

**Queenstown Lakes District Council**

**Summary Annual Report 2009 / 2010**

## Contents

Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report. The specific disclosures included in the summary annual report have been extracted from the full annual report adopted by Council on 6 October 2010. The summary annual report can not be expected to provide as complete an understanding as provided by the full annual report. The full financial report dated 6 October 2010 has received an unqualified audit report. A copy of the full Annual Report can be obtained on the Council website - [www.qldc.govt.nz](http://www.qldc.govt.nz)

This summary annual report has been examined by the auditor for consistency with the full annual report. The auditor's report is included with this summary.

The Council's full annual report has complied with NZ GAAP and stated explicitly that they comply with NZ equivalents to IFRS (International Financial Reporting Standards) as applicable for public benefit entities. The summary annual report complies with FRS 43 - summary financial statements.

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## Introduction

The purpose of this Summary Annual Report is to represent fairly and consistently the major matters dealt with in the Annual Report.

The purpose of the Annual Report is to communicate Council's achievements against objectives included in the 2009/2010 Annual Plan. The 2009/2010 year represents year one of the 2009 10-Year Plan.

## Financial Result 2009/2010

The Council and its subsidiaries; Queenstown Airport Corporation, Lakes Leisure Limited and Lakes Environmental Limited, have reported an operating surplus of \$6.3m for the year. Each entity within the group has contributed to an improved financial result when compared to last year's \$4.3m group deficit. This is a very pleasing position and reflects both improved revenue generation and effective controls of costs during the period.

## Explanation of Major Variances against Budget

### Statement of Financial Performance

The Council alone recorded an operating surplus of \$9.6m for the year. Operating revenues were up by 9% on last year but below budget by 7% (see below). Operating costs are up on last year by 2.4% but remained largely on budget.

The reported surplus includes \$5.8m of unrealised losses pertaining to the revaluation of investment property (\$5.2m) and forestry assets (\$0.6m). This follows a 2009 value reduction of \$17.5m for investment property (\$16.9m) and forestry (\$0.6m). For investment property, this represents an unrealised loss in value of around 29% in the past 3 years. This was not unexpected, and is in line with the general market movement for property of this type and follows strong valuation gains in the previous 10-years.

Revenue was below estimate by \$6.9m for the year ended 30 June, 2010. The following major items contributed to this variance:

- Waste management revenue was \$2.5m below budget for the year, as a result of substantially less residual waste being created than was forecast. As a result both revenue and expenditure for waste management are significantly below budget for the year.
- Roading subsidy was \$1.9m under budget for the year, as a result of reduced roading capital expenditure due to deferral of projects and changes to the approved NZTA programme.
- Development contribution income was below budget by \$0.7m for the year principally because of the continued

slowdown in consent related activity.

- Vested Assets were \$0.9m below budget for the year.

Operating expenditure was marginally above estimate by \$0.1m for the year ended 30 June 2010. These are the major items; both positive and negative, that contributed to this variance:

- Waste management expenditure was \$2.4m below budget for the year, as a result of substantially less residual waste being created than was forecast. As a result both revenue and expenditure for waste management are significantly below budget for the year.
- Interest expense for the year is \$1.2m less than budget. This is a result of the deferral of all non-essential capital works and lower than expected interest rates.
- There is \$1.6m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it.
- Depreciation expense for the year is \$0.4m higher than budget. This is a non cash item and relates primarily to the timing of project expenditure and higher than anticipated levels of vested assets over recent years.
- The balance of the variance of \$1.5m relates primarily to increased maintenance costs for water supply (\$0.8m), and roading (\$0.6m).

### Statement of Financial Position

The main variance relates to the difference in expected capital expenditure for the year. Capital expenditure was below estimate by \$30.3m for the year ended 30 June 2010. The following major items contributed to this variance:

- The main component of the variance relates to \$9.4m of project expenditure within the community services activity which has been delayed or deferred. Most of the budget for the Wanaka Sports Facilities project (\$6.0m) was not spent and has been carried forward. Other projects affected were Wakatipu Reserve Land (\$2.0m) and planned upgrades to the Wanaka Pool and Queenstown Events Centre.
- There is also \$8.2m of project expenditure within the water supply and wastewater activities which has been delayed or deferred. Projects include several reticulation upgrades in Wanaka and Queenstown and upgrades to Wanaka wastewater pump stations, and the Arrowtown water supply bores.
- There is \$4.9m of project expenditure within the roading activity which has been delayed or deferred as a result of changes to the approved NZTA programme.
- There is also \$4.3m of project expenditure within the commercial property activity which has been delayed or deferred. This mainly relates to the deferral of development work on Council development land at the Commonage.
- Vested Assets were \$0.9m below budget for the year.
- The remaining component of the variance relates to \$1.6m of project expenditure which was classified as capital expenditure within the budget but which has been charged as an operating expense for the year.

The revaluation of investment property resulted in an unbudgeted reduction in value of \$5.2m for the year. This movement coupled with the \$16.9m unrealised loss for last year, has led to the main variation in the balance sheet which shows Investment Property \$25m below the forecast position. Borrowings are also \$12m below budget; this relates mainly to the deferral of capital projects (see above).

### Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses (for 2010 as described above and for 2009) has resulted in an equity variance of \$46m below forecast.

### Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Cash Flow Statement, particularly cash flows from investing and financing activities. Purchase of property, plant and equipment (i.e. capital expenditure) was \$27m below estimate and new borrowings were consequently around \$22m less than expected.

## Project delivery

### Infrastructure

Deferral of projects and savings - due to closer scrutiny by staff - are two key reasons the Council district-wide infrastructure capital works was \$14.5 million under budget for the 2009/10 year. That is a budget underspend of 34.8%. There were several aspects to the under expenditure:

- Short term deferrals.
- Long term deferrals (where a project may be set back for 5-10 years or more).
- Savings (where a project or part of a project is not needed or the scope can be reduced without changing the level of service).

All projects were carefully reassessed for need at each key stage and projects or part projects deferred where possible. A reduction in growth has been another factor. A significant amount of the under-expenditure had been in wastewater projects. Projects where there were savings included:

- Closed Landfills Queenstown \$216,000.
- Refuse Bins \$215,489.
- Project Shotover Stage 1 \$104,482.
- Aubrey Road East Reticulation \$ 767,732.
- Allenby Farms Reticulation and Pump Station \$408,577.
- Bremner Bay Pump Station \$420,856.
- Gordon Land Sewer Upgrade \$215,635.
- Arrowtown Bore Field Upgrade \$823,812.
- Peninsula Bay Water \$135,403.
- Hawea Water Supply Upgrades Stage 1 – Falling Main \$145,152.
- Gorge Road Stage 3 – road reconstruction \$142,039.
- Humphrey Street Extension \$489,298.
- The reduction in New Zealand Land Transport funding had also seen several capital works projects postponed.

The key advantage is that this flows into less borrowing on the part of the Council and therefore less debt.

All of these are positives towards addressing the Council's long term debt and an indication of the Council's commitment to delivering value for money to the ratepayer.

### What have we delivered?

Here are some of the projects that have been delivered during 2009/10:

- Resurfaced 27.65 km of sealed road.
- Sealed 1.5km of unsealed road at Hawea Flat.
- Rehabilitated 14.65km of sealed road including parts of: Queenstown-Glenorchy Road, Malaghans Road, Coronet Peak Road, Gorge Road, Willow Place (all), Crown Range Road and Robins Road.
- Built 1514m of new footpath including Totara Terrace and Lake Avenue.
- Completed Wastewater upgrade projects at Willow Place and Kawarau Place.
- Largely completed the Church Street upgrade.
- Replaced part of the Sunshine Bay to Queenstown wastewater gravity main.
- Largely completed the capacity upgrade to the Two Mile water intake.
- Largely completed the capacity upgrade to the Kelvin Heights water intake.
- Renewed various water and wastewater pipelines.
- Installed bus shelters around Queenstown.
- Renewed 111m of drainage culverts and 47m of kerb and channel.
- Resolved all Environment Court appeals for Project Shotover and commenced delivery team procurement.
- Implemented a Hansen Asset Management System (Version 8) for 3-Waters assets.
- Procured and began a new Road Maintenance Contract with Downer NZ Ltd.
- Delivered six school travel plans involving 1600 children.
- Capped the Tucker Beach Landfill with a semi-permeable cap.
- Introduced on 1 October 2009 a new district wide refuse and litter bin collection service.

### Community

The delivery of community capital works projects has been sustained at a high level with 48 of the 58 projects having been completed. This represents a completion rate by value of 81.8% for capital projects (excludes land purchase budgets). The remaining projects will be completed in spring when planting conditions permit. Of note is an increase from 43.16 hectares of park per 1,000 residents in 2007 to 87.94 hectares in 2010 (more than double).

### What have we delivered?

Here are some of the projects that have been delivered during 2009/10:

- Yewlett Crescent, Frankton Landscaping.
- Lake Hayes Pavilion.
- New Toilets at Lake Hayes Estate, Lake Hayes Reserve, Recreation Ground and Wanaka Station Park.
- Marine Parade.
- Frankton Courts.
- Upgrade of Kelvin Heights Track.
- Hawea Foreshore Plan.
- Glendhu Bay Walkway.
- Roys Bay Marina

## Other Project Highlights

### 10-Year Plan

The 2009 10-Year Plan highlights financial affordability as one of the key issues.

At the Council meeting on 31 July 2009 the Council voted to establish a strategic steering group to guide a process to address the affordability issue and to undertake the following actions:

1. Use a steering group to guide the review process.
2. More focus on project justification and affordability.
3. Introduce a more meaningful prioritisation process.
4. Evaluate water supply demand management savings.
5. Revisit funding assumptions for network extensions.
6. Complete a benchmarking exercise to better understand costs and levels of service.
7. Review how cost estimates are developed.
8. Prepare a number of different 10-Year Plan scenarios.

The Steering Group, established for the preparation of the 2009 10-Year Plan, provided guidance throughout this review process and helped deliver the key objectives identified below:

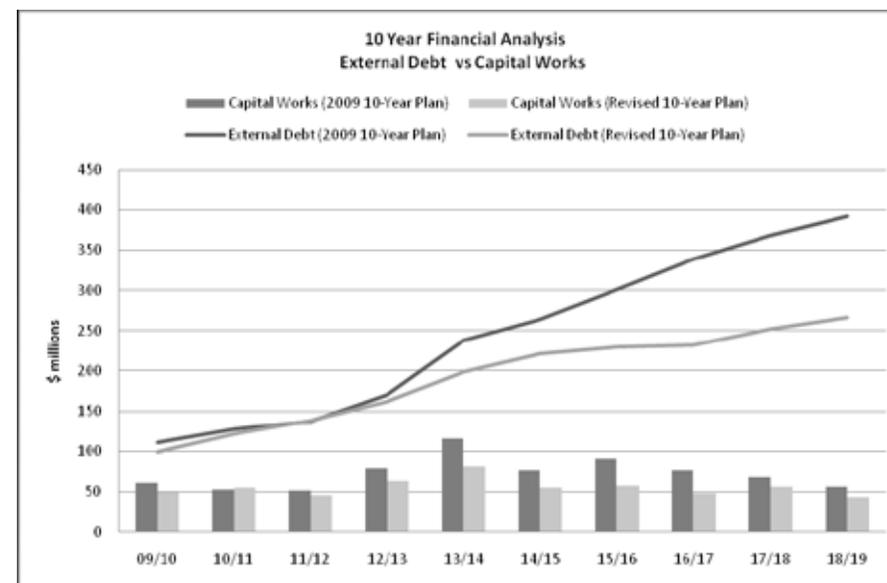
- i. To ensure that Council delivers an affordable 10-Year Plan for 2012 that meets the needs of growth. (Affordability is to be defined by QLDC's Liability Management Policy and the community with regard to acceptable rates increases).
- ii. To ensure that any expenditure committed over the interim years is thoroughly justified and appropriate. (Appropriateness is in regard to scope, levels of service, timing and cost).
- iii. Ensure that service is maintained while delivering on the above objectives.

The members of the steering group are; Mayor Clive Geddes, Councillor and Deputy Mayor John S Wilson, Councillor Vanessa van Uden, Councillor John Mann, Councillor Leigh Overton, Chief Executive - Debra Lawson and General Manager Finance / Deputy CEO - Stewart Burns. A detailed progress report is due to be presented to the full Council in October 2010. What follows is a summary of the key findings.

Of all the workstreams, the one investigating the impact of water demand management shows the greatest potential for savings, with \$72.4m to come out of the 10-year capital programme. This can only be achieved if targets are met, which presents a major challenge for each community.

The next most significant savings, around \$65.8m, are likely to come from the workstream looking at reviewing cost estimates for infrastructure services projects. This reflects both a change to the cost estimating methodology and the current market conditions.

The revised 10-year capital expenditure programme, with the \$167.8m of savings, is now incorporated in the financial models for development contributions and the 10-Year Plan. It shows Council's peak debt levels, in 2018/19, reducing by \$125.7m from \$392.5m to \$266.9m. This change is shown in the following graph:



Although significant progress has been made in the first 14 months of the review, further reductions in the capital programme are still required. In order to deliver an affordable 10-Year Plan at least another \$21m of debt needs to be removed from Council's expenditure. This means reducing the capital programme by around another \$28m.

It is recommended that a target of removing more than this is set to provide a buffer against unexpected changes and Council is now well placed to achieve this.

### Consultation

The Council has undertaken some significant consultation with the community during the 2009 year, culminating in the 2010 Annual Plan. Community participation strongly influenced a number of key decisions. One of the key issues being consulted on through the Annual Plan was the relocation of the Queenstown Library to allow for future growth. The majority of submissions were opposed to the proposal. The decision was for the library to remain where it was. Safety in the Queenstown CBD was another high profile issue, with the council opting to include \$200,000 in the plan (to enhance lighting) and for investigating the installation of CCTV in the town.

Other consultation projects during 2009/10 included the Community Pricing Policy, the Memorials and Plaque Policy, the preparation of the draft Queenstown Gardens Management Plan, parking changes for the Queenstown CBD, the Albert Town Reserve Management Plan, Urban Growth Boundaries and a major project around the future of rural areas.

### Wanaka Sports Facilities/Aquatic Centre

The Council resolved in February 2009 to further investigate a greenfield site option for this proposed facility. Funding for a sports facility and fields was allocated in the 10-Year Plan. A report went to the full Council in August and a request was made for further information. The 10-Year Plan has \$10.6 million to build the sports facility. Meanwhile the \$350,000 Wanaka pool upgrade commenced in July 2010, with the pool to re-open in September.

### Shotover Delta

Progress continues on the project that will introduce disposal of wastewater to land in the Wakatipu Basin. Consents were granted by the Environment Court in mid-May 2010. The project team is now focused on confirming a Design, Build and Operate (DBO) contract by the end of 2010. The plan is to have the plant operational by 2013.

## Sustainable growth management.

### Monitoring

Council undertook a significant monitoring project in publishing a review of the effectiveness and efficiency of the Rural General Zone. This involved extensive analysis of data on resource consents issued in the zones and conversations with many resource management practitioners. Work has been undertaken to produce a similar report in the other Rural Zones. Council reported as it has done at least annually on the Dwelling Capacity Model. This model monitors the capacity for residential development in the district.

### Queenstown and Queenstown Town Centre Strategies

The Queenstown strategy is intended to provide Council guidance on the future direction of development in the town centre. The final strategy was adopted by Council in December 2009. The Wanaka Town Centre Working Party finalised the Wanaka strategy and background documents in September 2009. The Council adopted the strategy in October 2009. Since then the priority actions outlined in section 9 of the strategy are being progressively implemented. A monitoring report outlining progress of the actions will go to the November/December 2010 Strategy Committee.

### Cardrona Structure Plan

The decision to develop a structure plan for Cardrona flowed from a desire of the local community for a more detailed consideration of the relationship of the existing village and surrounding activities. Previous planning investigations in this area provided background for the development of a draft structure plan which was consulted on in early 2009, with a final structure plan being adopted in September of that year.

### Urban Growth Boundaries

Two Plan Changes have been progressed in respect of Urban Boundaries. These look to provide a statutory basis for concepts identified in the Growth Management Strategy and Community Plans. A Discussion Document on Urban Growth Boundaries was consulted on in the spring. This looked at establishing a strategic approach to managing urban growth throughout the district. Further consultation was undertaken on developing a boundary for Arrowtown during the summer.

## Quality landscapes, natural environment and enhanced public access.

### District Plan

Following the resolution of the only outstanding matter (financial contributions) the District Plan was made fully operative in December 2009.

### A number of Plan Changes have been notified in the 2009/2010 year including:

Plan Change 27A	Updating Noise Measurement Standards
Plan Change 29	Arrowtown Boundary
Plan Change 30	Urban Boundary Framework
Plan Change 40	Peninsula Bay Zoning Correction

### Private Plan Changes:

Plan Change 35	Queenstown Airport
Plan Change 37	Northern Frankton Flats
Plan Change 39	Arrowtown South

### Plan Changes under appeal include:

Plan Change 16	Three Parks
Plan Change 18	Mount Cardrona Special Zone
Plan Change 19	Frankton Flats (B)
Plan Change 24	Affordable and Community Housing

### Plan Changes made operative:

Plan Change 5B	Bible Face-Glenorchy
Plan Change 6	Access Widths
Plan Change 8	Car Parking
Plan Change 10	High Density Amenity
Plan Change 11B	Definition of Ground Level
Plan Change 25	Kingston Village Special Zone
Plan Change 28	Trails
Plan Change 40	Peninsula Bay Zoning Correction

### Wilding Tree Strategy Rollout

In March 2009 the Council adopted the Wakatipu Wilding Conifer Strategy. The Wakatipu Wilding Conifer Control Group (WWCCG) was established in the following month (April 2009).

In 2009/10 the voluntary group, supported by the Council, has cleared some 2,500 hectares of land from a plague of conifers and has completed 15 wilding operations. The group was granted \$96,581 towards wilding control from the NZ Lottery Grants Board (Environment and Heritage Committee), funding round 2009/2010.

### Trails

The Upper Clutha Tracks Trust and the Wakatipu Trails Trust continue to deliver outstanding results. The UCTT has worked with Council and DOC to form the Clutha River Track and the Glendhu Bay Track and the WTT has assisted Council with the completion of the Kelvin Peninsula Track upgrade. With assistance and support from the Council WTT was also successful in receiving approval for \$1.8m of funding from the Government for the development of the Queenstown Trail.

## A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes.

### Affordable Housing

The Council continues to implement 15 ongoing actions of the Housing our People in Our Environment (HOPE) Strategy (adopted June 2005). The Queenstown Lakes Community Housing Trust has delivered 35 homes through the Shared Ownership Programme, continuing this innovative programme in the District. Stage 1 of 5 homes at Nerin Square, Lake Hayes Estate was completed in December 2009. Construction of Stage 2 (22 homes) is planned to commence in 2011.

Contributions of land for affordable and community housing through negotiated stakeholder deeds has continued, raising the total number of sections committed from 107 to 118, to result in 295 new homes from 9 developments. The Housing Trust continues its work with these developments on the most effective means for housing delivery as the developments progress to market.

Plan Change 24: Affordable and Community Housing (adopted by Council in December 2008) has had a preliminary hearing in the Environment Court which confirmed scope under the Resource Management Act to address housing affordability issues when reviewing proposals for new developments seeking Council approval to rezone land. A substantive hearing is to be scheduled following resolution of an appeal lodged by appellants in the High Court.

### Lakes Leisure

The 2009/10 period has seen the second full year of operation for Lakes Leisure Limited, which commenced in February 2008. The not for profit Council Controlled Organisation completed the aquatics project in October 2009 with the opening of the Alpine Health and Fitness Centre. The organisation enjoyed record usage and participation increased by 9%. Satisfaction with the CCO has also increased with the annual resident and ratepayer survey registering a satisfaction level of 75%, a significant increase of 14% on the previous year. Notably the Aquatic Centre has been recognised nationally since opening, attracting multiple awards including: NZ Institute of Architects Southern Region Architecture and Resene Colour Award; Master Builders Regional Award Otago/Southland – Category Winner Commercial; Master Builders National Award – Category Winner Leisure and Tourism and Supreme Commercial Project of the Year; and Property Council of NZ Award of Excellence - National Category Winner Tourism and Leisure.

## Effective and efficient infrastructure that meets the needs of growth.

### Transport and Carparking Strategy

Key implementation activities over the 2009/10 were carried out in the areas of parking, passenger transport, travel behaviour change and road planning and management.

Parking initiatives included reviews of on-street and public off-street parking controls in Arrowtown, Queenstown and Wanaka Town Centres. Within Queenstown in particular the outcomes were linked to the improvement of bus services and a move to accessible visitor.

In preparation for the introduction of improved bus services by the ORC work was undertaken on the specification and tendering of bus shelters and the legalisation of bus stops. Preparation for the future expansion of services into new areas was undertaken with the identification of stops for Kelvin Heights, Quail Rise, and Lake Hayes Estate.

The Council's travel behaviour programmes commenced the development of school travel plans and associated transport system improvements for Wanaka Schools (Hawea Flat and Wanaka Primary) and the new Remarkables Primary School. The Council continued to work with the New Zealand Transport Agency and other key stakeholders on the development of the district's road network. This included input to the development of NZTA bus priority and pedestrian access planning for Frankton Road and planning of the arterial network for Frankton Flats.

### Water Demand Management

The Council consulted on ways to restrict excessive use of water during the 10-year plan process, having adopted a new Water Supply Bylaw, which commenced on 20 December 2008. This allows the Council to control activities which are an abuse of the purpose for which potable water is provided. As a result of the consultation the Council now has prepared Demand Management Plans for communities district-wide and significant work involving leak detection has been undertaken.

### Waste Management

In 2009 the community asked the Council to provide better options around waste management collection (recycling and refuse). The key message from the community was to provide incentives for those that minimise waste and recycle to a high degree. These options were consulted in April/May 2009 as part of the 10-year plan consultation.

The adopted plan (30 June 2010) has allowed for the implementation of five new refuse options ranging from create no rubbish to the introduction of the 'half bag' (30 litre) and the 120 litre wheelie bin (Council-owned) service. In terms of organic material the Council worked on providing subsidised incentives, including worm farms and composting solutions.

### Flood 2010

An unseasonal April/May flood event saw three homes evacuated in Kingston and Glenorchy and low lying flooding of reserves and roads in the Queenstown CBD. The Council worked with the community to prepare for the worse case scenario, which thankfully did not eventuate.

## High quality urban environments respectful of the character of individual communities.

### Urban Design and Urban Design Strategy

In the 2009/10 year the Queenstown Urban Design Panel reviewed 15 projects, compared with 23 in the previous 12 months. This reflects a decrease in development in the last financial year. The Wanaka Panel reviewed 5 projects compared to 5 in the previous 12 months. This continues to reflect a lower level of development in the Upper Clutha.

The membership of the two panels was reviewed in November 2009. A total of 19 panel members were appointed to the Queenstown Panel for a duration of two years commencing in January 2010. In Wanaka 12 panel members were appointed for the same period.

The Queenstown Lakes District Urban Design Strategy was adopted by Council in November 2009.

## A strong and diverse economy.

### Rugby World Cup

In March 2009 it was announced that the southern region's 2011 Rugby World Cup bid scored five out of six games for the region with Dunedin hosting three games and Invercargill two. The District is set to benefit from these games with a tourism flow on effect. In addition to this the district has also been confirmed as an official RWC 2011 training venue for three teams – Ireland, England and the winner of the playoff between Romania and Uruguay on 27 November. The Council has been working with other agencies on welcoming both the teams and their supporters.

### Event Partnership

A major event that receives support from the Council was held at the start of the year. Challenge Wanaka is the world's most scenic iron distance triathlon. This year over 1,000 athletes enter from 24 countries and the Council was able to support this international sporting event through its event partnership programme to the value of \$20,000.

### Community Grants

Community grants were made available to our 'smaller community' associations to cover administration and maintenance costs on community owned facilities. The funding (total of \$50,000 per annum) was also granted to assist with a number of landscaping and beautification projects throughout the district.

### Facilitation

Economic development is an area where the Council takes a facilitation role, particularly in the area of employment. Some of the Council's roles in the 2009/2010 year have included the Mayor's Taskforce on Jobs, Seasonal Solutions, membership of Otago Forward, facilitation of the Otago Fashion Incubator programme and support and facilitation in terms of a number of events throughout the district, including, Summerdaze, Wanaka's Festival of Colour and Queenstown's ASB Jazzfest.

### Funding

The Council continued to commit to its ongoing funding of its promotional bodies, the film office and community grants (including the heritage grants).

## Preservation and celebration of the district's local cultural heritage.

### Heritage Strategy

In May 2008 the Council established the Heritage Strategy working party. The role of the working party was to develop a heritage strategy that provides for the proactive future management of historic heritage in the district. The working party developed a draft heritage strategy which was released for community feedback in September 2009 and was then finalised in March 2010. The Council adopted the strategy in April 2010.

### Arrowtown Cottages

This can now be reported as a real success story. In February 2007 the Council purchased a 2000 square metre site in Arrowtown containing three historic Arrowtown miners cottages and a fourth property. Concern over the future of the three buildings led to the Council taking the decision that the preservation of the cottages was a priority. The Council purchased the cottages for \$1.9m and established the Buckingham Street Cottages Trust to work towards the restoration, preservation and utilisation of the cottages into the future. This work was largely completed in the 2009/10 financial year and the trust is now leasing the cottages for small business opportunities, including a local cafe.

### Events Strategy

Council supports events in a number of ways including infrastructure support, communications, advocacy, venue hire, banners, power supply and event management assistance. In November 2008 the Council consulted on a draft Events Strategy. The Council considered a strategy was needed to clarify its role in supporting events. In June 2009 the community services committee adopted the Events Strategy and the budget of \$50,000 was approved through the 10-year plan process but was removed in the Annual Plan 2009/10 year in line with a review of all budgets.

## Overall Perception of Performance

### Customer satisfaction

It is pleasing to note that in general the Council has seen an improvement in satisfaction across the board. It is also rewarding to see that the 'sense of pride' felt in our communities, which leapt from 56.5% (2008/09) to 75.2% (2009/10) continues to increase 77.7% (2010).

Our 2008/2009 Residents' Satisfaction and Opinion Survey utilised a new methodology which effectively introduced the opportunity for those participating to choose a neutral position (this is known as a 5-point system). Previously participants have been asked to mark either satisfied or dissatisfied. The move to the 5-point system is considered to be 'best practice' methodology because it shows the true level of satisfaction and dissatisfaction.

In order to give some kind of context to the targets set in the 10-Year Plan, the 5-point results have been calculated on a 4-point scale - that is by removing the neutral component. This is not truly comparable with previous years, it helps to give context as already explained. In previous years only the 'percent satisfied' has been reported on but this was likely to have included an unknown number of people neither satisfied nor dissatisfied.

### Overall Performance QLDC

Overall, as mentioned, on the basis of the 4-point scale we have seen a gratifying increase in satisfaction with the Council being 76% satisfaction 2010 (72.2 % 2009). Under the 5-point scale this equates to 54.1% satisfied 2010 (52.2% 2009), 28.8% neutral 2010 (28.5% 2009) and only 17.1% dissatisfied 2010 (19.3% 2009). This true comparison shows that true satisfaction increased and that less people were dissatisfied with the Council.

## Conclusion

This year the Council has focused on addressing cost, debt levels and value for the ratepayer - all within a period of uncertainty for the Global economy. It is good news that the Council can here report a satisfactory financial result for 2009/10.

The year saw a number of significant changes, none-the-less being my appointment in March 2010 to the role of Chief Executive and the departure of Duncan Field after 10-years in the role. The contribution made by Mr Field during his tenure should be acknowledged here.

The Council continues to have a strong policy framework. The work delivered in 2009/10 to take financial stock, reforecast debt levels and to scrutinise the work programme was substantial. It has enabled the Council to put down a sound financial framework for the long term future.

The previous drive to deliver projects has been strengthened by more careful prioritisation and to look for greater cost effectiveness in the projects and services the Council carries out on behalf of the Communities it serves.

If one thing is certain, it is that QLDC faces continued uncertainty in the pace of change and the rate of growth. There are some challenges ahead for example in how we manage our water resources, Project Shotover (Wakatipu wastewater disposal to land) and in delivering the Wanaka Sports facilities in a location and to a standard of which the whole District can be proud. The Council has demonstrated a commitment to our communities to provide good services and real value.

## Thanks

The Council's aim is to deliver outstanding services and value for the communities it serves and to do this always depends upon the efforts of many people. My thanks go to:

- Our people (whether they work for Council or contractors) who work hard, often in challenging conditions and environments.
- The elected members – thank you for the enormous contribution you have personally made over the last three years and farewell to those who have chosen not to seek re-election. In particular Mayor Clive Geddes -, standing down from his role after three terms - deserves recognition and thanks from the Council, associated organisations and the community he has served in such a dedicated manner.
- Community and special interest groups, residents and non resident ratepayers, who take time to give feedback and to participate in consultation meetings and whose engagement helps the Council to make better decisions.
- And finally to the media who inform the debate and highlight key issues to the wider QLDC community.



Debra Lawson  
**Chief Executive**  
**6 October 2010**

## Summary Statement of Financial Performance

For the Financial Year Ended 30 June 2010	Council			Group	
	2010 \$'000	Budget \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Total Income</b>	85,366	98,798	67,836	104,352	86,245
<b>Expenditure</b>					
Employee benefits expense	7,419	7,205	6,463	16,121	15,276
Depreciation and amortisation expense	16,526	16,158	14,534	19,393	17,240
Finance costs	6,191	7,431	5,598	8,142	8,174
Other expenses	45,613	44,857	47,365	47,267	49,140
<b>Total operating expenditure</b>	<b>75,749</b>	<b>75,651</b>	<b>73,960</b>	<b>90,923</b>	<b>89,830</b>
<b>Surplus/(Deficit) before income tax</b>	<b>9,617</b>	<b>23,147</b>	<b>(6,124)</b>	<b>13,429</b>	<b>(3,585)</b>
Income tax expense	-	-	-	7,146	732
<b>Surplus/(Deficit) for the period</b>	<b>9,617</b>	<b>23,147</b>	<b>(6,124)</b>	<b>6,283</b>	<b>(4,317)</b>
Surplus/(Deficit) attributable to:					
- Council	9,617	23,147	(6,124)	6,468	(4,148)
- Minority interest	-	-	-	(185)	(169)
	<b>9,617</b>	<b>23,147</b>	<b>(6,124)</b>	<b>6,283</b>	<b>(4,317)</b>

## Statement of Comprehensive Income

For the Financial Year Ended 30 June 2010	Council			Group	
	2010 \$'000	Budget \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Surplus/(Deficit) for the period	9,617	23,147	(6,124)	6,283	(4,317)
<b>Other Comprehensive Income</b>					
Gain/(Loss) on revaluation	-	-	-	77,011	-
Income tax relating to gain on revaluation	-	-	-	(2,023)	-
Share revaluation	1	-	-	1	-
<b>Total Comprehensive Income</b>	<b>9,618</b>	<b>23,147</b>	<b>(6,124)</b>	<b>81,272</b>	<b>(4,317)</b>
Attributable to:					
- Council	9,618	23,147	(6,124)	81,457	(4,148)
- Minority interest	-	-	-	(185)	(169)
	9,618	23,147	(6,124)	81,272	(4,317)

## Statement of Changes in Equity

For the Financial Year Ended 30 June 2010	Council			Group	
	2010 \$'000	Budget \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity at beginning of year	715,436	747,872	721,560	729,166	733,483
Total Comprehensive Income	9,618	23,147	(6,124)	81,272	(4,317)
<b>Equity at end of year</b>	<b>725,054</b>	<b>771,019</b>	<b>715,436</b>	<b>810,438</b>	<b>729,166</b>

## Summary Statement of Financial Position

As at 30 June 2010	Council			Group	
	2010 \$'000	Budget \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Total current assets	14,282	14,158	14,339	18,899	18,036
Total non-current assets	822,928	885,293	805,510	956,361	853,720
<b>Total assets</b>	<b>837,210</b>	<b>899,451</b>	<b>819,849</b>	<b>975,260</b>	<b>871,756</b>
Total current liabilities	61,140	34,229	66,358	104,088	71,306
Total non-current liabilities	51,016	94,203	38,055	60,734	71,284
<b>Total liabilities</b>	<b>112,156</b>	<b>128,432</b>	<b>104,413</b>	<b>164,822</b>	<b>142,590</b>
<b>Net assets</b>	<b>725,054</b>	<b>771,019</b>	<b>715,436</b>	<b>810,438</b>	<b>729,166</b>
Equity attributable to:					
Council	725,054	771,019	715,436	810,318	728,861
Minority interest	-	-	-	120	305
<b>Total Equity</b>	<b>725,054</b>	<b>771,019</b>	<b>715,436</b>	<b>810,438</b>	<b>729,166</b>

## Summary Statement of Cashflows

For the Financial Year Ended 30 June 2010	Council			Group	
	2010 \$'000	Budget \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net cash inflow/(outflow) from operating activities	24,103	30,138	14,105	32,119	19,736
Net cash inflow/(outflow) from investing activities	(33,878)	(61,178)	(45,662)	(46,943)	(50,500)
Net cash inflow/(outflow) from financing activities	8,952	31,039	31,926	14,741	31,197
<b>Net increase/(decrease) in Cash and cash equivalents</b>	<b>(823)</b>	<b>(1)</b>	<b>369</b>	<b>(83)</b>	<b>433</b>
Cash and cash equivalents at the beginning of the financial year	1,149	139	780	3,192	2,759
<b>Cash and cash equivalents at the end of the financial year</b>	<b>326</b>	<b>138</b>	<b>1,149</b>	<b>3,109</b>	<b>3,192</b>

## Subsequent Events

### United Water Contract

In March 2008, United Water International Pty Limited (UWI) was awarded Contract 08 – 002 titled “Management, Operation and Maintenance of Utilities”.

The contract commenced on 1 July 2008 and has an initial term of 3 years with 2 further rights of renewal. Budget over runs on the contract have caused concern to Council. As a consequence, Council has sought to investigate whether value has been and is being achieved under the contract.

This process commenced in April 2010, and has resulted in some reimbursement to Council for items claimed under the contract, but the process had not been completed by balance date. Since balance date, the review and negotiations have continued and it is likely that Council will be further reimbursed but insufficient certainty exists for historic expenditure to be reduced at this time.

The contract has a six monthly ‘pain/gain’ adjustment mechanism. The adjustment for the six month period to 30 June has not been advised to Council and is to be dealt with as part of settlement of the issue noted above. A progress report will be brought to the October meeting of Council. No decision has been taken to proceed with renewal at this stage.

### Queenstown Airport Corporation (QAC)

Subsequent to year end QAC issued 4,013,485 shares to Auckland International Airport Limited for consideration of \$27.7 million.

Air New Zealand Limited and the Queenstown Community Strategic Asset Group both initiated High Court proceedings (against both QAC and Council) seeking to overturn the sale of shares to Auckland International Airport Limited. The result of these proceedings is unknown.

## Contingent Liabilities

### Council

#### Legal Claims

A total of eight claims were registered with the Weather-tight Homes Resolution Services (WHRS) for the buildings located within the District as at 30 June 2010. Council has been joined as a party in all of these claims. Four of these claims have been lodged with the Department of Housing and Building and are in the early stages of the process. Therefore Council is unsure on the full potential quantum of any liability arising from these claims. One claim was settled post year end for \$0.06m. The total of the remaining three claims is \$4.49m. Claims are dealt with on a case by case basis. Council’s liability in relation to these claims has not been established and it is not possible to determine the likely outcome of the claims at this stage. Notwithstanding this Council estimates its exposure to the above claims to be \$0.42m (net of insurance recoveries). Note that any claims received subsequent to 30 June 2009 are not covered by insurance. Other claims covered by insurance are subject to a cap as to the level of cover provided.

## Monitoring of Community Outcomes

As an introductory comment, a comparison of how the District was performing in 2006 compared to how it is performing in 2009 provides the following figures (ratings are out of 5):

Community Outcome	2006 Rating	2009 Rating
Sustainable Growth Management	2.9	3.2
Quality landscapes and natural environment and enhanced public access	3.1	3.1
A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes	2.4	2.6
Effective and efficient infrastructure that meets the needs of growth	2.6	3.1
High quality urban environments respectful of the character of individual communities	2.9	3.4
A strong and diverse economy	3.4	3.8
Preservation and celebration of the district's local cultural heritage.	2.8	3.0

The overall measure of performance, namely "Sustainable Growth Management" shows an improvement from a 2.9 to 3.2 rating. In all community outcomes except "Quality landscapes and natural environment and enhanced public access", improved performance is indicated. The lowest performing community outcome remains, "a safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes". Much of this rating is driven by population figures, such as age structure, that are not performance based, but much of it is also derived from housing affordability issues.

## Overall Perception of Performance

### Customer satisfaction

It is pleasing to note that in general the Council has seen an improvement in satisfaction across the board. It is also rewarding to see that the 'sense of pride' felt in our communities, which leapt from 56.5% (2008/09) to 75.2% (2009/10) continues to increase 77.7% (2010).

Our 2008/2009 Residents' Satisfaction and Opinion Survey utilised a new methodology which effectively introduced the opportunity for those participating to choose a neutral position (this is known as a 5-point system). Previously participants have been asked to mark either satisfied or dissatisfied. The move to the 5-point system is considered to be 'best practice' methodology because it shows the true level of satisfaction and dissatisfaction.

In order to give some kind of context to the targets set in the 10-Year Plan, the 5-point results have been calculated on a 4-point scale - that is by removing the neutral component. This is not truly comparable with previous years, it helps to give context as already explained. In previous years only the 'percent satisfied' has been reported on but this was likely to have included an unknown number of people neither satisfied nor dissatisfied.

### Overall Performance QLDC

Overall, as mentioned, on the basis of the 4-point scale we have seen a gratifying increase in satisfaction with the Council being 76% satisfaction 2010 (72.2 % 2009). Under the 5-point scale this equates to 54.1% satisfied 2010 (52.2% 2009), 28.8% neutral 2010 (28.5% 2009) and only 17.1% dissatisfied 2010 (19.3% 2009). This true comparison shows that true satisfaction increased and that less people were dissatisfied with the Council.

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

## Governance and District Promotion - Key Targets

Overall activity performance: 55% of targets achieved. (75% 2009).

Resident satisfaction with the Council in this area has generally remained similar to last year as highlighted below. The reduced % of targets achieved is a result of changes to the set targets implemented as part of the 2009-19 LTCCP.

### Community Leadership

Target	Achievement
75% overall satisfaction with Council's consultation with the community as determined by the annual residents satisfaction survey.	57% satisfaction achieved. (59.6% 2009).

### Tourism Marketing

Target	Achievement
90% satisfaction, as determined by the annual residents satisfaction survey, with Tourism Promotion.	87% achieved. (85.6% 2009).

## Property - Key Targets

Overall activity performance: 56% of targets achieved (50% 2009).

### Camping Grounds

Target	Achievement
80% Visitor satisfaction for all camping grounds with facilities, staff and value for money.	71% (68.1% 2009).

## Community - Key Targets

Overall activity performance: 78% of targets achieved. (63% 2009).

### Library Services

Target	Achievement
95% satisfaction with the range of resources available as determined by the annual residents satisfaction survey.	97% satisfaction achieved. (93.8% 2009).

### Community Development

Target	Achievement
85% satisfaction with community grants as determined by the annual residents satisfaction survey.	86% satisfaction achieved. (87.7% 2009)

### Community Information

Target	Achievement
85% satisfaction with how well residents are kept informed, as determined by the annual residents satisfaction survey.	67% satisfaction achieved. (77% 2009).

### Public Toilets

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey:	
75% provision of public toilets	75% satisfaction achieved. (83.3% 2009)
75% cleanliness	73% satisfaction achieved. (80.5% 2009)

### Community Facilities

Target	Achievement
80% satisfaction with swimming pools, as determined by the annual residents satisfaction survey.	80% satisfaction achieved. (71.6% 2009)
90% satisfaction with community halls, as determined by the annual residents satisfaction survey.	83% satisfaction achieved. (77.2% 2009)

### Waterways Facilities

Target	Achievement
80% satisfaction with waterways facilities as determined by annual residents satisfaction survey.	79% achieved. (87.1% 2009).

### Parks and Recreation Facilities

Target	Achievement
90% satisfaction with parks, reserves and gardens maintenance as determined by the annual residents satisfaction survey.	94% satisfaction achieved. (93.3% 2009).
85% satisfaction with sportsgrounds, as determined by the annual residents satisfaction survey.	88% satisfaction achieved.

### Emergency Services

Target	Achievement
90% satisfaction with rural fire suppression, as determined by the annual residents satisfaction survey.	89% satisfaction achieved. (89.7% 2009).
90% satisfaction with Civil Defence activities as determined by the annual residents satisfaction survey.	89% satisfaction achieved. (92% 2009).

## Resource Management and Regulation - Key Targets

Overall activity performance: 69% of targets achieved. (59% 2009).

### The District Plan

Target	Achievement
70% Satisfaction with District Plan planning policy as determined by the annual residents satisfaction survey.	64% satisfaction achieved. (42.9% 2009).

## Resource Consents

Target	Achievement
50% satisfaction with resource consent planning as determined by the annual residents satisfaction survey.	37% satisfaction achieved. (29.2% 2009)
90% of resource consent applications and related functions are processed within statutory timeframes.	80% achieved.

## General Environmental Health

Target	Achievement
80% Satisfaction with noise control as determined by annual residents satisfaction survey.	68% satisfaction achieved. (65.2% 2009)

## Inspection and Licensing

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey: Liquor Licensing - 60% Food Premises - 80%	54% satisfaction achieved. (42.9% 2009). 89% satisfaction achieved.

## Dog and Animal Control

Target	Achievement
Satisfaction as determined by annual residents satisfaction survey: 80% Registration and Licensing. 60% Dog Enforcement Services.	81% satisfaction achieved. (75.6% 2009) 57% satisfaction achieved. (56.7% 2009)

## Carparking Enforcement

Target	Achievement
60% satisfaction with parking enforcement services as determined by the annual residents satisfaction survey.	71% satisfaction achieved. (57.4% 2009).

## Building Control

Target	Achievement
Satisfaction with Resource Consent Management as determined by annual residents satisfaction survey: Building Control Services - 60% LIM Services - 80%	40% satisfaction achieved. (29.8% 2009). 81% satisfaction achieved. (67.4% 2009).

## Waterways Control

Target	Achievement
90% satisfaction with Harbourmaster Services as determined by the annual residents satisfaction survey.	91% satisfaction achieved. (86.4% 2009).

## Utilities - Key Targets

Overall activity performance: 42% of targets achieved. (63% 2009).

It is important to note that the reduced % of targets achieved is not a result of a reduced level of performance. In fact resident satisfaction with services in most areas has increased. The reduction in targets achieved is a result of increased target thresholds and some new targets introduced, as part of the 2009-19 LTCCP.

## Water Supplies

Target	Achievement
Satisfaction as determined by the annual residents satisfaction survey: 85% water quality 100% reliability	80% satisfaction achieved. (78.6% 2009). 90% satisfaction achieved. (86.9% 2009).

## Stormwater

Target	Achievement
85% Satisfaction with storm water facilities as determined by the annual residents satisfaction survey.	73% satisfaction achieved. (63.4% 2009)

## Wastewater

Target	Achievement
90% Satisfaction with wastewater as determined by annual residents satisfaction survey.	86% satisfaction achieved. (84.8% 2009).

## Waste Management

Target	Achievement
Satisfaction with:	
Recycling Collection Service - 85%	94% satisfaction achieved. (88.6% 2009).
Refuse Collection Service - 85%	84% satisfaction achieved. (84.5% 2009).
Resource Recovery Parks - 85%	91% satisfaction achieved. (87.7% 2009).
Landfill site management - 85%	87% satisfaction achieved. (77.2% 2009).
Transfer station - 85%	90% satisfaction achieved. (81.8% 2009).
Based on the annual residents satisfaction survey.	
In accordance with the Waste Management Strategy to divert 35% of waste from landfill.	26% achieved.

## Roading and Parking - Key Targets

Overall activity performance: 71% of targets achieved. (50% 2009).

### Roading

Target	Achievement
Satisfaction with:	
70% Sealed roads	76% satisfaction achieved. (61.1% 2009)
70% Unsealed roads	74% satisfaction achieved. (61.6% 2009)
60% Footpaths	67% satisfaction achieved. (59.5% 2009)
65% Bus Stop Facilities	88% satisfaction achieved.
90% Trails and Cycleways	96% satisfaction achieved.
based on the annual residents satisfaction survey.	
100% Streets cleaned to an acceptable level to the community as determined by the annual residents satisfaction survey.	85% satisfaction achieved. (74.1% 2009).

### Parking Facilities

Target	Achievement
60% Overall Satisfaction with parking facilities based on the annual residents satisfaction survey.	52% satisfaction achieved. ( 40.3% 2009).



TO THE READERS OF QUEENSTOWN LAKES DISTRICT COUNCIL'S AND GROUP  
SUMMARY ANNUAL FINANCIAL STATEMENTS, STATEMENT OF SERVICE PERFORMANCE AND THE OTHER  
REQUIREMENTS

FOR THE YEAR ENDED 30 JUNE 2010

We have audited the summary financial statements, statement of service performance and the other requirements of Schedule 10 of the Local Government Act 2002 as set out in pages 10 to 17.

#### Unqualified opinion

In our opinion:

- the summary financial statements, statement of service performance and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements, statement of service performance and the other requirements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements, statement of service performance and the other requirements from which they are derived.

We expressed an unqualified audit opinion, in our report dated 6 October 2010, on:

- the full financial statements;
- the statement of service performance; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that are applicable to the annual report.

#### Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

In addition to the audit we have carried out assignments in the areas of tax compliance, and the audit of an amendment to the long term council community plan which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the District Council or any of its subsidiaries.

#### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary financial statements, statement of service performance and the other requirements of Schedule 10 of the Local Government Act 2002 and we are responsible for expressing an opinion on those summary financial statements, statement of service performance and the other requirements of Schedule 10 of the Local Government Act 2002. These responsibilities arise from the Local Government Act 2002.

Peter Gulliver  
Deloitte  
On behalf of the Auditor-General  
Dunedin, New Zealand

#### Matters relating to the electronic presentation of the summary audited financial statements, statement of service performance and the other requirements

This audit report relates to the summary financial statements, statement of service performance and the other requirements of Queenstown Lakes District Council and group for the year ended 30 June 2010 included on the Queenstown Lakes District Council's website. The Council is responsible for the maintenance and integrity of the Queenstown Lakes District Council's website. We have not been engaged to report on the integrity of the Queenstown Lakes District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, statement of service performance and the other requirements since they were initially presented on the website.

The audit report refers only to the summary financial statements, statement of service performance 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, statement of service performance 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, statement of service performance and the other requirements as well as the related audit report dated 6 October 2010 to confirm the information included in the audited summary financial statements, statement of service performance 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.