

Buller District Council Annual Report Summary

For the year ended 30 June 2012

Mayor & CEO's Message

This year was an extremely busy year for Council. Work started on our ten year Long Term Plan (LTP) in December 2011 finalising the process in June 2012 with the adoption of our audited 2012-22 LTP. In this plan, we reviewed the existing levels of services across all Council's activities and confirmed or amended just what would get done and how we would pay for those things. We also examined the Buller's economic activity to identify opportunities for Council to work with the community to achieve a prosperous future for the District. Consultation on the Plan began in April 2012 with Roadshows conducted in Westport, Reefton, Punakaiki and Karamea. These question and answer sessions were well attended and gave Councillors the opportunity to listen to your issues and views. The end result was a plan that balanced services provided with affordable costs and addressed some of our key infrastructure upgrades, while maintaining a sustainable and sound financial position.

Completion of a comprehensive and strategic ten year plan was a major milestone for the Council. We are now firmly committed to a growth pathway that aims to ensure that the current economic boom enables a long term diversified and sustainable future for the district.

Drinking water quality has remained a contentious issue during the year. Council remains committed to both finding a long term solution for the Westport Water Supply and bringing other district schemes up to the Drinking Water Standards. In November 2011 Council made a decision to proceed with a ten year phased upgrade for Westport with a budget of \$10.6 million and we were pleased to be successful in obtaining an initial Ministry of Health subsidy of \$1.47 million.

During the year the covered Water Reservoir for the Reefton Water Supply was completed and the water treatment plant commenced. This treatment plant, adjacent The Strand in Reefton, will ensure that water delivered to the residents of Reefton will comply with the Drinking Water Standard of New Zealand and will be completed in 2012.

Other Key Issues and Projects worked on during the year included:

Infrastructure Projects:

- Drinking Water Standards - subsidies have been approved for Ngakawau-Hector, Waimangaroa and Punakaiki Water Supplies
- Continuation of the Derby Street upgrade project
- Development, review and consultation on the Waste Minimisation Strategy

Community Facilities & Support Services:

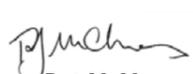
- A decision to lift the hockey turf so that the causes of the performance problems experienced by hockey players could be established.
- Council has committed to getting the Buller Hockey Turf fixed and relaid and has begun negotiations with contractors to find a resolution. All parties involved in the original construction of the turf have met, and while progress has been made, no final settlement has yet been reached.
- During the financial year architectural designs were finalised for the Cultural Hub. Tenders were called for the construction of the Cultural Hub and in June 2012 Council agreed to relocate the Coaltown Museum and I-site into the Cultural Hub and approved the construction of the new facility in Palmerston Street.
- The Grants Committee allocated \$1.63 million towards community based projects from the Extraordinary Distribution Fund of Development West Coast. This funding has proved crucial in kick starting some key community based projects.
- Development and national distribution of the Buller Touring Guide was undertaken.

Regulatory Services:

- The Planning Department has had a busy year with some complex and high profile resource consents in the mining sector including Solid Energy's Mount William Coal Mine application at Stockton and changes to the Globe Hill/Oceana Gold consent in Reefton.
- The Building Control Function has once again achieved accreditation after the two yearly audit in December 2011.
- The Planning Department has also been heavily involved in progressing the resolution of appeals made through the Environment Court appeal process in relation to Buller Coal Holdings coal mine application and the Meridian/Mokihinui hydro power scheme.
- Council gave its final approval to the first two sets of the Buller District Plan on 21 September 2011. These changes became a fully operative part of the Buller District Plan on that day.
- There has been extensive consultation with our community on the new Freedom Camping Bylaws.

Westport Harbour:

- There has been ongoing collaboration between Westport Harbour Ltd and Bathurst Resources Ltd. The intention is to develop a long term sustainable shipping business for West Coast coal and prospects for this opportunity are good.
- All this bodes well for development and economic growth in the Buller. At the same time to strengthen and underpin the importance of developing a diversified economy Council has changed the future focus of the Promotion and Development office to an Economic Development role.


Pat McManus
Mayor


Paul Wylie
Chief Executive

FINANCIAL HIGHLIGHTS

Council is reporting a bottom line 'Comprehensive Income' surplus of \$13.3 million. This is a favourable variance against an original budget prediction of a Comprehensive Surplus of \$6.2 million. However \$13.8 million of this surplus was due to biennial asset valuation gains. The original budget prediction for these gains was \$4.6 million in 2011/2012 and \$4.5 million in 2010/2011. At an operating level Council recorded a small deficit of \$0.5 million, instead of the surplus of \$1.6 million originally budgeted. Much of this shortfall can be attributed to a variety of one-off events such as the impairment provision in respect of Council's shareholding in Buller Recreation Limited (\$679,000), changes in the accounting treatment of some Council building maintenance expenditure (\$130,000), various asset right-offs or loss on sales (\$515,000), a loss on derivative contracts (\$259,000).

When these one-off transactions are removed the underlying operating position of Council shows an increase in operating costs of about \$1.4 million. This increase in operating costs is the result of increased activity. There has been an increase in operating revenue of about \$1.5 million too.

Council's net cash and net debt position has improved by \$1.7 million.

Improvement in net debt position was due to the deferral of certain capital projects (Cultural Hub and Drinking Water Standard upgrades). These deferrals also contributed to the variance to budget for non current assets.

2011/2012 represents a substantial improvement on the financial results of 2010/2011. Variances in 2011/2012 are due to one-off un-budgeted events.

OPERATING REVENUE

Council achieved additional revenue of \$1.5 million in comparison with the budget. The total operating revenue was \$23.7 million versus budgeted revenue of \$22.2 million. This favourable variance is mainly due to additional financial assistance received (\$148,000), investment income (\$320,000) and higher than anticipated fees and charges (\$915,000).

Details of these are as follows:

- An increase in investment income of \$320,000 was mainly due to Council receiving a subvention payment from WestReef Services Limited.
- An increase in fees and charges is due to Harbour lease income of \$208,000 from Westport harbour Limited and unbudgeted income from Domain Boards of \$353,000. In addition, a budget error for dog registration income resulted in budgeted income being understated by \$319,000.
- An increase in financial assistance of \$148,000 for various capital projects such as Solid Energy centre, NBS Theatre, Cultural Hub and the upgrading of its drinking water supplies.

OPERATING EXPENDITURE

Operating Expenditure incurred totalled \$24.2 million versus budgeted expenditure of \$20.6 million. The main reasons for the unfavourable variance of \$3.6 million are explained below.

- An overrun in employee benefit expenses is due to an unbudgeted correction of prior year health care expenses and unbudgeted provisions for retiring gratuities, employee entitlements and long service leave (\$123,000).
- Depreciation is \$212,000 above budget due to the non funding of depreciation for certain assets which are funded from Reserve Contributions or from external subsidies.
- Recognition of an unbudgeted obligation to Buller Recreation Ltd for damage to the hockey turf. Council agreed to fund the repair of the turf (\$745,000). Unbudgeted legal fees relating to the hockey turf amounted to \$64,000.
- Changes in accounting treatment at year end resulting in unbudgeted expenses totalling \$130,000 being recognised for painting expenditure.
- Predicted budget efficiencies not materialising for Repairs and Maintenance in Parks and Reserves (\$120,000).
- Greater usage of external consultants to assist with the higher workload associated with significant increase in resource consents and for complex high profile resource consents (\$133,000).
- Domain Board expenditure required to be included in the financial statements but not included in council budgets (\$295,000).
- Higher than anticipated costs of operating the landfill and transporting refuse and recycling (\$83,000)
- Greater costs in contract supervision associated with higher level of repairs and maintenance in Reefton, Westport and Waimangaroa water supplies (\$61,000).
- Unbudgeted losses on derivative contracts totalling \$259,000.
- Unbudgeted impairment of Council's investment in Buller Holdings Ltd of \$679,000 due to operating losses associated with Buller Recreation Limited.
- Unbudgeted asset write-offs of \$500,000.

Summary Financial Statements for the Year Ended 30 June 2012

	Parent 2011/2012 Actual \$'000	Parent 2011/2012 Budget \$'000	Parent 2010/2011 Actual \$'000	Group 2011/2012 Actual \$'000	Group 2010/2011 Actual \$'000
Summary of Statement of Comprehensive Income					
Total Operating Revenue	23,717	22,201	21,387	27,451	23,810
Total Operating Expenditure *	24,218	20,613	24,531	28,298	26,792
Net Surplus (Deficit) Before Taxation	(501)	1,588	(3,144)	(847)	(2,982)
Income Tax Expense	0	0	0	97	77
Net Surplus (Deficit) After Taxation	(501)	1,588	(3,144)	(944)	(3,059)
Other Comprehensive Income - Increase in Asset Revaluation & Other Reserves	13,812	4,596	122	14,334	122
Total Comprehensive Income	13,311	6,184	(3,022)	13,390	(2,937)
Summary of Statement of Changes in Equity					
Equity As At 1 July	295,510	321,240	298,532	293,695	296,632
Total Comprehensive Income	13,311	6,184	(3,022)	13,390	(2,937)
Equity At The End Of The Year	308,821	327,424	295,510	307,085	293,695
Accumulated Funds	171,516	187,271	171,948	169,099	169,974
Reserves	1,872	739	1,941	1,872	1,941
Asset Revaluation Reserve	135,433	139,414	121,621	136,114	121,780
Total Equity	308,821	327,424	295,510	307,085	293,695
Summary of Statement of Financial Position					
Total Current Assets	18,010	15,260	16,930	20,156	19,385
Total Non Current Assets	321,073	348,729	308,489	318,640	306,556
Total Assets	339,083	363,989	325,419	338,796	325,941
Total Current Liabilities	4,552	6,769	4,406	4,475	5,266
Total Non Current Liabilities	25,710	29,796	25,503	27,236	26,980
Total Equity	308,821	327,424	295,510	307,085	293,695
Total Liabilities And Equity	339,082	363,989	325,419	338,796	325,941
Summary of Statement of Cashflows					
Net Cash Inflow (Outflow) From Operating Activities	5,529	6,608	3,598	5,895	4,486
Net Cash Inflow (Outflow) From Investing Activities	(3,834)	(9,768)	(4,937)	(4,937)	(5,986)
Net Cash Inflow (Outflow) From Financing Activities	0	4,270	750	(0)	750
Net Increase (Decrease) In Cash Held	1,696	1,110	(589)	958	(750)
Opening Cash Balance At 1 July	290	(481)	879	1,602	2,352
Closing Cash Balance	1,986	628	290	2,560	1,602
* Includes finance costs of	1,219	1,490	1,512	1,217	1,446



Performance Measures - Key Performance Indicators

The Annual Report 2011/2012 outlined the progress of Council on a number of performance measures.

The following is a summary of progress on some of the key performance measures:

TARGET	ACTUAL
Democracy	
90% attendance by Council members at meetings	88% attendance by members at Council meetings (2011: 94%)
Adoption of Annual report within statutory deadline	Adopted within statutory (2011: no change)
Community Services:	
Maintain or increase active library members by 0-4% per annum	3,247 active members, membership increased by 3.2% (2011: 3,145)
Occupancy of cinema - 50% per month	22.8% occupancy per month (2011: 22.8%)
Number of shows/performance - 30 days per year	42 days per year (2011: 37)
All Council grants and national funding distributed in accordance with policies	National funding totalling \$67,000 distributed (100%). 100% of Council grants distributed (2011: 100%)
Availability of doctors and dental services to Buller residents for 100% of the year	Dental services 100% available. Buller Health Trust has provided no assistance for a doctor (2011: 100%)
Completion of Cultural Hub Project	Council approved calling for tenders in March 2012. Council approved the project and the successful tenderer on 27 June 2012. Construction commenced in August 2012.
Environmental Services	
Process all building consent within 20 working days and LIM's within 10 working days	491 building consents issued (99%) (2011: 99%), 312 LIM's 100% (2011: 98%)
Process non-notified resource consents within 20 days - 100%	96.8% achieved within statutory timeframes (2011: 100%)
Investigate all animal related complaints-100%	468 complaints investigated; 100% achieved (2011: 100% 499 complaints)
Initiate at least one plan change process per calendar year as part of the District Plan review	Plan changes 115-121 and 122-132 initiated in the 2011 calendar year. These became operational on 21 September 2011.
Amenities & Reserves	
Weekly safety and maintenance inspections of playground equipment 100%	100%. The contractor completed weekly safety checks on all playground equipment (2011: 100%)
90% occupancy for elderly housing	98.7% occupancy of elderly housing, flats were vacant for 29 weeks per annum out of a total of 2,288 weeks (2011: 98.8%)
Roading & Urban Development	
Annually audit 10% of the roading network	Audit covered 93.15 km which is 15.5% of the network. The audit found that the road as in a well maintained condition (2011: 57.25 km; 10%)
Reducing trend of the number of fatal injury accidents, or accident contributing behavior as measured by statistics published by New Zealand Transport Agency	Trend shows a downward trend in minor accidents. Serious accidents showed a downward trend compared with the previous year, but a downward trend over the past 5 years. Fatal accidents remained fairly static with 1 per annum in 2012 (2011: 2 fatalities)
Monitor sealed roads to a roughness not greater than an average of 120 NAASRA (sealed) 200 NAASRA (unsealed). The roughness for a good sealed road is 70 NAASRA and 170 NAASRA for an unsealed road.	Sealed road roughness was 89.8 which meets the target of less than 120, while meets the target of less than 120, while unsealed roughness was not measured as this measurement is considered by the industry to not be of value. The roughness of an unsealed road is constantly changing (2011: 88.3)
Water Supplies	
Seven water supplies will comply with Drinking Water Standards 2005 (revised 2008)	The seven water supplies planned to be upgraded to comply with DWS (2005) will only be achievable if Council receives financial assistance. Reefton upgrade is in progress. Waimangaroa is scheduled for 2012/2013 (2011: Upgrades were deferred to 2011/2012)
No confirmed E coli contamination	3 e-coli tests were recorded showing contamination. In total there were 198 individual samples taken throughout the district. For the two transgressions for the Westport supply and one transgression of the Punakaiki supply, all consecutive day tests were clear of contamination. (2011: 10 e-coli tests) The boil notice for Reefton will remain in place until the Water Treatment Plant is completed in 2012.
Water supplied 99% of the time	Water was supplied for 99.8% of the time (mains only). Measurement of the availability to individual laterals is not currently measured. There were two occasions when water was provided on low pressure because of repairs being undertaken (2011: 99.8%)
Solid Waste	
At least 4 articles published per annum to encourage waste minimisation	4 articles were distributed (2011: 5 articles)
Reduce total amount of waste (tonnes) sent to landfill by 5% per annum	Reduction over the last 12 months is 1% (2011: residual waste reduced by 17%)
Wastewater & Stormwater	
100% compliance with resource consent conditions for sewerage collection and disposal	Complied with reporting requirements but there were technical breaches as detailed in the Annual report. All breaches were reported to the West Coast Regional Council with one written warning due to a process failure. Remedial steps taken to correct process failures. (2011: technical breaches occurred)
No more than 10 overflows throughout the district	There were 16 overflows during the last 12 months which is five more than the previous year (2011: 11 overflows)

Notes to the Summary Financial Statements

- Part 6 Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of information contained in its full financial report.
- All figures reported in the summary are presented in New Zealand dollars and are rounded to the nearest thousand dollar amount.
- Comparative information for the previous reporting period shall be shown for all items disclosed in the summary financial statements, except when such information is not disclosed in the full financial statements.
- The specific disclosures included in the summary financial report have been extracted from the full financial report adopted on 31 October 2012. This summary has been prepared in accordance with FRS 43: Summary Financial Statements.
- The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The report dated 31 October 2012 has received an unmodified audit report. A copy of the financial report may be obtained from the Council's Offices or on the Council's website (www.bullerdc.govt.nz).
- This summary financial report has been examined by the auditor for compliance with the full financial report. An unmodified auditors report is included with this summary.
- The information included in the summary financial report has been extracted from the audited full annual report and authorised for issue by the Chief Executive on 26 November 2012.
- Council's summary financial report has been prepared in accordance with NZ GAAP. It complies with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.
- Council's full financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.
- There have been no changes in accounting policies for the period.
- Post Balance Date Events**
There are no significant events occurring after balance date that impact on the reported financial information for the year ended 30 June 2012 for Buller District Council and the Group.
(2011: Subsequent to balance date, in August 2011, Buller Holdings issued \$300,000 ordinary shares at \$1 each in order to make the second and final payment for land and buildings purchased from Buller District Council prior to 30 June 2011.)
- Contingent Liabilities**
Contingent Liabilities for the Council are as follows:
Council has a suspensory loan as at 30 June 2012 of \$400,000 owing to Housing New Zealand. If Council decides not to proceed with planned pensioner housing upgrades then this amount is required to be paid back (2011: \$400,000).
Council has no outstanding leaky home claims for which Council may be liable (2011: \$80,000 leaky home claim).
A legal dispute is underway between Council and developer Swordfish Co Limited. The company has sued the Buller District Council in regard to the standard of two sections that the company purchased in 2007 on a newly formed subdivision. The company claims that the Council had signed off on the subdivision, but it was subsequently revealed that it had inadequate fill and lacked flood protection, both measures being conditions of the resource consent. The company alleges that the Council had a duty of care to ensure that the sections were compliant with the terms of the consent. The matter is currently being handled through the Council's insurers and Council's exposure in this regard is limited to the excess on the policy.
Council has a liability to Riskpool for a call on insurance premiums, the amount was not known at balance date.
WestReef had \$64,000 in Performance Bonds outstanding with Westpac as at 30 June 2012 (2011: \$64,000)
- Contingent Assets**
Buller District Council has a contingent asset relating to construction of the Solid Energy Centre hockey turf. The turf has not met expectations as a playing surface. Council has met with the contractors involved in the original construction of the hockey ground to seek settlement, however no estimate of a settlement can be made at balance date. (2011: Nil)

Independent Auditor's Report

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

We have audited the summary of the annual report (the summary) as set out on pages 1 to 2 which was derived from the audited statements in the annual report of the Buller District Council (the District Council) and group for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 31 October 2012.

The summary comprises:

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

Opinion

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

Basis of Opinion

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

The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 31 October 2012 on the audited statements. The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the audited statements in the annual report of the District Council and group.

Responsibilities of the Council and the Auditor

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

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

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
26 November 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

ANNUAL REPORT

