

ANNUAL REPORT SUMMARY

FOR THE YEAR ENDED 30 JUNE 2013

A copy of the full Annual Report is available from
www.nelsoncitycouncil.co.nz

Nelson City Council
110 Trafalgar Street
Nelson

ABOUT THIS SUMMARY

The Annual Report Summary provides an overview of Council's activities, services and finances for the year 1 July 2012 – 30 June 2013.

The information is taken from Council's audited Annual Report, adopted by Council on 29 October 2013. Complete information about Council's financial position and operation is provided in the full Annual Report 2012-13.

Full financial statements have been prepared in accordance with NZ GAAP. The Council has designated itself as a public benefit entity. Financial information is presented in New Zealand dollars and rounded to the nearest \$1,000. The full financial statements for each period presented in the summary have been audited and an unmodified audit opinion was issued.

JOINT STATEMENT FROM THE MAYOR AND CHIEF EXECUTIVE

2012/13 has been another busy year for our city, which has recorded achievements while facing unexpected challenges.

As the city continued to recover from the devastating December 2011 extreme rain event, the sudden and unexpected deluge of April 2013 required another huge effort to help those affected in our community.

Such events bring home yet again the importance of projects like the duplicate Maitai pipeline to protect and secure the city's water supply. Stage 2 of this upgrade was finished in 2012 and Stage 3 is on track for completion before the end of this financial year. Our city's water supply continues to maintain its Ab grading.

With that same eye to the future, during 2012/13 Council completed Nelson 2060, Nelson's community-led strategy for developing our city over the next 50 years. The strategy provides a vision for Nelson in 2060 and sets out 10 goals that call upon the entire community to work together to achieve it.

In the current economic climate, obtaining a Standard and Poor's credit rating of AA- secures an excellent long term credit rating for Council. Such a credit rating is an indicator of financial strength and gives financial partners confidence in an organisation. This rating has a direct affect on the cost of borrowing.

While rates need to be affordable, essential work has to be done. A much reduced, more realistic and deliverable budget of \$35 million for the capital programme was the focus on Annual Plan deliberations for the 13/14 year. Council is also committed to working smarter. A new approach to our tender

process introduced this year is earning praise from local contractors. The move to put tenders to market early, before the new financial year starts, is proving popular. Contractors say the system is refreshing, and it resulted in very competitive tenders being submitted with construction timeframes to suit both Council and Federation members.

Recreation facilities continued to develop at Saxton Field with the completion of the new hockey turf and the welcome addition of a new access road to help the heavy traffic flow at this nationally renowned facility.

Council is committed to continue to work with our residents to make Nelson a better place for us all.



Rachel Reese
MAYOR OF NELSON



Clare Hadley
CHIEF EXECUTIVE

AUDIT STATEMENT

Independent Auditor's Report

To the readers of Nelson City Council and group's summary annual report for the year ended 30 June 2013

The summary annual report was derived from the annual report of the Nelson City Council (the City Council) for the year ended 30 June 2013. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 4 to 12:

- the summary balance sheet of financial position] as at 30 June 2013;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2013; and
- the summary statement of service provision referred to as performance overview of the City Council.

We expressed an unmodified audit opinion on the City Council's full audited statements in our report dated 29 October 2013.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 29 October 2013 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.
















Other than in our capacity as auditor we have no relationship with, or interest in, the City Council.



Bede Kearney,
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
28 November 2013

PERFORMANCE OVERVIEW

The following table presents an overview of how well Council achieved the performance targets detailed in the Community Plan 2009-2019. This is a summary of the results only and is presented at the activity group level. For detailed performance measure results, please refer to the full copy of the Annual Report 2012-13 pages 18-77.

						
	Achieved	On track	Not achieved	Not measured	N/A	
Transport		67%	0%	17%	17%	0%
Water supply		67%	17%	0%	17%	0%
Wastewater		25%	0%	75%	0%	0%
Stormwater		25%	25%	50%	0%	0%
Flood protection		33%	33%	33%	0%	0%
Environment		29%	12%	55%	5%	0%
Social including arts/heritage		25%	0%	50%	25%	0%
Parks and active recreation		35%	0%	35%	30%	0%
Economic		40%	0%	40%	20%	0%
Corporate		20%	20%	0%	40%	20%

KEY ACHIEVEMENTS AND SERVICE RESULTS

TRANSPORT



- Public transport service 'NBUS' exceeded expectations with passenger uptake. Patronage increased throughout the year and fare income was up 108% on budget.
- Two land transport studies completed. A street light study helped identify the highest priority streets for renewal, and a high productivity motor vehicle (HPMV) study in Tahunanui to determine which roads can support increased loadings.
- Stopping distance demonstrations were run at five different Nelson locations. Over one week 39 stopping demonstrations were seen by over 5,000 people.

WATER SUPPLY



- Completion of the second of three stages of duplicate pipeline from Maitai dam to the water treatment plant. When complete, it will provide a more secure water supply line for the City helping protect against loss of supply during storms and earthquakes.
- Approximately \$1 million spent replacing older asbestos cement pipes.
- More accurate chemical dosing equipment installed at the water treatment plant should allow use of a minimum amount of chemicals and reduce costs.
- Backflow prevention devices fitted to Council administered buildings to help prevent accidental contamination of the water supply.

WASTEWATER



- Installation of pond aerators and plans to desludge ponds to reduce odour problems.
- Large capacity pump installed at Neale Park to give additional capacity for high flows.
- The first section of an extensive trunk main construction for Marsden Valley was completed from Nayland Road to the bottom of Songer Street.
- Detailed design for remainder of project from Arapiki Road to Songer Street completed.

STORMWATER



- December 2011 and April 2013 storm events required resources to be diverted from the planned 2012/13 work programme.
- Urgent issues with the stormwater network addressed and improvements planned for 2013/14.
- Design for the Haven Road culvert on Saltwater Creek completed.
- Repairs began to St Vincent Street stormwater culvert. Will be ongoing until a replacement is designed and constructed in approximately five years time.
- New stormwater pipes installed Tasman Street and Neale Avenue. Designs completed for new systems in Northesk Street, Stanley Crescent, Seaview Road.

FLOOD PROTECTION



- Storm events December 2011 and April 2013 required resources to be diverted from the planned programme for 2012/13.
- Gravel removal from most streams and rivers completed.
- Work ongoing in Orphanage Stream and Saxton Stream.
- Additional investigation work programmed for these streams in 2013/14 to review options for upgrading.
- Saxton Creek development to be undertaken in conjunction with Tasman District Council.
- Progress made with modelling flood flows in the Maitai River expected to help with long term planning of flood protection and the impacts of rising sea levels in the areas adjacent to the lower reaches of the river.

ENVIRONMENT



- Residual waste going to landfill 42% less than at the peak in 2004/05, recycling increased by 10% over the same period.
- Landfill income significantly lower than budget.
- Council to continue supporting Nelson residents with the cost of recycling cathode ray tube monitors (TVs) cost to residents capped at \$10 per monitor.
- Council completed Nelson 2060 a community-led strategy for developing Nelson over the next 50 years. The vision for Nelson in 2060 sets out 10 goals that call upon the entire community to work together to achieve it.
- Improvement in air quality with a reduction in the number of times the national air quality standards were exceeded in Nelson's most polluted airshed (Airshed A) from 13 in 2011/12 to seven in 2012/13. Maximum PM₁₀ concentration was 62µg/m³, compared with 2011/12 levels of 64µg/m³.

SOCIAL INCLUDING ARTS/HERITAGE



- Refurbishment of Elma Turner Library.
- Introduction of radio frequency technology (RFID) streamlined library customer experience.
- New entrance road completed into Saxton Field from Main Road Stoke.
- Completion of initial earthquake assessments on all of Council's 92 buildings. Thirty buildings had initial ratings of less than 33% of the New Building Standard so require detailed assessments (to date detailed assessments have been undertaken on nine buildings). Six Section 124 Building Act Notices have been received.
- Community Assistance Funding provided \$480,685 through 34 contracts and 28 one-off grants for community organizations.
- 8% increase in visitor numbers to Founders Heritage Park with more than 108,000 guests over the year.
- The Council proposed to take ownership of the Nelson School of Music and the Theatre Royal land and assets during this year, however this has not happened due to legal issues around the process for transfer.

PARKS AND ACTIVE RECREATION



- Over 1,600 school children involved in planting projects around the city.
- Connecting paths completed between Miyazu Garden and QEII Cycleway and along Orchard Stream from the Railway Reserve.
- Kinzett Terrace landscaping and carpark renewal as part of the Heart of Nelson project with a new sculpture also installed on the site from Arts Strategy funding.
- Improvement work on the Dun Mountain Trail. Over 10,000 users recorded since opening late 2011.
- Youth park developed at Tahunanui Reserve and playground designed and completed Hockey Reserve upper Brook St.

ECONOMIC



- The Regional Economic Development Agency (EDA) continued on behalf of Council to assist enterprises, allocate events funding, provide economic advice and manage programmes funded by third parties that support economic development in the local economy.
- The EDA managed the successful hosting bid for the 2015 Cricket World Cup (an unsuccessful bid was also submitted to the FIFA under 20s Soccer World Cup 2015).
- Events Strategy allocated \$132,540 to six promising events.

CORPORATE



- As at 30 June 2013 Council employed 257 people, compared with 260 at the same time last year. Includes full and part time staff in 227.2 FTE compared to 229.5 FTE as at 30 June 2012.
- Customer complaints dropped to 41 in 2012/13 compared to 76 in 2011/12.

REVENUE AND EXPENDITURE SUMMARY

FINANCIAL PERFORMANCE

The net surplus before revaluations was \$10.3 million, which was \$5.3 million less than budget. Explanation of this variance can be found in the Variances section on page 12.

Council borrowings totalled \$68.2 million, \$3 million more than the previous year, and \$25.5 million less than budget.

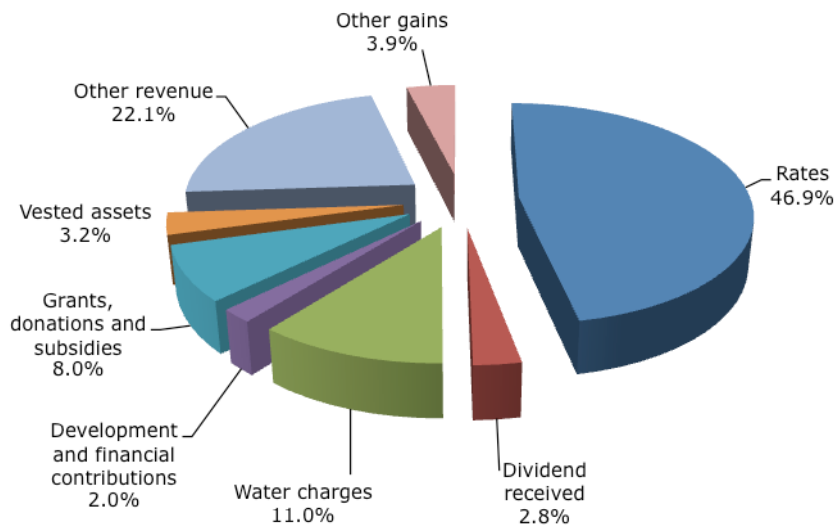
Council now participates in the Local Government Funding Agency Ltd (LGFA), allowing it to borrow for longer terms and at lower rates than previously.

Non-adjusting post balance sheet event

On 31 July 2013 a reorganisation was announced, taking effect from 14 October 2013. There are likely to be 18 redundancies at an estimated cost of \$578,000, with expected ongoing salary savings of approximately \$1,000,000 per annum. No impact of the reorganisation is recognised in the 2013 financial results.

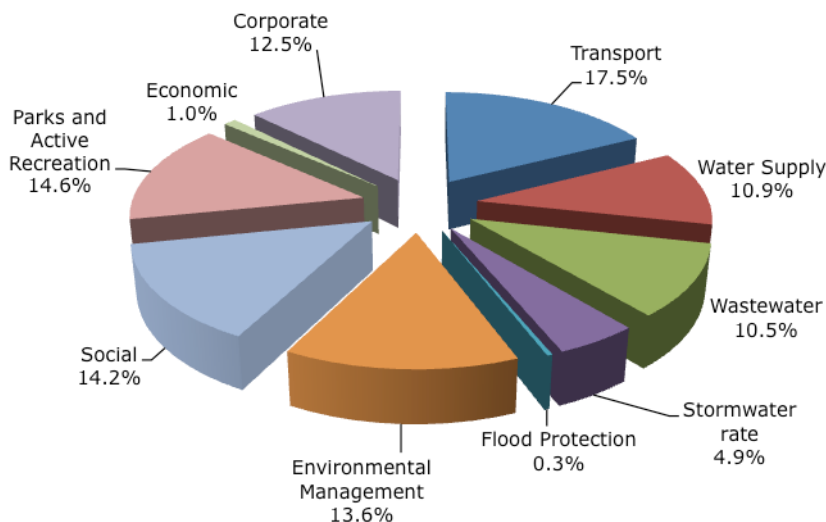
INCOME

The chart below shows Council’s sources of revenue for the year 2012/13. Council’s revenue from rates in 2012/13 was \$57.9 million (excluding penalties) from a total operating revenue of \$99.9 million.



EXPENDITURE

The chart below shows how this expenditure was spread among Council’s activities and services. Council’s total operating expenditure for the 2012/13 year totalled \$89.5 million.



FINANCIAL OVERVIEW

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Council			Group	
	Actual	Long Term Plan	Actual	Actual	Actual
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
Revenue					
Rates other than targeted rates for water supply	46,853	47,346	43,291	46,853	43,291
Fees, charges, and targeted rates for water supply	11,014	11,015	10,409	11,014	10,409
Development and financial contributions	1,955	1,940	2,879	1,955	2,879
Grants, donations and subsidies	7,988	15,380	6,989	7,662	7,645
Vested assets	3,173	7,578	3,646	3,351	3,990
Interest received	79	36	126	161	205
Dividend received	2,803	2,610	6,853	0	0
Other revenue	22,085	24,151	21,343	29,141	26,512
Other gains	3,936	0	406	3,966	442
Total Operating Revenue	99,886	110,056	95,942	104,103	95,373
Expenditure					
Employee benefit expenses	16,618	17,442	16,093	25,106	23,930
Depreciation and amortisation	19,699	20,185	18,762	20,510	19,500
Other expenses	48,981	52,651	50,953	44,222	46,894
Finance costs	4,288	4,099	4,006	4,292	4,009
Total Operating Expenditure	89,586	94,377	89,814	94,129	94,333
	10,301	15,679	6,128	9,974	1,040
Share of associate's surplus/(deficit)	0	0	0	5,262	6,129
Operating surplus before taxation	10,301	15,679	6,128	15,235	7,169
Taxation	24	84	(8)	363	383
Net Surplus	10,277	15,595	6,136	14,872	6,786
Gains/(Losses) on property revaluation	2,582	43,473	24,619	2,297	24,619
Share of associates revalued movements	0	0	0	2,082	(540)
Total comprehensive income for year	12,859	59,068	30,755	19,251	30,865

STATEMENT OF CASHFLOW

	Council			Group	
	Actual	Long Term Plan	Actual	Actual	Actual
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
Cash Flows From Operating Activities					
Rates and Other Revenue	86,005	93,111	85,380	94,763	91,783
Interest received	79	36	131	161	221
Dividends received	2,803	2,610	6,853	2,358	6,513
Payments to suppliers and employees	(62,556)	(70,005)	(61,256)	(67,715)	(66,160)
Interest paid	(3,586)	(4,099)	(3,662)	(3,590)	(3,666)
Taxation (paid)/refunded	19	(84)	36	(349)	(298)
Net GST movement	(769)	0	1,177	(836)	1,321
Net cash inflows from operating activities	21,995	21,569	28,659	24,792	29,714
Cash Flows From Investing Activities					
Sale of fixed assets	84	41	240	96	294
Sale of investments	1,001	0	570	742	570
Repayment of loans/advances	0	326	0	0	0
Goodwill on sale of business	0	0	0	0	0
Purchase of fixed assets	(26,756)	(50,166)	(32,608)	(29,228)	(33,808)
Purchase of intangibles	(685)	0	(414)	(754)	(1,050)
Purchase of investments	(160)	(271)	(1,029)	(1,036)	(472)
Loans and advances	0	(300)	0	0	0
Net cash outflow from investing activities	(26,516)	(50,370)	(33,241)	(30,180)	(34,466)
Cash Flows From Financing Activities					
Cash was provided from loans raised	25,749	25,793	45,590	26,251	45,590
Cash was applied to repayment of loans	(22,823)	(775)	(38,931)	(22,883)	(38,988)
Net cash inflows/outflows from financing activities	2,926	25,018	6,659	3,368	6,602
Net increase/(decrease) in cash held	(1,595)	(3,783)	2,077	(2,020)	1,850
Plus opening cash balance	2,003	794	(74)	3,370	1,520
Closing Balance	408	(2,989)	2,003	1,350	3,370
Represented by:					
Cash and cash equivalents	408	0	2,413	1,350	3,780
Bank Overdraft	0	(2,989)	(410)	0	(410)
	408	(2,989)	2,003	1,350	3,370

BALANCE SHEET AS AT 30 JUNE 2013

	Council			Group	
	Actual	Long Term Plan	Actual	Actual	Actual
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
Total current assets	17,154	12,598	14,724	21,020	18,045
Total non-current assets	1,259,181	1,346,956	1,247,065	1,337,376	1,318,444
Total assets	1,276,335	1,359,554	1,261,789	1,358,396	1,336,489

	Council			Group	
	Actual	Long Term Plan	Actual	Actual	Actual
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
Total current liabilities	74,404	31,597	54,638	76,200	55,899
Total non-current liabilities	12,645	83,638	30,723	13,268	30,913
Total equity	1,189,286	1,244,319	1,176,428	1,268,928	1,249,677
Total equity and liabilities	1,276,335	1,359,554	1,261,789	1,358,396	1,336,489

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Council			Group	
	Actual	Long Term Plan	Actual	Actual	Actual
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
Balance as 1 July	1,176,428	1,185,251	1,145,673	1,249,677	1,218,812
Total comprehensive income	12,859	59,068	30,755	19,251	30,865
Equity at end of year	1,189,287	1,244,319	1,176,428	1,268,928	1,249,677

VARIANCES

Explanations for major variations from Nelson City Council's estimated 2012/13 figures are as follows:

Total operating revenue \$10.2 million less than budget.

INCOME

Grants, donations, and subsidies were \$9.2 million less than budgeted, \$6.9 million attributable to the delay in the transfer of the Theatre Royal and Nelson School of Music assets, \$1.4 million to the delay in the Cable Bay Road remediation works, and \$1.5m relating to timing changes for other subsidised roading assets.

Vested assets were \$4.4 million under budget reflecting the level of development activity.

Dividend received was \$0.2 million above budget, including a special dividend from Nelmac which was credited to the Disaster Recovery Fund.

Unbudgeted other gains of \$3.9 million were due to accounting revaluations of derivatives (\$2.5 million), investments (\$0.1 million), and other assets including forestry (\$1.2 million).

OPERATING EXPENDITURE

Total operating expenditure was \$4.8 million under budget. Employee costs were \$0.8 million lower due to a number of staff vacancies during the year. Depreciation was \$0.5 million unfavourable to budget mainly due to both the 30 June 2012 asset revaluations which are difficult to predict and were lower than budgeted, and changes to the capital programme which affects when assets are completed and start depreciating.

Finance costs were \$0.2 million unfavourable to budget including the \$0.7 million accounting write-down of the Tasman Bays Heritage Trust interest free loan (see Social activity, below). Overall interest costs were well within budget reflecting lower overall borrowings and the favourable interest rate environment. The other expenses are \$3.7 million favourable to budget. Detail of this can be seen in the activities below, the most significant drivers being:

- \$1.8 million savings in maintenance expenditure (not including emergency response and remediation).
- \$1.9 million savings in emergency response and remediation – the expenditure budgeted for Cable

Bay Road remediation of \$3.3 million was largely delayed, but also reclassified as capital expenditure, resulting in an operational expenditure saving against budget. Offsetting this, there was unbudgeted expenditure of \$0.4 million for response and remediation costs relating to the April 2013 flood, and other remediation works from the December 2011 emergency event were \$0.9 million over budget, mainly in Stormwater and Parks.

The infrastructure assets are re-valued every year to smooth out the large fluctuations. The revaluation as at 30 June 2013 resulted in an increase in asset value of \$2.6 million, less than budget by \$41 million. Differences of 3.3 to 3.8% in revaluation indices (depending on asset class), lower asset values brought forward than had been predicted, and no material movement in land valuation combined to create this variance. The revaluation indices were lower than anticipated due to the late start of the Christchurch rebuild.

BALANCE SHEET

The most significant variation was in property, plant and equipment, which was \$87 million below budget due to asset revaluations being \$41 million less than budget, capital additions \$29.4 million less than budget, vested assets \$4.4 million less than budget, and the balance at 01 July 2012 being \$13 million less than budgeted.

Borrowings, including derivative financial instruments and net of cash and cash equivalents, were \$28.1 million below budget, mainly due to many of the capital expenditure projects not proceeding as planned.

Reserves are \$23.6 million less than budgeted. This is largely accounted for by the asset revaluation being \$41 million less than budget and a \$15 million offset to retained earnings.

Retained earnings are \$32 million less than budget. The surplus for the year is \$5.3 million less than budget, the 01 July 2012 balance was \$12.7 million more than budgeted, and there is a \$15 million offset to reserves.