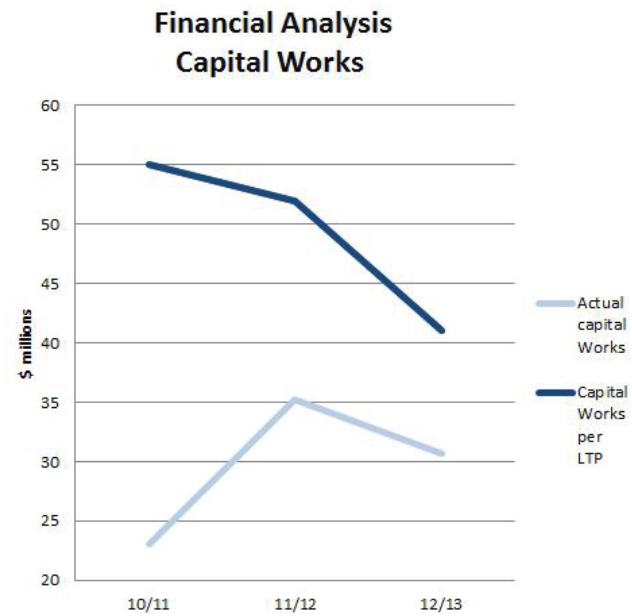
The Financial Strategy was a new requirement for the 2012 10-Year Plan. It must show prudent financial management by our Council and act as a guide when we make big funding decisions. It also outlines how the Council will tell the story about projects so that the community can understand the implication of big decisions on things like rates, debt and investments. The strategy is contained in full in Volume 3 (pp 9-16) of the 2012 10-Year Plan www.qldc.govt.nz

The Council's Financial Strategy is aimed at responding to the needs of our district today and into the future in a responsible and affordable way. It is important that the costs of providing facilities with long lives are shared between today's ratepayers and those in the future. If the task is successfully delivered, the following outcomes should be achieved:

- Prioritised Capital Programme – delivering the 'right' projects at the optimum time.
- Rates increases set at a maximum of 4% per annum (subject to changes in growth or increased levels of service).
- Debt levels maintained at prudent levels (within Borrowing Limits).
- Debt levels at the end of the 10 year period have stabilised and sufficient head-room exists to provide financial flexibility for future Councils.
- To continue to provide excellent service within financial constraints.

Reporting Back on Financial Strategy

Capital Programme



The graph above shows that the actual spend on capital projects has been consistently less than the programmes forecast in the Annual Plan or 10-Year Plan over the past 3 years. This is the result of consistent re-prioritisation of projects, so that capital expenditure is not committed until it is absolutely necessary. This has meant that several projects have been deferred or staged including Project Shotover.

Rates

Rates Increases - Actual & Forecast (after allowing for Growth)

	Actual	LTP Forecast
2012/2013	2.78%	2.70%
2013/2014	0.00%	2.25%
2014/2015		2.77%
2015/2016		5.70%
2016/2017		5.36%

The table above shows the actual rates increases over the past 2 years compared to the increases forecasted in the 10-Year Plan. The total rates for 2013/14 are $56.6m compared to the forecasted amount of $58.4m. This represents a saving of $1.79m.

The larger increases for 2015/16 and 2016/17 reflect the impact of major new facilities including Project Shotover in Queenstown and the Wanaka Sports Facility. Both of these projects represent significant increases to current levels of service and consequently increased costs. Council will separately consult on the rating impact of these new facilities as part of the Annual Plan 2014 process.

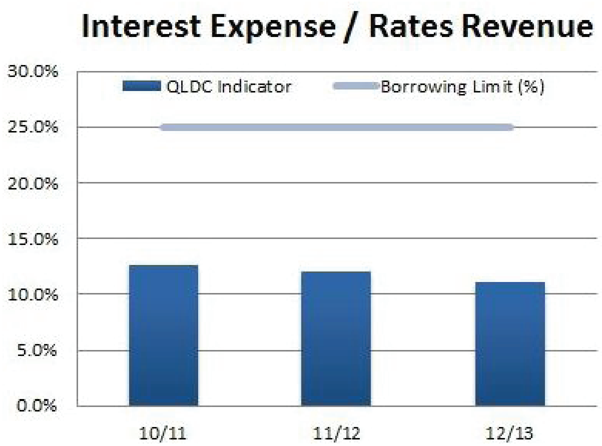
Debt Levels

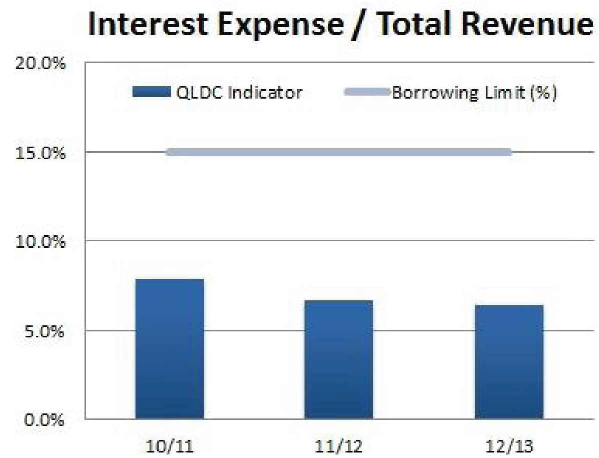
In order to deliver the large capital programme included in the 10-Year Plan, Council will need to rely on borrowing. Council has spent a considerable amount of time and effort working through the capital programme to ensure it is affordable and deliverable. The actual external debt at 30 June 2013 was $107m; this is $21m less than the amount forecast in the 10-Year Plan.

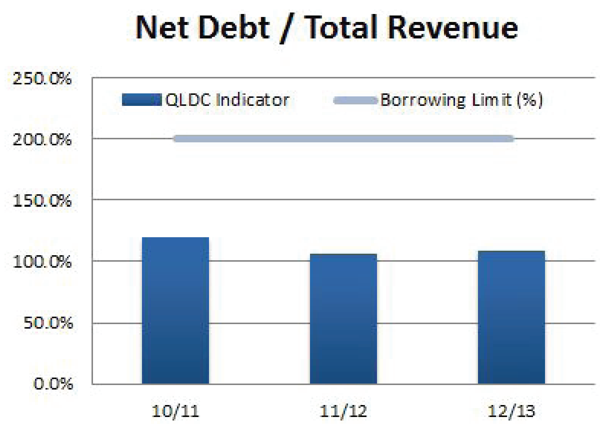
The actual and proposed levels of debt are now within all of the Council's self-imposed borrowing limits:

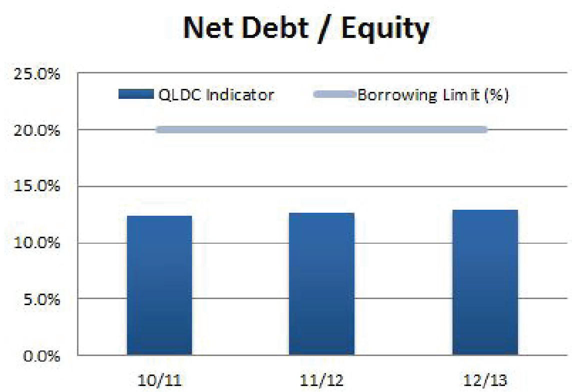
Borrowing Limits (%)	Actual 2010/11	Actual 2011/12	Actual 2012/13	Forecast 2012/13
Interest Expense / Rates < 25%	12.6%	12.1%	11.1%	13.8%
Interest Expense / Total Revenue < 15%	7.9%	6.7%	6.4%	7.7%
Net Debt / Total Revenue < 200%	120.2%	105.9%	110.1%	128.0%
Net Debt / Equity < 20%	12.3%	12.7%	13.0%	15.3%

These ratios are presented in the graphs below:

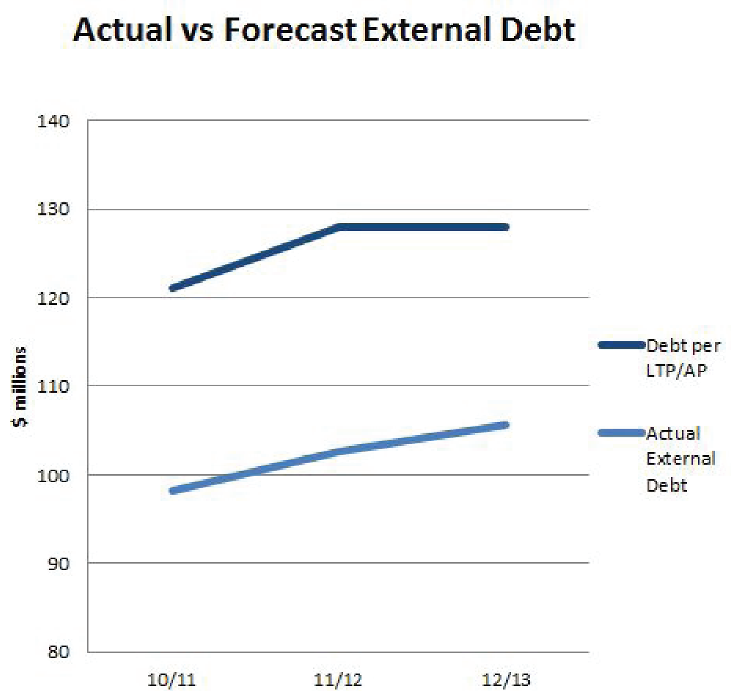








The following graph shows the forecasted debt levels compared to actual debt levels up to 2012/13. As can be seen, actual debt levels are significantly reduced. The total debt as at 30 June 2013 is $107m, which is $21m less than forecast in the 10-Year Plan.



This is due to reduced capital spending as explained above and also to increased debt repayments.

Borrowing will have to increase in order to deliver the future capital programme but Council will ensure that the projects continue to be rigorously prioritised.

Capital Works 2012/13

Notable infrastructure projects that have been completed during the 2012/13 financial year:

Project	Cost at Year End 2013 ($)
Athol Street, Earl Street and Marine Parade pavement rehabilitation	712,047
McMillan Road pavement rehabilitation	606,532
Arthurs Point Road pavement rehabilitation	1,553,674
Cardrona Valley Road pavement rehabilitation	845,952
Crown Range Road pavement rehabilitation	1,200,501
Re-sealing programme	4,098,286
Otta-sealing programme	462,912
Kawarau Bridge control valve installation	52,810
Installation of Andrews Road rider main	65,035
Installation of water main from Two Mile PS to Fernhill roundabout	307,335
Water link Goldfield to Queenstown Hill	85,525
Installation of bulk flow meters in Arrowtown	69,020
Luggate water supply Investigation	111,033
Hawea Wastewater Resource Consent and Treatment Upgrade	479,899
Studholme Road overland swale	69,878
Installation of Beacon Point generator for water intake	96,516
Renewal of Beacon Point water intake pumps	59,880

Carry-forward projects scheduled for completion by December 2013 are (approved by Council on 13 Aug 2013):

- Panorama Terrace pavement rehabilitation
- McChesney Road pavement rehabilitation
- Frankton Flats stormwater outlet
- Frankton Beach wastewater pump station upgrade
- Frankton Road water pump station upgrade
- Ardmore/Brownston intersection improvements (roundabout)
- Upper Ardmore pedestrian connectivity upgrades and Lakeside roundabout project
- Crown Range land instability works
- Cardrona power undergrounding and traffic calming
- Wanaka chlorine upgrades (completed mid- July)
- Hawea wastewater land treatment irrigation

Summary Statement of Financial Performance

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Total income	96,078	100,103	91,709	117,988	113,381
Expenditure					
Employee benefits expense	8,388	8,685	7,933	18,073	17,191
Depreciation and amortisation expense	18,051	19,165	17,397	22,861	21,251
Finance costs	6,231	7,745	6,470	7,701	7,688
Other expenses	51,954	46,578	45,219	57,065	47,961
Total operating expenditure	84,624	82,173	77,019	105,700	94,091
Surplus/(Deficit) before income tax	11,454	17,930	14,690	12,288	19,290
Income tax expense	-	-	-	2,175	2,018
Surplus/(Deficit) for the period	11,454	17,930	14,690	10,113	17,272
Surplus/(Deficit) attributable to:					
- Council	11,454	17,930	14,690	8,718	15,982
- Non controlling interest	-	-	-	1,395	1,290
	11,454	17,930	14,690	10,113	17,272

Statement of Comprehensive Income

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Surplus/(Deficit) for the period	11,454	17,930	14,690	10,113	17,272
Other Comprehensive Income May be reclassified subsequently to profit or loss when specific conditions are met					
Cash flow hedges	-	-	-	785	(1,164)
Income tax relating to other comprehensive income	-	-	-	(220)	326
Total Comprehensive Income	11,454	17,930	14,690	10,678	16,434
Attributable to:					
- Council	11,454	17,930	14,690	9,141	15,354
- Non controlling interest	-	-	-	1,537	1,080
	11,454	17,930	14,690	10,678	16,434

Statement of Changes in Equity

Council

Council as at 30 June 2013	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Retained Earnings $'000	Attributable to Equity Holders of Parent $'000	Non Controlling Interest $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	303,726	13,822	8,665	-	484,619	810,832	-	810,832
Total Comprehensive Income for the year	-	-	-	-	11,454	11,454	-	11,454
Transfers from/(to) retained earnings	(3,940)	118	2,855	-	967	-	-	-
Balance at 30 June 2013	299,786	13,940	11,520	-	497,040	822,286	-	822,286
Council as at 30 June 2012								
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

Group

Group as at 30 June 2013	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Retained Earnings $'000	Attributable to Equity Holders of Parent $'000	Non Controlling Interest $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	378,714	13,822	8,665	(820)	499,287	899,668	30,238	929,906
Total Comprehensive Income for the year	-	-	-	424	8,718	9,142	1,537	10,679
Dividends paid	-	-	-	-	-	-	(897)	(897)
Transfers from/(to) retained earnings	(3,940)	118	2,855	-	967	-	-	-
Balance at 30 June 2013	374,774	13,940	11,520	(396)	508,972	908,810	30,878	939,688
Group as at 30 June 2012								
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

Summary Statement of Financial Position

As at 30 June 2013	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Total current assets	12,465	9,524	12,310	14,299	16,367
Total non-current assets	935,232	972,192	919,741	1,081,724	1,071,666
Total assets	947,697	981,716	932,051	1,096,023	1,088,033
Total current liabilities	62,222	33,481	88,613	64,961	94,405
Total non-current liabilities	63,189	108,879	32,606	91,374	63,722
Total liabilities	125,411	142,360	121,219	156,335	158,127
Net assets	822,286	839,356	810,832	939,688	929,906
Equity attributable to:					
Council	822,286	839,356	810,832	908,810	899,668
Non controlling interest	-	-	-	30,878	30,238
Total Equity	822,286	839,356	810,832	939,688	929,906

Mayor

8 October 2013

Chief Executive

8 October 2013

Summary Statement of Cashflows

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Net cash inflow/(outflow) from operating activities	29,574	27,967	28,232	36,847	36,178
Net cash inflow/(outflow) from investing activities	(34,686)	(41,046)	(32,430)	(41,672)	(43,501)
Net cash inflow/(outflow) from financing activities	4,254	13,078	4,447	3,338	7,166
Net increase/(decrease) in Cash and cash equivalents	(858)	(1)	249	(1,487)	(157)
Cash and cash equivalents at the beginning of the financial year	1,240	383	991	3,359	3,516
Transfer from CCO's	1,413	-	-	-	-
Cash and cash equivalents at the end of the financial year	1,795	382	1,240	1,872	3,359

Accounting Policies

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

The 2012/13 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 16 August 2013 the QAC Board resolved to pay a final dividend for the year ended 30 June 2013 of $0.1643 per share, resulting in a dividend of $2,639,884 (2012: $2,586,506). Council's share of this dividend will be $1,980,177 (2012: $1,940,138).

Contingent Liabilities

Council

Legal Claims
A total of four building related legal claims were received for buildings within the district at 30 June 2013. 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 $11.9m. 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 $1.0m 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.

Re–Integration of Council Controlled Organisation

On 20 March 2013, Queenstown Lakes District Council (Council) resolved to re-integrate the operations of two of QLDC's Council Controlled Organisations, Lakes Leisure Limited and Lakes Environmental Limited into Council. The assets and liabilities of the Company were transferred to QLDC on 30 June 2013.

Financial information in respect of the net assets transferred on re-integration with QLDC in the year ended 30 June, 2013 is set out below:

Net Assets Transferred	Book Value $'000	Fair Value Adjustment $'000	Fair Value on Acquisition $'000
Current assets:			
Cash and cash equivalents	1,414	-	1,414
Trade and other receivables	700	-	700
Inventories	24	-	24
Current tax refundable	68	-	68
Non-current assets:			
Property, plant and equipment	3,917	-	3,917
Current liabilities:			
Trade and other payables	(1,073)	-	(1,073)
Other financial liabilities	(1,048)	-	(1,048)
Employee entitlements	(688)	-	(688)
Net Assets Acquired	3,314	-	3,314
Consideration for transfer			(3,196)
Residual investment in CCO's			118

Pursuant to shareholder resolution, the residual net assets of Lakes Leisure of $3.196m, have been credited across to QLDC into a reserve fund.

Explanation of Major Variances against Budget

Statement of Financial Performance

The Council alone recorded a surplus of $11.4m for the year. This is down from the $14.7m surplus recorded last year and against the budget of $17.9m. The main reasons for the lower surplus are related to the following unbudgeted accounting adjustments which total $6.5m:

1. There is $4.1m 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. This includes $3.6m of expenditure previously sitting in capital work in progress that relates to projects that will now not proceed.
2. The surplus includes $3.8m of unrealised losses pertaining to the annual revaluation of investment property. This follows a 2012 value reduction of $4.3m.
3. There is a $1.8m of impairment (loss of value) relating to the council's investment in Lakes Environmental as a result of the decision to dis-establish the company.
4. There is a $3.2m gain as a result of the transfer of net assets from Lakes Leisure at disestablishment.

Operating revenues were below budget by 5.1% for the year ended 30 June, 2013. This was below estimate by $5.1m.

The following major items (all relating to capital expenditure) contributed to this variance:

- Vested Assets were $6.7m below budget for the year; this a non-cash item and relates to the value of assets transferred to Council via the subdivision process.
- Roading subsidy was $2.2m under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.
- Grants were $3.2m ahead of budget for the year, mainly as a result of external contributions to the Memorial Hall upgrade and purchase of the Pisa Snow farm.
- Development contribution income was below budget by $1.1m for the year principally because of lower than expected development activity.

Before the adjustments (1 to 4) above, operating expenditure was $3.5m (4.4%) under budget for the year ended 30 June 2013. This is very pleasing and means that we were able to deliver savings from an operating perspective.

These are the major items; mostly positive, that contributed to this variance:

- Interest expense for the year is $1.5m 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 $0.3m 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 $1.1m 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.
- The balance of the positive variance of $0.6m 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 $16.1m for the year ended 30 June 2013. The following major items contributed to this variance:

- Vested Assets were $6.7m below budget for the year.
- There is $4.4m of project expenditure within the within the water supply activity which has been delayed or deferred. These projects include Leary's Gully Pump station ($0.65m); UV treatment at Queenstown in-takes ($0.68m); upgrades to Hawea scheme ($0.64m), as well as the upgrade to the SCADA system and various water demand projects.
- There is $3.6m of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road ($3.5m) and various upgrades and rehabilitation projects incomplete at year end: Cardrona; Arthurs Point; and Ardmore/Brownston Streets.
- There is also $1.2m of project expenditure within the Stormwater activity which has been delayed or deferred. Most of the budget is for the Glenda Drive interceptor ($0.62m) was not spent and has been carried forward.
- There is also $0.95m of project expenditure within the overhead activity which has been delayed or deferred. This mainly relates to the timing of the new enterprise system project ($0.6m) and office alterations ($0.38m), both of which have been carried forward to 2013/14.

The revaluation of investment property resulted in an unbudgeted reduction in value of $3.7m for the year. This movement coupled with previous unrealised losses, has lead to the main variation in the balance sheet which shows Investment Property $5.9m below the forecast position.

Borrowings are $21m 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 2013 as described above and for 2012) has resulted in an equity variance of $17m 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 $8.3 million below estimate and new borrowings were consequently around $8.8 million less than expected.

Overall Perception of Performance

Overall Performance QLDC

The survey has a five point rating system to provide respondents with the option of a mid-point response, considered 'best practise' in terms of research. This mid-point allows respondents to choose a 'neutral' (or ambivalent) response, rather than being forced into reporting satisfaction or dissatisfaction (where such feelings may not be present). This move away from the 'forced choice' design used in previous years means the range of results provide a more precise measure of community views, going forward.

Overall satisfaction with Queenstown Lakes District staff improved when compared to 2012 and demonstrated the second highest level of satisfaction since 2002.

Relationship with Maori

The Council is mindful of the wider issue of Maori consultation and how the Council can assist the Iwi to become more involved and informed about the Council and its communities and in turn how the Council can learn more about Maori culture and protocols.

In the 2012/13 year Council has held a hui with Maori on the role of iwi in the Shaping Our Future Engagement process and consulted over a number of projects including Project Shotover, the Luggate Disposal of Sludge to Land Project and in general there has been constructive interaction on water and waste issues. An elected member (Councillor Lex Perkins) represents the Council at regular Te Ao Marama huis. Council is exploring new ways to further develop the relationship and a hui is planned for the next 12 months.

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

Governance - Key Targets

Community Leadership and Engagement

Target	Achievement
65% satisfaction with the level of community consultation as determined by the annual residents satisfaction survey.	67.8% of residents were satisfied with Council staff, 19.9% were neutral and 12.3% dissatisfied. Satisfaction has increased by 21% since 2012. A number of factors are likely to have influenced this outcome including: continuation of improved Annual Plan affordability, debt reduction, zero rates increase and the Organisational Review. Council is also actively seeking to build and enhance customer service.

Economic Development - Key Targets

Tourism Promotion

Target	Achievement
2.6m Annual Visitor bed nights (Queenstown) (3% increase per annum as per DQ target)	Queenstown's overall guest nights were up 7.2% for the year ended June 2013 compared with the previous year. International guest nights were up 8.4% and domestic guest nights increased by 4.8%. Queenstown enjoyed sustained growth through the year, setting new guest night records for several months. (1.3% 2012).

Camping Grounds

Target	Achievement
Holiday parks operate at zero cost to the ratepayer.	Zero - (it should be noted that although the financials for 2012/13 demonstrate a modest surplus, this outcome does not take into account loan funded infrastructure tagged to the camping grounds).

Community - Key Targets

Library Services

Target	Achievement
Increase in active members - 15,780 or 55% of the resident population	61.2% of ratepayers are active members of libraries.

Community Facilities

Target	Achievement
65% Community satisfaction with pools (safe and clean) (Annual Residents Satisfaction Survey 2013)	76.3% of residents were satisfied with the quality of swimming pools, an increase in satisfaction of 8.9% since 2012. Dissatisfaction remained static at 12% and residents who gave a neutral response fell from 20.2% to 11.5%. The investment in the Queenstown Aquatic Centre continues to influence satisfaction with pools.
70% Community satisfaction with community halls.	82.2% of residents said they were satisfied with community halls, a significant increase of 27.3% from 2012. Consequently dissatisfaction fell from 14.2% to 3.7% and neutral responses from 30.9% to 14.1%. The Queenstown Memorial Centre upgrade is most likley to have influenced satisfaction with halls.

Parks and Recreation Facilities

Target	Achievement
>75% satisfation that the presentation of parks is of a high standard with service levels met or exceeded	73.3% of residents were satisfied with the quality of parks, a decrease of 11.6% since 2012. Dissatisfaction increased from 3.2% to 9.8% and residents remaining neutral increased from 11.9% to 16.8%. Notably satisfacton is lower in small communities and rural areas 63% and 64% respectively. Arrowtown was also lower with 68%, which could be attributable to a high profile issue regarding the provision of affordable housing on Suffolk Street, adjacent to the rugby grounds. Collectively these three results reduced the average. There were no changes to the level of service and notably the results are at odds with the Council's Yardstick park check (interviews with park users) which showed 92% satisfaction 2012/13.

Environmental Management - Key Targets

The District Plan

Target	Achievement
34% - Proportion of new building consents that require resource consent	38.62% The measure is potentially reflective of a number of influences including location, effect and customer choice and does not necessarily demonstrate positive or negative performance.

Resource Consents

Target	Achievement
30% Community satisfaction with resource consent planning	Satisfaction with resource consents more than doubled from 15.1% in 2012 to 34.4% in 2013. Consequently, dissatisfaction fell from 54.7% to 42.1% and those remaining neutral fell by 6.7% to 23.5%. The most logical explanation, given the timing of the survey, is expectation of improved services with CCO Lakes Environmental having been brought 'in house'.
Average cost per consent does not exceed $3,500.	Average cost $2567.58 (1217 consents in total 2012/13).

Waste Management

Target	Achievement
The quantity of residential residual waste per capita to landfill for the district does not exceed 0.72 tonnes per person.	0.76 tonnes per person (21,609 tonnes/28,440 usually resident population. 0.69 tonnes per person was reported in 2011/12. This is a reversal of the downward trend evident since 2007/8.

Water Supply - Key Target

Target	Achievement
70% Community satisfaction with the quality of the water	75.9% of residents were satisfied with the quality of the water, an increase from 64.4% in 2012. Dissatisfaction fell from 17.9% in 2012 to 13.5% in 2013. Neutral responses also fell from 17.7% to 10.7%. It is likely this increase is a result of awareness generated through the 2012/13 Water Demand Management dedicated campaign to use water wisely.

Stormwater - Key Target

Target	Achievement
100% of stormwater service requests responded to on time	95.5% (98.5% 2012). Only two service requests were not responded to on time, however works were programmed for a later date.

Wastewater - Key Target

Target	Achievement
68% Customer satisfaction with wastewater (Annual Residents Satisfaction Survey Report 2013)	80.9% of residents were satisfied with the waste water system, a 22.7% increase in satisfaction since 2012. Neutral responses fell from 28.8% to 11.2% along with dissatisfaction which fell to 7.8%. This is likely to reflect Annual Plan consultation and the increase in profile on Project Shotover, which will deliver a wastewater treatment upgrade; and continued satisfaction with the significant inventment in wastewater treatment for Wanaka, namely Project Pure.

Roading and Footpaths - Key Targets

Roading

Target	Achievement
70.5% satisfaction with sealed roads, 55% with Un-sealed roads and 63% withFootpaths	Satisfaction with sealed roads increased by 20% to 72.7% largely due to a decrease in neutral responses from 32.7% in 2012 to 12.7% 2013. Residents who said were dissatisfied dropped from 15.3% to 14.5%. This could be influenced by NZTA projects including the sealing of Frankton Road and Stanley Street, Ardmore Street roundabout and QLDC upgrades 2012/13 including Gorge Road, Malaghans Road, and Lake Esplanade. More than half (59.4%) of residents said they were satisfied with unsealed road, an increase from 36.9% in 2012. Consequently, neutral responses fell from 39% (2012) to 19.7% (2013) and dissatisfaction also dropped from 24.1% (2012) to 20.9% (2013). This is likely to be attributable to the ongoing Otta seal project on rural roads. Satisfaction with footpaths saw an increase of 20.8% to 68.7%, attributable to a decrease in neutral responses which accounted for 12.8% of residents. Dissatisfaction also dropped from 23.1% (2012) to 18.5% (2013).

Parking Facilities

Target	Achievement
Percentage of designated short term parking spaces are available - 20% available on audit.	No audits were conducted in 2012/13 investigating the availability of short term parking spaces. No budget or resourcing was allocated.

Deloitte.

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 2013**

We have audited the summary of the annual report (the summary) as set out on pages 8 to 15, which was derived from the audited statements in the annual report of Queenstown Lakes District Council (the Council) and group for the year ended 30 June 2013 on which we expressed an unmodified audit opinion in our report dated 8 October 2013.

The summary comprises:

- the summary statement of financial position as at 30 June 2013, and summaries of the statement of comprehensive income, statement of changes in equity and cash flow statement 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 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 8 October 2013 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. The Council is also responsible for the publication of the summary, whether in printed or electronic form. 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 this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of tax compliance and assistance with the presentation of the statutory financials 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
8 October 2013