



Nelson City Council
te kaunihera o whakatū



ANNUAL REPORT SUMMARY
FOR THE YEAR ENDED 30 JUNE 2014



SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

The Annual Report Summary provides an overview of Council's activities, services and finances for the year 1 July 2013–30 June 2014.

The information is taken from Council's audited Annual Report, adopted by Council on 30 October 2014. Complete information about Council's financial position and operation is provided in the full Annual Report 2013–14.

A copy of the full Annual Report is available online at nelson.govt.nz, from all NCC Libraries and from the Customer Service Centre.

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FOREWORD FROM THE MAYOR AND CHIEF EXECUTIVE

It is a pleasure to introduce the first Annual Report for the current term of Council. The 2013 election delivered new faces to the Council table and an opportunity to refocus. Early in the new term Council made a deliberate decision to finish jobs that had been started and to engage early with the community on new ideas.

Both elected members and Council staff share the same passion for making Nelson an even better place. Looking back to July 2013, much has happened in our city and as a community we have achieved some major milestones. We have also had to address challenges.

The year began on a high when Nelson was named as one of the 14 host cities for the ICC 2015 Cricket World Cup. Three matches will be played at Saxton Oval during summer 2015, filling Nelson with visitors and vibrancy and showcasing us to the world.

Nelson City Council was given an excellent long term credit rating of AA- from international credit rating agency Standard and Poor's. This indicator of financial strength gives our financial partners confidence and has a direct effect on the cost of borrowing. At the end of the 2013/14 financial year the debt level was \$71.8 million, from a forecast of \$102.7 million. Responding to expectations of the community for new facilities while applying financial prudence is required to ensure the debt level is manageable.

Development of infrastructure vital to the day-to-day running of our city continued. We completed the third and final stage of the Maitai Duplicate Pipeline to protect and future-proof our water supply, and made significant progress on a long-term solution to reduce odours at Nelson Wastewater Treatment Plant. Council confirmed its commitment to the Maitai Walkway project and determined that this was an asset where investment in quality design was warranted.

The severe rain events of December 2011 and April 2013 required ongoing recovery work, including the reconstruction of Cable Bay Road and extra funding allocated to address urgent stormwater and flood control projects. Our region's preparedness was further boosted with the construction and fit-out of the new Emergency Operations Centre in Richmond.

Council's commitment to supporting key arts, community and recreation venues continued in 2013/14. Earthquake prone buildings continue to receive attention. Seismic strengthening work on the Riverside Pool façade was completed. With the temporary closure of the Trafalgar Centre much effort was put into the relocation of events to minimise disruption. Council continues to work closely with the Board of the Nelson School of Music on its plans to earthquake strengthen and redevelop this important facility.

Council allocated \$6 million of matched funding to upgrading and refurbishing The Suter Art Gallery and increased support to the Theatre Royal to ensure it could continue to deliver as a community venue.

To protect and promote Nelson's natural environment, a project to improve the health of the Maitai River was begun and funding was allocated towards constructing a pest proof fence at the Brook Waimarama Sanctuary.

These and many other achievements would not have been possible without the hard work of Councillors and staff, working in close partnership with our community. Sincere thanks to you all.



Rachel Reese
MAYOR OF NELSON



Clare Hadley
CHIEF EXECUTIVE



KEY ACHIEVEMENTS AND SERVICE RESULTS

During 2013/14 key developments for Council included electing a new Council and Mayor, embedding new processes in response to amendments to the Local Government Act 2002 and commencing its planning for the next Long Term Plan. In addition, staff resources were diverted to the recovery effort following the April 2013 rainfall event.

The Nelson City Council continued to successfully deliver its capital works programme. Total capital expenditure in 2013/14 was \$39.7 million and more than 80% of the physical capital works were delivered.



TRANSPORT

- Nelson City Council and the New Zealand Transport Agency worked together to improve walking and cycling in Nelson. Projects included a separated two-way cycleway along St Vincent Street, widening Willow Walk, a shared path next to Saxton Field and improved pedestrian facilities at several schools.
- An upgrade of the Maitai Walkway between the Trafalgar Street and QEII Drive bridges commenced.
- Road roughness is being maintained at a cost effective level and the travel demand measures (e.g. bus patronage and walk cycle mode share) are in line with targets.
- The year saw remedial work at more than 28 locations along a 2.6km section of the Cable Bay Road repairing extensive damage caused by the December 2011 severe rain event.



WATER SUPPLY

- In 2013/14 the final stage of the eight kilometre duplicate pipeline from the Maitai dam to the water treatment plant was completed. The pipeline provides a more secure water supply line for the City and helps protect against loss of supply during storms and earthquakes.
- The construction of an additional reservoir at Observatory Hill was completed. This reservoir is designed to allow the residential development in the area to continue with a secure water supply.
- The water grading of Ab was re-confirmed by the Ministry of Health.



WASTEWATER

- During the winter, sludge was dredged from Nelson's Wastewater Treatment Plant at Wakapuaka. The desludging project aims to be a long-term solution to reducing odours from the plant. This method was chosen because it has the least impact on the local environment, is the easiest to manage and is the most cost effective.
- Large express sewer mains were installed to direct flows from the Arapiki/Ridgeway/Panorama Drive and Marsden Valley areas to the new Songer Street pump station.
- The wastewater treatment plant achieved 100% compliance with resource consent conditions.



STORMWATER

- The December 2011 and April 2013 severe rain events required resource to be diverted from the planned 2013/14 work programme into recovery works.
- The stormwater network achieved its target of less than 25 blockages per 100km of pipes during the 2013/14 year.
- Regular inspections were started at the St Vincent Street culvert and will continue until a replacement is designed and constructed.
- In response to submissions from residents concerned about stormwater, extra funding of \$500,000 was added to the 2013/14 budget to address urgent stormwater and flood control issues.



FLOOD PROTECTION

- The April 2013 severe rain event caused surface flooding in the Stoke area and damaged streams in Ngawhatu Valley and Aniseed Valley.
- To provide protection from future flooding, a computer model of the Maitai River was completed and design work started on three urban streams.
- Saxton Stadium and Sports House suffered extensive flood damage and required repairs to the 3,800 square metre hardwood sports-floor, which was covered by insurance.
- The first stage in the York Stream flood capacity upgrade was completed with the construction of concrete piping around the Tipahi/Kawai Street intersection.



ENVIRONMENT

- The amount of waste going to landfill continued the downward trend observed over the last ten years. Waste to landfill during 2013/14 was 42% less than at the peak in 2004/05.
- Council allocated \$512,000 towards the construction of a pest proof fence at the Brook Waimarama Sanctuary.
- A major project to improve the health of the Maitai River commenced.
- Air quality continued to improve in Nelson. There was a decrease in the number of times national air quality standards were exceeded in Nelson's most polluted airshed (Airshed A), from eight in 2012/13 to four in 2013/14.



SOCIAL, ARTS AND HERITAGE

- The Suter Gallery raised \$6 million towards its refurbishment project and included a \$2.3 million grant from the Ministry for Arts, Culture and Heritage. The Suter's efforts will be matched by a \$6 million allocation of ratepayer funding.
- Council worked closely with both the Theatre Royal and the Nelson School of Music to protect these assets for the community.
- During 2013/14, the central business district received attention from Council. The Buxton Square toilets were upgraded, new toilets were built behind the Cathedral and Bridge Street was enhanced with colour, lighting and seating.



PARKS AND ACTIVE RECREATION

- Consultation with the community on the future needs of Stoke residents, including recreation and community facilities, took place.
- The Trafalgar Centre closed for public use in December 2013 after Council received information about the building's susceptibility to earthquake risk.
- Seismic strengthening of the Riverside Pool façade occurred and the project included upgrading fire safety, improving accessibility for wheelchairs and new office space.
- A new mountain bike track, the Widdershins Trail, was opened.



ECONOMIC

- Nelson was named one of the 14 host cities for the 2015 ICC Cricket World Cup and three games will be played at Nelson's Saxton Oval.
- The Nelson region's convention activity ranking improved from 10th to 9th position. This reflects the number of days that conference delegates spend in the region and shows that Nelson is a desired conference destination.
- The Economic Development Agency accessed just under \$700,000 of government funding for the region (up 26% on the previous year).



CORPORATE

- The local body elections resulted in five new councillors and a new Mayor.
- As at 30 June 2014 Council employed 220 people, compared with 257 at the same time last year. This includes full and part time staff in 190 full time equivalent positions, compared with 227 at 30 June 2013.



PERFORMANCE TARGETS

- Performance targets are determined through the Long Term Plan 2012–22. For detailed performance results refer to the full Annual Report 2013–14, pages 17 to 80.
- Of the 58 indicators that Council reports on:
 - » 26 targets were fully achieved
 - » 22 targets were not achieved
 - » 7 targets were not measured
 - » 1 target was partially achieved
 - » 1 target is on hold
 - » 1 target is on track.

INDEPENDENT AUDITOR'S REPORT

To the readers of Nelson City Council and group's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Nelson City Council (the City Council) and group for the year ended 30 June 2014. 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 6, and 8 to 11:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the summary statement of service provision of the City Council.

We expressed an unmodified audit opinion on the City Council and group's full audited statements in our report dated 30 October 2014.

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 30 October 2014 on the full audited statements.

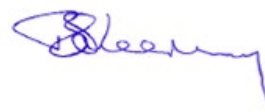
The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council and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

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 or any of its subsidiaries.



Bede Kearney
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Christchurch, New Zealand

24 November 2014



FINANCIAL OVERVIEW

Council is required under the provisions of the LGA 2002 (s.101) to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community.

The Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (break even).

The Annual Report shows that Council recorded a net surplus before revaluations for the year ended 30 June 2014 of \$15.4 million, which was \$7.1 million more than budget. The surplus was \$10.3 million for the 2012/13 financial year. The variations from budget are below.

It should be noted that the word 'surplus' is an accounting term, and is different from the rating surplus. The accounting surplus includes capital items such as road subsidies and grants relating to capital projects, revaluations and vested assets which are required to be treated as income for accounting purposes.

The Council's borrowings as at 30 June 2014 were \$71.8 million (\$68.2 million in 2012/13) including \$8.1 million (\$8.4 million in 2012/13) as Council's share of the loans raised by the Regional Sewerage Business Unit. This compares with a budget of \$102.7 million (net of deposits).

The rating surplus as at 30 June 2014 was \$5.5 million and is explained in the full Annual Report. This was largely due to reductions in expected operating expenditure, particularly in the Environmental and Parks activities.

The full Annual Report was prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complied with New Zealand International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, certain infrastructural assets, investment property and biological assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Nelson City Council is New Zealand dollars.

The financial statements of Nelson City Council are for the year ended 30 June 2014. The financial statements were authorised for issue by Council on 30 October 2014.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

You can find a copy of the full Annual Report on the Council's website nelson.govt.nz

VARIANCES

Total comprehensive income \$79.2 million more than budget

Total operating revenue was \$2.2 million less than budget:

- Grants, donations, and subsidies were \$6.1 million less than budget, attributable to the delay in the transfer of the Theatre Royal and Nelson School of Music assets.
- Vested assets were \$2.9 million over budget reflecting development activity, along with \$2.2 million of infrastructure assets that Council has recognised and accepted ownership of.
- Unbudgeted other gains of \$1.9 million were due to accounting revaluations of derivatives and community loans.

Total operating expenditure was \$9.2 million under budget:

- Employee costs were \$2.4 million lower due to a reorganisation part way through the year and staff vacancies which took some time to fill.
- Depreciation was \$0.8 million less than budget.
- Finance costs were \$0.3 million favourable to budget.
- Other expenses were \$5.7 million favourable to budget. Detail can be seen in the activities section of the full annual report. The most significant variances were: \$4.6 million savings in maintenance expenditure, and \$1.2 million unbudgeted expenditure for emergency response and remediation related to the April 2013 and April 2014 emergency events.

Infrastructure assets are revalued every year to smooth out large fluctuations. Land was also revalued in 2013/14. The revaluation at 30 June 2014 resulted in an increase in asset value of \$92.6 million, more than budget by \$72 million.

Balance Sheet

Property, plant and equipment was \$38 million more than budget. This was due to asset revaluations being \$72 million more than budget, vested assets \$2.9 million more than budget, offset by capital additions \$19.3 million less than budget, and the balance at 01 July 2013 being \$18 million less than budget.

Borrowings were \$35.6 million below budget, mainly due to a higher than budgeted surplus for the year and capital additions less than budget.

Reserves are \$61.7 million more than budget, largely accounted for by the asset revaluation and a variance against the expected opening balance.

Retained earnings are \$9.5 million more than budget resulting from a greater surplus than expected and a variance against the expected opening balance.



FINANCIAL STATEMENTS

	Council			Group	
	Actual 2014	Annual plan 2014	Actual 2013	Actual 2014	Actual 2013
	\$000	\$000	\$000	\$000	\$000
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014					
Total operating revenue	102,123	104,311	99,886	110,272	104,103
Total operating expenditure*	86,749	95,977	89,586	95,833	94,129
Surplus (deficit) before tax	15,374	8,334	10,301	14,439	9,974
Share of associates surplus (deficit)	0	0	0	4,730	5,262
Less taxation	0	(86)	(24)	(374)	(363)
Net surplus	15,374	8,248	10,277	18,795	14,872
Gains (losses) on property revaluation	92,645	20,553	2,582	92,645	2,297
Share of associates revalued movements	0	0	0	531	2,082
Total comprehensive income	108,019	28,800	12,859	111,971	19,251
*includes finance costs of:	3,788	4,068	4,288	3,854	4,292

MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

Equity at start of year	1,189,288	1,195,319	1,176,428	1,268,928	1,249,677
Total comprehensive income	108,019	28,800	12,859	111,971	19,251
Equity at end of year	1,297,307	1,224,119	1,189,288	1,380,899	1,268,928

BALANCE SHEET AS AT 30 JUNE 2014

Current assets	11,537	9,425	17,154	18,334	21,020
Non-current assets	1,374,339	1,337,305	1,259,181	1,456,113	1,337,376
Total assets	1,385,876	1,346,730	1,276,336	1,474,447	1,358,396
Current liabilities	52,566	57,634	74,404	54,227	76,200
Non-current liabilities	36,004	64,976	12,645	39,321	13,268
Total liabilities	88,570	122,610	87,049	93,548	89,469
Total net assets	1,297,306	1,224,120	1,189,287	1,380,899	1,268,927
Equity					
Retained earnings	358,148	346,613	342,455	395,654	376,249
Other reserves	939,158	877,507	846,832	985,245	892,679
Total equity	1,297,306	1,224,120	1,189,287	1,380,899	1,268,928

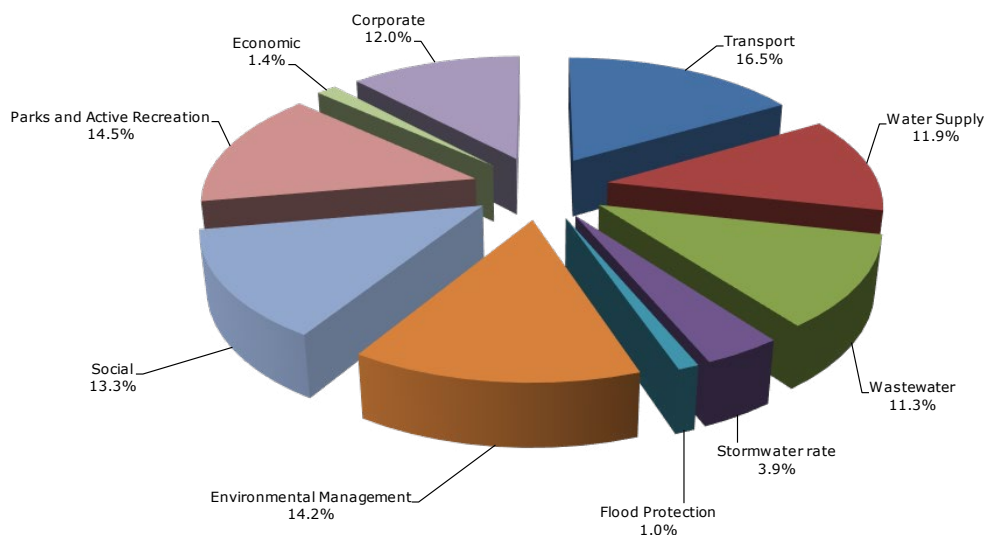
	Council			Group	
	Actual 2014	Annual plan 2014	Actual 2013	Actual 2014	Actual 2013
	\$000	\$000	\$000	\$000	\$000

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2014

Cashflows from operating activities	33,422	19,366	21,995	35,026	24,792
Cashflow from investing activities	(37,100)	(48,074)	(26,516)	(40,894)	(30,180)
Cashflows from financing activities	3,608	23,324	2,926	6,289	3,368
Net increase (decrease) in cash held	(70)	(5,384)	(1,595)	421	(2,020)
Plus opening cash balance	408	2,105	2,003	1,350	3,370
Closing balance	338	(3,279)	408	1,771	1,350
Represented by:					
Cash and cash equivalents	338	0	408	1,771	1,350
Bank overdraft	0	(3,279)	0	0	0
	338	(3,279)	408	1,771	1,350

EXPENDITURE SUMMARY

The chart below shows how expenditure was spread among Council's activities and services. Council's total operating expenditure for the 2013/14 year was \$86.7 million.





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