



GORE DISTRICT COUNCIL

ANNUAL REPORT SUMMARY

2011-2012



Annual Report Summary for the year ended 30 June 2012

The Gore District Council's Annual Report for the last financial year sets out our achievements against the measures and budgets for the year.

This provides a summary of the key points. For a complete picture of the Council's performance it is important to read the full Annual Report. This can be downloaded from the Council's website www.goredc.govt.nz or a copy obtained from our administration office.

In the year under review the Council recorded a small cash surplus of \$3,000, an indication of the Council's fiscal responsibility across all activities.

However, international accounting requirements that dictate how we report the funding of some activities, combined with a one-off write down in the value of all library books owned by the Council, has delivered a bottom line deficit of \$1.6million. It is important to understand this was a book loss and has no impact on ratepayers.

One of the highlights of the year was the significant work undertaken in the lead up to the introduction of our recycling and rubbish kerbside collection service.

Early in the process the Council committed to being proactive in keeping residents informed, and dealing with any inquiries quickly and efficiently. This has been key to a relatively seamless rollout of this much anticipated service.



MAYORAL AND EXECUTIVE FOREWORD

We are pleased to be able to provide a brief commentary on some of the more notable achievements during the 2011/12 financial year. A full commentary and disclosure on the Council's financial and non-financial performance in the year under review can be found in the full Annual Report. Some of the key milestones which we would like to draw readers' attention to are:

Financial performance

When analysing the Council's financial performance for the past year, taking into consideration activities funded from rates, subsidies and user charges, the Council achieved a small surplus of \$3,000. This result is indicative of robust controls being in place to monitor expenditure and revenue during the course of the year.

However the application of international financial reporting standards has meant that the Council has had to record an accounting deficit of \$1,633,000 for the year in review. It needs to be emphasised that this deficit has had no impact on cash or rating levels. The major components of this deficit were as follows:

(a) Impairment of library books \$962,000

A comprehensive assessment of the age and condition of the book stock held by the Council based on generally accepted accounting principles, resulted in an impairment in its value of \$962,000.

(b) Funding from loans \$244,000

Long term deferred maintenance works on Council properties and modelling studies in water, wastewater and stormwater were funded by loan as per the intention of the 2011/12 Annual Plan. While the expenditure is recorded in the income and expenditure statement, the funding source of loans is not, which contributes to this accounting deficit.

(c) Funding from reserves \$144,000

The cleaning out of the Pluera Dam which services the Matura water supply and the balance of work required in modelling wastewater and stormwater were funded from operational reserves. Once again whilst expenditure is recorded in the income and expenditure statement the funding source from reserves, under the requirements of international financial reporting standards, is not.

(d) Additional depreciation

\$168,000

Revaluation of infrastructural assets during the course of the 2010 year has resulted in an additional assessed depreciation of \$168,000. This occurred following the setting of Council budgets and therefore it was not funded.

Given the ability of international financial reporting standards to confuse rather than inform local authority financial reporting, the Council looks forward to the proposed introduction of new public sector oriented reporting standards in 2014.

Planning for District Growth

During the year background studies were commissioned and completed in respect of a number of key areas to assist the Council in understanding and planning for potential growth emanating from proposed large scale lignite development projects. The background studies and modelling were completed for transportation, water, wastewater and stormwater, landscape, ecology, and social and economic impacts.

These background studies and models have provided the Council with a solid platform from which to develop a District Growth Strategy. This strategy will be prepared in the next financial year. Some delay with the development of this strategy has occurred due to a revision in timing for a planned lignite-to-urea plant, which will have a significant bearing on the shape of the strategy.

Recycling

A considerable amount of work took place during the year under review to prepare for the introduction of a two bin kerbside recycling collection service, in Gore and Mataura.



Both elected members and staff worked assiduously on engaging and communicating with groups and organisations in the community to inform how the service would operate.

There were many enquiries received from households and businesses in respect of particular property requirements that had to be discussed and negotiated. By the time of the conclusion of the 2011/12 financial year the Council and its contractor were well poised to deliver this new service, which has been eagerly awaited by large segments of the community for a number of years. Arguably this was the highlight of the 2011/12 financial year.

Rating Boundaries

During the course of the year the Council undertook a comprehensive review of its urban rating boundaries. This review complied with the commitment contained in the 2009/19 Long Term Plan in order that any changes could be profiled in the draft 2012/22 Long Term Plan.



The review proved to be somewhat contentious, with existing rural ratepayers situated close to urban boundaries protesting at being included in an expanded urban rating boundary. The process was not assisted by confusion between planning boundaries and resource management matters, and rating boundaries, which are governed by different legislation.

Following extensive consultation with affected property owners, the Council opted to defer the proposal until the completion of the District Growth Strategy. It is hoped that the completion of the District Growth Strategy and any zoning changes that may occur within the District Plan from that process, may better inform the public about the need for amendment to rating boundaries.

Changes to District Plan

The Gore District Plan was adopted by the Council in 2006. Since that time it has become clear to the Council that there are some deficiencies in the plan that need to be addressed to provide adequate safeguards to the public to

be able to meaningfully manage any adverse effects from proposed developments.

Whilst the District Plan was heralded in its day as being very permissive and user friendly, the Council believes that some additional controls are necessary to ensure that a better balance exists between development and the protection of existing values. A suite of plan changes was approved by the Council in the year under review and were publicly notified for submissions just after the 2011/12 financial year drew to a close. Progress on the consideration of submissions received and decisions made can be expected to be reported in the next annual report.



Tracy Hicks
Gore District Mayor

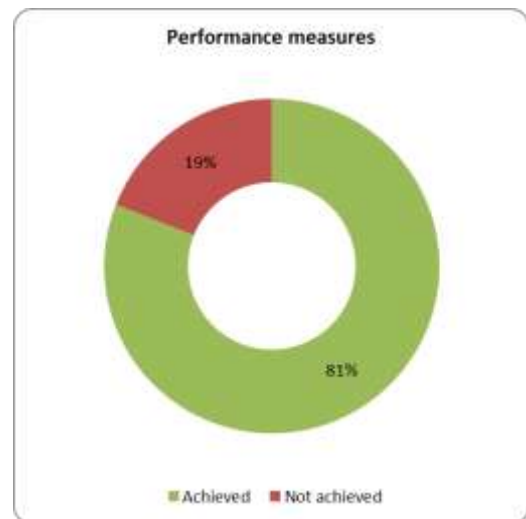


Stephen Parry
Gore District Chief Executive



Significant Performance Measures

A selection of the major service performance measures recorded in the last financial year:



Arts and heritage: 100% service level achieved despite cost constraints having a small impact on some service delivery.

Library: A very good year overall, with 94,370 visitors through the door and no dissatisfied customers.

Visitor Services: Another solid year. It was decided not to maintain full VIN membership due to cost hence only one of two service levels achieved.

Regulatory: A steady year in review. 89% (8 out of 9) service level targets achieved. The one not met was within 0.45% of the target.

Aquatic Services: 100% service level achieved. An extremely pleasing safety record with no serious harm incidents and the 8 rescues recorded down by 5 on the previous year.

Parks and Reserve: 100% achieved, another very busy year with continued high levels of resident and visitor satisfaction.

Roading: A busy year with 80% of performance targets achieved. Injury crash targets not met but they were down on the previous year.

Water: 71% service level achieved. The low water levels that caused some issues in achieving two of the nominated targets were beyond the Council's control.

Wastewater and stormwater: 60% achieved. Only minor issues in the two targets not met during the year and steps have been taken to remedy these.

Solid Waste: Only one of three targets (33%) was achieved. However, one target not met related to the performance of a contractor and was somewhat beyond the Council's control.



Cemeteries: All performance targets achieved and 99% of residents involved in the customer satisfaction survey pleased with the service.

Public conveniences: 100% service level achieved making it a satisfying year.

Property: 100% of targets achieved, including no complaints about the various Council-owned buildings.

Democracy: Both targets achieved with an increase in the level of satisfaction with the performance of the Council.

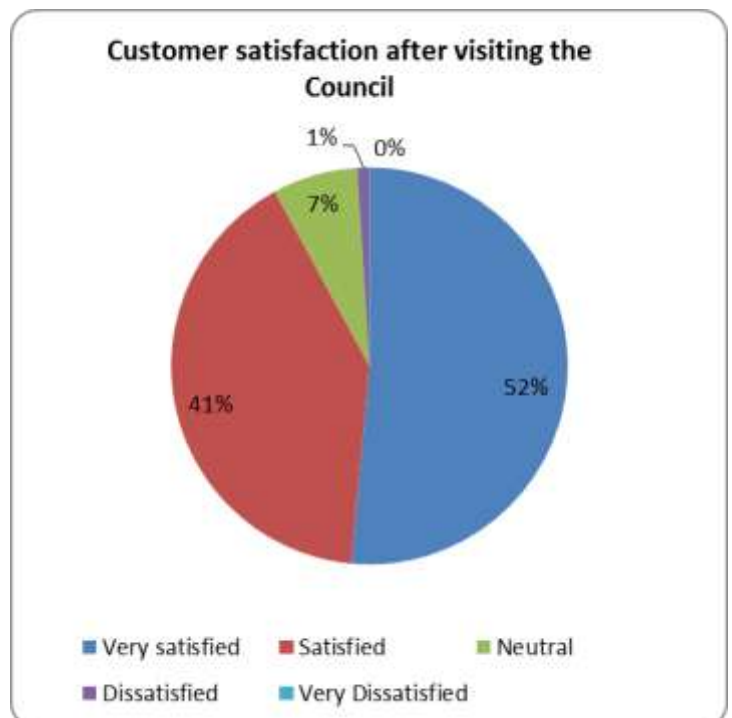
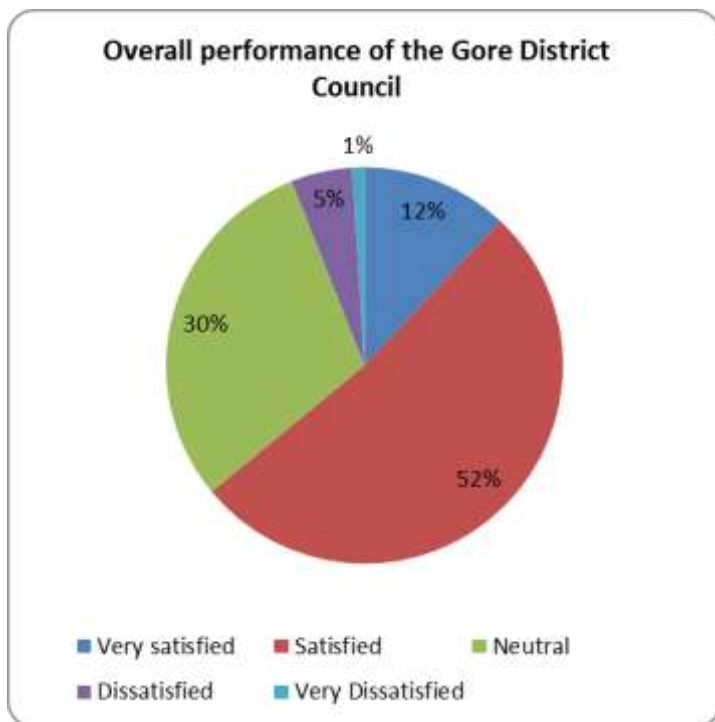
Civil Defence: Only one of three (33%) targets achieved. However, a reorganisation of this activity and formation of Emergency Management Southland means a review of targets is required.



How did the Council Perform?

How satisfied were our customers?

The following two graphs show how satisfied you, our customers, were with the Council's performance and the service you received when visiting our offices. The information has been taken from our Customer Satisfaction Survey and covers the period from 1 July 2011 to 30 June 2012.



How satisfied were our residents?



Council services: Residents' satisfaction increased for 10 Council services and facilities. The best performing were –

Gore Museum and Eastern Southland Gallery 99% (98% in 2010)



Libraries 96% (95%)



Sportsgrounds 96% (94%)



Stormwater 93% (90%)



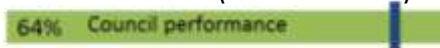
Playgrounds 91% (86%)



Phone calls to staff 90% (87%)



Performance: 64 % were very satisfied or satisfied with the overall performance of the Council and councillors (56% in 2010)



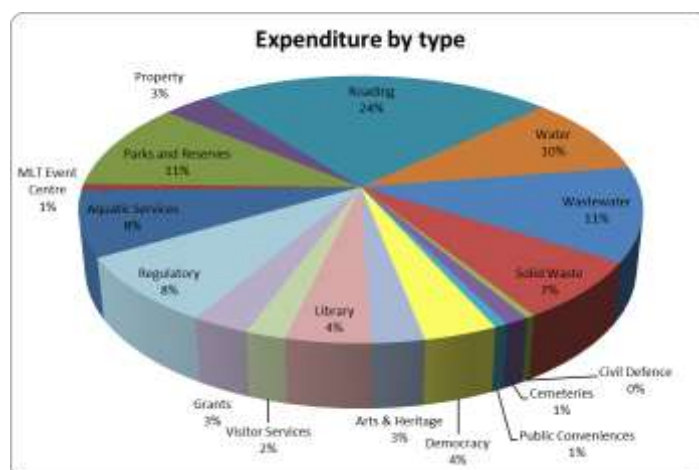
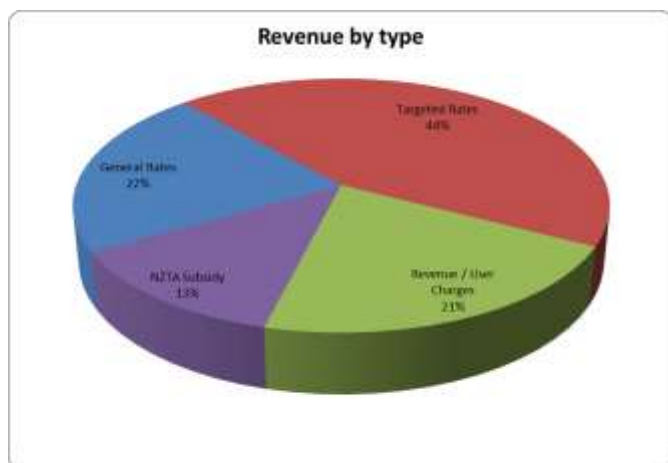
Quality of life: There was a 10% increase in residents' sense of pride in their community (93%) and those who believed the Gore District was a safe place to live (92%).



Facility usage: Of the 396 residents surveyed, 80% had visited the parks and reserves, 66% the libraries, 63% the cemeteries and 58% the aquatic centre.



Where did we get our funds from and how did we spend them?



Financial Overview

What it costs to run the district

TABLE 1 shows the operating and capital expenditure for each of the Council's group of activities. Over half of the Council's expenditure is on services which includes essential infrastructure.

Table 1 Expenditure by group of activities

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
	OPERATING EXPENDITURE		
3,401	Community Services (Arts and Heritage, Library, District Promotions, Grants, Regulatory)	3,493	3,531
12,806	District Assets (Aquatic Services, Property, Civil Defence and Rural Fire, Parks and Reserves, Cemeteries, Public Conveniences, Solid Waste, Water and Drainage)	13,197	13,697
2,692	Leadership (Democracy and Central Administration)	2,905	2,867
18,899	Total Activity Expenditure	19,595	20,095
	Less		
(1,859)	Internal Expenditure	(2,022)	(2,001)
17,040	Total Operating Expenditure	17,573	18,094

Financial Performance

TABLES 2, 3 and 4 provide a summary of the comparative financial performance of the Council.

The summary shows the operating revenue and expenditure as well as other transactions that have impacted on the Council's net wealth.

Table 2 Financial Performance

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
10,998	Rate Revenue	11,542	11,497
5,965	Other Revenue	6,068	5,966
(20)	Other Gains/ (Losses)	(76)	(40)
16,943	Total operating revenue	17,534	17,423
(4,760)	Employee Benefits	(4,942)	(5,098)
(4,260)	Interest Expense	(4,127)	(4,362)
(746)	Depreciation	(726)	(703)
(7,274)	Other	(7,778)	(7,931)
(17,040)	Total operating expenditure	(17,573)	(18,094)
(97)	Operating surplus/(deficit)	(39)	(671)
-	Impairment of Library Books	-	(962)
(97)	(Deficit)/ Surplus for the year	(39)	(1,633)

Table 3 Statement of Comprehensive Income

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
(97)	Surplus/ (deficit) for the year	(39)	(1,633)
	Other Comprehensive Income		
(28)	Available for sale financial assets valuation gain/ (loss) taken to equity	-	(50)
-	Gain/ (loss) on property, plant and equipment	-	-
(28)	Other Comprehensive Income	-	(50)
(125)	Total Comprehensive Income for the year	(39)	(1,683)

Table 4 Changes In Equity

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
335,617	Equity at beginning of year	336,308	335,492
(125)	Total Comprehensive Income for the year	(39)	(1,683)
335,492	Equity at end of year	336,269	333,809

Cash flows

TABLE 5 summarises how Council generated and used cash. The cash surpluses generated from operating activities, being cash received from all sources less cash payments made for the supply of goods and services, were planned to be invested in new capital expenditure, referred to as investing activities.

Table 5 Cash flows

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
3,945	Net cash flow from operating activities	4,220	3,446
(4,790)	Net cash flow from investing activities	(4,225)	(4,391)
256	Net cash flow from financing activities	75	418
(589)	Net movement in cash	70	(527)

Prospective Financial Position

TABLE 6 provides a summary of the Council's financial position representing what Council owns and owes.

The Council's prospective financial position will remain strong with increases to equity and asset values and minimal change to liabilities.

Table 6 Financial Position

ACTUAL 30 June 11 \$000		BUDGET 30 June 12 \$000	ACTUAL 30 June 12 \$000
3,742	Current Assets	2,227	3,687
345,574	Non-current Assets	347,369	344,593
349,316	Total Assets	349,596	348,280
2,476	Current Liabilities	1,525	13,689
11,348	Non-current Liabilities	11,802	782
13,824	Total Liabilities	13,327	14,471
335,492	Net assets/equity	336,269	333,809

NOTES

1. Section 98 (4) (b) of the Local Government Act 2002 requires the Council to make publicly available a summary of the information contained in its Annual Report.
2. The specific disclosures included in the summary report have been extracted from the full financial report completed on 30 October 2012
3. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated 30 October 2012 has received an unqualified audit report. A full copy of the financial report may be obtained from the Council's offices or on its website (www.goredc.govt.nz).
4. This summary financial report has been examined by the auditor for consistency with the full financial report. An unqualified auditor's report is included with this summary.

5. The Council's full financial report has complied with NZ GAAP and new Zealand equivalents to International Financial Reporting Standards as applicable for public benefit entities.
6. The summary financial report complies with FRS 43 Summary Financial Statements.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanation of major variations from Council's estimated figures in the 2011/2012 budget, as reflected in the Annual Plan, are as follows:

Statement of Income and Expenditure

- a) Other revenue is lower than Budget by \$102,000. The largest contributor is reduced revenue in the Regulatory section of \$64,000 from building consent fees. Council resolved that the funding mix for the building control activity must be amended, with a contribution to be provided from rates revenue from the 2014 rating year. This will recover that funding shortfall. In addition initial studies relating to the District Growth Strategy which were programmed for the 2011/12 year were commenced in late 2010/11, which resulted in \$50,000 of commercial funding being utilised in the previous year.
- b) Employee benefits expense exceeds Budget by \$156,000. The largest contributor is the Aquatic Services sections with \$58,000 of additional costs for service provision. These costs are offset by additional admissions and sales revenues. The Regulatory section contributes a further \$34,000, which is to be addressed through the funding review outlined above. There are additional cost of living adjustments across a variety of other sections which accounts for the balance.
- c) Depreciation and amortisation expense exceeds Budget by \$235,000. This results from additional depreciation provisions emanating from the latest asset revaluations.
- d) Other expenses exceed Budget by \$154,000. The largest contributor is the Water section where refurbishment of the Pluera Dam cost an additional \$81,000. This has been funded from existing Council reserves. In addition to this, extra costs in the Wastewater section for modelling studies have cost \$63,000. This has also been funded from Council reserves.
- e) Impairment of library books, please refer to note 2(i) accompanying the Financial Statements on page **Error! Bookmark not defined.** of the full Annual Report.

Statement of Financial Position

- a) Current Assets exceed budget by \$1,440,000. The major contributor is the timing of project completion, with projects being completed close to year end. This has a similar effect on Current Liabilities.
- b) Property, plant and equipment are lower than Budget by \$2,887,000. The largest contributors are the deferral of the Civic Administration building upgrade of \$750,000 and the reassessment of the library collection valuation of \$962,000. The balance consists of projects deferred from prior years.
- c) Borrowings are lower than Budget by \$239,000. The major contributors are the deferral of funding for the Civic Administration building of \$750,000 and the bringing forward of the wheelie bin funding of \$513,000.
- d) Other financial liabilities exceed Budget by \$419,000. Due to the very favourable interest rate market Council has chosen to enter additional SWAP agreements to cement in the gains available from the depressed financial market place over a five year period.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF GORE 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 6 to 13, which was derived from the audited statements in the annual report of Gore District Council (the Council) 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 2012, and summaries of the 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 30 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 Gore District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: *Summary Financial Statements*. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*.

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
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 Gore District Council for the year ended 30 June 2012 included on Gore District Council's website. The Council is responsible for the maintenance and integrity of Gore District Council's website. We have not been engaged to report on the integrity of Gore 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.