



# **SELWYN DISTRICT COUNCIL**

## **ANNUAL REPORT 2011/12**

# SELWYN DISTRICT COUNCIL

## ANNUAL REPORT 2011/2012

 <b>Joint report from the Mayor and Chief Executive and the year in review</b>	<b>4</b>	 <b>Financials</b>	
		<b>a. Financial highlights</b>	54
		<b>b. Statement of comprehensive income</b>	56
		<b>c. Statement of change in equity</b>	57
		<b>d. Statement of financial position</b>	58
		<b>e. Statement of cash flows</b>	60
		<b>f. Statement of accounting policies</b>	62
		<b>g. Notes to the financial statements</b>	76
 <b>How we performed</b>	<b>13</b>	 <b>Financial interests</b>	<b>125</b>
<b>a. Community services</b>	15		
<b>c. Democracy</b>	22	 <b>Audit Report</b>	<b>139</b>
<b>d. Environmental services</b>	25		
<b>e. Transportation and townships</b>	31	 <b>Council information</b>	<b>145</b>
<b>f. Waste management</b>	37		
<b>g. 5 waters services (water and waste water)</b>	40		
<b>h. Izone southern business hub and property sales</b>	47		
<b>i. Internal Council support services</b>	49		



# WELCOME

...to the Annual Report 2011/2012

## Welcome to Selwyn District's Annual Report 2011/12

The purpose of the Annual Report is to compare the actual activities and performance of the Council against that set out in the Long Term Council Community Plan or Annual Budget. The Annual Report also promotes the Council's accountability to the community for the decisions made during the year by the Council.

The financial statements and performance information presented in this report are reporting against year three of the Selwyn Community Plan (LTCCP) 2009-19 that was adopted in June 2009.

## Joint Report of the Mayor and Chief Executive

Dear Selwyn ratepayers and residents,

The way the district responded to the challenges of the past two years is testament to the strength of the Selwyn community and the many new residents that have moved to the area recently demonstrate the appeal of living here. Alongside smart new homes and our pleasant rural district, new job opportunities, new shops and new community facilities are drawing people here from all over New Zealand and all over the world. And the high level of interest in the district's new sub divisions suggests that many more people will join us over the coming years. This population growth shows how strong communities and good planning can create a very attractive place to live.

The Council has been playing its part in this success story and doing all it can to help meet the needs of local residents. By building the Eastern Selwyn Sewerage Scheme and improving roading links the Council is putting in place the basic infrastructure that will support the growing population. But it is the new community facilities and job opportunities that will really attract people to live in the district. The Lincoln Event Centre is already showing how new facilities can make a real difference to an area, and when they open, the Selwyn Aquatic Centre and Lincoln Library will be huge pluses for the district. New jobs are being created on the Izone industrial park as well as in the rural areas with investment by the dairy industry. We expect this to continue; we are in the process of developing the next stage of Izone and the prospect of more irrigation in the district is very positive for local economic prospects. The promise of further investment in the district is a reflection of our growing community and will itself bring more people to live here.

This document is a report that details what the Council has been doing over the past 12 months. It summarises the big issues that we have been working on, records how well we have performed against our performance targets and shows what money we have spent and what money we have received. Some of the key points are:

- The Council's biggest ever construction project, the Eastern Selwyn Sewerage Scheme, is well underway with \$23.9 million being spent in the 2011/12 year
- Design work for the Selwyn Aquatic Centre has been completed and construction has started. It is on track to open in May 2013.
- Over 1900 building consents were processed during the year with an average processing time of 11 days.
- Our residents survey showed a high level of satisfaction with most Council services (although cycleways and rural roads were identified as areas where we could do better).
- The Council achieved an accounting surplus for the year of \$13.5 million (if the value of assets received from sub dividers is excluded the surplus is \$0.6 million – close to break-even).

There is a lot more information in the body of the annual report about what has been happening at the Council over what was a very busy year.

In closing, we thank the district's elected representatives, council staff and people of Selwyn for making this year a success and we look forward with the promise of further success in the years ahead.



Mayor Kelvin Coe



Chief Executive Paul Davey

## Statement of compliance and responsibility

### Compliance

The Council and management of Selwyn District Council confirm that all statutory requirements of Section 98 of the Local Government Act 2002 have been complied with.

### Responsibility

The Council and management of Selwyn District Council accept responsibility for the preparation of the annual financial statements and the judgements used in them.

The Council and management of Selwyn District Council accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of Selwyn District Council, the annual Financial Statements for the year ended 30 June 2012 fairly reflect the financial position and operations of the Selwyn District Council.



Mayor  
Kelvin Coe  
24 October 2012



Chief Executive  
Paul Davey  
24 October 2012



Manager Corporate Services  
Douglas Marshall  
24 October 2012

## The year in review

In June 2009 the Council adopted the Selwyn Community Plan. This is a plan to ensure Selwyn remains a great place to live, work and play. It set out what the Council intended to do over the coming 10 years to meet the needs and wishes of Selwyn's residents. The plan recognised that the District is changing from a largely rural District to one that also has an urban heart. It showed how the Council intended to respond to the challenge of more demand on our water, sewerage and transportation networks as well as increasing expectations for community facilities.

We have made progress implementing our plans with some significant projects completed and others well underway. We have recently reviewed and refreshed our 10 year plan (what we now call the Long Term Plan) and this section of the annual report summarises the progress we have made over the past year in turning our plans into reality.

### Canterbury earthquakes

It is now two years since the first earthquake struck the District. It had a big impact and we knew at the time that recovery would take some time. For many of our community there is still some way to go before we can fully recover from the effects of the quakes, but as a District we have made good progress. Our infrastructure stood up well and although some community facilities were affected the damage has not greatly affected our services. Our estimate is that the cost of the earthquakes to the Council is around \$11 million. Much of this is funded by insurance and Government subsidy. The remainder will fall to ratepayers and we collected most of this through the one off earthquake rate charged in the 2011/12 financial year.

### Implement the aquatic strategy

The aim of the strategy is to greatly improve the swimming facilities available in the District by maintaining and improving the existing community pools and providing a new year-round aquatic centre. The new aquatic centre will bring real benefits to the community by giving our children a safe, warm place to learn to swim, families a place to meet and have fun, and older people a place to relax and keep healthy.

Construction of the aquatic centre is progressing well and we are on track to open in May 2013. Over the past year we have also made improvements to the community pools, including fibre glassing the Southbridge pool and heating for the Darfield pool.

### Put into action the Christchurch, Rolleston and Environs Transportation Study (CRETS)

A significant proportion of residents commute from Rolleston and Lincoln and other townships into Christchurch. The CRETS projects aim to improve these busy transport links. This year has seen the completion of the Lincoln/Rolleston Road and Selwyn to Shands Road improvement project that has improved the safety and ease of travel along these important links.

### Construct the Eastern Selwyn Sewerage Scheme

The significant population growth in Rolleston, Lincoln, Prebbleton, West Melton and surrounding areas means that the existing sewerage schemes do not have sufficient capacity to cope with future demand. Without additional capacity, growth in the District will be severely constrained.

To provide the additional capacity, the Council is expanding land based disposal of treated waste water next to the existing Pines treatment plant and has constructed new pipelines to connect Prebbleton and Lincoln to the plant. The scheme, known as the Eastern Selwyn Sewerage Scheme is the largest project that the Council has ever undertaken. The new plant is under construction and will start operating in 2013.

### Develop our District as a high quality place to live

All residents in the District want a good living environment. The Council believes that the District should grow in a coordinated way so that residents enjoy the benefits of easy access to open space, quality local facilities (retail, recreation, schools, medical centres etc.), workplaces, a good road network, cycleways and walkways, public transport links, appropriate residential densities and sound water and waste water infrastructure. In particular, the District should have a sense of identity, of its own special character and history – a sense of place.

As part of this initiative the Council has already adopted Urban Design Plans (known as Structure Plans) for its main growth areas – Rolleston, Lincoln and Prebbleton. These plans will guide development and land use and help create high quality places to live. Work is underway to turn the plans into reality and the Council has recently approved amendments to the District Plan (Plan Change 7) to allow the towns to develop in the way envisaged by the structure plans.

As part of its broad planning for the District, the Council is a signatory to the Greater Christchurch Urban Development Strategy and is preparing a District Development Strategy to help guide planning decisions for the entire District. The project has allowed lots of opportunities for local people to get involved and will include a formal consultation phase during early 2013.

## **Make our resource consent processes more user friendly**

The Resource Consent process is complex and is often perceived as difficult for applicants to use. The Council is committed to systems that will meet and exceed customers' expectations of quality and timeliness. Initiatives include on-going liaison with our customers through Council's e- magazine "Selwyn Talk" our customer user group quarterly meetings and the availability of a touch screen customer survey at our front counter. The Resource Consent Team is also expanding its e-services which include the development of interactive pages on Council's website providing a real time snapshot of land development through the subdivision process and the development of a consent tracking programme allowing the public to track the progress of resource consent applications online.

## **Implement our Libraries for Life strategy**

Libraries provide services that are highly valued and very well used by local people. They reach out to all age groups and provide education, recreation and inspiration to many. They are at the heart of a strong community.

In 2008, the Council adopted a strategic plan for its library service – 'Libraries for Life'. The strategy is to develop a library service that is good for the entire District. The strategy focuses on improving library buildings so that they are welcoming and have sufficient space to meet the community's needs.

The improved library in Leeston has been a great success and after the 2009 move, usage increased by 80%, and since opening in February 2011, the new library in Darfield has also proved to be very popular.

Construction of a new Lincoln Library is expected to start before Christmas 2012 and take nine months to finish. The new building will bring a huge improvement to the library facilities available to residents in Lincoln and surrounds.

The final library planned as part of the "Libraries for Life" strategy, an extension, improvement or replacement for the current Rolleston Library, is included in the final year of the Council's Long Term Plan 2012/22. This is a signal of intent to provide an improved library in Rolleston and the actual timing, funding and location of the library will be kept under review over the coming years.

## **Plan for the possible impact of the Central Plains Water scheme**

The planned Central Plains Water Scheme will have a big impact on the District and has the potential to bring substantial economic and recreational rewards.

After 11 years, the resource consents for the scheme have been granted and the detailed planning for the construction, operation and financing of the scheme can begin. As part of its Long Term Plan for the next 10 years the Council supported a \$5 million loan to CPWL to help fund the detailed design work for the first stage of the scheme. The loan is on commercial terms and includes a number of conditions. This funding, alongside funding from the Ministry for Primary Industries, is a major boost to the scheme and will help it progress over the next two years. The detailed design work will allow the Council to assess in more detail any impact the scheme will have on the Council's infrastructure, as well as helping to assess how it may affect land use patterns and population growth in the future.

## **Make the most of our investments**

Ratepayers benefit greatly from the returns from the Council's company, Selwyn Investment Holdings Limited (SIHL). SIHL has been actively seeking ways of maximising returns to the Council over recent years, including supporting the Selwyn Plantation Board's sale of its land and forest assets, and facilitating the amalgamation of both KB Irrigation Limited and Ferguson Brothers Limited with SICON Limited. The sale of the Selwyn Plantation Board's assets will result in a future capital payment to the Council that can then be invested to generate income. This income will replace the income that might otherwise have been achieved from the Plantation Board's forestry and farming activities.

It has been another difficult year for the Council's trading company SICON Limited. A combination of tight margins on the New Zealand Transport Agency Contract in South Canterbury, rework costs on some contracts and the lack of significant work from weather events resulted in a loss for the year. Despite this Selwyn Investment Holdings Limited was still able to provide a dividend of nearly \$4.3 million. This is above the level anticipated in its statement of intent due to a special dividend from Orion New Zealand Limited which achieved better trading results than expected.

It was a positive year for the Izone Southern Business Hub. There has been a marked upturn in sales activity since the earthquakes with sales of \$4.1 million in the 2011/12 year and an even greater level of sales anticipated in the 2012/13 year. In response to the increased demand the Council has brought forward the development of Izone stage 6, which is due for completion in 2013.



## **Manage our finances in a fair and prudent way**

At \$13.5 million the Council's surplus for the 2011/12 financial year was \$3.6 million better than budgeted. (Revenue for the year was \$6.9 million above budget and expenditure was \$3.3 million above budget). If the non-cash revenue from the value of assets vested in the Council by sub-dividers is excluded, the underlying result for the Council is a surplus of \$584,000, \$1.3 million better than budgeted. Areas where income exceeded budget included dividends, earthquake insurance proceeds and vested assets. Areas where expenditure exceeded budget included earthquake repairs, road maintenance and financing costs.

The Council borrowed \$30.2 million during the year, taking its total borrowing to \$83.2 million. The borrowing was used to fund the construction of the Eastern Selwyn Sewerage Scheme (funded from development contributions), roading improvements (funded from general rates) and the Lincoln Integrated Stormwater Management Plan (funded from development contributions).

## HOW WE PERFORMED



## How we performed

This section provides information on how the Council has performed over the past year.

### In this section

#### Activities

- Community Services
- Democracy
- Environmental Services
- Transportation and Townships
- Waste Management
- 5 Waters Services (Water and Waste Water)
- Izone Southern Business Hub and Property Sales
- Internal Council Support Services

## How we performed - introduction

### Introduction

The Council provides a wide range of services for and on behalf of the residents of the District. For planning and reporting purposes, these services are grouped together as significant activities. The Council's plans for each significant activity for the 2011/12 financial year were set out in the Annual Budget 2011/12.

The purpose of this section of the Annual Report is to report on the degree to which the Council achieved what it set out to do for each significant activity in both financial and non-financial terms, and its actual performance for the year.

This section of the Annual Report provides the following information for each activity:

- a brief description of the activity
- the overall goal for the activity
- the community outcomes to which the activity contributes
- a statement of service performance that sets out how the Council has performed against its non-financial targets for the year
- a financial operating statement that shows the revenues and expenditure for the activity and explains variances compared with the budget and the previous year
- a capital expenditure statement that details the capital expenditure of each activity and explains variances compared with the budget and with the previous year's expenditure.

### Measurement of progress towards community outcomes

Schedule 10 of the Local Government Act 2002 requires the Council to report on the results of any measurement of progress towards achieving the community outcomes detailed in the Selwyn Community Plan (LTCCP) 2009-2019. It also requires the Council to describe any identified effects that any activity has had on the social, economic, environmental or cultural well-being of the community.

The Council published a report on the community's progress towards achieving its community outcomes in June 2009. The summary of progress in that report reads as follows:

*'This report confirms what local residents already know; Selwyn is a great place to live. We enjoy the benefits of a strong and growing local economy, a clean natural environment, a relatively safe community and the advantage of good transport links around the District and into Christchurch.*

*'There are however, some aspects of life in the District where we as a community can do better. Although the rural nature of the District gives us many advantages it also brings some disadvantages. Our access to health and social services is not as good as it should be and is something we need to improve. Also, the provision of recreational and arts and cultural facilities is limited compared with more urban areas. Making progress in these areas presents a challenge for the future.'*

The full report is available on the Council's website. The following section of the annual report includes information on the Council's activities and performance for the 2011/12 financial year and, where relevant, sets out information on how the activity has contributed towards achieving the community outcomes and the effects of its activities on the well-being of the community.

### Residents' survey

The statement of service performance that sets out how the Council has performed against its non-financial targets for the year includes a number of performance measures taken from a survey. This was an independent telephone survey of 1002 households in the Selwyn District that included questions about some of the services the Council provides. The survey was conducted by Research First in July 2012.

The results are expressed in the form of a performance rating out of 100. The survey asked respondents whether the Council is doing a very good job, a good job, a poor job, or a very poor job. The answers were weighted depending on the response with a very good job scoring 2, a good job scoring 1.5, a neutral response scoring 1, a poor job scoring -1.5 and a very poor job scoring -2. No responses scored 0. The weighted scores were converted to a 100 point scale, where a maximum score (all responses being a very good job) equals 100, and a minimum score (all responses being a poor job) equals zero.

The survey has a margin of error of +/- 3.1%.

## How we performed – community services

### Activity description

This area includes a wide range of activities that help make Selwyn a great place in which to live, work and play. It includes the following:

- community development
- reserves and domains
- library services
- property and office buildings
- rural fire protection
- civil defence
- playgrounds
- halls and community centres
- swimming pools
- public toilets
- pensioner housing and rental units
- rental housing
- cemeteries
- forestry
- business development and promotion
- tourism promotion.

### Why is the Council involved?

Local authorities are the only organisation in New Zealand mandated by law to look after the social, cultural, economic and environmental wellbeing of their residents. There is mounting evidence of an association between strong safe communities and desirable outcomes, for example economic growth, social cohesion, improved health, more vibrant democratic institutions, and safety.

People have told the Council through a number of community surveys and community consultations how important it is to them to belong to safe, active, caring and cohesive communities. They support the Council's community development activities and believe that strengthening communities is fundamental to the continuing development of Selwyn.

### Activity goal

Our goal is to:

- build strong, safe communities
- support local economic prosperity
- enhance the natural environment and landscape
- enable residents to live healthy and active lives.

### Council contribution to community outcomes

The community services activities contribute to the achievement of the following community outcomes:

- a clean environment
- a rural District
- a healthy community
- a safe place in which to live, work and play
- an educated community
- a prosperous community
- a community which values its culture and heritage.

## Statement of service performance

Many people chose to live in the Selwyn District because of its high quality natural environment populated with a number of townships, amongst what is essentially a working rural backdrop. Both the townships and the rural environments present opportunities for the Council to add significantly to people's enjoyment and wellbeing on an everyday basis. The facilities provided by Council have a major impact on both the social and cultural quality of life for the District's residents, while enabling the retention of the best elements of its natural environment.

The Selwyn District has had unprecedented population growth since 1990 and continues to be the fastest growing territorial authority area in New Zealand. The Canterbury earthquakes have also seen more Christchurch people wanting to relocate to Selwyn. This growth has led to increasing demand for community activities, facilities and services. People choose to live where they can enjoy a range of amenities and facilities, not just where they can be within easy reach of employment opportunities. The Council aims, through community facilities, to create environments where there is a good balance of both economic and the more intangible benefits people look for when they settle into a community.

Community halls provide social venues and libraries are key facilities to enable people to meet, find out information, have access to reading and educational material, and keep up with news and events in the District. Library facilities are sometimes integrated with Council Service Centres, as in Leeston, Darfield and Lincoln to provide a community information hub. The network of community swimming pools and an indoor swimming complex, will provide recreation, health and social opportunities for residents and visitors as well as life skills such as learning to swim.

The Council is committed to providing facilities to support this population growth. The construction of the Selwyn Aquatic Centre is well under way with scheduled completion in mid-2013. The development of the Selwyn Aquatic Centre will provide modern swimming facilities for the whole District. The Council supported eight operational pools in the 2011/12 year, the same as in the previous year. The number of swims per capita increased to 0.56 but is below the target of 1.8. This target was not achieved as when the target was set in June 2009 it was assumed that the Selwyn Aquatic Centre would open during 2011/12.

The Council's library network has continued to act as a central hub of the community providing information and a wide range of recreational, cultural and learning opportunities for all ages. The percentage of registered library users increased over the last 12 months to 63% of the total population. During the year there were 14.9 issues per patron which was below the target of 18.5 issues or better. Construction of the Lincoln Library and Service Centre has begun and supports the Council's "libraries for life strategy".

A high proportion of residents continue to report a sense of community with their neighbourhood in the residents' survey. 78% of residents reported a sense of community which is slightly down on 83% last year but still a good result. The Council's initiatives such as day clubs, newcomers groups and a variety of new agencies provide health and social services in the District which helps achieve this sense of community. The Council continues to introduce a number of recreation opportunities in the District, such as walking groups, dance and circuit classes, as well as activities for young people like holiday programmes and skate schools. In addition, many community groups which provide physical activity have been given advice and assistance by Council staff. These activities and initiatives all contribute to the achievement of the community outcome, 'a healthy community'.

Open space in the townships, along streams, together with the larger parks in the rural areas, provides relief from the intrusion of everyday noise and distractions, enabling people to relax and enjoy the natural surroundings. This is particularly important in a world where rapid development quickly erases traces of past flora and historical remnants. Open space is obtained, developed and maintained by the Council to allow natural elements to remain in harmony – water, trees, ecosystems, vegetation, and wildlife are important in forming landscapes which preserve the District's character and have cultural and environmental values important to residents and visitors. 72% of residents surveyed have used or visited a public park or reserve in the past 12 months and residents' satisfaction remains high at 86%.

Residents continue to be satisfied with the Council's provision of community centres and halls as local venues for recreational and social uses, scoring an 80/100 performance rating. The number of buildings in average condition or below has decreased to 18.5% which is an improvement on last year and also exceeds the target of 20%.

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Residents have open spaces for physical recreation activities and social contact to benefit physical and mental wellbeing.	Percentage of residents who have used or visited a public park or reserve in the past 12 months.	Percentage 70% or better.	<b>Achieved</b> 72% of residents surveyed. (2011: Not achieved)
	Hectares per 1000 population are above the average for similar sized District authorities (minimum 3ha/1000).	Number of hectares per 1000 head of population is greater than 5ha.	<b>Achieved</b> 5.07ha per 1000 head of population. (2011: Achieved)
Township reserves and streetscapes enhance the landscape character of the District and unique identity of township environments and provide places for recreation activities and social contact to benefit physical and mental wellbeing.	The performance rating (out of 100) for parks and reserves in the residents' survey.	Performance rating is 80/100 or better.	<b>Achieved</b> 86/100 (2011: Achieved)
	Percentage of townships where all residents are serviced by a reserve within 400m.	Percentage is 90% or better.	<b>Not achieved</b> 71% (the target of 90% was based on inaccurate original data on current provision). (2011: Not achieved)
Community centres and halls provide local venues for social, cultural, recreational and educational uses.	The performance rating (out of 100) for community centres/halls in the residents' survey.	Performance rating 65/100 or better.	<b>Achieved</b> 80/100 (2011: Achieved)
	Numbers of buildings in average condition or below based on cyclical condition inspections.	Percentage is less than 20%.	<b>Achieved</b> 18.5% were in an average or below average condition. (2011: Not achieved)
Public swimming pools contribute to Selwyn District being an attractive place to live and provide places for recreation activities and social contact to benefit physical and mental wellbeing	Number of local, sub-District and District pools.	Number of pools equals 8.	<b>Achieved</b> There are 8 pools in the District. (2011: Achieved)
	Number of swims per capita of District population per year.	Number is greater than 1.8. (Note: This target was set in June 2009 and assumed that the Selwyn Aquatic Centre would open during the 2011/12 year. The centre is now expected to open in 2012/13).	<b>Not achieved</b> 0.56 swims per capita (this target is based on an estimate of usage at existing community pools). (2011: Achieved)
Provision of public toilets helps to promote a healthy living environment for District residents and has economic benefits in supporting local businesses, visitor destinations and tourism.	The performance rating (out of 100) for public toilets in the residents' survey.	Performance rating is 60/100 or better.	<b>Achieved</b> 65/100 (2011: Achieved)
A network of cemeteries is provided to meet the District's burial and remembrance needs.	The performance rating (out of 100) for cemeteries in the residents' survey.	Performance rating is 72/100 or better.	<b>Achieved</b> 84/100 (2011: Achieved)

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Provide community development services and advice to Selwyn residents.	Residents' sense of community.	Increase in percentage from baseline set in 2010/11 residents' survey.	<b>Not achieved</b>  2012: 78%  (2011: 83%) (2010: 83%)
	Percentage of Selwyn residents engaging in regular physical activity.	Increase in percentage from baseline set in 2010/11 residents' survey.	<b>Not achieved</b>  2012: 49%  (2011: 58%) (2010: 50%)
	Number of new businesses established in the District.	2% increase from 2009/10.  <i>(The latest information available is from March 2011 which indicated that there was a 0.7% decrease in the number of businesses recorded in Selwyn District.)</i>	<b>Not achieved</b>  The latest information available indicated that there had been a decrease of 0.7%. Based on this information it is unlikely this target has been achieved.  (2011: Not achieved)
	Number of people employed within the District (from the 2011 census).	47% of working population.  <i>(Due to the deferral of the 2011 census, information is not available to report against this performance measure in the current financial year.)</i>	<b>Not measured</b>  The household labour force survey conducted by Statistics New Zealand indicates that the Canterbury region has an employment rate of 65%. Based on this information it is more likely than not that this performance measure has been achieved.  (2011: Not measured)
Provide library and cultural services.	Registered library users as a percentage of total population.	49% of population.	<b>Achieved</b>  As at the 30 June 2012 there were 24,440 registered patrons from an estimated population of 38,800, which is 63% of total population.  (2011: Achieved)
	Issues per patron per annum.	18.5 issues or better.	<b>Not achieved</b>  During the year there were a total of 346,218 issues from an average patron population of 23,280 (being the patrons as at December 2011 as a midpoint). This is 14.9 issues per patron.  (2011: Not achieved)



## Community services activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Targeted rates	4,232	4,189	3,120	Note 1	
Development contributions	2,691	2,048	1,659	Note 2	Note 13
Vested assets	3,651	-	622	Note 3	Note 14
Other revenue	2,300	2,889	3,488	Note 4	Note 15
<b>Total activity revenue</b>	<b>12,874</b>	<b>9,126</b>	<b>8,889</b>		
<b>Operating expenditure</b>					
Business development / district promotion	555	727	593		
Cemeteries	429	595	333		Note 16
Civil defence	222	231	713	Note 5	
Community centres and facilities	2,209	2,385	1,541	Note 6	
Community development	725	933	831		Note 17
Elderly housing	29	33	28		
Forestry	196	84	43		
Library services	1,525	1,584	1,398	Note 7	
Medical centres	15	25	19		
Property and buildings	891	987	960		
Public toilets	286	425	245		
Recreation reserves	2,611	3,152	2,532		Note 18
Rural fire protection	517	475	441		
Sports and culture grants	56	66	66		
Swimming pools	355	616	268		Note 19
<b>Total operating expenditure</b>	<b>10,621</b>	<b>12,318</b>	<b>10,011</b>		
<b>Surplus / (deficit)</b>	<b>2,253</b>	<b>(3,192)</b>	<b>(1,122)</b>		

## Community services activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Cemeteries	10	46	35		
Civil defence	5	13	-		
Community centres and facilities	325	1,905	133		Note 20
Library services	427	3,891	1,310	Note 8	Note 21
Medical centres	50	720	35		Note 22
Property and buildings	71	2,214	5,676	Note 9	Note 23
Council headquarters	41	-	-		
Public toilets	151	518	197		Note 24
Recreation reserves	1,213	2,779	8,736	Note 10	Note 25
Rural fire protection	65	189	411	Note 11	Note 26
Swimming pools	3,362	7,641	526	Note 12	Note 27
<b>Total capital expenditure</b>	<b>5,720</b>	<b>19,916</b>	<b>17,059</b>		

*Explanations of significant variances to actual 2011:*

1. Targeted rate revenue is higher than 2011 due to the introduction of the new District wide swimming pools rate. The new rate is used to help fund both the new Selwyn Aquatic Centre and the five community pools that were previously funded from local targeted pool rates. The additional revenue generated from this new rate is \$900,000 above the 2010/11 swimming pool targeted rate.
2. Development contributions revenue is higher than 2011 due to continued growth in the District and a greater level of subdivision activity.
3. Vested assets revenue recognises the value of reserves established by land developers that transfer to the Council when a development is complete. More vested assets were received in 2012 than 2011 due to the greater level of sub-division activity.
4. Other revenue is lower than 2011 due to the Government reimbursement of earthquake emergency response costs totalling \$1.15 million in the previous financial year. This included reimbursement for damage to the Council's housing stock and costs associated with civil defence emergency response. There was an upward valuation movement in the Council's forestry valuation during the 2011 financial year, whereas this year there has been a downward movement.
5. Civil defence expenditure is lower than 2011 due to the cost of responding to the 4 September 2010 and 22 February 2011 earthquakes in the previous financial year.
6. Community centre expenditure is higher than 2011 due to a full year of costs associated with the Lincoln Event Centre.
7. Library service costs have increased compared with 2011 due to general increases in the cost of staff and other general expenditure. The reversal of a \$95,000 provision in the 2011 financial year reduced expenditure last year.
8. Library services capital expenditure is lower than 2011 because that year included \$1 million expenditure on Darfield library improvements.
9. Property and buildings capital expenditure is lower than 2011 because that year included \$5.1 million of capital expenditure on the Lincoln Event Centre and a strategic land purchase totalling \$428,000.
10. Recreation reserves capital expenditure is lower than 2011 as that year included the \$5.9 million purchase of the Rolleston Recreation Precinct land and \$934,000 purchase of land for gravel reserves.
11. Rural fire protection capital expenditure is lower than 2011 as that year included \$270,000 expenditure on new fire appliances for West Melton and Hororata and expenditure of \$140,000 on the Springfield and Hororata fire stations.
12. Swimming pools capital expenditure is higher than in 2011 as it includes construction costs associated with the new Selwyn Aquatic Centre in Rolleston.

*Explanations of significant variances to budget:*

13. Development contributions revenue is higher than budgeted as the level of sub-division activity was greater than anticipated. The budget included a prudent estimate of activity due to the unpredictable nature of development in the District. The on-going effects of the economic slowdown and uncertainty surrounding growth in the District from displaced Christchurch residents continues to be hard to predict.
14. Vested assets revenue is higher than budgeted as no budget was included for vested reserves due to the uncertainty of such revenue, especially in the current economic environment.
15. Other revenue is lower than budgeted revenue as a \$1.1 million grant for affordable housing from the Canterbury Community Trust was not received as anticipated. This project has been delayed and the grant has yet to be claimed, but remains available. This variance was slightly offset by favourable variances in fundraising activities throughout the District.
16. The budgeted expenditure for cemeteries included an allowance of \$230,000 for the repair of headstones damaged by the earthquakes. The actual repair costs to date have been significantly lower than budget as the repair programme is being undertaken over a longer time period than initially envisaged.
17. Community development expenditure is below budget due to lower than anticipated staff costs.

18. Reserves expenditure is lower than budgeted as a number of projects have been carried forward for completion in the 2012/13 financial year.
19. Swimming pool expenditure is lower than budgeted as the later than expected capital expenditure on the Selwyn Aquatic Centre resulted in lower interest costs.
20. Community centres and facilities capital expenditure is below budget due to several significant projects being carried forward to the 2012/13 financial year. Included in the budget was \$1.4 million for the Lincoln Community Care rooms and landscaping for the Lincoln Event Centre.
21. Library services capital expenditure is below budget as the construction of the Lincoln library/service centre was budgeted at \$3.7 million whereas only \$246,000 was spent during the year. The project is now planned to be completed during 2013.
22. Medical centres capital expenditure is lower than budgeted as the Darfield Medical Centre project has been carried forward for completion in the 2012/13 financial year as it has taken time to finalise the building consent and final design arrangements for this project.
23. Property and buildings capital expenditure is lower than budgeted as the Springston sub-division project and the affordable housing project have been carried forward for completion in the 2012/13 financial year.
24. Public toilets capital expenditure is lower than budgeted as the Springfield and Coes Ford upgrades have been carried forward for completion in the 2012/13 financial year.
25. Recreation reserves capital expenditure is lower than budgeted as a number of projects have been carried forward for completion in the 2012/13 financial year. These projects include an extension of the Springston reserve pavilion, the development of the Rolleston recreation precinct, and Rhodes Park domain and youth parks in Leeston, Lincoln and Prebbleton.
26. Rural fire protection capital expenditure is lower than budgeted because some replacement vehicles and equipment was not purchased during the 2011/12 financial year.
27. Swimming pools capital expenditure is lower than budgeted as progress on the Selwyn Aquatic Centre was later than anticipated.

*Significant capital expenditure:*

The significant capital projects during the year were:

- Development of the Selwyn Aquatic Centre to provide modern swimming facilities for the whole district. \$3.1 million has been spent during the year with project completion planned for mid-2013.
- Construction of the Lincoln Library and Service Centre to improve library services in the Springs Ward. \$246,000 has been spent during the year.

## How we performed - democracy

### Activity description

This activity covers the costs associated with the Council's democratic process. This includes Councillors' and Community Board Members' remuneration and the cost of providing them with professional advice and support as well as the cost of organising elections every three years. It also covers certain grants made by the Council and a levy imposed by the Canterbury Museum.

The Council operates in an open way. It has established arrangements that allow local people to participate in the decision making process and encourages the community to get involved.

The major documents that guide the direction of the Council and the District are the District Plan, LTP and the Annual Report.

### Why is the Council involved?

The Council, as a creation of statute and elected by its residents, needs to have a structure which allows the communities' requirements to be identified and provided for by those individuals who are elected to office.

To achieve this, the Council has a small number of sub-committees and currently no standing committees (other than the Izone Southern Business Hub) as it believes, by conducting its business twice a month it can achieve better and faster results for the community.

In addition, the Council has Community Boards in the Selwyn Central Ward and the Malvern Ward. One role of Community Boards is to provide the Council with 'grass roots' information on the activities of its Ward and the issues that need to be resolved by the Board and the Council.

In each township, the Council has either a Community Committee or a Township Committee, or in some instances, a Ratepayers' Association exists to provide the Council and the Community Boards, in the relevant areas, with specific requests for services or resolution of issues that affect that particular town and its surrounding area.

The Council also has a number of Community Centres and Recreation Reserves. For each of these facilities, a Management Committee is elected to both govern the facility and ensure that the works that they decide are required for the Community Centre and Reserve are undertaken.

There are a number of committees within the Selwyn District. This structure allows local people to have a local say on local issues.

### Activity goal

The democracy activity is used to provide effective and efficient representation for ratepayers in a fair and equitable manner.

### Council contribution to community outcomes

For many of the community outcomes, the Council has an advocacy role with government departments and other organisations. The Council will ensure that it takes every practical opportunity to undertake this role to achieve the community outcomes whether it is through formal meetings, submissions or informal gatherings at elected member or staff level to the appropriate organisations.

### The Council's discretionary grants

The Council administers a number of discretionary grants. Information on each of the grants can be obtained from any of the Council's Service Centres.

The Council paid the following grants during the year:

Discretionary fund - Wards	40,526
Discretionary fund – Councillors	9,199
Mayoral fund	1,371
Community special events	6,000
Banks Peninsula trotting	1,436
Summit Road protection authority	1,643
Waihora Ellesmere trust	22,260
Other minor grants	4,172
Lincoln Envirotown trust	33,393

Total grant funding	\$120,000
---------------------	-----------

In addition to the above grants, the Council also makes a grant to the Canterbury Museum Trust as per the Canterbury Museum Trust Board Act 1993 totalling \$288,126 (2011: \$265,578).

After the earthquake events, the Council has greatly appreciated the support of the individuals and organisations that made donations to help the community. The Mayor's Emergency Special Fund held \$50,893 as at 30 June 2012. These funds will continue to be used to provide financial support to residents in the future.

## Statement of service performance

The Council strives to provide opportunities for the community to participate in decision-making that contributes to a well-governed District by providing information, undertaking consultation and processing the community's input.

Mandatory consultation and notification is required by numerous legislation and regulations relating to the Council's functions. In addition, the Council's own internal processes require staff to consider the need to consult at various stages of key projects.

The community have the opportunity to speak on matters of concern at Council meetings. Customer forums provide those who deal with the Council on a regular basis, scope to contribute ideas and offer feedback to assist the Council in continually improving its customer services.

We received 395 submissions on the Council's draft Long Term Plan (LTP) 2012/22. The submissions cover a wide range of issues, demonstrating the community's interest in the Council's activities and proposals for the coming 10 years. The Council heard from submitters wishing to speak on 28 and 29 May and deliberated on all submissions on 1 and 5 June.

The Council conducted 24% of its business in a public excluded meeting. It did not manage to achieve its performance measure of less than 5% of the Council business being publicly excluded. All sensitive business such as land purchases are conducted in a public excluded meeting to protect the Council's negotiating position. There were a significant number of items of this nature over the past year. Of a total of 174 reports, 41 were presented in publicly excluded meetings.

For many of the community outcomes, the Council has an advocacy role with Government departments and other organisations. The Council takes every practical opportunity to undertake this advocacy role whether it is through formal meetings, submissions or informal gatherings at elected member or staff level. In this way, the Council has an impact on the social well-being of the community by ensuring a wide range of opportunities are available for individuals and groups to be involved in local government decision-making.

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Take decisions in an open and accountable manner.	All meetings of elected members are held in compliance with the Local Government (Official Information and Meetings) Act 1987.	Conduct less than 5% (by item) of the Council's business in a public excluded meeting.	<b>Not achieved</b>  24% of Council's business was held in a public excluded meeting.  (2011: Not achieved)
Prepare key accountability documents in accordance with good practices that allow for easy input from ratepayers and meet statutory requirements.	The annual report, annual budget and Selwyn Community Plan meet good practice standards.	The annual report, annual budget and Selwyn Community Plan are prepared within statutory timeframes and, where relevant, with an unmodified audit opinion.	<b>Achieved</b>  The annual report 2010/11 was adopted on 26 October 2011 with an unmodified audit opinion.  The Long Term Plan (LTP) 2012/22 was adopted on 27 June 2012 with an unmodified audit opinion.  (2011: Achieved)

## Democracy activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Targeted rates	466	468	429		
Other revenue	25	-	187	Note 1	
<b>Total activity revenue</b>	<b>491</b>	<b>468</b>	<b>616</b>		
<b>Operating expenditure</b>					
Mayoral	241	265	236		
Council	2,010	2,255	2,208	Note 2	Note 3
Community boards	151	181	169		
Grants and subscriptions	514	507	474		
<b>Total operating expenditure</b>	<b>2,916</b>	<b>3,208</b>	<b>3,087</b>		
<b>Surplus / (deficit)</b>	<b>(2,425)</b>	<b>(2,740)</b>	<b>(2,471)</b>		

### Explanations of significant variances to actual 2011:

1. Other revenue is lower this year due to one off non-recurring receipts received during the 2010/11 financial year. In 2010, the Council received \$53,000 in donations towards the Council's earthquake relief fund, \$59,000 from the Canterbury District Health Board as contribution towards the cost of the October 2010 election and \$70,000 was received in relation to the Selwyn Community Awards evening. In comparison, the Council received \$21,000 in donations towards the Mayor's emergency fund.
2. Council expenditure is lower than 2011 as in 2011 the Council incurred \$118,000 of election related expenditure. There was no election expenditure incurred during the current financial year.

### Explanations of significant variances to budget:

3. Compared with budget the Council incurred less operational expenditure than originally budgeted.

## How we performed – environmental services

### Activity description

The environmental services group of activities contributes to the well-being of the residents of the District by working to protect the community from a variety of risks and to enhance the quality of the built and natural environment in which we live. It includes the following activities.

#### Building control

Building control receives and processes applications for building consents, undertakes the inspection of building works and issues the necessary certificates for building related work. Ongoing work is required to maintain the Council's accreditation as a Building Consent Authority following the biennial accreditation review by International Accreditation New Zealand in October 2011.

As a result of the 4 September 2010 earthquake, there will be an additional work demand associated with the replacement of dwellings and the repair of earthquake damage. Additional demand is also expected for new dwellings for persons displaced from Christchurch City. This demand will be met by engaging additional staff and consultants. Although Central Government is investigating changes to how the building control function is delivered (including a more centralised consenting process), the timing of any future changes is uncertain.

#### District plan administration

This activity receives and processes resource consent applications, provides planning input into Project Information and Land Information Memoranda (PIMs and LIMs) and responds to requests for clarification or interpretation of District Plan provisions.

With significant changes having been made to the District Plan to provide for a more guided approach to development; more evaluation will be required at the District Plan administration stage, particularly with regard to such matters as urban design.

#### Environmental health

This activity issues a range of licences including those relating to the sale and manufacture of food, the sale of liquor, hairdressers, amusement devices, mobile shops, hawkers and offensive trades. Complaints are also responded to and infectious and notifiable diseases investigated.

In the future it is projected that the Council's role in the control of food premises will change as Central Government is reviewing the current licensing regime with the view of moving to Food Control Plans. It is possible that these changes will be phased in during the 2012/13 financial year with the new plans being audited on an annual basis by Environmental Health Officers. A number of food premises have opted to have voluntary Food Control Plans as part of the transition to the new regulatory requirements.

#### Monitoring

This activity monitors the conditions placed on resource consents for compliance and responds to activities which are being conducted without the appropriate consent.

With Selwyn District being located close to Christchurch City and on relatively inexpensive land, there is increasing pressure to take action with regard to non-rural activities being established in rural locations without resource consents.

#### Strategy and policy

The Council undertakes strategic land use and policy functions to maximise the benefits of growth for its communities and to address its negative impacts. Through working with communities and other stakeholders, different growth scenarios are identified, analysed and a preferred option chosen.

One of the chief drivers for this strategic approach to managing growth is the Greater Christchurch Urban Development Strategy which covers the north eastern part of the District and includes the settlements of Lincoln, Prebbleton, Rolleston and West Melton. The completion of the Future for Selwyn Strategy which covers the balance of the District was a major initiative designed to investigate what opportunities existed and what the Council can do to create the desired future in the next 30+ years.

The Council is also required to monitor the effectiveness and efficiency of its District Plan and this activity area prepares and promulgates plan changes where necessary.

#### Animal control

This activity area registers and keeps a record of all dogs (over 3 months of age) in the District, is responsible for administering and enforcing the Dog Control Act 1996 and the Council's Dog Control Bylaw and handles all stock related complaints. An important issue is the provision of exercise areas for dogs particularly in the larger settlements of Rolleston and Prebbleton. Micro-chipping clinics are also provided free of charge on a monthly basis for qualifying dogs.

## Activity goal

To provide effective advice and services in an efficient manner to enable the Council to discharge its resource management, environmental health, building, animal control and general law enforcement.

## Council contribution to community outcomes

The environmental services activities contribute to the achievement of the following community outcomes:

- a clean environment
- a rural District
- a safe place in which to live, work and play
- a prosperous community.

## Statement of service performance

The Council met 14 out of 18 performance measures in the 2011/12 year for the environmental services activity.

Processing times for building consents and full code of compliance certificates are consistent with the previous financial year at 11 days and 9 days respectively. At the same time, the percentage of these applications processed within the 20 working day target has decreased slightly from 98% to 96% for building consents and 96% for code of compliance certificates. Therefore, the Council just fell short of meeting the 100% target in processing building consents and code of compliance certificates within statutory timeframes. 96% of building consent applicants were satisfied with the service received from the building consent department whilst applying for their consent.

The planning department processed 96% of building consents within statutory timeframes. Customer satisfaction with the service received from the planning department while applying for consent was 81%, not quite meeting the 90% target set. Following the earthquakes, new legislation was introduced which has reduced the time, cost and bureaucracy involved in providing temporary accommodation for people displaced by the earthquake.

Animal control achieved all of their performance measures in the past year, translating to all known dogs being registered and all complaints with regard to dog control investigated in a timely manner. Ongoing education of the public via school visits, forums for owners, and visits to community organisations have raised the awareness of both the direction of the animal control department and issues for the District. A number of procedures around investigation of complaints and good practice are being developed to create consistency in outcomes and performance.

The policy and strategy function of the Council develops policies and plans that encourage high-quality development, ensuring sustainable growth in the District, whilst minimising adverse effects on the environment and preserving its rural character. A programme of plan changes to enhance the District plan is prepared and approved by the Council on a regular basis. Development is also progressed through private plan changes, all of which were processed by the Council within statutory timeframes this year. Residents expressed their satisfaction with the Council's efforts to plan for the District's future in the residents survey, with the majority of residents surveyed believing the Council was doing a good or very good job. This shows how these activities are contributing to the achievement of community outcomes, 'a rural District' and 'a prosperous community'.



**Service target** – Process all resource consents, building consents and other enquiries in accordance with approved procedures, legislative requirements and time constraints.

The Council will process consents within the timeframes noted below:

Indicator	Number Processed	Working days target	Target % within working days	Achieved within working days	Average processing days
Subdivision consents – notified (with hearing)	-	-	-	-	-
Subdivision consents – notified (no hearing)	-	-	-	-	-
Subdivision consents – limited notification (with hearing)	3	70	90%	100%	64.67
Subdivision consents – limited notification (no hearing)	3	70	90%	100%	39.25
Subdivision consents – non-notified (no hearing)	120	20	90%	100%	15.27
Land use consent – notified (with hearing)	3	70	90%	100%	68
Land use consent – notified (no hearing)	-	-	-	-	-
Land use consent – limited notification (with hearing)	5	70	90%	100%	66
Land use consent – limited notification (no hearing)	8	70	90%	100%	39.25
Land use consent – non-notified (no hearing)	219	20	90%	99%	13.69
Building consents	1924	20	90%	96.36%	11
Full code of compliance certificates	1459	20	100%	96.37%	9

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
<b>Building control</b>			
That all buildings within the Selwyn District are constructed in accordance with legislative and community expectations by making timely and quality decisions on issues related to building consents and ensuing project construction.	Proportion of building consents issued within statutory timeframes.	100%	<b>Not achieved</b> 96.36% (2011: Not achieved)
	Proportion of code of compliance certificates issued within statutory timeframes.	100%	<b>Not achieved</b> 96.37% (2011: Not achieved)
To interact with customers in a manner resulting in a high level of customer satisfaction.	Proportion of building consent applicants satisfied or very satisfied.	90% or better	<b>Not achieved</b> 89.05% (2011: Not achieved)
<b>Plan administration</b>			
That activity within the Selwyn District is undertaken in line with community expectations as expressed through the District plan, making timely and quality decisions on resource consents.	Proportion of resource consents issued within statutory requirements.	90% or better	<b>Achieved</b> 99.7% (2011: Achieved)
	Proportion of Environment Court appeals settled or found in the Council's favour.	70% or better	<b>Achieved</b> There were no appeals this year. (2011: Achieved)
To interact with resource consent applicants in a manner that results in a high level of customer satisfaction.	Proportion of resource consent applicants very satisfied or satisfied.	85% or better	<b>Achieved</b> 96% (2011: Not achieved)
<b>Environmental health</b>			
All registered premises are operated in a manner that minimises any adverse effects on public health.	Proportion of registered premises or premises with a food control plan inspected/audited annually.	100%	<b>Achieved</b> 100% (2011: Achieved)
	All premises are classified according to risk.	100%	<b>Achieved</b> 100% (2011: Achieved)
<b>Sale of liquor</b>			
All licence applications are processed efficiently in accordance with legislative requirements.	Proportion of special licences issued within ten working days.	100%	<b>Achieved</b> 100% (2011: Not achieved)
	Proportion of all other licences issued within 20 working days.	100%	<b>Not achieved</b> 97% (2011: Achieved)

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
<b>Monitoring</b>			
Ensuring activities within the Selwyn District are undertaken in line with community expectations as expressed through the District plan and the resource consents that have been granted.	Proportion of resource consents monitored within stipulated timeframe.	100%	<b>Achieved</b> 100% (2011: Achieved)
<b>Policy and strategy</b>			
Planning and providing for the sustainable management, development and protection of natural and physical resources of the District as required by Section 5 of the Resource Management Act 1991 and to develop, amend and review the Selwyn District plan to reflect the strategic direction and meet statutory requirements.	A programme of plan changes to enhance the District plan is prepared and approved by the Council each year.	A Council report with a programme of plan changes is placed on the Council agenda twice a year.	<b>Achieved</b> This is done each year. Updates are supplied monthly to the Council meeting for information purposes. (2011: Achieved)
	Proportion of private plan changes processed within statutory timeframes.	100%	<b>Achieved</b> 100% (2011: Achieved)
Engaging with local communities, developers and other interested parties to develop a strategic direction.	Adoption of the strategies.		<b>Achieved</b> No strategies were planned to be adopted during the current financial year. (2011: Achieved)
	Residents' survey level of satisfaction is maintained or increased.	Residents' satisfaction is maintained or increased.	<b>Achieved</b> 67/100 (2011: 55/100) (2010: 52/100)
<b>Animal control</b>			
Registration of all known dogs.	Registration of all known dogs by year end 30 June.	100%	<b>Achieved</b> 100% (2011: Achieved)
All complaints in regard to dog control are investigated in a timely manner.	Percentage of urgent callouts attended to within four hours.	100%	<b>Achieved</b> 100% (2011: Achieved)
	Percentage of non-urgent callouts attended to within 72 hours.	100%	<b>Achieved</b> 100% (2011: Achieved)

## Environmental services activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
User charges - animal control	333	324	278		
User charges - building	3,195	3,024	2,402	Note 1	
User charges - environmental health	101	106	74		
User charges - resource management	707	448	451	Note 2	Note 5
User charges - RMA monitoring	19	38	15		
User charges - resource policy	133	192	348	Note 3	
<b>Total activity revenue</b>	<b>4,488</b>	<b>4,132</b>	<b>3,568</b>		
<b>Operating expenditure</b>					
Animal control	350	375	333		
Building	3,675	4,022	3,496		Note 6
Environmental health	180	178	169		
Resource management	1,182	1,169	1,114		
RMA monitoring	139	162	167		
Resource policy	1,713	2,040	2,165	Note 4	Note 7
<b>Total operating expenditure</b>	<b>7,239</b>	<b>7,946</b>	<b>7,444</b>		
<b>Surplus / (deficit)</b>	<b>(2,751)</b>	<b>(3,814)</b>	<b>(3,876)</b>		

## Environmental services activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Building	-	-	34		
<b>Total capital expenditure</b>	<b>-</b>	<b>-</b>	<b>34</b>		

### Explanations of significant variances to actual 2011:

1. Building revenue is higher than 2011 due to increased building activity in the District compared with the previous financial year.
2. Resource management revenue is higher than 2011 as a result of a significant resource consent.
3. Resource policy revenue is lower than 2011 due to higher revenue arising from private plan changes during the 2011 financial year.
4. Resource policy expenditure is lower than 2011 due to higher expenditure that arose from private plan changes and the costs associated with Plan Change 7 to rezone land in the east of the District.

### Explanations of significant variances to budget:

5. Resource management revenue is higher than budget due to a significant resource consent.
6. Building expenditure is lower than budgeted as the budget included building authorities levies of \$660,000 that are treated as agency transactions (i.e. expenditure relating to another organisation) in the annual report and therefore excluded from operating expenditure. This is offset by increased expenditure due to greater than anticipated building activity.
7. Resource policy expenditure is lower than budget due to lower than anticipated staff costs.

## How we performed – transportation and townships

### Activity description

The Council provides a 2,397km roading network that covers the length and breadth of the District. This local network, when combined with the State Highway network, provides a diverse range of roading linkages that enable Selwyn residents and visitors to work and play in the District. Movement through the District will mainly take place either on a road, cycleway or path and these routes form an important part of how people experience the District. While geographically the large size of Selwyn means that the predominant form of travel is always likely to be by private motor vehicles, opportunities to enhance public transport and walking and cycling in Selwyn's growing townships are being continually sought out to provide a wider range of transport choices for people.

Transport, in whatever form, plays an integral part of our lives and is the principal thread that binds our communities together. It also provides access to wider experiences and opportunities in the region and beyond. This benefits our social and cultural development, commerce and tourism enterprises. The health of the District very much relies on the performance of the veins and arteries provided by its various transport networks to move people and freight safely and efficiently.

While it may be thought that the Council's transport activities just involve roads, there are a significant number of supporting assets that all contribute to making a combined urban and rural transport system work. These include bridges, culverts, traffic signs and markings and those found mainly in townships such as footpaths, street lighting, cycleways, bus shelters, and kerb and channel to name a few. As the saying goes 'the parts make the whole'.

### Why is the Council involved?

The management of roading and transport is a 'significant activity' under the terms of the Local Government Act 2002. The Council has a statutory obligation to provide an effective and efficient transport system including aligning it to the purpose and objectives of the Land Transport Management Act 2003 and any subsequent amendments to the Act. This is reflected at a more local level in the Council's land transport activity goals as presented below. To achieve this, the Council is required to take a leadership role on behalf of its community, to manage both expectations and compliance with legislative requirements. By managing the activity both at a detailed and network level, the Council can effectively and efficiently deliver a local road and transport network as part of a wider integrated regional and national transport system.

Without an appropriate, well maintained and connected transport network, the mobility of people, goods and services are put at risk which can adversely affect individuals, communities, and the District's prosperity. An example that shows the vulnerability of a community to a loss of transport connectivity is when floods, snow (or disasters like earthquakes) close roads for significant periods, cutting off lifelines to food supplies and other essential services. On a more day-to-day basis, rough roads and congestion can increase travel times and costs to operate vehicles and deliver freight. Safety is a fundamental objective across all transport activities, and while there is always some risk attached to using roads, this needs to be mitigated in a practical way through a combination of measures such as engineering improvements, education and enforcement. The Council has to be involved in all these transport related facets to provide a co-ordinated and measured response over the combined activity. An example of this, from a safety perspective, is the Council's 'Selwyn Safety Strategy to 2020' which blends the government's '2010 Safer Journeys' national strategy with those issues and matters of priority to the Council and its community, on a local level.

The Council does not work alone in meeting the District's transportation needs. It coordinates its activities with a wider regional group of other councils and the NZTA, to plan and integrate District and regional transportation networks. This is coordinated through the Regional Transport Committee run by Canterbury Regional Council, which also has the responsibility to produce the Regional Land Transport Strategy. The Regional Council also provides public transport services in partnership with the Council, who provides the necessary supporting infrastructure. There are also other organisations and advocacy groups that have an interest in transport matters, for example, freight, walking and cycling, public health, disability and mobility and road safety. Their involvement adds value and a different perspective which improves transport planning and decision-making processes.

### Activity goal

To maintain, operate and, if necessary, improve the road network and other transport activities to achieve a range of facilities that provides for the safe and efficient movement of people and goods to a standard that is both acceptable and sustainable.

### Council contribution to community outcomes

The transportation and township activities contribute to the achievement of the following community outcomes:

- a clean environment
- a safe place in which to live, work and play
- an effective and accessible transport system
- a prosperous community.

## Statement of service performance

The Council met ten out of twenty performance measures in the 2011/12 year for the transportation and townships activity.

The public service helpdesk system has continued to be heavily promoted and the continuing impact of the earthquakes has resulted in more public service requests for road maintenance, works and operations than anticipated. The Council received 1,696 public service requests in relation to road maintenance, works and operations, which was above the targeted level of 1,580 service requests.

Urban roads achieved a performance rating in the residents' survey of 74/100 just below the target level of 75/100. The Council did not achieve its target number of kilometres of annual pavement resealing for the year due to the focus that the Council has placed on repairing earthquake damaged roads and due to this change in focus completed less pavement resealing work than planned. However, the residents' satisfaction survey provided a favourable result in footpaths of 71/100 compared with a target of 70/100.

The Council completed 5.8km of major roading upgrades during the year, including work on the Selwyn Road and Lowes Road upgrades. 60% of large capital projects were completed, instead of the 90% target set. The majority of projects not completed have been carried forward for completion in the early part of the 2012/13 financial year.

The Council continues to integrate sustainable transport systems in its planning for the future. The helpdesk requests regarding walking, cycling and public transport were far less in number than in other areas of transport service provision, and achieved the target set. Cycleways did not achieve its 70/100 performance rating.

Work has continued during the year to improve road safety in the District. Selwyn was the second District in the country to implement a Young Driver Leading Learner programme to improve the skills and capability of young drivers in the District. The Council introduced new rural 40kph advisory school zone signs at nine rural school sites after Selwyn was the first District to trial this approach for safer rural school children. The Council utilised 100% of its New Zealand Transport Authority Agency funding for minor safety improvements exceeding its target of 95%. The community has recognised the Council's efforts in promoting road safety with a 76/100 performance rating in the residents' survey. In spite of the work done in this area, the Council did not achieve the desired 70/100 or greater performance rating from the community that they were making the District's roads safer. There were less public service requests for road safety issues than budget, which was an improvement on the 2010/11 financial year.

There were 34 serious casualties in the 2011/12 year, more than twice the target set of 15. This is the highest level of serious casualties to occur on the Selwyn District roading network over the past five years. The increase can be attributed to the District experiencing considerable growth over the same period with more traffic on the roads and more people commuting to and from Christchurch. The 'Selwyn Safety Strategy to 2020' along with the government's '2010 Safer Journeys' national strategy puts priority in making our roads safer for all road users. Behaviour change of road users is a long term process therefore future years should see the benefits of the projects the Council is currently working on in this area.

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Provide a well maintained, operated and affordable land transport system.	The number of public service requests received per year. Targets increase by less than the expected growth in new ratepayers who may lodge a service request.	Road maintenance, works and operations less than 1,580.  Road safety less than 150.  Walking, cycling and public transport less than 120.  Street lighting less than 125.	<b>Not achieved</b> 1,696 requests. (2011: Not achieved)  <b>Achieved</b> 145 requests. (2011: Not achieved)  <b>Achieved</b> 94 requests. (2011: Achieved)  <b>Not achieved</b> 138 requests. (2011: Not achieved)
	The performance rating (out of 100) in the residents' survey.	Urban roads 75 or better.  Rural roads 70 or better.  Footpaths 70 or better.  Cycleways 70 or better.	<b>Not achieved</b> 74/100 (2011: Achieved)  <b>Not achieved</b> 58/100 (2011: Not achieved)  <b>Achieved</b> 71/100 (2011: Achieved)  <b>Not achieved</b> 59/100 (2011: Not achieved)
	Road roughness (NAASRA counts/km which is an industry standard) is measured by the biennial road roughness survey which calculates an average count over the respective sealed and unsealed networks.  (A NAASRA count over 110 for a sealed road is starting to be considered as rough and may generate complaints. An appropriate limit for unsealed roads is very subjective, but, in comparison, counts over 150 could be considered a concern).	Sealed: less than or equal to 60 counts/km  Unsealed: less than or equal to 100 counts/km  <i>(The last survey was conducted during the 2010/11 financial year.)</i>	<b>Not achieved</b> 61 counts/km (2011: Not measured)  <b>Achieved</b> 96 counts/km (2011: Not measured)
Cater for any significant projected traffic increases in a sustainable manner.	The length in kilometres of annual pavement resealing achieved.	75 kilometres.	<b>Not achieved</b> 61km (2011: Achieved)

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
	The length in kilometres of the upgrade of major road routes as identified by CRETS and other upgrade schedules.	5 kilometres.	<b>Achieved</b> 5.8km (Selwyn Road and Lowes Road upgrades.) (2011: Not achieved)
	The percentage of individual large capital projects generally completed in the year that they were programmed to occur.	Better than 90% of projects completed. <i>(Large projects are projects with a total cost greater than \$25,000).</i>	<b>Not achieved</b> 60% completed 40% carried forward (2011: Not achieved)
	The number of off-road cycleway projects implemented as identified by the Walking and Cycling Strategy Action Plan.	1 project implemented.	<b>Achieved</b> 2 projects have been implemented. (Edward Street & Lowes Road cycleways.) (2011: Achieved)
Pedestrians, cyclists and motor vehicle users can safely move around the Selwyn District.	Adoption and implementation of the Greater Christchurch Travel Demand Management Strategy.	Strategy adopted and being implemented.	<b>Achieved</b> (2011: Achieved)
	Number of serious casualties annually. Multiple casualty crashes can rapidly exceed the limits sought.	Not greater than 15.	<b>Not achieved</b> 34 serious casualties (2011: Not achieved)
	The performance rating (out of 100) in the residents' survey.	Promotion of road safety is 75/100 or better.	<b>Achieved</b> 76/100 (2011: Achieved)
		Making District roads safer roads is 75/100 or greater.	<b>Not Achieved</b> 66/100 (2011: Not achieved)
	Utilisation of NZ Transport Agency Funding for minor (safety) improvements.	Utilisation is greater than 95%.	<b>Achieved</b> 100% utilisation (2011: Achieved)
Contribute to an integrated and responsive local and regional transportation system.	Allocate the appropriate staff and resources to represent the interests of the Council and the Community in greater Christchurch and regional transportation planning, funding, and implementation initiatives.	Greater than 90% attendance at relevant meetings and forums.	<b>Achieved</b> 91% attendance at relevant meetings. (2011: Achieved)



## Transportation and townships activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
NZTA subsidy	5,712	6,081	7,637	Note 1	Note 10
Development contributions	722	1,006	349	Note 2	Note 11
Vested assets	4,417	3,671	1,903	Note 3	Note 12
Other revenue	262	229	229		
<b>Total activity revenue</b>	<b>11,113</b>	<b>10,987</b>	<b>10,118</b>		
<b>Operating expenditure</b>					
Subsidised roading	6,015	4,266	5,344	Note 4	Note 13
Non - subsidised roading	1,313	1,061	955	Note 5	Note 14
Townships	1,545	1,385	1,500		
Roading depreciation	9,702	9,434	8,334	Note 6	
<b>Total operating expenditure</b>	<b>18,575</b>	<b>16,146</b>	<b>16,133</b>		
<b>Surplus / (deficit)</b>	<b>(7,462)</b>	<b>(5,159)</b>	<b>(6,015)</b>		

## Transportation and townships activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Subsidised roading	6,035	8,504	8,513	Note 7	Note 15
Non - subsidised roading	1,476	6,954	1,847	Note 8	Note 16
Townships	368	1,565	848	Note 9	Note 17
<b>Total capital expenditure</b>	<b>7,879</b>	<b>17,023</b>	<b>11,208</b>		

### Explanations of significant variances to actual 2011:

1. New Zealand Transport Agency (NZTA) subsidy is lower than 2011 due to subsidy provided for the cost of repairing earthquake damage to roads and bridges in the 2011 financial year. \$2 million in NZTA funding was received in the 2011 financial year towards earthquake repair work in the District.
2. Development contributions revenue is higher than 2011 due to a higher level of sub-division activity.
3. Vested assets revenue recognises the value of transportation assets constructed by land developers that transfer to the Council when a development is complete. More vested assets were received in 2012 than 2011 due to the higher level of sub-division activity.
4. Subsidised roading expenditure is higher than 2011 due to higher levels of maintenance work being undertaken during the year. The main overspend is in sealed pavement maintenance due to higher than anticipated levels of failures requiring repair. There have been more failures with deformed pavement which is likely a result of the earthquakes and subsequent aftershocks.
5. Non – subsidised roading expenditure is higher than budgeted due to higher interest costs arising from borrowing to fund capital expenditure.
6. Roothing depreciation is higher than the 2011 financial year due to the increased depreciation following the increase in the valuation of the roading network as at 30 June 2011.

7. Subsidised roading capital expenditure is lower than in 2011 as that year included earthquake restoration work totalling \$2.8 million.
8. Non-subsidised roading capital expenditure is lower than 2011 as the prior year included expenditure on the Barker Street, Lincoln extension and the Byron Street, Rolleston extension.
9. Townships capital expenditure is lower than 2011 as the prior year included the purchase of a block of land in Leeston for the extension of Leeston Park to allow development of the "community park".

*Explanations of significant variances to budget:*

10. New Zealand Transport Agency subsidy is lower than budgeted as expenditure on the Lincoln/Rolleston Road upgrade was lower than budgeted with this project being completed in September 2012.
11. Development contributions revenue is lower than budget as the budget anticipated a higher level of sub-division activity.
12. Vested assets revenue is higher than budgeted as the transfer of assets to the Council was greater than anticipated.
13. Subsidised roading expenditure is higher than budgeted due to higher levels of maintenance work being undertaken during the year than originally budgeted.
14. Non – subsidised roading expenditure is higher than budgeted due to an additional allocation of support charges relating to the management of projects of \$343,000.
15. Subsidised roading capital expenditure is lower than budgeted as it includes expenditure as the completion of Lincoln/Rolleston Road upgrade was carried forward to the 2012/13 financial year.
16. Non-subsidised roading capital expenditure is lower than budgeted as the completion of the Lowes Road development was carried forward to the 2012/13 financial year and the budget included vested assets of \$3.7 million.
17. Townships capital expenditure is lower than budgeted due to projects being carried forward to the 2012/13 financial year. These projects include a number of reserve development projects.

*Significant capital expenditure*

The significant capital projects during the year were:

- Upgrade to Lincoln/Rolleston Road and Selwyn Road to Shands Road to create an improved arterial link between Rolleston and Southern Christchurch. \$1.8 million has been spent during the year with a total project cost of \$3.5 million.
- The next stage of the Lowes Road, Rolleston upgrade \$235,000.

## How we performed – waste management

### Activity description

The Council provides a variety of services related to the management of waste in the more populous parts of the District, covering more than 12,000 households in September 2011. Essentially, waste is mostly collected through the rubbish, recycling and organic kerbside collection system. The remainder of the waste, recycling and organics is taken directly by residents to the Pines Resource Recovery Park. Residents pay for the service through a mix of targeted and compulsory rates.

It is a requirement of the Waste Minimisation Act 2008 for all local authorities to complete a Waste Management and Minimisation Plan (WMMP) by July 2012 and the Council adopted its WMMP in August 2011. Improving the efficiency of resource use will reduce the amount of residual waste that has to be collected and disposed of. In Selwyn's case, the disposal of residual waste is to the Kate Valley Regional Landfill. The Act also requires local authorities to reduce waste at source, but this is more difficult, as it relates to the way products are manufactured, marketed and sold, all areas over which the Council has limited influence.

### Why is the Council involved?

The management of solid waste is a 'significant activity' under the terms of the Local Government Act 2002. The Council has a statutory obligation to promote effective and efficient waste management and to achieve this it takes a leadership role in managing waste activities. By managing the activity, the Council is in the best position to serve the needs of the community, provide a sustainable service and keep costs down.

It is important to manage solid waste well, given the health implications which could arise if the service was unsatisfactory and waste was not promptly collected, handled and disposed of. Damage to the environment and community could easily occur if waste accumulated and was left to rot and become a source of disease. There is also a danger that pollution of groundwater could occur, with the potential to affect drinking water supplies, where wells are shallow. The activity must be managed in a sustainable manner for today's communities and for future generations.

The Council therefore takes responsibility for fulfilling legal and statutory obligations, waste minimisation, policy, strategic direction, educational programmes and providing clean fill sites and the Pines Resource Recovery Park (waste transfer facilities, recycling and also composting of green waste). It manages all aspects of the activity including the managing of private providers/contractors, who carry out the following, under contract to the Council.

#### *Waste collection services*

Kerbside waste collections in urban, rural-residential and some rural areas. Residual waste (rubbish) and recycling waste are currently collected with a garden and food waste collection available in the five major townships, on a voluntary basis.

#### *Residual waste disposal facilities*

Residual waste (rubbish) is sent to the Kate Valley Regional Landfill, which has resource consent for approximately thirty more years.

The Council could be challenged by private providers of these services but customer feedback reveals a very high level of satisfaction with the current services and associated costs. Ratepayers do have the choice of using private providers but the number doing so is relatively small because the Council provides a reliable and cost effective service.

### Activity goal

To promote effective and efficient waste management within the District whilst having regard to the environmental costs and benefits to the District and ensuring that the management of waste does not cause a nuisance or be injurious to health.

### Council contribution to community outcomes

The waste management activities contribute to the achievement of the following community outcomes:

- a clean environment
- a healthy community.

## Statement of service performance

The Council met six out of eight performance measures in the 2011/12 year for waste management. The two performance measures not achieved were:

- organic waste target collection score of 75/100 (66/100 was achieved)
- 5% annual reduction target of material going to landfill (a 1% increase occurred).

The 1% increase in material going to landfill occurred due to the on-going effect of the earthquakes within the District. The earthquakes have increased the amount of rubbish generated and also reduced the amount of recycling received.

In the Selwyn District, residents can use the kerbside collection service or take their organic, recyclable and residual waste to the Pines Resource Recovery Park (RRP) in Rolleston. Community satisfaction with the Council's rubbish, recycling and organic waste kerbside collection services attracted scores of 87/100, 87/100 and 66/100 respectively. In addition 26% of surveyed residents independently use the Resource Recovery Park. The number of residents using the RRP compared with 30% in 2011 is correlated with the increased waste being disposed of following the earthquakes.

The Waste Minimisation Management Plan sets out objectives, policies and methodologies for the Council to achieve waste minimisation goals and also to be aligned with the activity goal. One of our methodologies for reducing waste is offer a kerbside organic material collection. The organic material goes to the RRP, where it is processed by a HotRot in vessel composting system. During the 2011 financial year a third vessel was added to cater for future capacity requirements, increasing available processing capacity to 3,000 tonnes per year.

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
The Council provides a quality service for the community where charges cover costs.	The performance rating (out of 100) for solid waste in the residents' survey.	Rubbish collection scores 85/100.  Recycling scores 85/100.  Organic waste collection scores 75/100.	<b>Achieved</b> 87/100 (2011: Achieved)  <b>Achieved</b> 87/100 (2011: Achieved)  <b>Not Achieved</b> 66/100 (2011: Achieved)
The Council protects the environment from illegal dumping.	The proportion of households using the Resource Recovery Park (RRP).	25% of households use the RRP.	<b>Achieved</b> 26% (2011: Achieved)
The solid waste service is effective and efficient.	Number of written complaints received per annum related to the solid waste service.	Less than 20 complaints per annum.	<b>Achieved</b> 1 written complaint was received during the year. (2011: Achieved)
The health of the environment and community are protected.	Percentage compliance with contract specifications.	Compliance of 90% is achieved.	<b>Achieved</b> 100% (2011: Achieved)
The Council's service is sustainable.	Numbers of customers changing to private providers.	Less than 5%.	<b>Achieved</b> No changes. (2011: Achieved)
Waste minimisation is achieved by reducing the amount of residual waste.	The annual reduction in the amount of residual waste per head of population.	Reduction of 10%.	<b>Not achieved</b> 1% increase (up from 280 to 283 kg/person). (2011: Not Achieved)

## Waste management activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Targeted rates	3,453	3,336	3,292	Note 1	Note 5
Other revenue	1,156	1,001	1,078		
<b>Total activity revenue</b>	<b>4,609</b>	<b>4,337</b>	<b>4,370</b>		
<b>Operating expenditure</b>					
Refuse collection	1,695	1,780	1,516	Note 2	
Refuse disposal	2,577	2,975	2,371	Note 3	Note 6
<b>Total operating expenditure</b>	<b>4,272</b>	<b>4,755</b>	<b>3,887</b>		
<b>Surplus / (deficit)</b>	<b>337</b>	<b>(418)</b>	<b>483</b>		

## Waste management activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Refuse collection	-	-	-		
Refuse disposal	10	144	428	Note 4	Note 7
<b>Total capital Expenditure</b>	<b>10</b>	<b>144</b>	<b>428</b>		

### Explanations of significant variances to actual 2011:

1. Targeted rates revenue is higher than 2011 due to increased demand for refuse collection and a small increase in the collection charges compared with the previous year.
2. Refuse collection expenditure is higher than 2011 due to higher than anticipated waste volumes in the previous financial year.
3. Refuse disposal expenditure is higher than 2011 due to higher waste volumes.
4. Refuse disposal capital expenditure is lower than 2011 due to expenditure on the refurbishment of the compost plant occurring during the 2011 financial year.

### Explanations of significant variances to budget:

5. Targeted rates revenue is higher than budget due to higher demand for refuse collection than anticipated.
6. Refuse disposal expenditure is lower than budgeted due to a number of projects being carried forward to the 2012/13 year.
7. Refuse disposal capital expenditure is lower than budget due to projects totalling \$138,000 being carried forward to the 2012/13 year.

## How we performed – 5 waters services

### Activity description

The '5 Waters' services encompass:

5 Waters service	Purpose
Community water supplies	Public health
Community wastewater schemes	Public health
Water races – rural / urban	Stock water, amenity and habitat
Stormwater – urban	Urban flood relief
Land drainage – rural / urban	Making land farmable, habitable

The availability of clean safe to drink water and the safe disposal of waste water are fundamental to the health and welfare of the Selwyn community. The 5 Waters services provide clean safe to drink water for households and removal of sewage and rain water in a way that protects the health of the population and natural environment. The 5 Waters service also provides river water for livestock and drains certain land so that it is usable. These services are provided through 82 separately rated water based schemes within the District. The 5 Waters assets are valued at \$390 million with water valued at \$76 million and sewerage at \$124 million.

Drinking water is provided by the Council to over 72% of the population of the District, around 28,000 people. By comparison, wastewater services are provided to approximately 18,000 people. The largest consented wastewater treatment and disposal area is the Pines Wastewater Treatment Plant, currently servicing Rolleston and part of West Melton. From 2013 this will also service Lincoln, Prebbleton and Springton.

It has always been clear that the water services are interlinked, if not directly, then via natural pathways. This reflects the unique geographical 'mountains to sea' layout of the Selwyn District. There is a strong connection between these services and it is essential that they are looked after. The Council's approach is to manage the 5 Waters activities in a coordinated way.

The activities covered by the 5 Waters are largely invisible to us until they break down. The recent earthquake events forced land up and down, and sometimes reversing the direction surface water flowed. The environmental impact caused by the Christchurch City Council's breakdown of wastewater service very quickly showed up as Selwyn started discharging wastewater directly to rivers when Selwyn could not send that wastewater to Christchurch for processing. The importance of public health and the integrity of the environment soon became significant issues in this powerful, adverse event. Damage to piped networks highlighted the importance of using resilient materials and jointing in our piped infrastructure.

### Why is the Council involved?

The Council is in the best position to respond to the expectations of the communities it serves and to translate these needs into levels of service, which have funding options accompanying them, for public scrutiny and comment. The Local Government Act 2002 sets out clearly how the Council must consult with residents over significant decisions and this ensures the community has a major decision making role. The 5 Waters assets are listed as 'Strategic' in the 2012/2022 Long Term Plan for the very reason that failure of these services has a devastating and far-reaching effect on the District. The Council is well positioned to take a major leadership role in planning and managing the assets and networks that deliver these essential services.

By managing all of the 5 Waters activities, the Council can plan ahead in a coordinated way and take advantage of the opportunities to introduce new initiatives e.g. the potential in the future to use treated wastewater to irrigate reserves, if this is feasible and acceptable to the public. When prioritising across the 5 Waters Activities, opportunities to combine projects will become apparent.

There is also the need to comply with a raft of legislative and statutory processes, which the Council recognises in its strategic plan, policies, education programmes and commitment to sustainable practices. The Council's seven principles of sustainability can be applied across all the activities and this coordinated application brings better results than a fragmented approach, which could occur if the activities were separated, especially if managed by more than one provider.

The security of the District's water supply is paramount as our communities require reliable, clean, safe water to serve their day-to-day needs. These water-related activities also protect and sustain the health of the environment, particularly the sensitive Te Waihora (Lake Ellesmere) catchment, by responsibly dealing with waste water and the draining and disposing of groundwater and excess stormwater run-off.

The sewerage asset is expected to increase rapidly with the Eastern Selwyn Sewerage Scheme being constructed. Stormwater assets have been, and will continue to be, rapidly developed to meet the increased standards reflected in the Regional Council's Natural Resources Regional Plan rules.

## Activity goal

Our goal is to:

- provide the community with water services to a standard that protects its health and property
- provide water services in a cost effective manner
- address problems with services in a timely manner and prioritise them according to risk and need
- provide service capacity to accommodate growing communities, where this growth is sustainable.

## Council contribution to community outcomes

The wastewater activities contribute to the achievement of the following community outcomes:

- a clean environment
- a rural District
- a healthy community
- a safe place in which to live, work and play
- a prosperous community
- a community which values its culture and heritage.

## Statement of service performance

The Council achieved most of its performance measures in the 2011/12 year for services provided by its '5 Waters', which encompass community water supplies, wastewater schemes, water races, stormwater and land drainage. There were 3 sewer and sewer pump station overflow events in the past year. All urban areas continue to be serviced by a stormwater system, greatly exceeding the 60% target set. The Council has reviewed this measures relevance and will not include it in future reporting periods. 49% of residential properties in the District are serviced by a reticulated wastewater system. However, the target of 55% was not quite met. This can be attributed to the evolving character of the District, from traditionally being a rural District, to becoming increasingly urbanised.

In the past year, water services have proved to be reliable with no rural or urban properties affected by unplanned water supply interruptions of more than 24 hours due to the failure of the Council's infrastructure.

The community is provided with water of a consistently high standard, measured against national standards. The Council achieved 98% and 97% compliance for E-Coli in water leaving the treatment plant, and water in distribution systems, respectively. These high standards have been achieved whilst continuing to provide water services in a cost effective manner. By keeping water safe to drink, the Council is achieving its community outcome of 'a clean environment'.

Selwyn residents tend to be high users of water, using an average of 1,386 litres of water per residential property per day in the 2011/12 year. This can be attributed to mostly outdoor use - residents tend to have larger sections and therefore wish to maintain these sections. Whilst this was an improvement on the previous year, the Council has a role to play in continuing to educate the community on water conservation, with a long term view to changing behaviour on water consumption.

## Waste water

Objective	What will the Council do to achieve the target?	How will we know if we have met the target?	Our achievement in 2011/2012
The community is provided with water services to a standard that protects their health and property.	The total number of sewer and sewer pump station overflow events (wet and dry weather).	No more than 3 overflow events in the year.	<b>Achieved</b> There were 3 overflow events during the year. (2011: Achieved)
Service capacity is provided to accommodate growing communities where this growth is sustainable.	The proportion of residential properties serviced by a reticulated waste water system within the District expressed as a percentage of total residential properties.	55% of residences are serviced by the Council's waste water systems.	<b>Not achieved</b> 49% of residences are serviced by the Council's waste water systems. (2011: Not achieved)
	Urban areas serviced by a stormwater system expressed as a percentage of total urban area.	60% of urban areas are serviced by a stormwater system.	<b>Achieved</b> 100% of urban areas are serviced by a stormwater system. (2011: Achieved)

## Waste water services activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Targeted rates	3,022	3,148	2,823	Note 1	
Development contributions	5,706	3,665	1,228	Note 2	Note 9
Vested assets	3,391	5,497	1,717	Note 3	Note 10
Other revenue	1,124	284	360	Note 4	Note 11
<b>Total activity revenue</b>	<b>13,243</b>	<b>12,594</b>	<b>6,128</b>		
<b>Operating expenditure</b>					
Land drainage	269	427	250		
Stormwater	613	966	415	Note 5	Note 12
Sewerage	7,476	7,326	4,643	Note 6	Note 13
<b>Total operating expenditure</b>	<b>8,358</b>	<b>8,719</b>	<b>5,308</b>		
<b>Surplus / (deficit)</b>	<b>4,885</b>	<b>3,875</b>	<b>820</b>		

## Waste water services activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Land drainage	54	122	-		
Stormwater	2,680	15,787	99	Note 7	Note 14
Sewerage	24,741	33,543	10,223	Note 8	Note 15
<b>Total capital expenditure</b>	<b>27,475</b>	<b>49,452</b>	<b>10,322</b>		

### Explanations of significant variances to actual 2011:

1. Targeted rates revenue is higher than 2011 due to an increase in some rate levels to fund planned renewal of infrastructure. There has also been a slight increase in the number of ratepayers.
2. Development contributions revenue is higher than in 2011 due to a greater level of sub-division activity in the District.
3. Vested assets revenue recognises the value of wastewater assets constructed by land developers that transfer to the Council when a development is complete. More vested assets were received in 2012 than 2011 due to the greater level of sub-division activity in the District.
4. Other revenue is higher than 2011 due to trade waste charges that were not anticipated.
5. Stormwater operating expenditure is higher than 2011 due to a higher depreciation charge following the increase in the valuation of the stormwater systems as at 30 June 2011.
6. Sewerage operating expenditure is higher than 2011 due to a higher depreciation charge largely due to the increased depreciation following the upwards revaluation movement from the 2011 infrastructural valuation (\$1.7 million), additional interest as a result of the Eastern Selwyn Sewerage Scheme (\$860,000) and increased treatment costs relating to trade waste activity. These additional costs are not funded by targeted rates.



7. Stormwater capital expenditure is higher than 2011 due to work beginning on the Lincoln Integrated Stormwater Management Plan totalling \$2.6 million.
8. Sewerage capital expenditure is higher than 2011 due to higher project costs relating to the Eastern Selwyn Sewerage Scheme.

*Explanations of significant variances to budget:*

9. Development contributions revenue is higher than budgeted as the level of sub-division activity was greater than anticipated. The budget included a prudent estimate of activity due to the unpredictable nature of development in the District. The on-going effects of the economic slowdown and uncertainty surrounding growth in the District from displaced Christchurch residents is hard to predict.
10. Vested assets revenue is lower than budgeted as the transfer of assets to the Council was less than anticipated.
11. Other revenue is higher than budgeted due to trade waste charges that were not anticipated.
12. Stormwater operating expenditure is lower than budgeted due to planned capital projects being carried forward to the 2012/13 financial year leading to a lower depreciation charge than originally budgeted.
13. Sewerage operating expenditure is higher than budgeted largely due to a higher depreciation charge than originally budgeted following the 2011 valuation of the sewerage systems.
14. Stormwater capital expenditure is lower than budgeted as the Lincoln Integrated Stormwater Management Plan has been reduced in scale and the Leeston North Stormwater Management Plan has been carried forward. The budget also included vested assets of \$2.8 million.
15. Sewerage capital expenditure is lower than budgeted as some costs related to the development of the Eastern Selwyn Sewerage Scheme have been carried forward. The budget also included vested assets of \$2.6 million.

*Significant capital expenditure*

The significant capital projects during the year were:

- Eastern Selwyn Sewerage Scheme to increase the waste water disposal capacity and allow continued population growth in the eastern part of the district. \$23.9 million has been spent during the year of a budgeted cost of \$28.7 million. The remainder of the project has been carried forward.
- The Lincoln integrated stormwater management plan to improve the stormwater management in the district. \$2.7 million was spent during the year of a total project cost of \$3.8 million.

## Water

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Service capacity is provided to accommodate growing communities where this growth is sustainable.	The proportion of residential properties serviced with water within the District expressed as a percentage of total residential properties.	75% of residential properties are serviced with water.	<b>Achieved</b> 75% of residential properties are serviced with water. (2011: Achieved)
The community is provided with water services to a standard that protects their health and property.	Compliance with national standards for bacterial (E-coli) criteria for water leaving treatment plants as reported by the Ministry of Health, for each registered drinking water supply.	90% compliance with national standards.	<b>Achieved</b> Water leaving treatment plants achieved 99% compliance for E-coli (18 transgressions from 1,343 water samples). (2011: Achieved)

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
	Compliance with national standards for bacterial (E-coli) criteria for water in the distribution systems as reported by the Ministry of Health, for each registered drinking water supply.	90% compliance with national standards.	<b>Achieved</b> Water in distribution systems achieved 97% compliance for E-coli (22 transgressions from 858 water samples). (2011: Achieved)
	The proportion of the fire District within 135m of one fire hydrant and 270m of two fire hydrants.	85% of the urban fire District area is within stated parameters.	<b>Not achieved</b> 61% of the urban fire District is within stated parameters. (2011: Not achieved)
	The proportion of urban properties affected by unplanned water supply interruptions of more than 24 hours.	No more than 35% of properties.	<b>Achieved</b> No urban properties were affected by unplanned water supply interruptions of more than 24 hours. (2011: Achieved)
	The proportion of rural properties affected by unplanned water supply interruptions of more than 24 hours.	No more than 35% of properties.	<b>Achieved</b> Council rural properties have not been affected by unplanned interruptions of more than 24 hours due to failure of Council infrastructure. (2011: Achieved)
	Number of days on which water restrictions are applied and enforced (excludes voluntary compliance).	No more than 25.	<b>Achieved</b> No restrictions were applied during the year. A new bore was installed in Darfield, which has helped manage restrictions. Combined with a wet summer season meant that trigger wells have not enforced restrictions. (2011: Achieved)
	Average volume of water consumed per residential property per day in the 'total water serviced area'.	900 litres.	<b>Not achieved</b> Average volume of water consumed per residential property per day in the total urban water serviced area, was 1,386 litres. (2011: Not achieved)

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
Water services are provided in a cost effective manner.	Water supply total operating cost per serviced property.	\$310 or less per annum.	<b>Achieved</b> \$245 per annum. (2011: Achieved)
Problems with water services are addressed in a timely manner and prioritised according to risk and need.	The average duration for which a serviced property in the 'total water race services area' is without supply due to unplanned interruption hours.	10 hours or less.	<b>Not achieved</b> The average duration for which a serviced property was without supply due to unplanned interruption was 12 hours. (2011: Not achieved)

### Water services activity operating statement

*Financial summary for the year ended 30 June 2012*

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Targeted rates	4,322	4,310	4,189	Note 1	
Development contributions	1,105	712	562	Note 2	Note 6
Vested assets	1,489	1,491	494	Note 3	
Meter charges and connection fees	522	584	551		
Other revenue	234	178	247		
<b>Total activity revenue</b>	<b>7,672</b>	<b>7,275</b>	<b>6,043</b>		
<b>Operating expenditure</b>					
Urban water supplies	4,031	4,805	3,401	Note 4	Note 7
Rural water supplies	528	619	563		
Water races	1,607	1,950	1,671		Note 8
<b>Total operating expenditure</b>	<b>6,166</b>	<b>7,374</b>	<b>5,635</b>		
<b>Surplus / (deficit)</b>	<b>1,506</b>	<b>(99)</b>	<b>408</b>		

### Water services activity capital statement

*Financial summary for the year ended 30 June 2012*

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Urban water supplies	604	5,158	1,117	Note 5	Note 9
Rural water supplies	187	674	110		Note 10
Water races	25	1,300	69		Note 11
<b>Total capital expenditure</b>	<b>816</b>	<b>7,132</b>	<b>1,296</b>		

*Explanations of significant variances to actual 2011:*

1. Targeted rates revenue is higher than 2011 due to some increases to water supply rates and an increase in the number of ratepayers.
2. Development contributions revenue is higher than 2011 due to a greater level of sub-division activity in the District.
3. Vested assets revenue recognises the value of water supply assets constructed by land developers that transfer to the Council when a development is complete. More vested assets were received in 2012 than 2011 due to the greater level of sub-division activity in the District.
4. Urban water supplies expenditure is higher than 2011 due to a higher depreciation charge largely due to the increased depreciation following the increase in the valuation of the water race systems as at 30 June 2011.
5. Urban water capital expenditure is lower than 2011 as the 2011 figure included capital expenditure totalling \$633,000 on the Darfield water supply.

*Explanations of significant variances to budget:*

6. Development contributions revenue is higher than budgeted as the level of sub-division activity was greater than anticipated.
7. Urban water expenditure is lower than budgeted as the budget included projects that have been carried forward for completion in the 2012/13 financial year.
8. Water races expenditure is lower than budgeted as the budget included projects that have been carried forward for completion in the 2012/13 financial year.
9. Urban water capital expenditure is lower than budgeted as the budget included projects that have been carried forward for completion in the 2012/13 financial year and the budget included vested assets of \$1.5 million. Significant projects carried forward include \$1.2 million for the Darfield water reticulation upgrade.
10. Rural water capital expenditure is lower than budgeted as the budget included projects that have been carried forward for completion in the 2012/13 financial year. Significant projects carried forward include \$276,000 for the Harper Hills additional reserve.
11. Water races capital expenditure is lower than budgeted as the budget included projects that have been carried forward for completion in the 2012/13 financial year. Significant projects carried forward includes \$100,000 for the Lower Rakaia head works, \$100,000 for Glentunnel head works, \$100,000 for the Haldon intake head works, and \$320,000 for fish screening in the Waimak and Kowai intakes.

*Significant capital expenditure*

The significant capital projects during the year were:

- Darfield water reticulation upgrade to improve the water services in Darfield. \$180,000 was spent during the year of a budget of \$1.5 million. This project has been carried forward for completion in the 2012/13 financial year.

## How we performed - Izone Southern Business Hub and property sales

### Activity description

Izone Southern Business Hub (Izone) is a 200 hectare park being developed by the Council at Rolleston.

The development which commenced in 2001 initially comprised of 130 hectares but since that time a further 70 hectares has been purchased to accommodate growth and demand for industrial land within Selwyn.

The park, which is located next to State Highway 1 and the Main South and Main West railway lines, has been very popular with parties interested in purchasing land.

### Why is the Council involved?

In the late 1990s the Council's strategic planning identified:

- A desire for more Selwyn residents to be able to work in the District.
- There was a lack of industrial land in the District. The Council found there was no private sector interest in developing more industrial land. The Council identified the opportunity to address the lack of industrial land by purchasing the land known as Izone.

### Activity goal

Izone is designed to provide employment within the Selwyn District. A secondary goal is to provide a financial return to the Council.

### Council contribution to community outcomes

Izone contributes to the community outcome 'a prosperous economy' by encouraging potential employers to locate their operations within the District.

### Statement of service performance

Although the Council has not achieved the budgeted level of revenue from Izone in 2011/12, there has been a marked upturn in sales activity and an even greater level of sales is anticipated for the 2012/13 financial year. Izone had budgeted for income of \$7.2 million on potential sales which did not fully transpire, leaving a total income for the year of \$4.2 million. The Council brought forward the development of Stage 6 during the year and will continue development during the 2012/13 financial year. This reflects that Izone has committed sales of \$11.6 million in the first half of the 2012/13 year.

Businesses in Izone continue to be a major employer in the District with more jobs being created as the development progresses. The employment opportunities being created for the District at Izone demonstrate how this activity is helping to achieve the community outcome, 'a prosperous community'.

Objective	Performance measure	How will we know if we have met the target?	Our achievement in 2011/2012
To provide employment opportunities by selling 10 hectares of land on an annual basis.	Quantity of land sold, measured in hectares, per annum.	10 hectares of land sold.	<b>Not achieved</b> 4.4 hectares of land sold. (2011: Not achieved)
	Dividends distributed to the Council of \$500,000 per annum.	\$500,000 in dividends received for the year.  Note: The target level of dividends included in the annual budget is lower than the \$1,500,000 included in the Selwyn Community Plan. This is because the actual level of sales achieved over the past two years is lower than forecast.	<b>Achieved</b> \$500,000 dividends received during the year. (2011: Achieved)

## Izone activity operating statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Izone Southern Business Hub sales	3,764	7,230	1,692	Note 1	Note 5
Other revenue	475	-	720	Note 2	Note 6
<b>Total activity revenue</b>	<b>4,239</b>	<b>7,230</b>	<b>2,412</b>		
<b>Operating expenditure</b>					
Property development	2,722	2,917	2,880	Note 3	Note 7
<b>Total operating expenditure</b>	<b>2,722</b>	<b>2,917</b>	<b>2,880</b>		
<b>Surplus / (deficit)</b>	<b>1,517</b>	<b>4,313</b>	<b>(468)</b>		

## Izone activity capital statement

Financial summary for the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Property development	472	-	1,956	Note 4	Note 8
<b>Total capital expenditure</b>	<b>472</b>	<b>-</b>	<b>1,956</b>		

Explanations of significant variances to actual 2011:

1. Izone revenue is higher than 2011 due to an improved level of sales reflecting a gradual pick-up in economic activity.
2. Other revenue is lower than 2011 as it included insurance payments relating to damage caused by the 4<sup>th</sup> September 2010 earthquake totalling \$625,000. In comparison in 2012 the Council received \$383,000 in insurance proceeds for damage caused by the Canterbury earthquakes. The remainder of other revenue is rental revenue associated with Izone.
3. Property development expenditure was higher in 2011 as it includes expenditure on repairs to property following the Canterbury earthquakes.
4. Property development capital expenditure is lower than 2011 as the 2011 figure included the construction of several significant projects at Izone. In the current year development was undertaken on Izone Stage 6 totalling \$415,000.

Explanations of significant variances to budget:

5. Izone revenue is lower than budgeted as the budget included an ambitious level of sales.
6. Other revenue is higher than budget as there was unbudgeted revenue received, including further insurance proceeds, and a small amount of rental income.
7. Property development operating expenditure is lower than budget due to lower than budgeted interest costs.
8. Property development capital expenditure is higher than budget as Stage 6 of the Izone development began during the year which was earlier than anticipated.

### Significant capital expenditure

- The Council began development of Stage 6 during the year. Work undertaken during the year for Stage 6 totalled \$415,000.

## How we performed – internal council support services

Internal support and administration functions exist to assist the Council's significant activities in the delivery of outputs and services with the exception of taxation expense. The cost of support services (overheads) is allocated to the Council's significant activities on a cost basis.

Support services include:

- CEO's department
- Finance function
- Information services
- Records management
- Asset management and service delivery.

The internal Council services activity also covers the Council's corporate income, including dividends, interest and property leases. Because it includes corporate income, the Internal Council Services activity generates a surplus. This surplus is used to reduce the general rate requirement so that all ratepayers benefit from this income. As a result, the general rates line in the funding impact statement represents a reduction to general rates rather than funding from general rates.

### Support services activity operating statement

*Financial summary for the year ended 30 June 2012*

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Activity revenue</b>					
Corporate revenue					
- earthquake costs targeted rate	1,989	2,009	-	Note 1	
- dividends	4,494	2,841	3,750	Note 2	Note 6
- interest income	525	294	452		Note 7
- commercial property leases	1,565	2,368	1,506		Note 8
Sundry revenue	4,170	1,041	1,999	Note 3	Note 9
<b>Total activity revenue</b>	<b>12,743</b>	<b>8,553</b>	<b>7,707</b>		
<b>Operating expenditure</b>					
Chief Executive's department	920	997	925		
Policy and communications unit	366	268	226		Note 10
Administration	636	663	603		
Corporate	6,046	1,160	3,555	Note 4	Note 11
Finance	1,312	1,303	1,184		
Information systems	1,706	1,808	1,557		
Vehicles/Infrastructure rates & insurance	185	62	187		
Asset management	3,527	3,121	3,165	Note 5	Note 12
<b>Total operating expenditure</b>	<b>14,698</b>	<b>9,382</b>	<b>11,402</b>		
Less: allocation to activity statements	(7,489)	(8,023)	(7,545)		
<b>Surplus / (deficit)</b>	<b>5,534</b>	<b>7,194</b>	<b>3,850</b>		
Plus: internal interest	-	938	-		
<b>Surplus / (deficit)</b>	<b>5,534</b>	<b>8,132</b>	<b>3,850</b>		

**Support services activity capital statement**  
*Financial summary for the year ended 30 June 2012*

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Movement actual vs actual	Movement actual vs budget
<b>Capital expenditure</b>					
Vehicles	112	122	255		
Information services	129	155	202		
Administration	20	10	20		
Corporate	-	-	-		
Finance	-	-	-		
<b>Total capital expenditure</b>	<b>261</b>	<b>287</b>	<b>477</b>		

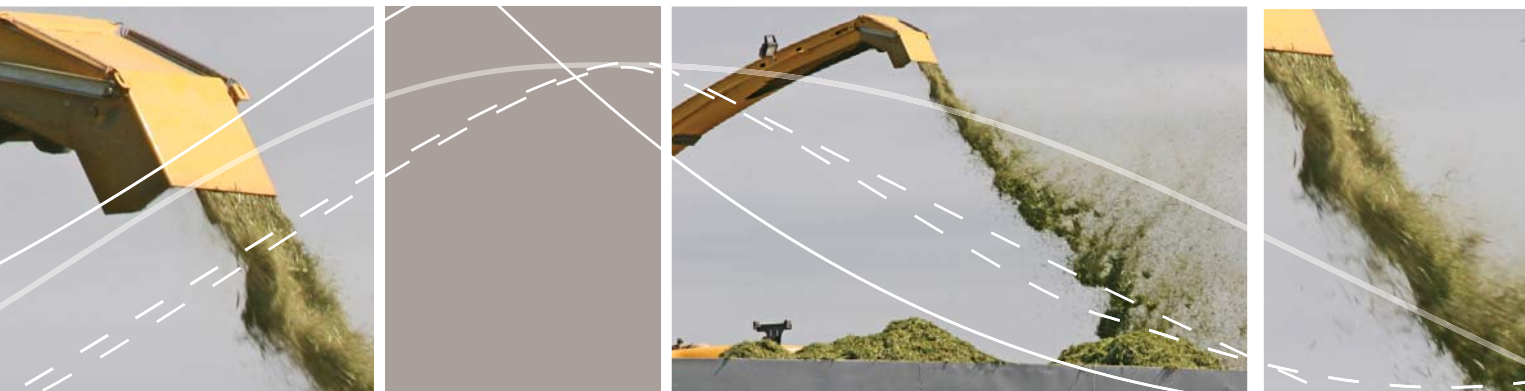
*Explanations of significant variances to actual 2011:*

1. The Council charged a one-off earthquake targeted rate during the year to recover the costs arising from the 4<sup>th</sup> September 2010 and 22 February 2011 earthquakes. This special targeted rate will be used to fund the costs that are not covered by insurance proceeds, government subsidy and the Earthquake Commission.
2. Dividend revenue is higher than 2011 due to higher dividend revenue received from Selwyn Investment Holdings Limited (SIHL). SIHL was able to pay higher dividends due to the higher levels of dividend revenue that the Company received from its investment in Orion Group Limited. Although dividend revenue has improved, the level of returns is still below the returns that were received pre-earthquake.
3. Sundry revenue is higher than 2011 due to the inclusion of \$3.4 million insurance revenue relating to the Canterbury earthquakes.
4. Corporate expenditure is higher than 2011 because the 2012 financial year includes the downwards valuation movement in the value of the Council's interest rate swaps (\$3.4 million) compared with \$694,000 in 2011. The costs of completing earthquake repairs in 2012 also led to this increase. Offsetting the increase were asset write offs totalling \$1.7 million in the 2011 financial year.
5. Asset management expenditure is higher than in 2011 as the cost of staff and other operational costs were higher than originally envisaged.

*Explanations of significant variances to budget:*

6. Dividend revenue is higher than budgeted due to a special dividend of \$1.1 million received from SIHL. The total dividend received from SIHL is also higher than originally budgeted following the restructuring of SIHL's operations. The special dividend was possible because the company received an additional dividend from Orion Group Limited during the year.
7. Interest revenue was higher than budgeted due to additional cash held on hand following the sale of a \$10 million investment property from the Izone Southern Business Hub.
8. Commercial property lease revenue is lower than budgeted following the sale of one of the Council's investment properties located at the Izone Southern Business Hub.
9. Sundry revenue is higher than budgeted as actual costs include \$3.4 million insurance revenue relating to the Canterbury earthquakes.
10. Policy and communications unit expenditure is higher than budgeted due to higher than anticipated costs associated with the discover sensational Selwyn promotion to attract people to the Selwyn District.
11. Corporate expenditure is higher than budgeted due to the downwards valuation movement in the value of the Council's interest rate swaps \$3.5 million and additional costs of \$1.5 million associated with completing earthquake repairs.
12. Asset management expenditure is higher than budgeted as the cost of staff and other operational costs were higher than originally envisaged.





## FINANCIALS

## Financials

These financials are prepared in accordance with the Local Government Act 2002.

### In this section

- Financial highlights
- Statement of comprehensive income
- Statement of changes in equity
- Statement of financial position
- Statement of cash flows
- Statement of accounting policies
- Notes to the financial statements

## Financials – financial highlights

### Introduction

The Council's financial statements show a surplus of \$13.5 million compared with a budgeted surplus of \$9.9 million. If the non-cash revenue from the value of assets vested in the Council by sub-dividers is excluded, the underlying result for the Council is a surplus of \$584,000. Income for the year was \$6.9 million higher than budgeted and expenditure \$3.4 million higher. The key items of variance against budget for income and expenditure are noted below.

### Expenditure

Expenditure for the year was \$68.1 million compared with the budget of \$64.7 million. The main variances compared with budget were:

- Depreciation and amortisation expenditure is higher than budgeted by \$1.5 million due to a higher depreciation charge following the 2011 infrastructural valuations.
- Finance costs are higher than budgeted by \$1.8 million due to the unbudgeted downwards valuation of the Council's interest rate swaps which were slightly offset by a lower level of borrowings than budgeted.
- Subsidised roading expenditure is higher than budgeted by \$1.7 million due to higher levels of maintenance work being undertaken during the year than anticipated. The main overspend is in sealed pavement maintenance due to higher than anticipated levels of failures requiring repair. There have been more failures with deformed pavement which is likely a result of the earthquakes and subsequent aftershocks.

### Income

Income for the year was \$81.6 million compared with the budget of \$74.7 million. The main variances compared with budget were:

- Izone Southern Business Hub income from land sales is lower than budgeted by \$3.2 million as the budget included an ambitious level of sales.
- Vested assets revenue is higher than budgeted by \$2.3 million as no budget was included for vested reserves due to the uncertainty of such revenue in the current economic environment.
- Development contributions revenue is higher than budgeted by \$2.8 million as the level of sub-division activity was greater than anticipated.
- Dividend revenue is higher than budgeted due to an unbudgeted special dividend of \$1.1 million received from Selwyn Investment Holdings Limited.

In addition to the above the Canterbury earthquakes increased the surplus by \$2.6 million. This is due to \$3.9 million revenue from Government subsidy and insurance offset by expenditure of \$1.3 million. Much of the revenue is being used to fund capital expenditure that does not get included within the surplus/deficit position.

## Statement of financial position

The value of the Council's net assets increased by \$13.3 million for the year ended 30 June 2012.

*The increase was due to:*

- The surplus of \$13.5 million.
- An increase in the value of the Council's investment in Selwyn Investment Holdings Limited of \$94,000.
- Offset by a reduction in the value of assets due to earthquake damage \$375,000.

The value of the Council's net assets is \$1,139 million. This is higher than budget due to the large increases in infrastructure assets values following the 2011 valuation.

The Council borrowed \$30.2 million during the year, taking its total borrowing to \$83.2 million. The borrowing was used to fund the construction of the Eastern Selwyn Sewerage Scheme (funded from development contributions), roading improvements (funded from the general rate) including the development of the Selwyn Road and Lowes Road upgrades, and the Lincoln Integrated Stormwater Management Plan (funded from development contributions).

## Statement of cash flows

The Council has a positive net operating cash flow of \$12.2 million. The operating cash flow is used to fund the capital expenditure programme.



Douglas Marshall  
**Manager Corporate Services**

## Financials – Statement of comprehensive income for the year ended 30 June 2012

	Note	Council 2012 \$000	Council Budget \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Income</b>						
Rates revenue	2	27,984	27,446	23,712	27,962	23,665
Other revenue	3	49,538	40,012	33,684	82,261	73,051
Gains	4	4,043	7,230	1,870	4,049	2,293
<b>Total income</b>	<b>1</b>	<b>81,565</b>	<b>74,688</b>	<b>59,266</b>	<b>114,272</b>	<b>99,009</b>
<b>Expenditure</b>						
Employee benefit expenses	5	11,447	11,205	10,512	26,023	27,361
Depreciation and amortisation expense	6	18,524	17,063	14,187	21,488	17,150
Other expenses	7	30,782	30,985	30,345	46,811	51,562
Finance costs	8	7,325	5,489	3,198	7,740	3,804
<b>Total operating expenditure</b>	<b>1</b>	<b>68,078</b>	<b>64,742</b>	<b>58,242</b>	<b>102,062</b>	<b>99,877</b>
<b>Operating surplus / (deficit) before taxation</b>		<b>13,488</b>	<b>9,946</b>	<b>1,024</b>	<b>12,211</b>	<b>(868)</b>
Share of associate surplus / (deficit)	17	-	-	-	-	-
<b>Surplus / (deficit) before taxation</b>		<b>13,488</b>	<b>9,946</b>	<b>1,024</b>	<b>12,211</b>	<b>(868)</b>
Income taxation expense / (benefit)	9	(44)	-	67	4	1,902
<b>Surplus / (deficit) after taxation</b>		<b>13,532</b>	<b>9,946</b>	<b>957</b>	<b>12,207</b>	<b>(2,770)</b>
Surplus after taxation from discontinued operation	41	-	-	-	1,693	3,726
<b>Surplus after taxation and discontinued operation</b>		<b>13,532</b>	<b>9,946</b>	<b>957</b>	<b>13,900</b>	<b>956</b>
<i>Surplus / (deficit) attributable to:</i>						
Selwyn District Council		13,532	9,946	957	12,958	(752)
Non - controlling interest		-	-	-	942	1,708
<b>Surplus after taxation and discontinued operation</b>		<b>13,532</b>	<b>9,946</b>	<b>957</b>	<b>13,900</b>	<b>956</b>
<b>Other comprehensive income</b>						
<i>Items that will be reclassified to surplus / (deficit)</i>						
Financial assets at fair value through other comprehensive income	28	94	2,626	4,086	-	2,518
<i>Items that will not be reclassified to surplus / (deficit)</i>						
Gain on infrastructure assets revaluation	20	-	-	288,159	-	288,159
Gain / (loss) on land and building revaluation	20	-	-	9,447	-	9,482
Impairment of property plant and equipment	20,42	(375)	-	(3,926)	(375)	(3,926)
Deferred taxation on revaluation	9	-	-	-	-	-
		(281)	2,626	297,766	(375)	296,233
<b>Total other comprehensive income from discontinued operation</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>757</b>	<b>(109)</b>
<b>Total other comprehensive income</b>		<b>(281)</b>	<b>2,626</b>	<b>297,766</b>	<b>382</b>	<b>296,124</b>
<b>Total comprehensive income</b>		<b>13,251</b>	<b>12,572</b>	<b>298,723</b>	<b>14,282</b>	<b>297,080</b>
<i>Total comprehensive income attributable to:</i>						
Selwyn District Council		13,251	12,572	298,723	13,340	295,372
Non - controlling interest		-	-	-	942	1,708
<b>Total comprehensive income</b>		<b>13,251</b>	<b>12,572</b>	<b>298,723</b>	<b>14,282</b>	<b>297,080</b>

The accompanying notes form part of these financial statements.

## Financials – Statement of changes in equity for the year ended 30 June 2012

	Note	Council 2012 \$000	Council Budget \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Balance at 1 July		1,125,417	925,446	826,694	1,150,600	864,135
Total comprehensive income for the year		13,251	12,572	298,723	14,282	297,080
Realisation of assets		-	-	-	-	(10,615)
Dividends to non - controlling interest		-	-	-	-	-
Balance at 30 June	27-31	1,138,668	938,018	1,125,417	1,164,882	1,150,600

*Total comprehensive income for the year is attributable to:*

Selwyn District Council	13,251	12,572	298,723	-	295,372
Non - controlling interest	-	-	-	-	1,708
Total comprehensive income	13,251	12,572	298,723	-	297,080

The accompanying notes form part of these financial statements.

## Financials – Statement of financial position as at 30 June 2012

	Note	Council Actual 2012 \$000	Council Budget 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
<b>Current assets</b>						
Cash and cash equivalents	10	18,321	2,101	1,858	20,646	17,652
Trade and other receivables	11	16,988	9,819	11,557	19,434	14,791
Derivative financial instruments	12	-	-	-	-	-
Inventory and work in progress	13	-	-	-	918	1,055
Other financial assets	15	153	-	107	12,153	107
Income taxation receivable	9	-	-	-	1,312	4,139
Property held for sale	16	8,727	4,634	7,932	9,511	7,932
Investment in joint venture		-	-	-	34	-
Discontinued operation						
- Property held for sale	16	-	-	-	5,756	35,240
- Livestock	14	-	-	-	-	-
- Other current assets	41	-	-	-	46,163	16,873
<b>Total current assets</b>		<b>44,189</b>	<b>16,554</b>	<b>21,454</b>	<b>115,927</b>	<b>97,789</b>
<b>Non-current assets</b>						
Debtors and other receivables	11	165	-	182	165	182
Derivative financial instruments	12	-	-	-	-	-
Other financial assets	15	120,351	101,829	119,231	74,894	73,868
Investment in associates	17	-	-	-	-	-
Investment property	18	10,925	21,862	20,646	10,360	20,081
Forestry assets	19	334	358	460	334	460
Property, plant and equipment	20	1,057,489	900,583	1,023,749	1,070,751	1,036,604
Development property	21	7,551	4,586	7,218	7,551	7,218
Deferred tax	9	-	-	-	-	-
Intangible assets	22	163	171	140	615	620
<b>Total non-current assets</b>		<b>1,196,978</b>	<b>1,029,389</b>	<b>1,171,626</b>	<b>1,164,670</b>	<b>1,139,033</b>
<b>Total assets</b>		<b>1,241,167</b>	<b>1,045,943</b>	<b>1,193,080</b>	<b>1,280,597</b>	<b>1,236,822</b>

The accompanying notes form part of these financial statements.

## Financials – Statement of financial position as at 30 June 2012 (continued)

	Note	Council Actual 2012 \$000	Council Budget 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
<b>Current liabilities</b>						
Trade and other payables	23	13,033	9,378	11,404	14,567	13,778
Employee benefit liabilities	24	878	-	984	2,364	2,776
Other provisions	25	50	-	340	83	708
Income taxation payable	9	49	-	46	-	-
Derivative financial instruments	12	1,041	-	236	1,068	426
Borrowings	26	15,052	-	21,905	17,675	25,964
Discontinued operation						
- Deposit received in advance		-	-	-	630	2,630
- Other current liabilities	41	-	-	-	113	1,280
<b>Total current liabilities</b>		<b>30,103</b>	<b>9,378</b>	<b>34,915</b>	<b>36,500</b>	<b>47,562</b>
<b>Non-current liabilities</b>						
Employee benefit liabilities	24	95	-	94	175	165
Other provisions	25	383	658	379	383	379
Deferred tax	9	205	-	203	588	2,781
Derivative financial instruments	12	3,534	-	897	3,534	897
Borrowings	26	68,179	97,889	31,175	74,535	34,438
<b>Total non - current liabilities</b>		<b>72,396</b>	<b>98,547</b>	<b>32,748</b>	<b>79,215</b>	<b>38,660</b>
<b>Equity</b>						
General funds	27	563,400	565,378	553,962	606,601	596,674
Fair value through other comprehensive income reserve	28	56,200	54,646	56,106	27,410	27,410
Special funds	29	37,770	34,080	33,798	37,770	33,798
Asset revaluation reserve	30	481,298	283,914	481,551	472,664	473,223
Non - controlling interest	31	-	-	-	20,437	19,495
<b>Total equity</b>		<b>1,138,668</b>	<b>938,018</b>	<b>1,125,417</b>	<b>1,164,882</b>	<b>1,150,600</b>
<b>Total liabilities and equity</b>		<b>1,241,167</b>	<b>1,045,943</b>	<b>1,193,080</b>	<b>1,280,597</b>	<b>1,236,822</b>

The accompanying notes form part of these financial statements.



## Financials – Statement of cash flows for the year ended 30 June 2012

	Note	Council Actual 2012 \$000	Council Budget 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
<b>Operating activities</b>						
<i>Cash was provided from:</i>						
Receipts from customers		54,885	53,078	45,265	87,696	85,369
Agency receipts		974	-	567	974	567
Interest received		468	294	448	2,710	499
Dividends received		4,885	2,841	4,186	5,575	2,197
Income taxation received		49	-	30	49	131
Goods and services taxation (net)		(940)	-	883	(906)	883
		60,321	56,213	51,379	96,098	89,646
<i>Cash was applied to:</i>						
Payments to suppliers and employees		43,483	42,190	35,063	79,119	73,372
Agency payments		974	-	567	974	615
Income taxation		-	-	-	1	-
Interest paid		3,707	5,489	3,198	4,288	3,929
		48,164	47,679	38,828	84,382	77,916
Net cash flow from operating activities	32	12,157	8,534	12,551	11,716	11,730
<b>Investment activities</b>						
<i>Cash was provided from:</i>						
Sale of property, plant & equipment		786	975	99	29,871	1,954
Sale of property intended for sale / investment property		14,942	9,071	1,972	14,942	1,972
Proceeds from investments		-	20,000	-	-	-
		15,728	30,046	2,071	44,813	3,926
<i>Cash was applied to:</i>						
Purchase of property, plant and equipment		41,075	83,295	42,720	43,522	37,072
Purchase of intangible assets		69	-	65	69	65
Purchase of investments and goodwill		428	-	444	41,751	444
Discontinued operation*		-	-	-	-	7,835
		41,572	83,295	43,229	85,342	45,416
Net cash flow from investing activities		(25,844)	(53,249)	(41,158)	(40,529)	(41,490)

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

## Financials – Statement of cash flows for the year ended 30 June 2012 (continued)

	Note	Council Actual 2012 \$000	Council Budget 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
<b>Financing activities</b>						
<i>Cash was provided from:</i>						
Loans raised		30,150	39,158	28,080	30,150	30,524
Discontinued operation*		-	-	-	-	15,845
		30,150	39,158	28,080	30,150	46,369
<i>Cash was applied to:</i>						
Settlement of loans		-	-	-	518	4,968
Dividend paid		-	-	-	-	-
		-	-	-	518	4,968
Net cash flow from financing activities		30,150	39,158	28,080	29,632	41,401
Net increase / (decrease) in cash and cash equivalents		16,463	(5,557)	(527)	819	11,641
Plus: cash and cash equivalents at the beginning of the year		1,858	7,658	2,385	17,582	5,941
Discontinued operation		-	-	-	-	-
Cash, cash equivalents, and bank overdrafts at the end of the year		18,321	2,101	1,858	18,401	17,582
<i>Summary of cash resources:</i>						
Cash and bank		7,816	2,101	1,853	10,141	2,532
Short term deposits maturing within 3 months		10,505	-	5	10,505	15,120
Bank overdrafts		-	-	-	(2,245)	(70)
Cash, cash equivalents, and bank overdrafts at the end of the year		18,321	2,101	1,858	18,401	17,582

\* Discontinued operation – these lines reflect group transactions with Selwyn Plantation Board Limited that is accounted for as a discontinued operation within the financial statements. The transactions are a share buyback by Selwyn Plantation Board Limited of \$nil (2011: \$15,845,000) and a land purchase by Selwyn District Council from the Selwyn Plantation Board Limited of (2011: \$7,835,000). Refer to Note 41.

The accompanying notes form part of these financial statements.

## Financials – statement of accounting policies

### Statement of reporting entity

Selwyn District Council (the Council) is a territorial local authority governed by the Local Government Act 2002.

The Selwyn District Council group consists of the ultimate parent Selwyn District Council and its subsidiary Selwyn Investment Holdings Limited (100% owned) and its subsidiaries SICON Limited (100% owned) and Selwyn Plantation Board Limited (60.68% owned), the Selwyn District Charitable Trust (100% owned) and its associate Central Plains Water Trust which is equity accounted (50% owned). Ferguson Brothers Limited was amalgamated with SICON Limited on the 31 March 2012 and KB Irrigation Limited was amalgamated with SICON Limited on 1 July 2010. Both companies were previously 100% owned subsidiaries of Selwyn Investment Holdings Limited.

All Selwyn District Council subsidiaries and Central Plains Water Trust are incorporated in New Zealand.

The primary objective of the Council and group is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly the Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Council and group are for the year ended 30 June 2012. The financial statements were authorised for issue by Council on 24 October 2012.

### Basis of preparation

#### *Statement of compliance*

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### *Measurement base*

With the exception of Selwyn Plantation Board Limited, the financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, biological assets and financial instruments (including derivative instruments).

The financial statements of Selwyn Plantation Board Limited have been prepared on a realisation basis. In previous years the financial statements were prepared on a going concern basis. In April 2010, the company's shareholders approved the Board's Strategic Plan for the company, which provided for the sale of all of the company's assets, and for the proceeds of sale to be returned to shareholders. During the financial year the company was still in the process to the realisation of assets.

Selwyn Plantation Board Limited no longer adopting the going concern assumption for accounting purposes has consequences for the classification of assets within the Statement of Financial Position, the valuation of assets, and Statement of Comprehensive Income disclosures. All assets are expected to be realised within 12 months of the year end, therefore have been classified as current assets. Property, plant and equipment and forest assets have been classified as assets held for sale. All assets have been recognised at their expected realisable value, this being the proceeds expected to be received on sale of the assets.

#### *Functional and presentation currency*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Council is New Zealand dollars (NZ\$). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

### Changes in accounting policies

There have been no significant changes in accounting policies during the year.

The Council and group have adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

#### NZ IAS 1: Presentation of Financial Statements (amendments)

The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Council has decided to present this analysis in the notes accompanying the financial statements.

#### NZ IFRS 7: Financial Instrument Disclosures (improvements to NZ IFRS)

The amendment adds an explicit statement that qualitative disclosures should be made in the context of quantitative disclosures to better enable users to evaluate the Council's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. There have been no immediate effects as a result of the adoption of this standard.

#### NZ IFRS 7: Financial Instrument Disclosures (transfers of financial assets)

The revised NZ IFRS 7 has introduced new disclosure requirements to enhance the transparency of disclosure requirements for the transfers of financial assets, including disclosures for:

- Financial assets that are not derecognised in their entirety; and
- Financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

There have been no immediate effects as a result of the adoption of this standard.

#### NZ IAS 24: Related Party Disclosures

The revised NZ IAS 24 Related party Disclosures (Revised 2009) has been adopted for the year ended 30 June 2012. The effect of adopting the revised NZ IAS 24 is:

- More information is required to be disclosed about transactions between the Council and government-related entities; and
- Commitments with related parties now require disclosure.

There has been no significant impact following the adoption of this standard in the current financial year.

#### NZ FRS 44: New Zealand Additional Disclosures

The purpose of the new reporting standard NZ FRS 44 is to harmonise Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The standard relocates New Zealand specific disclosures from other existing standards to one place and revised the following disclosures:

- Compliance with NZ IFRS;
- The statutory basis or reporting framework for financial statements;
- Audit fees;
- Imputation credits;
- Reconciliation of net operating cash flow to profit / (loss);
- Prospective financial statements; and
- Elements in the statement of service performance.

The main effect of the amendments on the Council and group is that certain information about property valuations is no longer required to be disclosed and imputation credits are now calculated and presented on an accruals basis.

#### New standards and interpretations issued and not yet adopted

##### NZ IFRS 9: Financial Instruments

NZ IFRS 9 will eventually replace NZ IAS 39: Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through surplus or deficit. The standard is effective for reporting periods beginning on or after 1 January 2013. The Council has not yet assessed the effect of the new standard and it will not be early adopted.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on the current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Council is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

## Significant accounting policies

The Council has adopted the following significant accounting policies in the preparation and presentation of the financial report.

### Basis of consolidation

The purchase method is used to prepare the consolidated financial statements. This involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

SIHL and group entities that have been consolidated have a balance date of 30 June.

#### *Subsidiaries*

The Council consolidates as subsidiaries in the group financial statements, all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Council's consolidated interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

#### *Associates*

The Council accounts for an investment in an associate in the group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. The Council's share of the surplus or deficit of the associate is recognised in the Council's surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment.

If the Council's share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

The Council's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Council and its associates is eliminated.

The investment in associate is carried at cost in the Council's parent entity financial statements.

### Discontinued operation

A discontinued operation is a component of the group's business that represents a separate major line of business that has been discontinued. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period. The comparative statement of financial position is not restated.

## Revenue

Revenue is measured at the fair value of consideration received or receivable.

### *Rates revenue*

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of Environment Canterbury (Ecan) are not recognised in the financial statements as the Council is acting as an agent for Ecan.

### *Other revenue*

Water billing revenue is recognised on an accrual basis. Unbilled usage as a result of unread meters at yearend is accrued on a usage basis.

The Council receives government grants from New Zealand Transport Agency which subsidises part of the Council's costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Grant revenue other than New Zealand Transport Agency is recognised when terms and conditions pertaining to that grant have been fulfilled.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

Development contribution revenue is recognised when received.

Revenue from sale of goods is recognised when the Council has transferred to the buyer the significant risks and rewards of ownership of the goods.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at yearend balance date.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

## Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application, that meets the specified criteria for the grant, has been received.

## Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is recognised on taxable temporary differences arising on investments and subsidiaries, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax are recognised against the surplus or deficit except when it relates to items recognised in other comprehensive income or directly in equity.

## **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

## **Trade and other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that they will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

## **Inventories and work in progress**

Inventories held for use in the production of goods and services are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method for SICON Limited. In the case of manufactured goods, cost includes direct materials, labour and production overheads associated with putting the inventories in their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The write down from cost to net realisable value is recognised in the surplus or deficit.

Work in progress is stated at cost and consists of direct materials, direct labour and plant costs with a proportion of overhead costs. Contract payments (i.e. work invoiced prior to completion) have been deducted. For major contracts the percentage completion method is used.

## **Livestock**

Livestock is valued at its fair value less estimated point of sale costs. Livestock was valued at fair market values as at 30 June 2010 by Mr Brian Brice of Hazlett Rural, Stock and Station Agents. All livestock was sold prior to 30 June 2011.

## **Other financial assets**

Selwyn District Council classifies financial assets into the following categories: financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determine the classification of investments at initial recognition and re-evaluate this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of investments are recognised on trade-date, the date on which Selwyn District Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Selwyn District Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Selwyn District Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

*The four categories of financial assets are:*

#### **Financial assets at fair value through surplus or deficit**

This category has two sub-categories: financial assets held for trading and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Currently, the Council values embedded derivatives and interest rate swaps in this category.

#### **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Council has community loans, Central Plains Water Limited loan, short term deposits and trade and other receivables in this category.

#### **Held to maturity investments**

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Council holds bond investments in this category.

#### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are those which are designated as fair value through other comprehensive income or are not classified in any of the other categories above.

This category encompasses:

- Investments that the Council intends to hold long-term but which may be realised before maturity; and
- Shareholdings which the Council holds for strategic purposes. The Council's investment in its subsidiary, and other equity investments that are not associates are included in this category.

After initial recognition these investments are measured at their fair value with valuations performed by an independent valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value.

The investment in Selwyn Investment Holdings Limited is valued based on an independent valuation as at 30 June 2009 completed by Ernst & Young Corporate Transaction Advisory Services Limited, Wellington dated 25 August 2009. The valuation has been adjusted to reflect an independent valuation of the company's investment in Orion New Zealand Limited as at 31 March 2011 completed by Ernst & Young Corporate Finance Limited, Chartered Accountants, Wellington and updated valuations of SICON Limited based on directors' valuations. These directors' valuations reflect fair value and are based on the higher of present value of the respective company's estimated future earnings or net asset value.

Gains and losses are recognised in other comprehensive income except for impairment losses which are recognised in the surplus or deficit. In the event of impairment any cumulative losses previously recognised in other comprehensive income will be reclassified from equity and recognised in the surplus or deficit even though the asset has not been derecognised.

#### **Impairment of financial assets**

At each balance date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

#### **Derivative financial instruments**

The Council uses derivative financial instruments to hedge interest rate risks arising from financial activities. The Council does not hold or issue derivative financial instruments for trading purposes.



Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value at each balance date.

The associated gains or losses of derivatives are recognised in the surplus or deficit.

The full fair value of derivatives are classified as non-current if the remaining maturity of the item is more than twelve months and as current if the remaining maturity of the item is less than twelve months.

## Property, plant and equipment

Property, plant and equipment of the Council consist of:

- *Operational Assets* - these include land, farm land, buildings, heritage assets, library books and plant and machinery.
- *Infrastructural Assets* – infrastructural assets are fixed utility systems and roading networks owned by the Council. Each asset class includes all items that are required for the network to function.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Farm land, land under roads and other land are not depreciated.

### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council or group entity and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

### Depreciation

#### Parent

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	20 – 180 years	(0.6% - 5%)
Heritage	20 – 180 years	(0.6% - 5%)
Heavy Plant & Machinery	10 years	(10%)
Other Plant & Machinery	5 years	(20%)
Motor Vehicles	4 years	(25%)
Furniture & Fittings	10 years	(10%)
Library Books	7 years	(14.3%)
Computer Equipment	4 years	(25%)
<i>Roads</i>		
Formation/Sub Grade	Not depreciated	
Sub Base – Sealed Roads Only	Not depreciated	
Base Course	13 – 99 years	(1.0% - 7.7%)
Surface – Sealed Roads	1 – 18 years	(5.6% - 100%)
Surface – Unsealed Roads	40 years	(2.5%)
Kerb & Channelling	50 years	(2%)
Footpaths Base and Surface	40 years	(2.5%)
Culverts	50 – 100 years	(1% - 2%)
Traffic Signs	10 years	(10%)
Street Lights	20 years	(5%)
Street Light Poles	40 years	(2.5%)
Bridges	50 – 150 years	(0.7% - 2%)
Water Races – Structure	30 – 122 years	(0.8% - 3.3%)

Water Races - Race	Not depreciated	
Land Drainage – Structure	9 – 100 years	(1% - 11%)
Land Drainage - Drain	Not depreciated	
<i>Water supplies</i>		
Wells	40 years	(2.5%)
Pump Stations	10 – 100 years	(1% - 10%)
Reservoirs	50 – 75 years	(1.3% - 2%)
Valves Service Connections	20 – 50 years	(2% - 5%)
Pipes & Fire Hydrants	33 – 75 years	(1.3% - 3%)
<i>Sewerage Systems</i>		
Manholes	75 years	(1.3%)
Pipes	50 – 75 years	(1.3% - 2%)
Pump Stations	10 – 100 years	(1% - 10%)
Sewerage Treatment Stations	10 – 75 years	(1.3% - 10%)
Service Connection	75 years	(1.3%)

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each financial year end.

#### *Selwyn Investment Holdings Limited*

Depreciation is provided on all property, plant and equipment on a diminishing value basis at rates allowed by the Inland Revenue Department for that class of asset.

#### *SICON Limited*

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	10 – 33 years	(3% - 10%)
Improvements	10 – 50 years	(2% – 10%)
Plant & Machinery	2 - 12 years	(8.3% - 50%)
Motor Vehicles	6 – 10 years	(10% - 16.7%)
Furniture & Fittings	3 – 10 years	(10% - 33%)
Computer Equipment	3 years	(33%)

#### *Selwyn Plantation Board Limited*

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings		
Wooden	40 years	(2.5%)
Brick	50 years	(2%)
Improvements	10 – 50 years	(2% – 10%)
Heavy Plant & Machinery	5-10 years	(10%-20%)
Other Plant & Machinery	5 years	(20%)
Motor Vehicles	5 years	(20%)
Furniture & Fittings	5 years	(20%)
Computer Equipment	5 years	(20%)

#### *Revaluation*

Those asset classes that are revalued are valued either on a yearly or three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

If there is a material difference then the relevant classes are revalued.

#### *Farm land*

Farm land is revalued on a three yearly valuation cycle at fair value, as determined from market-based evidence by an independent valuer. The last valuation of the Council's farm land was performed by EM Saunders FNZIV, FPNZ Registered Valuer of Ford Baker Limited and the valuation is effective as at 30 June 2011. The valuation of Selwyn Plantation Board Limited was performed by Property Advisory Limited, Registered Valuers and the valuation is effective as at 30 June 2011.

### *Other land and buildings*

Other land and buildings are valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuation of such property held by the Council S E J Newberry B Com (VPM) SPINZ (ANZIV) Registered Valuer of Ford Baker Limited and the valuation is effective as at 1 July 2010. The most recent valuation of such property held by Selwyn Plantation Board Limited was performed by Property Advisory Ltd, Registered Valuers and the most recent valuation is effective as at 30 June 2011.

### *Infrastructural asset classes: roads, water reticulation, sewerage reticulation and stormwater systems*

These assets are valued at fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date Selwyn District Council assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference then the off-cycle asset classes are revalued. The roading network was last valued as at 30 June 2011 by Mike Trapper (BE (Elec), MPINZ) who is a senior valuer with Beca Valuation Limited. Water, sewerage, stormwater, land drainage and water race assets were last valued as at 30 June 2011 by John Vessey (BE (Civil), BA (Econs) Transitional Certificate (Econs), MIPENZ a partner of Opus International Consultants Limited.

A fair value assessment was performed over the Council's infrastructural assets as at 30 June 2012. The assessment indicated that there has not been any material movement from the last valuation completed in June 2011. Infrastructural assets continue to be carried at the 2011 valuation plus movements due to additions, disposals, impairment and depreciation.

### *Land under roads*

Land under roads is valued based on fair value of adjacent land determined by the Council's finance staff effective 30 June 2005. Land under roads is not subsequently revalued.

### *Accounting for revaluations*

The Council accounts for revaluations of property, plant and equipment on a class by class basis.

The results of revaluing are credited or debited to other comprehensive income and accumulated in an asset revaluation reserve for that class of asset for the Council and for each asset for Selwyn Plantation Board Limited, and SICON Limited. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed and recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive income.

## **Joint ventures**

A joint venture is a contractual arrangement which involves two or more parties who undertake an economic activity subject to joint control. A jointly controlled entity involves the establishment of a corporation, partnership or other entity where each venturer has an interest. The venturers contribute cash or other resources to the jointly controlled entity and the contributions are recognised in the venturer's financial statements as an investment in a jointly controlled entity. SICON accounts for its interest in jointly controlled entities using the equity method where the initial investment is recognised at cost. The carrying amount is increased or decreased to recognise the venturer's share of profit or loss. If the share of losses exceeds the interest in the joint venture, the share of further losses is not recognised.

## **Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

## **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost including transaction costs.

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer. The most recent valuations were performed by S E J Newberry B Com (VPM) SPINZ (ANZIV) Registered Valuer of Ford Baker Limited and the valuations are effective as at 30 June 2012.

The fair value of investment property has been determined by reference to the capitalisation of rental income, discounted cash flows and comparable sales methods. These valuations use assumptions including future rental income, anticipated costs and appropriate discount rates.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

## **Development property**

Development properties are properties that are being developed for sale. Development properties are measured at the lower of cost and net realisable value. They are transferred to non-current assets held for sale once they are ready and being marketed for sale.

## **Forestry assets**

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. The Selwyn District Council forest was independently revalued as at 30 June 2012 by Terry O'Neill, Qualified Forester. The Selwyn Plantation Board Limited forest valuation was independently revalued as at 30 June 2010 by completed by PF Olsen Ltd. Due to a sale in and purchase agreements being in place at balance date, the Selwyn Plantation Board Limited forestry assets were not independently valued at 30 June 2012. The Board of Selwyn Plantation Board Limited considers the carrying value of the forestry land and trees to be not materially different from fair value, whether or not the current sale is approved and finalised, and this view is supported by assurance gained from independent valuers.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit. The costs to maintain the forestry assets are recognised in the surplus or deficit.

## **Intangible assets**

### *Goodwill*

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method.

Goodwill arising in business combinations is not amortised. Instead goodwill is tested for impairment annually. After initial recognition the Council measures goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

### *Software acquisition*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates for software have been estimated as follows:

Selwyn District Council	4 years	25%
SICON Limited	3 years	33%
Selwyn Plantation Board Limited	5 years	20%

### *Mining Licences*

Acquired mining licenses and permits are capitalised on the basis of the costs incurred to acquire and bring to use the specific licence and permit.

## Amortisation

Mining licences transferred at acquisition date with a finite life are amortised on a straight line basis over their useful life.

Amortisation begins from acquisition date and ceases at the date that the licence is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rate for mining licences have been estimated as follows:

Haast	33 years
Paringa	31.42 years
Caravan Knob	39.33 years
Whataroa	31.42 years

## Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However to the extent that an impairment loss of that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount (other than goodwill), the reversal of impairment loss is recognised in the surplus or deficit.

## Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost.

## Borrowings

Borrowings are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

## Employee benefits

### *Short-term benefits*

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, bonus accruals and sick leave.

The Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent that the Council anticipates it will be used by staff to cover those future absences.

The Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### *Long-term benefits*

#### *Long service leave and retirement leave*

Entitlements that are payable beyond 12 months such as long service leave and retiring leave have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. A discount rate and an inflation factor were used in this calculation.

### *Superannuation schemes*

#### **Defined contribution schemes**

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

#### **Defined benefit schemes**

The Council, Selwyn Plantation Board Limited and SICON Limited belong to a Defined Benefit Plan Contribution Scheme ('the Scheme') which is managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the Scheme, the extent to which the surplus/deficit will affect contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme.

## **Provisions**

The Council recognises a provision for future expenditure of uncertain or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

### **Landfill aftercare provision**

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. The provision is stated at the present value of the future cash outflows expected to be incurred which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in the surplus or deficit as a time value adjustment.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the statement of financial position.

Future landfill site restoration and aftercare costs capitalised in the statement of financial position are depreciated at rates that match the pattern of benefits expected to be derived from the landfill including power generation using landfill gas.

## Restricted and council created reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council's decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

The Council objectives, policies and processes for managing capital are described in Note 40.

## Leases

### *Finance leases*

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset whether or not title is eventually transferred.

### *Finance leases as lessee*

At the commencement of the lease term the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term the asset is fully depreciated over the shorter of the lease term and its useful life.

### *Finance leases as lessor*

The Council recognises a receivable equal to the net investment in the lease. Lease payments are allocated between principal repayments and finance income, based on the interest rate implicit in the lease.

### *Operating leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Annual Budget/Selwyn Community Plan (LTCCP). The budget figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

## Cost allocation

The Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

## Critical accounting estimates and assumptions

In preparing these financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### *The impact of the Canterbury earthquakes*

In accounting for the impact of earthquakes the Council has made estimates and assumptions based on the best available information available at the time the financial statements were prepared.

The key estimates are:

- the cost of damage where repairs have not yet been undertaken
- the proportion of repair and other costs that will be recovered through insurance and other sources.

The key assumptions are that:

- the full extent of the damage has been identified through the inspection and assessment procedures undertaken to date and that any unidentified damage is unlikely to be significant.
- there has been no impact on the useful life of assets, including underground assets that cannot be readily inspected for damage.

#### *Other financial assets – fair value through other comprehensive income*

There are assumptions and estimates used when performing valuations of investments about the future maintainable earnings of investments and the earnings multiple used in these valuations. Experienced valuers perform the valuation of the Council's investments.

#### *Infrastructural assets*

There are a number of assumptions and estimates used when performing valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset. For example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes which are underground. This risk is minimised by the Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated.
- The possible impact of the Canterbury earthquakes.

These estimates can be affected by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Selwyn District Council could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk Selwyn District Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Selwyn District Council's asset management planning activities which gives Selwyn District Council further assurance over its useful life estimates.

The Selwyn District Council has no evidence that the Canterbury earthquakes of 2010 and 2011 have impacted on the remaining use of lives of assets and no adjustment has been made as a result of the earthquakes. It is possible that information will come to light at a later date that will change this assumption.

Experienced independent valuers perform Selwyn District Council's infrastructural asset revaluations.

#### *Provisions*

Note 25 comments on the exposure of the Selwyn District Council in relation to weather tightness claims.

#### *Forest valuation*

The forest valuation is calculated based on assumptions of current costs and revenues discounted to present value. The valuation conforms with NZ IAS 4:1 Agriculture.

#### *Bankside provision*

Note 25 comments on the exposure of Selwyn Plantation Board Limited in relation to the estimates and uncertainties surrounding the Bankside provision.



## Financials – notes to the financial statements

### Note 1: Summary of cost of service

	Council 2012 \$000	Council Budget \$000	Council 2011 \$000
<b>Income</b>			
Democracy	491	468	616
Community services and other activities	12,874	9,126	8,889
Environmental services	4,488	4,132	3,568
Transportation and townships	11,113	10,987	10,118
Waste management	4,609	4,337	4,370
Waste water services	13,243	12,594	6,128
Water supplies	7,672	7,275	6,043
Izone southern business hub	4,239	7,230	2,412
<b>Total activity income</b>	<b>58,729</b>	<b>56,149</b>	<b>42,144</b>
General rates	9,873	9,986	9,230
Rates penalties	221	162	185
Other corporate revenue	12,743	8,391	7,707
<b>Total income</b>	<b>81,565</b>	<b>74,688</b>	<b>59,266</b>
<b>Expenditure</b>			
Democracy	2,916	3,208	3,087
Community services and other activities	10,621	12,318	10,011
Environmental services	7,239	7,946	7,444
Transportation and townships	18,575	16,146	16,133
Waste management	4,272	4,755	3,887
Waste water services	8,358	8,719	5,308
Water supplies	6,166	7,374	5,635
Izone southern business hub	2,722	2,917	2,880
Other corporate expenditure	7,209	1,359	3,857
<b>Total activity expenditure</b>	<b>68,078</b>	<b>64,742</b>	<b>58,242</b>
<b>Total operating expenditure</b>	<b>68,078</b>	<b>64,742</b>	<b>58,242</b>

Each significant activity includes targeted rates attributable to a particular activity (refer Note 2). Other corporate revenue includes income sources, which are not directly attributable to a significant activity, for example dividends, interest and insurance proceeds. Other corporate expenditure includes expenditure sources, which are not directly attributable to a significant activity, for example, interest rate swap valuation movements and earthquake repair costs. Other corporate revenue and expenditure is included in the support services activity operating statement in Section 2 of the annual report. Significant income and expenditure variance explanations are included for each activity in Section 2 of the annual report (how we performed).

## Note 2: Rates revenue

	Council Actual 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
General rates	9,873	9,230	9,851	9,183
Rates penalties	221	185	221	185
<i>Targeted rates</i>				
Democracy	466	429	466	429
Community services and other activities	4,232	3,120	4,232	3,120
Earthquake targeted rate	1,989	-	1,989	-
Waste management	3,453	3,292	3,453	3,292
Waste water services	3,022	2,823	3,022	2,823
Water supplies	4,322	4,189	4,322	4,189
Water meter charges	406	444	406	444
<b>Total rates revenue</b>	<b>27,984</b>	<b>23,712</b>	<b>27,962</b>	<b>23,665</b>

### Rates remissions

Rates revenue is shown net of rates remissions. The Council's 'Rates Remission Policy' allows for rates remission on condition of a ratepayer's extreme financial hardship and allows for rates remission on the following properties:

- community, sporting and other organisations
- sewerage rates for schools
- vacant land
- Plunket branches, scout group halls
- masonic lodges
- properties and open space covenants
- school and service club endowment land
- land protected for natural, historic or cultural conservation.

A copy of the Council's 'Rates Remission Policy' is included in the Long Term Plan 2012/2022.

	Council Actual 2012 \$000	Council Actual 2011 \$000	Group Actual 2012 \$000	Group Actual 2011 \$000
<b>Total rates revenue</b>	<b>28,044</b>	<b>23,775</b>	<b>28,022</b>	<b>23,728</b>
<i>Rates remissions</i>				
Earthquake related remissions	23	26	23	26
Sports bodies	16	16	16	16
Churches	17	17	17	17
Other social and cultural organisations	4	4	4	4
<b>Total remissions</b>	<b>60</b>	<b>63</b>	<b>60</b>	<b>63</b>
<b>Rates revenue net of remissions</b>	<b>27,984</b>	<b>23,712</b>	<b>27,962</b>	<b>23,665</b>

In accordance with the 'Local Government (Rating) Act 2002' certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under the Council's rates remission policy.

### Note 3: Other revenue

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Building consents	3,195	2,402	3,195	2,402
Connection and irrigation fees	263	244	263	244
Development contributions	10,224	3,799	10,224	3,799
Dividend revenue	4,494	3,750	4,289	3,448
Dog registration	306	255	306	255
Earthquake insurance recoveries	3,387	3,296	3,387	1,527
Grants	308	306	308	306
Gravel royalties	105	198	-	-
Interest revenue	583	517	1,120	801
Leases	395	242	313	204
Lump sum contributions	32	67	32	67
New Zealand Transport Agency subsidy	5,712	7,637	5,712	7,637
Petroleum tax	155	182	155	182
Rental and hire charges	764	627	764	627
Rental income from investment properties	1,565	1,506	1,565	1,462
Resource consent fees	707	451	707	451
Vested assets	12,948	4,732	12,948	4,732
Other income - Council	4,396	3,473	4,321	5,117
Other trading income - SICON	-	-	23,262	22,126
Other trading income - FBL	-	-	9,391	17,664
<b>Total other revenue</b>	<b>49,538</b>	<b>33,684</b>	<b>82,261</b>	<b>73,051</b>

There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

### Note 4: Other gains

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Gain on disposal of property held for sale	3,764	1,692	3,764	2,115
Gain on changes in fair value of forestry	-	102	-	102
Gain on fair value of derivatives	92	76	92	76
Gain on changes in fair value of investment property (Note 18)	187	-	187	-
Other gains	-	-	6	-
<b>Total gains</b>	<b>4,043</b>	<b>1,870</b>	<b>4,049</b>	<b>2,293</b>

### Note 5: Employee benefit expenses

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Salaries and wages	11,414	10,306	26,536	26,836
Employer contributions to superannuation plans	138	113	357	337
Employer contributions to other plans & benefits	-	-	55	62
Increase / (decrease) in employee liabilities	(105)	93	(925)	126
<b>Total employee benefit expenses</b>	<b>11,447</b>	<b>10,512</b>	<b>26,023</b>	<b>27,361</b>

#### Note 6: Depreciation and amortisation

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Operational assets (Note 20a & b)	2,449	2,112	5,369	5,028
Infrastructural assets (Note 20c)	16,029	11,979	16,029	11,979
Intangible assets (Note 22)	46	96	90	143
<b>Total depreciation and amortisation</b>	<b>18,524</b>	<b>14,187</b>	<b>21,488</b>	<b>17,150</b>
Depreciation and amortisation relating to discontinued operations	-	-	-	-
Depreciation and amortisation relating to continuing operations	18,524	14,187	21,488	17,150
<b>Total depreciation and amortisation</b>	<b>18,524</b>	<b>14,187</b>	<b>21,488</b>	<b>17,150</b>

#### Note 7: Other expenses

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Fees to auditors:				
- fees to Audit New Zealand for audit of the financial statements	109	105	236	257
- fees to Audit New Zealand for other services	7	9	7	9
- fees to Audit New Zealand for audit of the 2012 - 2022 LTP	75	2	75	2
Bad debts written off	213	12	213	645
Cost of sales - materials	-	-	8	1,971
Directors' and members' remuneration	505	499	712	804
Grants	125	133	125	133
Impairment of trade receivables	16	155	16	154
Impairment of other financial assets	58	799	58	65
Loss on changes in fair value of forestry (Note 19)	126	-	126	-
Loss on changes in fair value of investment property (Note 18)	-	924	-	959
Loss on disposal of assets	53	4	101	4
Minimum lease payments under operating leases	119	21	1,135	816
Refuse contract payments	1,566	1,387	1,566	1,387
Refuse transfer station operations	2,577	2,228	2,577	2,228
Roading	7,328	6,299	7,328	6,299
Valuation services	167	128	167	128
Other operating expenses	17,738	17,640	32,361	35,701
<b>Total other expenses</b>	<b>30,782</b>	<b>30,345</b>	<b>46,811</b>	<b>51,562</b>

The fees paid to Audit New Zealand for other services were for audit fees paid by the Council on behalf of subsidiary entities.

#### Note 8: Finance costs

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Interest expense				
- interest on creditors accounts	-	-	-	1
- interest on bank overdraft	-	-	531	672
- interest on bank borrowings	3,882	2,504	3,882	2,504
- interest on finance leases	-	-	47	55
Revaluation of interest rate swap	3,443	694	3,280	572
<b>Total finance costs</b>	<b>7,325</b>	<b>3,198</b>	<b>7,740</b>	<b>3,804</b>

Note 9: Income taxation

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Relationship between taxation expense and accounting profit</b>				
Surplus / (deficit) before tax continuing activities	13,488	1,024	12,211	(868)
Surplus / (deficit) before tax discontinued activities	-	-	2,274	4,966
Taxation at 28% (2011: 30%)	3,777	307	4,056	1,229
<i>Plus / (less) tax effect of:</i>				
Permanent adjustments	(3,726)	(203)	(3,774)	(358)
Prior year adjustment	(95)	(38)	(70)	(2)
De-recognition of future income taxation benefit	-	-	(110)	-
De-recognition of taxation losses to carry forward	-	-	483	951
Deferred taxation on removal of timing differences	-	-	-	1,517
Change in taxation rate	-	1	-	(195)
<b>Taxation expense</b>	<b>(44)</b>	<b>67</b>	<b>585</b>	<b>3,142</b>
<b>Components of tax expense</b>				
Current taxation expense	49	93	2,932	93
Prior year adjustments	(95)	(38)	(70)	(2)
Deferred taxation expense	2	11	(2,277)	3,246
Change in taxation rate	-	1	-	(195)
<b>Taxation expense</b>	<b>(44)</b>	<b>67</b>	<b>585</b>	<b>3,142</b>
<b>Taxation expense attributable to:</b>				
Continuing operations	(44)	67	4	1,902
Discontinued operation	-	-	581	1,240
<b>Total taxation expense / (benefit)</b>	<b>(44)</b>	<b>67</b>	<b>585</b>	<b>3,142</b>
<b>Amounts charged directly to other comprehensive income</b>				
Deferred income taxation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxation receivable / (provision)</b>				
Opening balance 1 July	(46)	39	4,139	4,274
Less: current taxation expense	(49)	(93)	(2,932)	(93)
Less: taxation refund	(48)	(46)	(48)	(147)
Prior period adjustments	94	38	94	89
Plus: taxation paid	-	16	59	16
<b>Taxation receivable / (provision)</b>	<b>(49)</b>	<b>(46)</b>	<b>1,312</b>	<b>4,139</b>

## Deferred taxation assets / (liabilities)

	Opening Balance 1 July 2011 \$000	Charged to Surplus \$000	Charged to other comp- rehensive income \$000	Change to Tax rate \$000	Closing Balance 30 June 2012 \$000
<b>Parent</b>					
<b>Deferred tax liabilities</b>					
Investment property	(129)	(2)	-	-	(131)
Property, plant & equipment	(73)	(1)	-	-	(74)
Deferred taxation liabilities	(202)	(3)	-	-	(205)
<b>Deferred tax assets</b>					
Trade and other payables	-	-	-	-	-
Employee benefits and other accruals	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Net deferred taxation balance	(202)	(3)	-	-	(205)
	Opening Balance 1 July 2010 \$000	Charged to Surplus \$000	Charged to other comp- rehensive income \$000	Change to Tax rate \$000	Closing Balance 30 June 2011 \$000
<b>Parent</b>					
<b>Deferred taxation liabilities</b>					
Investment property	(115)	(13)	-	(1)	(129)
Property, plant & equipment	(76)	3	-	-	(73)
Deferred taxation liabilities	(191)	(10)	-	(1)	(202)
<b>Deferred taxation assets</b>					
Trade and other payables	-	-	-	-	-
Employee benefits and other accruals	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Net deferred taxation balance	(191)	(10)	-	(1)	(202)

	Opening Balance 1 July 2011	Charged to Surplus	Charged to other comp- rehensive income \$000	Amalgamation \$000	Closing Balance 30 June 2012
<b>Group</b>	\$000	\$000	\$000	\$000	\$000
<b>Deferred tax liabilities</b>					
Property, plant & equipment	(5,773)	5,335	-	-	(438)
Trade and other receivables	(143)	(7)	-	(21)	(171)
Deferred taxation liabilities	(5,916)	5,328	-	(21)	(609)
<b>Deferred tax assets</b>					
Trade and other payables	233	(167)	-	3	69
Interest rate swap	53	(46)	-	18	25
Employee benefits and other accruals	254	49	-	85	388
Derecognition of other temporary differences	(611)	111	-	(85)	(585)
Benefit of tax losses (future income tax benefits)	3,206	(3,082)	-	-	124
Deferred taxation assets	3,135	(3,134)	-	21	21
Net deferred taxation	(2,781)	2,194	-	-	(588)
<i>Deferred taxation attributable to:</i>					
Continuing operations					(84)
Discontinued operation					(504)
Net deferred tax balance					(588)

	Opening Balance 1 July 2010	Charged to Surplus	Charged to other comp- rehensive income \$000	Change to Tax rate \$000	Closing Balance 30 June 2011
<b>Group</b>	\$000	\$000	\$000	\$000	\$000
<b>Deferred taxation liabilities</b>					
Property, plant & equipment	(5,793)	(399)	-	419	(5,773)
Trade and other receivables	(206)	52	-	11	(143)
Deferred taxation liabilities	(5,999)	(347)	-	430	(5,916)
<b>Deferred tax assets</b>					
Trade and other payables	350	(107)	-	(10)	233
Interest rate swap	93	(36)	-	(4)	53
Employee benefits and other accruals	536	(257)	-	(25)	254
Derecognition of other temporary differences	-	(630)	-	19	(611)
Benefit of tax losses (future income tax benefits)	5,376	(1,955)	-	(215)	3,206
Deferred taxation assets	6,355	(2,985)	-	(235)	3,135
Net deferred taxation	356	(3,332)	-	195	(2,781)
<i>Deferred taxation attributable to:</i>					
Continuing operations					25
Discontinued operation					(2,806)
Net deferred taxation					(2,781)

SICON Limited losses carried forward have been de-recognised and deductible temporary differences have been de-recognised to the extent they exceed the balance of taxable temporary differences, on the basis that it is not probable that taxable profit will be available against which these deductible temporary differences and losses can be utilised. A deferred tax asset has not been recognised in relation to tax losses of \$7,905,000 (2011: \$6,263,000) and temporary differences of \$1,778,000 (2011: \$2,173,000).

#### Note 10: Cash and cash equivalents

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Cash at bank and on hand	7,816	1,853	10,141	2,532
Term deposits with maturities less than 3 months	10,505	5	10,505	15,120
<b>Total cash and cash equivalents</b>	<b>18,321</b>	<b>1,858</b>	<b>20,646</b>	<b>17,652</b>

The carrying value of cash at bank and term deposits with maturities less than three months approximates their fair value.

Cash, cash equivalents, and bank overdrafts include the following for the purposes of the statement of cash flows:

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Cash at bank and on hand	7,816	1,853	10,141	2,532
Term deposits with maturities less than 3 months	10,505	5	10,505	15,120
Bank overdrafts (Note 26)	-	-	(2,245)	(70)
<b>Total</b>	<b>18,321</b>	<b>1,858</b>	<b>18,401</b>	<b>17,582</b>

#### Note 11: Trade and other receivables

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Rates receivables	2,266	1,573	2,266	1,573
<i>Other receivables:</i>				
- Other	4,101	1,296	9,287	6,804
- Related party receivables (Note 35)	119	494	6	(57)
Community loans	165	182	165	182
Dividend receivable	3,209	3,600	-	1,287
Sundry receivables & prepayments	7,355	4,824	7,954	5,509
<b>Gross trade and other receivables</b>	<b>17,215</b>	<b>11,969</b>	<b>19,678</b>	<b>15,298</b>
Less: provision for impairment	(62)	(230)	(79)	(325)
<b>Total trade and other receivables</b>	<b>17,153</b>	<b>11,739</b>	<b>19,599</b>	<b>14,973</b>
Less: non - current community loans	(165)	(182)	(165)	(182)
<b>Current portion</b>	<b>16,988</b>	<b>11,557</b>	<b>19,434</b>	<b>14,791</b>

Community loans have been valued at amortised cost, which approximates the loan's fair value. The face value of community loans is \$191,000 (2011: \$208,000).



## Fair value

Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables outside the group as the group has a large number of customers.

## Impairment

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

The ageing profile of receivables at year end is detailed below:

	Gross 2012 \$000	Impairment 2012 \$000	Council Net 2012 \$000	Gross 2011 \$000	Impairment 2011 \$000	Council Net 2011 \$000
Not past due	3,061	-	3,061	697	-	697
Past due 1 - 30 days	250	-	250	140	-	140
Past due 31 - 60 days	27	-	27	123	-	123
Past due > 61 days	3,029	(62)	2,967	1,909	(230)	1,679
<b>Total</b>	<b>6,367</b>	<b>(62)</b>	<b>6,305</b>	<b>2,869</b>	<b>(230)</b>	<b>2,639</b>

	Gross 2012 \$000	Impairment 2012 \$000	Group Net 2012 \$000	Gross 2011 \$000	Impairment 2011 \$000	Group Net 2011 \$000
Not past due	9,677	-	9,677	5,323	-	5,323
Past due 1 - 30 days	1,284	-	1,284	140	-	140
Past due 31 - 60 days	338	-	338	372	-	372
Past due > 61 days	3,805	(79)	3,726	2,542	(326)	2,216
<b>Total</b>	<b>11,553</b>	<b>(79)</b>	<b>15,025</b>	<b>8,377</b>	<b>(326)</b>	<b>8,051</b>

As of 30 June 2012 and 2011, all overdue receivables, except for rates receivable, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are past due or impaired.

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of the specific overdue receivables. Expected losses have been determined based on a review of specific debtors at balance date.

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	(230)	(75)	(326)	(245)
Additional provisions made during the year	(45)	(167)	(45)	(166)
Receivables written-off during the period	213	12	292	85
<b>Closing balance 30 June</b>	<b>(62)</b>	<b>(230)</b>	<b>(79)</b>	<b>(326)</b>

Note 12: Derivative financial instruments

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Current asset portion</b>				
Interest rate swaps - cash flow hedges	-	-	-	-
<b>Total current asset portion</b>	-	-	-	-
<b>Non-current asset portion</b>				
Interest rate swaps - cash flow hedges	-	-	-	-
<b>Total non-current asset portion</b>	-	-	-	-
<b>Total derivative financial instrument assets</b>	-	-	-	-
<b>Current liability portion</b>				
Interest rate swaps - cash flow hedges	1,041	236	1,068	426
<b>Total current liability portion</b>	1,041	236	1,068	426
<b>Non-current liability portion</b>				
Interest rate swaps - cash flow hedges	3,534	897	3,534	897
<b>Total non-current liability portion</b>	3,534	897	3,534	897
<b>Total derivative financial instrument liabilities</b>	4,575	1,133	4,602	1,323

### Interest rate swaps

The fair value of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs to the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional principal amounts of the Council's interest rate swap contracts is \$69 million (2011: \$41 million) and for the group \$73.5 million (2011: \$47.5 million). As at 30 June, the Council's fixed interest rates of cash flow hedge interest rate swaps varied from 3.88% to 5.98% (2011: 3.88% to 5.98%) and the group rates varied from 3.88% to 7.93% (2011: 2.84% to 7.93%).

Note 13: Inventory and work in progress

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Gravel stocks	-	-	514	469
Other direct materials	-	-	319	385
Stores	-	-	-	42
Provision for writedown of stock	-	-	(64)	-
Work in progress	-	-	149	159
<b>Total inventory and work in progress</b>	<b>-</b>	<b>-</b>	<b>918</b>	<b>1,055</b>

There is no inventory pledged as security for liabilities (2011: \$nil), there is no inventory subject to retention of title clauses (2011:\$nil), nor has there been any write-down of inventory (2011: \$nil).

Note 14: Livestock (discontinued operation) - Group

	Group 2012 Head	Group 2012 \$000	Group 2011 Head	Group 2011 \$000
<b>Sheep</b>				
Opening stock on hand 1 July	-	-	2,466	192
Add: purchases and natural increases	-	-	-	-
Less: sales and deaths	-	-	(2,466)	(249)
Transfer to assets held for sale (Note 16)	-	-	-	-
Other movements	-	-	-	57
<b>Closing balance 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cattle</b>				
Opening stock on hand 1 July	-	-	863	673
Add: purchases and natural increases	-	-	-	-
Less: sales and deaths	-	-	(863)	(764)
Transfer to assets held for sale (Note 16)	-	-	-	-
Other movements	-	-	-	91
<b>Closing balance 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total livestock</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note 15: Other financial assets

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Current portion</b>				
<i>Loans and receivables</i>				
Term deposits with maturities of 4-12 months	-	-	12,000	-
Finance lease receivable	153	107	153	107
<b>Total current loans and receivables</b>	<b>153</b>	<b>107</b>	<b>12,153</b>	<b>107</b>
<i>Fair value through profit &amp; loss</i>				
Interest rate swap	-	-	-	-
Unlisted shares - shareholding	-	-	-	-
<b>Total current fair value through profit &amp; loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Held to maturity</i>				
Government bonds	-	-	-	-
<b>Total current held to maturity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total current portion</b>	<b>153</b>	<b>107</b>	<b>12,153</b>	<b>107</b>
<b>Non - current portion</b>				
<i>Fair value through profit &amp; loss</i>				
Embedded derivatives - principal	933	841	933	841
Embedded derivatives - interest	-	-	-	-
<b>Total non - current fair value through profit &amp; loss</b>	<b>933</b>	<b>841</b>	<b>933</b>	<b>841</b>
<i>Loans and receivables</i>				
Finance lease receivable	2,174	1,765	2,174	1,765
Central Plains Water Limited	2,291	2,232	2,291	2,232
Less: provision for impairment	(2,291)	(2,232)	(2,291)	(2,232)
<b>Total non - current loans and receivables</b>	<b>2,174</b>	<b>1,765</b>	<b>2,174</b>	<b>1,765</b>
<i>Fair value through other comprehensive income</i>				
Selwyn Investment Holdings Limited	113,245	113,151	-	-
Transwaste (Canterbury) Limited	1,500	1,500	1,500	1,500
Orion Group Limited	-	-	67,788	67,788
Local Government Funding Agency	520	-	520	-
<b>Total non - current fair value through other comprehensive income</b>	<b>115,265</b>	<b>114,651</b>	<b>69,808</b>	<b>69,288</b>
<i>Held to maturity</i>				
Government bonds	1,979	1,974	1,979	1,974
<b>Total non - current held to maturity</b>	<b>1,979</b>	<b>1,974</b>	<b>1,979</b>	<b>1,974</b>
<b>Total non - current portion</b>	<b>120,351</b>	<b>119,231</b>	<b>74,894</b>	<b>73,868</b>

## Fair value

### *Term deposits*

The carrying value of term deposits approximates their fair value.

### *Government bonds*

Government bonds are recognised at amortised cost. The fair value of government bonds is \$2,912,000 (2011: \$2,815,000). Fair value has been determined using quoted market bid prices from independently sourced market information for government bond prices.

### *Selwyn Investment Holdings Limited (SIHL)*

Selwyn Investment Holdings Limited (SIHL) has issued but uncalled capital of \$8,151,000 preference shares at 30 June 2012 (2011: \$8,151,000 preference shares).

### *Central Plains Water Limited loan (CPWL)*

The Council entered into a loan agreement of \$1,030,000 with Central Plains Water Limited during the 2004 financial year to recognise the Council's share of scheme expenses incurred prior to the establishment of the company. Under the loan agreement, the loans are treated as suspensory loans unless and until the scheme is commissioned, and in the event that the scheme is commissioned in stages, then from the commissioning of the first stage.

The Council provided an extension to the loan facility of \$154,723 on 28 February 2005. The extension was provided on the same terms and conditions as the original loan balance.

On 8 October 2009, the Council paid \$494,146 to Christchurch City Council to purchase its loan to Central Plains Water Limited. This loan is on the same terms and conditions as Selwyn District Council's original loan.

Interest on the loans has accrued from 25 October 2004, 28 February 2005 and 8 October 2009 for the respective loan balances at an annual rate being the then current interpolated 12-month Local Government Stock rates plus a margin of 50 basis points. Interest is calculated daily and paid in arrears. Interest is included as part of the outstanding amount and is not capitalised.

If the company is not successful in gaining the necessary resource consents to proceed with construction of the scheme, the loan will be converted to ordinary shares in the company on a dollar for dollar basis.

The loans will not be repayable in cash until the scheme has been commissioned.

If the scheme proceeds and construction is funded by debt and equity finance, the Council will have the option to convert the loan into shares (of an agreed class) in any associated and/or related company which may be, or is to be, the infrastructure-owning entity which will be associated with Central Plains Water Limited. Rights to water do not attach to these shares. If the Council does not elect to convert its loans into shares, the loans will be repaid in cash over an agreed period.

There are no specific maturity dates for the loans as repayment depends on the progress of the scheme and options chosen by Central Plains Water Limited and the Council.

At balance date, the Council owned two shares in Central Plains Water Limited.

## Provision for loan write-down

The Council has provided support to the Central Plains Water scheme in the form of suspensory loans to Central Plains Water Limited as described above. The Council has made a provision for the possible non-repayment of the loans and the accrued interest to recognise the suspensory nature of the loan. The Council will review the provision each year as the scheme progresses.

The Council, in making this provision, has done so due to this being the appropriate technical accounting approach. The Council is supportive of this project, which has the potential to provide significant employment and economic benefits to the district.

### *Transwaste Canterbury Limited (TCL)*

The TCL investment relates to the Council's contribution to the construction of a regional landfill. TCL has issued, but uncalled, capital of \$4.0 million of which the Council has a 3% shareholding.

## Impairment

Other than the provision for impairment of Central Plains Water Limited loans, there were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets are past due.

#### Note 16: Property held for sale

The Council owned land on Byron Street adjacent to State Highway 1 has been presented as held for sale following the approval by the Council on 14 September 2011 and subsequent meetings to sell this land. The Council has approved the sale of this land, as it will provide no future use to the Council. The completion date of the sale is expected to be by 30 June 2013.

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	7,932	6,966	43,172	65,327
Transfers from development property (Note 21)	2	1,246	2	1,246
Transfers to investment property (Note 18)	-	-	-	-
Transfers from property, plant and equipment (Note 20)	1,971	-	2,755	-
Movements in fair value	-	-	1,124	1,099
Disposals	(1,178)	(280)	(31,786)	(24,500)
<b>Total non - current assets held for sale</b>	<b>8,727</b>	<b>7,932</b>	<b>15,267</b>	<b>43,172</b>
Assets held for sale consists of:				
<i>Izone Southern Business Hub</i>	6,756	7,932	6,756	7,932
<i>Land and buildings</i>	1,971	-	2,755	-
<b>Total non - current assets held for sale</b>	<b>8,727</b>	<b>7,932</b>	<b>9,511</b>	<b>7,932</b>
<i>Discontinued operation</i>				
Forestry	-	-	1,841	23,349
Property, plant and equipment	-	-	444	7,536
Livestock (Note 14)	-	-	-	-
Farm land	-	-	3,471	4,355
<b>Total discontinued operation</b>	<b>-</b>	<b>-</b>	<b>5,756</b>	<b>35,240</b>
<b>Total non - current assets held for sale</b>	<b>8,727</b>	<b>7,932</b>	<b>15,267</b>	<b>43,172</b>

#### Note 17: Investments in associates

The Council has a 50% investment in Central Plains Water Trust (the Trust).

##### Council

	2012 \$000	2011 \$000
Investment in Central Plains Water Trust at cost	-	-
<i>Summarised financial information of associate presented on a gross basis:</i>		
	2012 \$000	2011 \$000
Assets	21	27
Liabilities	12	18
Net assets	9	9
Revenue	44	43
Surplus / (deficit)	-	-
Group's interest	50%	50%
Share of associate's contingent liabilities incurred jointly with CCC	-	-
Contingent liabilities that arise because of several liability	-	-

#### Note 18: Investment property

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	20,646	20,707	20,081	20,177
Additions	6	149	6	149
Transfer from development property	86	714	86	714
Disposals	(10,000)	-	(10,000)	-
Fair value gains / (losses) on valuation (Note 7)	187	(924)	187	(959)
Closing balance 30 June	10,925	20,646	10,360	20,081

Investment properties are valued annually effective at 30 June to fair value in accordance with NZ IAS 40: Investment Property. S Newbury, B.Com (VPM), SPINZ (ANZIV), an independent registered valuer from Ford Baker Valuations Limited, Christchurch, performed the most recent valuation. Ford Baker Valuations Limited is an experienced valuer with extensive market knowledge in the types and location of investment properties owned by the Selwyn District Council.

The fair value of investment property has been determined using the capitalisation of net income and discounted cash flow methods. These methods are based on assumptions, including future rental income, anticipated maintenance costs, and appropriate discount rates.

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Rental Income	1,565	1,506	1,521	1,462

#### Note 19: Forestry assets

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	460	358	460	358
Increases due to purchases	-	-	-	-
Gains / (losses) attributable to physical changes	23	32	23	32
Gains / (losses) attributable to change in fair value less costs to sell	(118)	70	(118)	70
Gains / (losses) attributable to yield changes	-	-	-	-
Decreases due to sales	-	-	-	-
Decreases due to harvest	(31)	-	(31)	-
Valuation at 30 June	334	460	334	460
Less: transfer to assets held for sale (Note 16)	-	-	-	-
Closing balance 30 June	334	460	334	460

Independent registered valuers PF Olsen Limited valued the Selwyn Planation Board Limited's forestry assets at 30 June 2010. As at 30 June 2012 these assets are included within the discontinued operation under property held for sale – refer to Note 16.

#### Financial Risk Management Strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council does not expect timber prices to decline significantly in the foreseeable future and therefore has not taken any measures to manage the risks of a decline in timber prices. The Council reviews the outlook for timber prices regularly in considering the need for active financial risk management.

Note 20: Property, plant and equipment

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Operational assets (Note 20 a & b)	173,074	167,661	186,336	180,516
Infrastructural assets (Note 20 c)	884,415	856,088	884,415	856,088
Total property, plant and equipment	1,057,489	1,023,749	1,070,751	1,036,604



**a. Operational Assets - Parent**

	Land	Farm land	Buildings	Heritage Assets	Plant and Machinery	Library Books	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Gross carrying amount:</b>								
Balance at 1 July 2010	86,834	4,095	37,380	357	11,629	2,015	3,848	146,158
Additions	15,861	-	6,144	-	1,565	167	2,232	25,969
Disposals	(64)	-	-	-	(63)	-	-	(127)
Impairment	-	-	(1,094)	-	-	-	-	(1,094)
Net revaluation increase / (decrease)	7,490	(8)	(458)	-	-	-	-	7,024
Transfers from work in progress	296	-	2,942	-	-	-	(3,238)	-
Transfers to development property	-	-	-	-	-	-	-	-
Transfers to assets held for sale	-	-	-	-	-	-	-	-
Balance at 30 June 2011	110,417	4,087	44,914	357	13,131	2,182	2,842	177,930
Additions	5,157	-	800	-	1,154	158	3,778	11,047
Disposals	(355)	-	(482)	-	(203)	-	-	(1,040)
Impairment	-	-	(375)	-	-	-	-	(375)
Net revaluation increase / (decrease)	-	-	-	-	-	-	-	-
Transfers from work in progress	60	-	550	-	254	-	(864)	-
Transfers to development property	-	-	-	-	-	-	-	-
Transfers to assets held for sale	(1,971)	-	-	-	-	-	-	(1,971)
Balance at 30 June 2012	113,308	4,087	45,407	357	14,336	2,340	5,756	185,591
<b>Accumulated depreciation:</b>								
Balance at 1 July 2010	-	-	(2,423)	(53)	(6,582)	(1,546)	-	(10,604)
Disposals	-	-	-	-	24	-	-	24
Net adjustments on asset revaluation	-	-	2,423	-	-	-	-	2,423
Depreciation expense	-	-	(959)	(14)	(950)	(189)	-	(2,112)
Balance at 30 June 2011	-	-	(959)	(67)	(7,508)	(1,735)	-	(10,269)
Disposals	-	-	7	-	194	-	-	201
Net adjustments on asset revaluation	-	-	-	-	-	-	-	-
Depreciation expense	-	-	(1,135)	(14)	(1,087)	(213)	-	(2,449)
Balance at 30 June 2012	-	-	(2,087)	(81)	(8,401)	(1,948)	-	(12,517)
Net carrying amount at 30 June 2011	110,417	4,087	43,955	290	5,623	447	2,842	167,661
Net carrying amount at 30 June 2012	113,308	4,087	43,320	276	5,935	392	5,756	173,074

**b. Operational Assets - Group**

	Land	Farm land	Buildings	Heritage Assets	Plant and Machinery	Library Books	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Gross carrying amount:</b>								
Balance at 1 July 2010	86,985	4,095	39,460	357	43,754	2,015	3,848	180,514
Additions	15,164	-	6,177	-	3,351	167	2,232	27,091
Disposals	(64)	-	(21)	-	(4,240)	-	-	(4,325)
Impairment	-	-	(1,094)	-	-	-	-	(1,094)
Net revaluation increase / (decrease)	7,490	(8)	(458)	-	-	-	-	7,024
Transfers from work in progress	296	-	2,942	-	-	-	(3,238)	-
Transfers to development property	-	-	-	-	-	-	-	-
Transfers to assets held for sale	-	-	-	-	-	-	-	-
Balance at 30 June 2011	109,871	4,087	47,006	357	42,865	2,182	2,842	209,210
Additions	5,781	-	884	-	4,885	158	3,778	15,486
Disposals	(355)	-	(592)	-	(2,110)	-	-	(3,057)
Impairment	-	-	(375)	-	-	-	-	(375)
Net revaluation increase / (decrease)	-	-	-	-	-	-	-	-
Transfers from work in progress	60	-	550	-	254	-	(864)	-
Transfers to development property	-	-	-	-	-	-	-	-
Transfers to assets held for sale	(2,667)	-	(88)	-	-	-	-	(2,755)
Balance at 30 June 2012	112,690	4,087	47,385	357	45,894	2,340	5,756	218,509
<b>Accumulated depreciation:</b>								
Balance at 1 July 2010	-	-	(3,631)	(53)	(23,499)	(1,546)	-	(28,729)
Disposals	-	-	1,312	-	1,293	-	-	2,605
Net adjustments on asset revaluation	-	-	2,458	-	-	-	-	2,458
Depreciation expense	-	-	(998)	(14)	(3,827)	(189)	-	(5,028)
Balance at 30 June 2011	-	-	(859)	(67)	(26,033)	(1,735)	-	(28,694)
Disposals	-	-	69	-	1,821	-	-	1,890
Net adjustments on asset revaluation / transfers	-	-	(1,254)	-	1,254	-	-	-
Depreciation expense	-	-	(1,179)	(14)	(3,963)	(213)	-	(5,369)
Balance at 30 June 2012	-	-	(3,223)	(81)	(26,921)	(1,948)	-	(32,173)
Net carrying amount at 30 June 2011	109,871	4,087	46,147	290	16,832	447	2,842	180,516
Net carrying amount at 30 June 2012	112,690	4,087	44,162	276	18,973	392	5,756	186,336

c. Infrastructural Assets - Council & Group

	Road network \$000	Water supplies \$000	Storm Water \$000	Sewerage schemes \$000	Land drainage \$000	Water races \$000	Refuse disposal \$000	Work in Progress \$000	Total \$000
<b><i>Gross carrying amount:</i></b>									
Balance at 1 July 2010	395,429	52,332	12,357	60,813	24,237	36,207	4,056	827	586,258
Additions	10,983	835	1,200	1,367	44	64	428	4,636	19,557
Disposal	-	-	-	-	-	-	-	-	-
Impairment	(2,832)	-	-	-	-	-	-	-	(2,832)
Net revaluation increase / (decrease)	53,719	22,670	8,155	61,545	67,632	39,834	150	-	253,705
Transfers	-	-	-	-	-	-	-	-	-
Balance at 30 June 2011	457,299	75,837	21,712	123,725	91,913	76,105	4,634	5,463	856,688
Additions	11,432	1,832	1,451	2,212	25	13	8	27,383	44,356
Disposal	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Net revaluation increase / (decrease)	-	-	-	-	-	-	-	-	-
Transfers	1,475	8	-	98	-	-	-	(1,581)	-
Balance at 30 June 2012	470,206	77,677	23,163	126,035	91,938	76,118	4,642	31,265	901,044
<b><i>Accumulated depreciation:</i></b>									
Balance at 1 July 2010	(15,849)	(2,884)	(459)	(2,667)	(76)	(654)	(486)	-	(23,075)
Net adjustments on asset revaluation	24,183	4,379	708	4,082	114	983	5	-	34,454
Depreciation expense	(8,334)	(1,495)	(249)	(1,415)	(38)	(329)	(119)	-	(11,979)
Balance at 30 June 2011	-	-	-	-	-	-	(600)	-	(600)
Net adjustments on asset revaluation	-	-	-	-	-	-	-	-	-
Depreciation expense	(9,702)	(2,238)	(382)	(3,099)	(31)	(416)	(161)	-	(16,029)
Balance at 30 June 2012	(9,702)	(2,238)	(382)	(3,099)	(31)	(416)	(761)	-	(16,629)
Net carrying amount at 30 June 2011	457,299	75,837	21,712	123,725	91,913	76,105	4,034	5,463	856,088
Net carrying amount at 30 June 2012	460,504	75,439	22,781	122,936	91,907	75,702	3,881	31,265	884,415

## Note 21: Development property

Property is classified as development property where work is being completed by the Council to prepare the land for future sale. Once the property has been developed for sale and is being actively marketed, it is reclassified as 'property held for sale' (refer Note 16).

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	7,218	7,400	7,218	7,400
Additions	421	1,778	421	1,778
Transfers to assets held for sale (Note 16)	(2)	(1,246)	(2)	(1,246)
Transfers to investment property (Note 18)	(86)	(714)	(86)	(714)
<b>Total development property</b>	<b>7,551</b>	<b>7,218</b>	<b>7,551</b>	<b>7,218</b>
<i>Development property consists of:</i>				
Izone Southern Business Hub	7,551	7,218	7,551	7,218
<b>Total development property</b>	<b>7,551</b>	<b>7,218</b>	<b>7,551</b>	<b>7,218</b>

## Note 22: Intangible assets

	Council Computer Software \$000	Group Computer Software \$000	Group Mining \$000	Group Goodwill \$000	Group Total \$000
Opening cost at 1 July 2011	660	1,082	508	2,396	3,986
Accumulated amortisation / impairment	(520)	(913)	(57)	(2,396)	(3,366)
<b>Opening balance at 1 July 2011</b>	<b>140</b>	<b>169</b>	<b>451</b>	<b>-</b>	<b>620</b>
Additions	69	91	-	-	91
Amortisation charge	(46)	(74)	(16)	-	(90)
Impairment	-	-	-	-	-
Disposals	-	(6)	-	-	(6)
Discontinued operation	-	-	-	-	-
<b>Closing balance at 30 June 2012</b>	<b>163</b>	<b>180</b>	<b>435</b>	<b>-</b>	<b>615</b>
Closing cost at 30 June 2012	729	1,167	508	2,396	4,071
Accumulated amortisation / impairment	(566)	(987)	(73)	(2,396)	(3,456)
<b>Closing balance at 30 June 2012</b>	<b>163</b>	<b>180</b>	<b>435</b>	<b>-</b>	<b>615</b>

	Council Computer Software \$000	Group Computer Software \$000	Group Mining \$000	Group Goodwill \$000	Group Total \$000
Opening Cost at 1 July 2010	595	1,014	508	2,396	3,918
Accumulated amortisation / impairment	(424)	(785)	(42)	(2,396)	(3,223)
Opening balance at 1 July 2010	171	229	466	-	695
Additions	65	73	-	-	73
Amortisation charge	(96)	(128)	(15)	-	(143)
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Discontinued operation	-	(5)	-	-	(5)
Closing balance at 30 June 2011	140	169	451	-	620
Closing cost at 30 June 2011	660	1,082	508	2,396	3,986
Accumulated amortisation / impairment	(520)	(913)	(57)	(2,396)	(3,366)
Closing balance at 30 June 2011	140	169	451	-	620

#### Note 23: Trade and other payables

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Trade payables	7,033	4,666	9,537	8,979
Deposits, retentions and accrued expenses	4,792	4,719	4,792	4,719
Amounts due to related parties	970	1,845	-	(94)
Rates in advance	238	174	238	174
Total trade and other payables	13,033	11,404	14,567	13,778

Trade and other payables are non-interest bearing and are normally settled on 30-day terms therefore the carrying value of trade and other payables approximates their fair value.

#### Note 24: Employee benefit liabilities

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Accrued wages and salaries	207	170	691	735
Annual leave	659	716	1,616	1,878
Provision for long service leave	95	94	153	152
Provision for retirement gratuities	-	86	39	119
Provision for sick leave	12	12	40	57
Total employee benefit liabilities	973	1,078	2,539	2,941
<i>Comprising:</i>				
Current	878	984	2,364	2,776
Non - current	95	94	175	165
Total employee benefit liabilities	973	1,078	2,539	2,941

## Note 25: Other provisions

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Current portion</b>				
Bankside Depot	-	-	96	17
Discontinued operation	-	-	(96)	(17)
Maintenance Provision	-	-	33	368
Weathertightness	50	340	50	340
<b>Total current provisions</b>	<b>50</b>	<b>340</b>	<b>83</b>	<b>708</b>
<b>Non-current portion</b>				
Landfill provision	383	379	383	379
<b>Total non-current provisions</b>	<b>383</b>	<b>379</b>	<b>383</b>	<b>379</b>
<b>Council and group</b>				
	Weather- tightness \$000	Landfill \$000	Maintenance Costs \$000	Bankside Depot \$000
<b>2012</b>				
Opening balance 1 July	340	379	368	17
Additional provisions made during the year	-	4	27	95
Amounts used during the year	(290)	-	(362)	(16)
<b>Closing balance 30 June</b>	<b>50</b>	<b>383</b>	<b>33</b>	<b>96</b>
<b>2011</b>				
Opening balance 1 July	50	362	489	138
Additional provisions made during the year	290	17	454	-
Amounts used during the year	-	-	(575)	(121)
<b>Closing balance 30 June</b>	<b>340</b>	<b>379</b>	<b>368</b>	<b>17</b>

### Council

#### *Weather tightness*

The Council is aware of six potential claims in relation to the weathertightness of homes in the area. A provision has been made for the claims where a reliable estimate of the potential cost to the Council can be made. Where it is not possible to make a reliable estimate, no provision has been recognised (refer to Note 34 for more information).

#### *Landfill*

The landfill provision reflects the cost of closing and rehabilitating the Killinchy and Hawkins landfills and was initially recognised as a current liability of \$300,000 in the year ended 30 June 2002. With the adoption of NZIFRS, the landfill provision was reclassified as a non-current provision with no expenditure being charged against the provision in 2012 (2011: \$nil).

### Group

In general, SICON calculates the value of the provision for maintenance contracts based on 50% of the retention value held over the contract at the end of each financial year. Only contracts that have achieved practical completion and have not fulfilled the defects liability period stipulated in the individual contracts are assessed. The maintenance provision as at 30 June 2012 is \$33,000 (2011: \$331,500).

SPBL owns property containing the Bankside Fuel Depot. This large pit was constructed during World War II and is of historical interest. In February 2008, the New Zealand Historic Places Trust was successful in registering the Bankside Fuel Depot as a Category 2 Site. The Fuel Depot has been used as a rubbish dump (by unknown parties and not SPBL). The company commenced a cleanup of this property in late 2008 and has spent \$2.95 million up to 30 June 2012. SPBL has detailed costings on completing the cleanup. Some funding has been received from the Ministry for the Environment and ECAN towards this, however SPBL has ended up bearing the majority of any costs incurred. SPBL have provided for \$94,890 in additional provision (2011: \$nil) during the period to complete the cleanup. However, factors unknown to SPBL at this time may affect the total costs of the completed remediation. SPBL's total provisions have been included within discontinued operations (Note 41) under current liabilities.

## Note 26: Borrowings

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Current</b>				
Bank overdraft and flexible credit facilities	-	-	2,245	70
Secured loans	15,052	21,905	15,340	25,694
Finance lease liabilities	-	-	90	200
<b>Total current borrowings</b>	<b>15,052</b>	<b>21,905</b>	<b>17,675</b>	<b>25,964</b>
<b>Non-current</b>				
Secured loans	68,179	31,175	74,516	34,331
Finance lease liabilities	-	-	19	107
<b>Total non - current borrowings</b>	<b>68,179</b>	<b>31,175</b>	<b>74,535</b>	<b>34,438</b>

### The Council

The Council's secured borrowings of \$83.2 million (2011: \$53.1 million) include floating rate borrowings of \$72.0 million and fixed borrowings of \$11.2 million. For the floating rate borrowings, the interest rate is set quarterly based on the 90-day bank bill rate plus a margin for credit risk. The interest rates for fixed rate borrowings range from 6.74% to 6.92%.

The Council's loans are secured over either separate or general rates of the Council.

The total amount of the borrowings approximates its fair value.

### SICON Limited

#### *Interchangeable banking facility*

The company has an interchangeable banking facility with the ANZ National Bank Limited that includes an overdraft facility and a flexible credit facility. The facility has a limit of \$2,600,000 apportioned between the overdraft and flexible credit facilities and is an "on demand" facility which is the standard term for the banks working capital facilities. Fees of 1% p.a. are charged on the overdraft facility and are payable quarterly. Interest is charged at the Business Bank Indicator Rate (BBIR). The interest rate at 30 June was 10.65%. Interest on the flexible credit facility is charged at the bank reference rate plus a margin of 1.2%. The interest rate at 30 June 2012 was 4.31%. The bank has a general security agreement over all the assets and undertaking of SICON Limited.

#### *ANZ flexible rate loan facility*

The flexible rate term loan facility has a limit of \$6,500,000 and is interest only until March 2013. It is then repayable by monthly instalments of \$54,200. Interest is paid monthly and is charged at the bank reference rate plus a margin of 2.1%. The termination date of this facility is 30 March 2015.

#### *Finance leases*

SICON Limited has entered into finance leases for various items of plant and equipment. The net carrying amount of the leased items is included under property, plant and equipment (Note 20). There are no restrictions placed on SICON Limited by any of the finance leasing arrangements.

#### *Security*

Registered first ranking security agreement over the present and after acquired property of Ferguson Brothers Limited. This is to be security interest over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the company. Registered first ranking mortgage over Lot 405 & 406 Detroit Drive Rolleston.

## Analysis of finance leases

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Present value of minimum lease payments payable</b>				
Not later than one year	-	-	90	200
Later than one year but not later than five years	-	-	19	107
Later than five years	-	-	-	-
<b>Total present value of minimum lease payments</b>	-	-	109	307
<i>Represented by:</i>				
Current	-	-	90	200
Non-current	-	-	19	107
<b>Total finance leases</b>	-	-	109	307
<b>Total minimum lease payments payable</b>				
Not later than one year	-	-	95	222
Later than one year but not later than five years	-	-	20	113
Later than five years	-	-	-	-
<b>Total minimum lease payments</b>	-	-	115	335
Less: future finance charges	-	-	(6)	(28)
<b>Present value of minimum lease payments</b>	-	-	109	307

### Note 27: General funds

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	553,962	555,822	596,674	600,243
<i>Transfers to:</i>				
Special funds	(20,901)	(8,441)	(20,901)	(8,441)
<i>Transfers from:</i>				
Revaluation reserve on disposal of property, plant and equipment	(122)	(86)	941	(86)
Special funds	16,929	5,710	16,929	5,710
Fair value through other comprehensive income reserve	-	-	-	-
Surplus for the year attributable to parent	13,532	957	12,958	(752)
<b>Closing balance 30 June</b>	<b>563,400</b>	<b>553,962</b>	<b>606,601</b>	<b>596,674</b>



Note 28: Fair value through other comprehensive income reserve

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	56,106	52,020	27,410	24,892
Valuation gains / (losses) to other comprehensive income	94	4,086	-	2,518
Closing balance 30 June	56,200	56,106	27,410	27,410
<i>Represented by:</i>				
Selwyn Investment Holdings Limited	55,180	55,086	-	-
Transwaste Limited	1,020	1,020	1,020	1,020
Orion Group Limited	-	-	26,390	26,390
Closing balance 30 June	56,200	56,106	27,410	27,410

Note 29: Special funds

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	33,798	31,067	33,798	31,067
Transfers to general funds	(16,929)	(5,710)	(16,929)	(5,710)
Transfers from general funds	20,901	8,441	20,901	8,441
Closing balance 30 June	37,770	33,798	37,770	33,798

# Note 30: Asset revaluation reserves

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	481,551	187,785	473,223	179,531
Net revaluation gains / (losses)	-	297,407	757	297,333
Impairment of revalued property, plant and equipment	(375)	(3,727)	(375)	(3,727)
Transfer to general reserves on disposal	122	86	(941)	86
Closing balance 30 June	481,298	481,551	472,664	473,223

*Property revaluation reserves for each asset class consist of:*

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Land and buildings	72,546	72,782	65,390	66,689
Farm land	2,576	2,576	1,098	341
Roading	155,072	155,071	155,072	155,071
Water supplies	36,787	36,787	36,787	36,787
Stormwater	9,587	9,597	9,587	9,597
Sewerage	73,893	73,902	73,893	73,902
Land drainage	71,319	71,318	71,319	71,318
Water races	59,518	59,518	59,518	59,518
Closing balance 30 June	481,298	481,551	472,664	473,223

# Note 31: Non-controlling interest

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Opening balance 1 July	-	-	19,495	28,402
Share in surplus	-	-	942	1,708
Realisation of assets	-	-	-	(10,615)
Closing balance 30 June	-	-	20,437	19,495

Note 32: Reconciliation of net surplus / (deficit) after tax to net cash flow from operating activities

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Surplus after taxation	13,532	957	13,900	(2,770)
<i>Add / (less) non-cash items:</i>				
Vested assets revenue	(12,948)	(4,732)	(12,948)	(4,732)
(Gains) / losses on fair value of investment property	(187)	924	(187)	959
(Gains) / losses on fair value of forestry assets	126	(102)	126	(102)
Fair value increase of embedded derivative	(92)	(76)	(92)	(76)
Depreciation and amortisation	18,524	14,187	21,488	17,150
Impairments	-	734	-	-
Non - current employee benefits	(17)	(11)	(17)	(57)
Non - current provisions	4	17	4	17
Movement in provision for doubtful debts	(168)	155	(168)	81
Net other (gains) / losses	(6)	(6)	(498)	(360)
Interest rate swap	3,443	694	3,280	572
Movement in deferred taxation	2	12	(2,194)	1,899
Share of joint venture (surplus) / deficit	-	-	(34)	-
Discontinued operation	-	-	-	-
	22,213	12,753	22,660	12,581
<i>Add / (less) movements in working capital items:</i>				
Trade and other receivables	(6,245)	(2,822)	(5,458)	(4,028)
Income tax receivable	3	85	2,828	134
Inventory & work in progress	-	-	138	840
Trade and other payables	(15)	4,119	(4,357)	3,759
Employee benefit liabilities	(88)	104	(384)	132
	15,868	14,239	15,427	13,418
<i>Add / (less) items classified as investing or financing activities:</i>				
Net gain on sale of property, plant and equipment	(3,711)	(1,688)	(3,711)	(1,688)
Net cash inflow / (outflow) from operating activities	12,157	12,551	11,716	11,730

## Commitments

The total funds the Council is committed to spending in the future on maintenance and capital projects is \$54,997,000 (2011: \$22,236,000).

Detailed below are the activities in which commitments from 1 July 2012 occur. Commitments represent contracts entered into but where the services have not been delivered.

The Council has a contract with Transwaste Canterbury Limited for the transport and disposal of refuse.

### Maintenance and operating commitments

	Within one year \$000	One to two years \$000	Two to five years \$000	Total \$000
Road maintenance	5,283	598	100	5,981
Utilities*	1,442	1,442	-	2,884
Reserves*	754	754	-	1,508
Rating valuations	15	-	-	15
Refuse	686	686	-	1,372
Refuse - Resource Recovery Park*	169	169	-	338
RH developments	475	475	356	1,306
<b>Total operating commitments</b>	<b>8,824</b>	<b>4,124</b>	<b>456</b>	<b>13,404</b>

\* These commitments are with SICON and do not represent commitments external to the group.

### Capital commitments

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Property, plant and equipment	41,593	4,520	41,593	5,457
Intangible assets	-	-	-	-
Investment property	-	-	-	-
<b>Total capital commitments</b>	<b>41,593</b>	<b>4,520</b>	<b>41,593</b>	<b>5,457</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

The Council's subsidiaries have capital commitments as at 30 June 2012 for the purchase of property, plant and equipment of \$nil (2011: \$937,235).

## Operating leases

### *Operating leases as lessee*

The Council and its subsidiaries lease property, plant and equipment in the normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Not later than one year	104	104	756	828
Later than one year and not later than five years	156	260	1,100	1,067
Later than five years	-	-	8	-
<b>Total non-cancellable operating leases</b>	<b>260</b>	<b>364</b>	<b>1,864</b>	<b>1,895</b>

### *Operating leases as lessor*

The Council leases four properties under operating leases. Two of these properties have a non-cancellable term of 3 years with the leases commencing on 1 July 2010. The other two properties have a non-cancellable lease of 9 years commencing on 1 April 2011 and a non-cancellable term of 12 years commencing on 1 May 2010. The future aggregate minimum lease payments collectable under non-cancellable operating leases are as follows:

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Not later than one year	950	1,827	868	1,745
Later than one year and not later than five years	3,981	4,790	3,899	4,790
Later than five years	745	6,453	745	6,453
<b>Total non-cancellable operating leases</b>	<b>5,676</b>	<b>13,070</b>	<b>5,512</b>	<b>12,988</b>

No contingent rents have been recognised during the period.

Note 34: Contingent liabilities and contingent assets

### **Contingent liabilities**

#### *Financial guarantees*

The Council has a contingent liability in respect of a guarantee that it has provided for a bank loan to the Rolleston Rugby Club. The loan is for a 15-year period commenced on 15 September 2008 and has a value of \$105,000. There is currently no indication that the guarantee will be called.

#### *Unquantified claims*

The Council is aware of six potential claims in relation to the weather tightness of homes in the area. As detailed in Note 25, a provision has been made for claims where a reliable estimate of the potential cost to the Council can be made. The outcome of the other claims is uncertain and the Council is not able to estimate reliably its potential liability. It has not made any provision in respect of these claims. The Council is also exposed to potential future claims (which have not yet been advised) until the statutory limitation period expires. Claims must be made within 10 years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims. The Council does not have insurance cover for any of the claims for which it has not made a provision. The Council is funding the cost of weather tightness claims through general rates and has allowed funding of \$150,000 in the 2012/13 financial year.

RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The Trust Deed of RiskPool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that Fund year. The Council received notice during the period for a call for additional contribution in respect of the 2002/03 and 2003/04 Fund years as those funds are exhibiting deficits due to the "leaky building" issue. This notice also highlighted that it is possible that further calls could be made in the future. A liability will be recognised for the future calls when there is more certainty over the amount of the calls.

#### *New Zealand Local Government Funding Agency (LGFA)*

Selwyn District Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Selwyn District Council is one of 19 shareholders of the NZLGFA. In that regard, it has uncalled capital of \$0.4 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. In addition, together with the other shareholders, Selwyn District Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2012, NZLGFA had borrowings totalling \$835 million (2011: \$nil).

Financial reporting standards require Selwyn District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

## Group

### *Selwyn Plantation Board Limited*

Selwyn Plantation Board Limited has a contingent liability in relation to forest warranty. The sale and purchase Agreement for the forests included warranties under clause 6. Also under, further terms of sale Sections 27.1, 29.1, and Schedule 3. Under Section 20 Further terms of sale: Limitations and Warranties. 20.1 Warranties shall not exceed 50% of the purchase price. 20.2 No warranty claim shall be made unless the individual claim by the purchaser against the vendor exceeds \$150,000. 20.3 The warranty period extends to 15 months from the date of possession. The warranty period will therefore expire on 18th January 2013. As at the 30th June 2012, Selwyn Plantation Board Limited had received no notice of any claim or any pending claim from the purchaser (2011: \$nil).

### *SICON Limited*

SICON Limited is a participating employer in the National Provident Fund's Defined Benefit Plan Contributors' Scheme (the Scheme) which is a multi - employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, SICON could be responsible for the entire deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, SICON could be responsible for an increased share of the deficit.

The fund has advised that insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

From time to time SICON Limited has performance bonds and bonds in lieu of retention to third parties. \$1.5 million was committed to as at 30 June 2012 (2011: \$1.4 million).

## **Contingent assets**

The Council has an unquantified contingent asset for revenue arising from the Canterbury earthquakes that has not been recognised at balance date. This includes possible additional insurance proceeds and additional subsidy from New Zealand Transport Agency. Other than this, the Council has no contingent assets at 30 June 2012.

### *Landfills located within Selwyn district*

The Council does not operate any landfills in the district. The Council has recognised the costs of closing and rehabilitating the Killinchy and Hawkins landfills that were the two largest when operated.

The cost of closing the other landfills and on-going monitoring after-care of all landfills is not fully known at this time. The costs will be recognised and funding provided, as the costs become known.

## Group

### *Selwyn Plantation Board Limited*

Selwyn Plantation Board Limited has a contingent asset in relation to carbon credits. The government's forestry allocation plan has been finalised, the second tranche of SPBL's 109,668 NZU's have been issued, and confirmation has now been received that they will be allocated sometime during 2013. The value of NZU's at 30 June 2012 was in the \$6 - \$7 range per NZU resulting in an estimated value as at 30 June 2012 of \$658,008. (2011: The Government's Forestry Allocation Plan has been finalised and the second tranche of SPBL's 109,668 NZU's have been issued however, they will not be allocated until sometime during 2013. The value of NZU's at 30 June 2011 was \$18.20 per NZU resulting in an estimated value as at 30 June 2011 of \$2.0 million).

### *SICON Limited*

SICON Limited has a bad debt to Pike River Coal Company Limited, which was written off by Ferguson Brothers Limited in 2010. This was partially recovered in 2011. Since the sale of the assets of Pike River Coal Company Limited to Solid Energy NZ Limited, negotiations to recover some or all of the remaining debt have been progressed. It is uncertain at balance date how much if any will be recovered (2011: \$nil).

## Note 35: Related party transactions

The Council is the ultimate parent of the group and controls its subsidiaries, Selwyn Investment Holdings Limited and the Selwyn District Charitable Trust. Through Selwyn Investment Holdings Limited, the Council has the ability to control SICON Limited and Selwyn Plantation Board Limited. The Council also exerts significant influence over Central Plains Water Trust, Tramway Reserve Trust, and the Orion Selwyn District Centenary Educational Trust.

### *Related party transactions with subsidiaries and associates*

#### **Selwyn Investment Holdings Limited**

The Council entered into normal commercial transactions with Selwyn Investment Holdings Limited during the year.

	2012 \$000	2011 \$000
Dividend revenue	4,281	3,600
Dividends receivable	3,209	3,600
Current account balance receivable	14	424
Tax losses transferred to the Council	292	124

During the year, the Council provided accounting services to Selwyn Investment Holdings Limited at no charge.

There were no commitments with Selwyn Investment Holdings Limited as at 30 June 2012 (2011: \$nil).

#### **Selwyn District Charitable Trust**

The Council entered into normal commercial transactions with the Selwyn District Charitable Trust during the year.

	2012 \$000	2011 \$000
Donations received from the Trust	1	-
Accounts receivable	78	-

In addition to the above transactions, the Council has provided accounting services to the Trust at no charge and will pay the audit fee on behalf of the Trust totalling \$1,500 (2011: \$1,500). The Council owes the Trust \$100 as a capital injection as at 30 June 2012 (2011: \$100).

There were no commitments with the Selwyn District Charitable Trust as at 30 June 2012 (2011: \$nil).

#### **Selwyn Plantation Board Limited**

The Council entered into normal commercial transactions with Selwyn Plantation Board Limited during the year. All transactions with the company were on terms equivalent to those that prevail in arm's-length transactions.

	2012 \$000	2011 \$000
Rates revenue received	18	43
Other revenue received	27	73
Purchased property from SPBL	-	7,878
Accounts receivable	-	83

There were no commitments with Selwyn Plantation Board as at 30 June 2012 (2011: \$nil).

## SICON Limited

The Council entered into normal commercial transactions with SICON Limited during the year. All transactions with the company were on terms equivalent to those that prevail in arm's-length transactions.

	2012 \$000	2011 \$000
Rates, royalties and lease revenue received	190	390
Contract services received from SICON	7,703	8,498
Accounts receivable	21	82
Accounts payable	970	1,852

There were no commitments with SICON Limited as at 30 June 2012 (2011: SICON Limited had entered into a contract to purchase 8,400m<sup>2</sup> of land from the Council in the 'Izone Industrial Park', the contracted price was \$674,400).

## Central Plains Water Trust

The Council entered into normal commercial transactions with the Central Plains Water Trust during the year. The Council makes payments on behalf of the Trust, which then reimburse the Council.

	2012 \$000	2011 \$000
Payments to suppliers on behalf of the Trust	38	34
Accounts receivable	6	4

In addition to the above transactions, the Council has provided accounting services to the Trust at no charge.

There were no commitments with the Central Plains Water Trust as at 30 June 2012 (2011: \$nil).

## Tramway Reserve Trust

The Council entered into normal commercial transactions with the Tramway Reserve Trust during the year. The Council makes payments on behalf of the Trust, which then reimburse the Council.

	2012 \$000	2011 \$000
Payments to suppliers on behalf of the Trust	-	1
Grant paid to the Trust	-	1

During the year, the Council provided accounting services to the Tramway Reserve Trust at no charge and will pay the audit fee on behalf of the Trust totalling \$1,500 (2011: \$1,500).

There were no commitments with the Tramway Reserve Trust as at 30 June 2012 (2011: \$nil).

## *Transactions with key management personnel*

### Key Management Personnel Compensation

	2012 \$000	2011 \$000
Salaries and other short-term employee benefits	1,472	1,373
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	180	-
Total key management personnel compensation	1,652	1,373

Key management personnel include the Mayor, Councillors, Chief Executive, and other senior management.



## Related party transactions with key management personnel

During the year, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags etc.).

All related party transactions with key management personnel were on terms equivalent to those that prevail in arm's-length transactions. All amounts are GST exclusive unless otherwise stated.

- Mayor Kelvin Coe donated \$10,000 to the Selwyn District Charitable Trust during the year.
- Councillor Nigel Barnett donated \$10,000 to the Selwyn District Charitable Trust during the year.
- Councillor Mark Alexander donated \$5,000 to the Selwyn District Charitable Trust during the year.
- Douglas Marshall (Manager Corporate Services) donated \$2,500 to the Selwyn District Charitable Trust during the year.
- A family member of key management personnel donated \$500 to the Selwyn District Charitable Trust during the year.
- Councillor John Morten's wife is part owner of Foothill Flowers from whom the Council purchased goods and services totalling \$660 (2011: \$600).
- Councillor Malcolm Lyall is director of Allways Electrical Limited from whom the Council purchased goods and services totalling \$6,366 (2011:\$7,109).
- During the year, Douglas Marshall (Manager Corporate Services) contracted SICON Limited, which is a related party of Selwyn District Council, to carry out contract works totalling \$6,196. The works were on normal commercial terms equivalent to those that prevail in arm's - length transactions. There was no outstanding balance as at 30 June 2012.
- During the year, Mayor Kelvin Coe contracted SICON Limited, which is a related party of Selwyn District Council, to carry out contract works totalling \$33,668 (2011: \$nil). The works were on normal commercial terms equivalent to those that prevail in arm's - length transactions. The balance outstanding at 30 June 2012 was a credit of \$6,200 (2011: \$nil).

There are close family members of key management personnel employed by the Council and group. The terms and conditions of those arrangements are no more favourable than the Council and group would have adopted if there were no relationship to key management personnel.

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivable to related parties (2011: \$nil).

## Elected members

The Council is required to include a report, on the remuneration that in the year to which the annual report relates, was received by, or payable to; the Mayor, each of the other members and to the Chief Executive of the Selwyn District Council. This is a statutory requirement of the Local Government Act 2002: Part 3, Schedule 10, Section 18.

The following table shows the remuneration received by all elected members from 1 July to 30 June.

	2012 \$	2011 \$
<i>Council</i>		
Mayor Kelvin Coe	96,800	89,845
Councillor Sarah Walters (Deputy Mayor)	34,613	33,865
Councillor Nigel Barnett	29,613	30,330
Councillor Debra Hasson	29,613	30,296
Councillor Malcolm Lyall	29,613	30,296
Councillor Lindsay Philps	29,613	30,296
Councillor John Morten	29,613	32,154
Councillor Sam Broughton	29,613	21,175
Councillor Pat McEvedy	29,613	21,175
Councillor Mark Alexander	29,613	21,290
Councillor Peter Hill	29,613	21,175
Councillor Jeff Bland	29,613	21,290
Councillor Gary Doyle	-	8,810
Councillor Jack Percy	-	8,810
Councillor Annette Foster	-	8,810
Councillor Bob Mugford	-	8,810
<i>Malvern Community Board</i>		
Jenny Gallagher (Chairperson)	11,000	7,481
Allan Thorne	7,500	7,669
Mary Ireland	7,500	7,669
Bill Frost	7,500	7,669
Ray Pearson	6,250	5,343
Bob Mugford	125	-
Ian Warren	-	3,295
Annie Smith	-	2,219
<i>Selwyn Central Community Board</i>		
Liz Russell (Chairperson)	9,400	6,418
Joyce Davey	7,700	7,950
Sandy Williams	7,700	5,485
Alan French	7,700	5,485
Bruce Russell	-	2,865
Mark Alexander	-	2,327
Jeff Bland	-	2,327

The following Councillor also received directors' fees as a director of the Council's subsidiary company Selwyn Investment Holdings Limited.

	2012 \$	2011 \$
Councillor John Morten	6,000	24,000

## Chief Executive

The Chief Executive of Selwyn District Council is appointed under Section 42(1) of the Local Government Act 2002.

The total remuneration paid to the Chief Executive position was \$261,889 (2011: \$250,603). This included a non - taxable allowance of \$362 (2011:\$536).

## Severance payments

Schedule 10 of the Local Government Act 2002 requires the Council to disclose any severance payments to staff. Severance payments include any consideration (monetary or non – monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with the Council.

For the year ended 30 June 2012, the Council made three severance payments to employees totalling \$200,479 (2011: one payment of \$40,836).

The value of each of the severance payments was \$180,479, \$15,000 and \$5,000.

### Note 37: Construction contracts – Group

	Group 2012 \$000	Group 2011 \$000
<i>For contracts in progress as at 30 June:</i>		
Contract costs incurred	970	1,526
Recognised profits / (losses)	35	(10)
Progress billings	1,005	1,516
Gross amounts due from customers	661	389
Gross amounts due to customers	-	-
Advances received	-	-
Retentions included in progress billings	89	147

### Note 38: Events after balance date

## Council

On 19 September 2012, the Council approved a \$5.0 million loan to Central Plains Water Limited to help fund the detailed design work for the first stage of the scheme. The loan is on commercial terms and includes a number of conditions. The terms of the loan are currently in the process of being finalised (2011: \$nil).

## Group

### *Selwyn Plantation Board Limited*

Selwyn Plantation Board Limited is in the process of selling all its assets, and is finalising the sale and settlement of several properties and its remaining forest asset. Two properties are due to settle in October 2012. (2011: The company is in the process of selling all its assets, and is actively negotiating the sale and settlement of several properties and its forest asset. Since balance date, titles for four properties have been issued enabling settlement of these properties to be completed in July 2011. The sale and purchase agreement of the forestry land and trees is subject to review and approval of the Overseas Investment Office and the Commerce Commission. If the current sale is not approved and finalised, the company will continue to actively market the forestry assets with a view to their disposal at fair value as soon as is practicable).

### 39a: Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Financial assets</b>				
<i>Fair value through surplus or deficit</i>				
Embedded derivatives	933	841	933	841
Interest rate swaps - cash flow hedges	-	-	-	-
Unlisted shares - shareholding	-	-	-	1
<b>Total fair value through surplus or deficit</b>	<b>933</b>	<b>841</b>	<b>933</b>	<b>842</b>
<i>Loans and receivables</i>				
Cash and cash equivalents	18,321	1,858	20,568	17,652
Cash and cash equivalents - discontinued operation	-	-	634	13,814
Trade and other loans and receivables	19,480	13,611	23,159	16,845
Trade and receivables - discontinued operation	-	-	381	3,053
Term deposits	-	-	12,000	-
Term deposits - discontinued operation	-	-	45,148	1
<b>Total loans and receivables</b>	<b>37,801</b>	<b>15,469</b>	<b>101,890</b>	<b>51,365</b>
<i>Fair value through other comprehensive income</i>				
Selwyn Investment Holdings Limited	113,245	113,151	-	-
Transwaste Canterbury Limited	1,500	1,500	1,500	1,500
Orion Group Limited	-	-	67,788	67,788
Unlisted shares - shareholding	520	-	520	-
<b>Total fair value through other comprehensive income</b>	<b>115,265</b>	<b>114,651</b>	<b>69,808</b>	<b>69,288</b>
<i>Held to maturity</i>				
Government bonds	1,979	1,974	1,979	1,974
<b>Total held to maturity</b>	<b>1,979</b>	<b>1,974</b>	<b>1,979</b>	<b>1,974</b>
<b>Financial liabilities</b>				
<i>Financial liabilities through surplus or deficit</i>				
Interest rate swaps	4,575	1,133	4,602	1,323
<b>Total fair value through surplus or deficit</b>	<b>4,575</b>	<b>1,133</b>	<b>4,602</b>	<b>1,323</b>
<i>Financial liabilities at amortised cost</i>				
Creditors and other payables	13,033	11,404	22,995	13,778
Creditors and other payables - discontinued operation	-	-	26	1,181
<i>Borrowings</i>				
- bank overdraft	-	-	2,245	70
- secured loans	83,231	53,080	89,856	60,025
- finance lease liabilities	-	-	109	307
<b>Total financial liabilities at amortised cost</b>	<b>96,264</b>	<b>64,484</b>	<b>115,231</b>	<b>75,361</b>

### 39b: fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Total	Quoted market price	Observable inputs	Significant non - observable inputs
	\$000	\$000	\$000	\$000
<b>Council 2012</b>				
<i>Financial assets</i>				
Embedded derivatives	933	-	933	-
Interest rate swaps	-	-	-	-
Selwyn Investment Holdings Limited	113,245	-	-	113,245
Transwaste Canterbury Limited	1,500	-	-	1,500
<i>Financial liabilities</i>				
Interest rate swaps	4,575	-	4,575	-
<b>Group 2012</b>				
<i>Financial assets</i>				
Embedded derivatives	933	-	933	-
Interest rate swaps	-	-	-	-
Transwaste Canterbury Limited	1,500	-	-	1,500
Orion Group Limited	67,788	-	-	67,788
Unlisted shares	520	-	-	520
<i>Financial liabilities</i>				
Interest rate swaps	4,602	-	4,602	-
<b>Council 2011</b>				
<i>Financial assets</i>				
Embedded derivatives	841	-	841	-
Interest rate swaps	-	-	-	-
Selwyn Investment Holdings Limited	113,151	-	-	113,151
Transwaste Canterbury Limited	1,500	-	-	1,500
<i>Financial liabilities</i>				
Interest rate swaps	1,133	-	1,133	-
<b>Group 2011</b>				
<i>Financial assets</i>				
Embedded derivatives	841	-	841	-
Interest rate swaps	-	-	-	-
Transwaste Canterbury Limited	1,500	-	-	1,500
Orion Group Limited	67,788	-	-	67,788
Unlisted shares	1	-	-	1
<i>Financial liabilities</i>				
Interest rate swaps	1,323	-	1,323	-

There were no transfers between the different levels of the fair value hierarchy.

### *Valuation techniques with significant non-observable inputs*

The table below provides reconciliation from the opening balance to the closing balance for the financial assets and liabilities measured using valuation techniques with significant non-observable inputs.

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Balance at 1 July	114,651	111,300	69,288	66,770
Gains / (losses) recognised in surplus / deficit	-	(734)	-	-
Gains / (losses) in other comprehensive income	94	4,086	-	2,518
Balance at 30 June	114,745	114,651	69,288	69,288

### **39c: financial instruments risks**

The Selwyn District Council has a series of policies to manage the risks associated with financial instruments. The Council is risk averse and seeks to minimise exposure from its treasury activities. The Council has established Council approved Liability Management and Investment policies.

#### **Market risk**

##### *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The group is not exposed to price risk as its investments are not publicly traded.

##### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Council has not entered into any significant foreign currency transactions during the year and therefore has no exposure to currency risk.

##### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments held at fixed interest rates expose the Council to fair value interest rate risks.

The Council's policy is to maintain between 50% and 95% of its borrowings in fixed rate instruments. Selwyn District Council is subject to fair value interest rate risk on its deposits but the risk is minimised as the deposits are for a maturity period of less than one year.

##### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments held at variable interest rates expose the Council to fair value interest rate risks.

The Council's policy is to maintain between 50% and 95% of its borrowings in fixed rate instruments and it uses interest rate swaps to convert floating rate borrowing to fixed rate borrowing to manage interest rate risk. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

#### **Credit risk**

Credit risk is the risk that a third party will default on its obligation to Selwyn District Council causing a loss. In the normal course of its business, credit risk arises from debtors, deposits with banks, bond investments and derivative financial instruments. The Council's investment policy limits the amount of credit exposure to any one financial institution.

### Maximum exposure to credit risk

The Council's maximum exposure to credit risk for each class of financial instrument is set out below:

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
Cash and cash equivalents	18,321	1,858	20,568	17,652
Cash and cash equivalents - discontinued operation	-	-	634	13,814
Debtors and other receivables	19,480	13,611	23,159	16,845
Debtors and receivables - discontinued operation	-	-	381	3,053
Term deposits	-	-	12,000	-
Term deposits - discontinued operation	-	-	45,148	1
Government bonds	1,979	1,974	1,979	1,974
Derivatives	933	841	933	841
<b>Total credit risk</b>	<b>40,713</b>	<b>18,284</b>	<b>104,802</b>	<b>54,180</b>

### Credit quality of financial assets

The Council only deposits funds with entities that have a high credit rating. The cash and term deposits are with registered banks that have high credit ratings. The Government Bond and associated embedded derivative is a New Zealand Government Bond. For its other financial instruments, the Council does not have high concentrations of credit risk. There is no collateral held as security against these financial instruments including those that are overdue or impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Council 2012 \$000	Council 2011 \$000	Group 2012 \$000	Group 2011 \$000
<b>Counterparties with credit ratings</b>				
<i>Cash at bank and term deposits</i>				
Continuing operations AA-	18,321	1,858	32,646	17,652
Discontinued operation AA-	-	-	45,782	13,814
<b>Total cash at bank and term deposits</b>	<b>18,321</b>	<b>1,858</b>	<b>78,428</b>	<b>31,466</b>
<i>Government Bonds</i>				
AA+	1,979	1,974	1,979	1,974
<i>Derivative financial instruments</i>				
AA+	933	841	933	841
<b>Total counterparties with credit ratings</b>	<b>2,912</b>	<b>2,815</b>	<b>2,912</b>	<b>2,815</b>
<b>Counterparties without credit ratings</b>				
<i>Community and related party loans</i>				
Existing counterparty with no defaults in the past	165	182	165	182
Existing counterparty with defaults in the past	-	-	-	-
<b>Total loans to related parties</b>	<b>165</b>	<b>182</b>	<b>165</b>	<b>182</b>
<i>Trade and other receivables</i>				
Existing counterparty with no defaults in the past	-	-	-	-
Existing counterparty with defaults in the past	-	-	-	-
<b>Total trade and other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Trade and other receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. Other than the dividends payable within the group, the Council has no significant concentrations of credit risk in relation to trade and other receivables as it has a large number of customers, mainly ratepayers, and the Council has powers under the Local Government (Rating Act) 2002 to recover outstanding debts from ratepayers.

## Liquidity risk

Liquidity risk is the extent to which the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

As at 30 June 2012, the Council has a multi-option credit facility of \$40 million (2011: \$40 million) against which it had drawn \$22 million (2011 \$21 million).

SICON Limited has a maximum amount that can be drawn down against their overdraft facility of \$2.6 million (2011: \$50,000). There are no restrictions on the use of this facility.

### *Contractual maturity analysis on financial liabilities*

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts shown are the contractual undiscounted cash flows including interest.

	Liability carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
<b>Council 2012</b>					
Creditors and other payables	13,033	13,033	13,033	-	-
Secured loans	83,231	93,531	24,190	48,610	20,731
Net settled derivatives (interest rate swap)	4,575	6,560	1,320	4,343	897
<b>Group 2012</b>					
Creditors and other payables	22,995	22,995	22,995	-	-
Creditors and other payables - discontinued operation	26	26	26	-	-
Bank overdraft	2,245	2,245	2,245	-	-
Secured loans	89,856	103,825	26,339	51,951	25,534
Finance leases	109	115	95	20	-
Net settled derivatives (interest rate swap)	4,602	6,587	1,347	4,343	897
<b>Council 2011</b>					
Creditors and other payables	11,404	11,404	11,404	-	-
Secured loans	53,080	57,916	23,566	34,335	15
Net settled derivatives (interest rate swap)	1,133	4,304	715	2,609	980
<b>Group 2011</b>					
Creditors and other payables	13,778	13,778	13,778	-	-
Creditors and other payables - discontinued operation	1,181	1,181	1,181	-	-
Bank overdraft	70	70	70	-	-
Secured loans	60,025	65,009	30,529	34,466	15
Finance leases	307	335	222	113	-
Net settled derivatives (interest rate swap)	1,323	4,494	905	2,609	980



### Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Asset Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 year \$000	1-5 years \$000	More than 5 years \$000
<b>Council 2012</b>					
Cash and cash equivalents	18,321	18,321	18,321	-	-
Trade and other loans and receivables	19,480	20,633	17,384	1,832	1,417
Government bonds	1,979	2,327	90	2,237	-
Term deposits	-	-	-	-	-
Embedded derivatives	933	966	34	932	-
<b>Group 2012</b>					
Cash and cash equivalents	20,568	20,568	20,568	-	-
Cash and cash equivalents - discontinued operation	634	634	634	-	-
Trade and other loans and receivables	23,159	24,329	21,080	1,832	1,417
Trade and other receivables - discontinued operation	381	381	381	-	-
Government bonds	1,979	2,327	90	2,237	-
Term deposits	12,000	12,000	12,000	-	-
Term deposits - discontinued operation	45,148	45,148	45,148	-	-
Interest rate swaps	-	-	-	-	-
Embedded derivatives	933	966	34	932	-
<b>Council 2011</b>					
Cash and cash equivalents	1,858	1,858	1,858	-	-
Trade and other loans and receivables	13,611	14,814	12,040	1,194	1,580
Government bonds	1,974	2,417	90	2,327	-
Term deposits	-	-	-	-	-
Embedded derivatives	841	1,000	34	966	-
<b>Group 2011</b>					
Cash and cash equivalents	17,652	17,652	17,652	-	-
Cash and cash equivalents - discontinued operation	13,814	13,814	13,814	-	-
Trade and other loans and receivables	16,845	18,143	15,369	1,194	1,580
Trade and other receivables - discontinued operation	3,053	3,053	3,053	-	-
Government bonds	1,974	2,417	90	2,327	-
Term deposits	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Embedded derivatives	841	1,000	34	966	-

## Sensitivity analysis for Interest rate risk

The table below illustrates the potential effect on the surplus or deficit and equity (excluding general funds) for reasonably possible market movements, with all other variables held constant, based on the Council and group's financial instrument exposures at balance date.

	Surplus \$000	-100bps Other equity \$000	Surplus \$000	+100bps Other equity \$000
<b>Council 2012</b>				
<b>Interest rate risk</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(183)	-	183	-
Interest rate swaps	-	-	-	-
<i>Financial liabilities</i>				
Interest rate swaps	(2,653)	-	2,519	-
Secured loans	720	-	(720)	-
Bank overdraft	-	-	-	-
Total sensitivity	(2,116)	-	1,982	-
<b>Other price risk</b>				
<i>Financial assets</i>				
Embedded derivatives	(29)	-	29	-
Unlisted shares	-	-	-	-
Total sensitivity	(29)	-	29	-
<b>Council 2011</b>				
<b>Interest rate risk</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(19)	-	19	-
Interest rate swaps	-	-	-	-
<i>Financial liabilities</i>				
Interest rate swaps	(1,851)	-	1,634	-
Secured loans	419	-	(419)	-
Bank overdraft	-	-	-	-
Total sensitivity	(1,451)	-	1,234	-
<b>Other price risk</b>				
<i>Financial assets</i>				
Embedded derivatives	(28)	-	28	-
Unlisted shares	-	-	-	-
Total sensitivity	(28)	-	28	-

	Surplus \$000	-100bps Other equity \$000	Surplus \$000	+100bps Other equity \$000
<b>Group 2012</b>				
<b>Interest rate risk</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(206)	-	206	-
Cash and cash equivalents - discontinued operation	(6)	-	6	-
Interest rate swap	-	-	-	-
Embedded derivatives	-	-	-	-
Term deposits	(120)	-	120	-
Term deposits - discontinued operation	(451)	-	451	-
<i>Financial liabilities</i>				
Interest rate swap	(2,653)	-	2,519	-
Secured loans	785	-	(785)	-
Bank overdraft	(22)	-	22	-
Total sensitivity	(2,674)	-	2,540	-
<b>Other price risk</b>				
<i>Financial assets</i>				
Government bonds	(29)	-	29	-
Unlisted shares	-	-	-	-
Total sensitivity	(29)	-	29	-
<b>Group 2011</b>				
<b>Interest rate risk</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(177)	-	177	-
Cash and cash equivalents - discontinued operation	(138)	-	138	-
Interest rate swap	-	-	-	-
Embedded derivatives	-	-	-	-
Term deposits	-	-	-	-
Term deposits - discontinued operation	-	-	-	-
<i>Financial liabilities</i>				
Interest rate swap	(1,851)	-	1,634	-
Secured loans	488	-	(488)	-
Bank overdraft	(1)	-	1	-
Total sensitivity	(1,679)	-	1,462	-
<b>Other price risk</b>				
<i>Financial assets</i>				
Government bonds	(28)	-	28	-
Unlisted shares	-	-	-	-
Total sensitivity	(28)	-	28	-

#### *Explanation of interest rate risk sensitivity*

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis point movement (bps). For example, an increase of 100bps is equivalent to an increase in interest rates of 1%.

The sensitivity for interest rate swaps has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/- 100 bps.

#### *Explanation of other price risk sensitivity*

The sensitivity for the Government Bond has been calculated based on a 1% movement in the Consumer Price Index. This is because the Bond includes an embedded derivative that means the principal increases (or decreases) in line with movements in the Consumer Price Index.

The Council's capital is its equity (or ratepayers' funds), which comprise general funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity which is a principle promoted by the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's asset and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the full cost of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in the Selwyn Community Plan (LTP) and its annual budget to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Selwyn District Council has the following council created reserves:

- reserves for different areas of benefit (e.g. specific communities/townships)
- self-insurance reserves
- trust and bequest reserves.

Reserves for targeted rate activities are used where surpluses (or deficits) from the year's transactions are accumulated for use in the future by that group of ratepayers. Interest is added to the capital reserves and deductions are made where the funds are used for the purpose they were collected.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Generally the release of these funds can only be approved by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

#### Note 41: Discontinued operation

In April 2010 Selwyn Plantation Board Limited shareholders approved the Board's Strategic Plan for the company, which provided for the sale of all of the company's assets and for the proceeds of sale to be returned to shareholders. Their accounts have been prepared on a realisation basis, having previously been prepared on a going concern basis, in keeping with their treatment as a discontinued operation as at 30 June 2012.

All assets are expected to be realised within 12 months of the year end and have therefore been classified as current assets. Property, plant and equipment and forestry assets have been classified as assets held for sale. All assets have been recognised at their expected realisable value, this being the proceeds expected to be received on sale of the assets.

Disclosed below are the results of the Selwyn Plantation Board Limited as a discontinued operation.

	Group 2012 \$000	Group 2011 \$000
<b>Profits attributable to discontinued operations</b>		
Operating revenue	2,784	10,721
Interest received	1,686	827
Other gains / (losses)	3	4,786
Fair value adjustment	526	-
<b>Total revenue</b>	<b>4,999</b>	<b>16,334</b>
Operating expenses	2,725	11,368
<b>Total expenditure</b>	<b>2,725</b>	<b>11,368</b>
<b>Surplus / (deficit) before tax</b>	<b>2,274</b>	<b>4,966</b>
Taxation expense	581	1,240
<b>Surplus / (deficit) after tax</b>	<b>1,693</b>	<b>3,726</b>
<b>Other comprehensive income</b>		
Property, plant and equipment revaluation gains	757	(109)
<b>Total other comprehensive income</b>	<b>757</b>	<b>(109)</b>
<b>Total comprehensive income</b>	<b>2,450</b>	<b>3,617</b>
	Group 2012 \$000	Group 2011 \$000
<b>Cash flows from discontinued operation</b>		
Opening cash balance	13,814	2,776
Net cashflows from operating activities	3,533	2,845
Net cashflows from investing activities	(16,713)	34,306
Net cashflows from financing activities	-	(26,113)
<b>Closing cash balance</b>	<b>634</b>	<b>13,814</b>

	Group 2012 \$000	Group 2011 \$000
<b>Impact on the financial position from discontinued operation</b>		
<i>Other current assets relating to discontinued operation:</i>		
Cash and cash equivalents	634	13,814
Trade and other receivables	381	3,053
Inventory and work in progress	-	-
Intangible assets	-	5
Other financial assets	45,148	1
Other current assets relating to discontinued operation	46,163	16,873
<i>Other current liabilities relating to discontinued operation:</i>		
Trade and other payables	26	1,182
Employee benefit liabilities	-	82
Provisions	87	16
Other current liabilities relating to discontinued operation	113	1,280

#### Note 42: Impact of the Canterbury earthquakes

*The purpose of this note is to disclose the:*

- impact of the earthquakes on the Council's financial statements
- contingent assets that exist at balance date
- significant areas of estimation and assumption.

The 7.1 magnitude earthquake on 4 September 2010 caused damage to some of the Council's infrastructure (roads, wastewater systems and water systems) and its buildings (community halls, houses and administrative buildings). Although it was a large earthquake centred in the district, the damage was relatively modest and the Council was able to continue to deliver services to local residents. The continuing aftershocks and 6.3 magnitude earthquakes of 22 February 2011 and 13 June 2011 caused some further minor damage.

By the end of the 2012 financial year, \$6.6 million has been spent on repairing damaged assets and the Council estimates that the total cost to repair its assets is \$10.7 million. (This is an increase compared with the estimate of \$7.2 million that was included in the 2011 annual report.)

*The main areas of damage are:*

	Council and Group	
	Updated 2012 estimate \$000	2011 estimate \$000
<b>Areas of damage</b>		
Community centres and other facilities	3,599	906
Property and buildings	3,416	2,258
Roading	3,448	3,500
Waste water systems	129	250
Water systems	138	295
<b>Total estimated significant earthquake damage</b>	<b>10,730</b>	<b>7,209</b>

In addition, the Council incurred costs of \$619,000 in responding to the earthquakes, including the cost of running the response operation and associated welfare costs.

The Council is able to recover a portion of its costs from a number of sources, including insurance (waste water systems, water systems, buildings), Earthquake Commission (housing), New Zealand Transport Agency (roading) and Central Government (welfare and recovery). Based on its best estimates at 30 June 2012, the Council has recognised revenue from insurance and other sources totalling \$9.5 million. It also has an unquantified contingent asset for further revenue that has not been recognised at balance date. This includes possible additional insurance proceeds.

The impact of the earthquake on the Council's financial statements is summarised below.

	Council and Group	
	2012	2011
	\$000	\$000
<b>Impact on income</b>		
Insurance	3,130	3,071
NZTA subsidy	140	2,310
Government grant	256	225
Other cost recovery	384	-
Impact on income	3,910	5,606
<b>Impact on expenditure</b>		
Earthquake repairs	1,309	1,997
Civil defence response	-	618
Impact on expenditure	1,309	2,615
Impact on operating surplus before tax	2,601	2,991
<b>Impact on other comprehensive income</b>		
Impairment of property plant and equipment	(375)	(3,925)
Impact on total comprehensive income	2,226	(934)
<b>Impact on capital expenditure</b>		
Earthquake repairs	447	2,832
Impact on capital expenditure	447	2,832

\* The \$375,000 impairment in 2012 related to the write-off of the book value of the Lakeside, Dunsandel and Greenpark community halls.

In accounting for the impact of earthquakes the Council has made estimates and assumptions based on the best information available at the time the financial statements were prepared.

*The key estimates are:*

- the cost of damage where repairs have not yet been undertaken
- the proportion of repair and other costs that will be recovered through insurance and other sources.

*The key assumptions are that:*

- the full extent of the damage has been identified through the inspection and assessment procedures undertaken to date and that any unidentified damage is unlikely to be significant
- there has been no impact on the useful life of assets, including underground assets that cannot be readily inspected for damage.

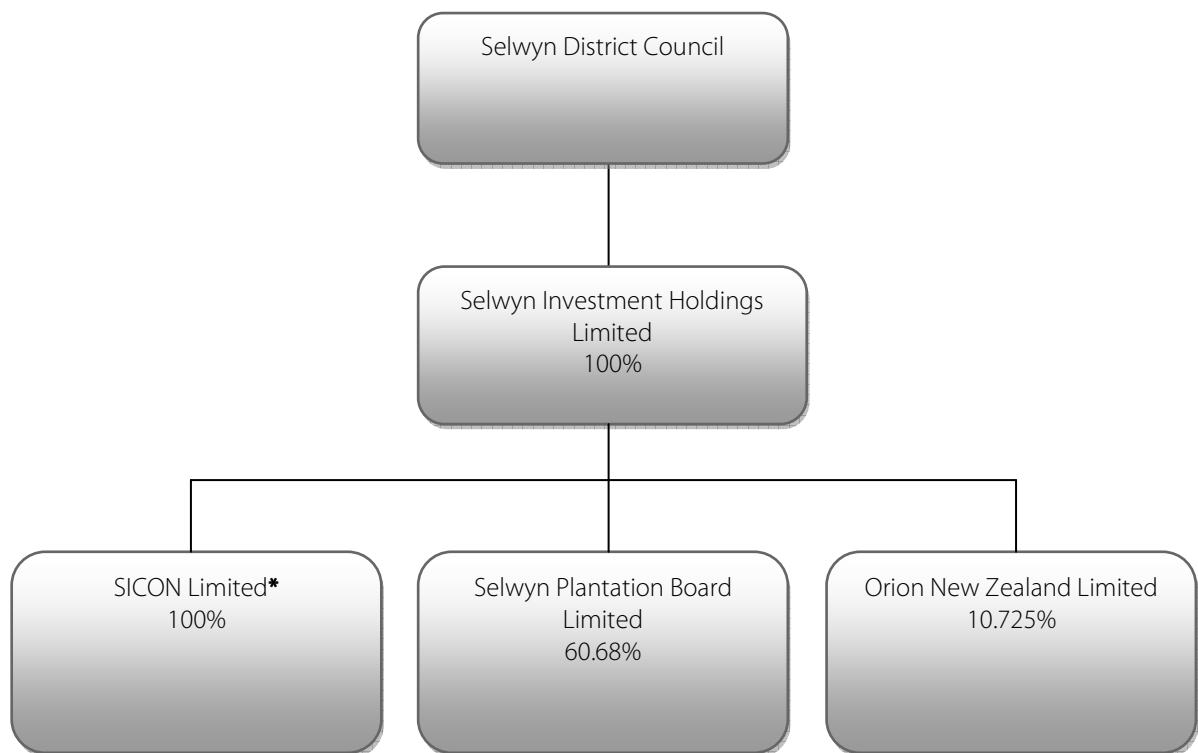
The Canterbury earthquakes have had an impact on Council's insurance position. Since the earthquakes, the Council has been able to obtain full insurance cover for the "standard perils" such as fire and flood events but has not placed cover for future earthquake events. The Council is in the process of establishing a self-insurance fund to cover the risk of earthquake damage.

# FINANCIAL INTERESTS





## Financial interests



\*Ferguson Brothers Limited amalgamated with SICON Limited on the 31 March 2012.

### Community Trusts Administered by the Council:

- Central Plants Water Trust
- Tramway Reserve Trust
- Orion Selwyn District Centenary Educational Trust
- Selwyn District Charitable Trust

## Financial interests – Selwyn Investment Holdings Limited

### Relationship to the Council

The Council retains control over the activities of Selwyn Investment Holdings Limited (the Company) through the Company's annual Statement of Intent, the Company's Constitution and the ability to appoint directors.

### Nature and scope of the company

This enterprise is a company established to combine the Council's trading investments under one umbrella and thereby facilitate effective management of the Council's investments and cash flows. This arrangement is aimed to separate the trading investments from the ordinary operations of the Council and to ensure that the Council's relationship with its investment companies is handled in a commercial manner. The security provided by this ownership enables the Council a facility to efficiently borrow in commercial markets.

The Company's revenue is in the form of dividends from Orion New Zealand Limited, SICON Limited, and Selwyn Plantation Board Limited. Net income is distributed to the Council via a fixed dividend distribution policy.

### Objective

To enable the efficient management of the Council's trading investments.

### Key performance targets

The Company's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

	Status	Actual 2012	Target 2012	Note
Surplus / (deficit) before taxation and impairments	Not achieved	\$4,281,680	\$18,162,093	1
Surplus / (deficit) after taxation	Not achieved	\$4,233,832	\$18,008,501	1
Proposed dividend ( <i>excludes special dividend</i> )	Achieved	\$3,208,785	\$2,700,000	2
Debt / total assets	Achieved	0.10%	0.12%	
Return on total assets	Not achieved	3.47%	17.73%	1
Return to shareholders' funds	Not achieved	3.57%	18.11%	1

### Notes:

1. The Company had set a target of \$18.0 million surplus after taxation for the current financial year. This target was not achieved largely due to the delay in the realisation of the Company's investment in Selwyn Plantation Board Limited. The delay in realisation of the assets held in Selwyn Plantation Board Limited is now expected to be realised during the 2012/13 financial year.
2. Dividends are paid in accordance with the Company's Statement of Intent while taking into account the financial position, profitability and future investment requirements. This year the Company was able to pay a higher total dividend due to higher than expected dividends from Orion New Zealand Limited. This included a special dividend of \$1.1 million which was paid through to the Council on the 8<sup>th</sup> June 2012.

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	4,621	11,130
Expenditure	340	1,323
Surplus / (deficit) before taxation	4,282	9,807
Surplus / (deficit) after taxation	4,234	9,823
Interim dividend	2,000	2,000
Final dividend	1,209	1,600
Special dividend	1,073	-

## Financial interests – SICON Limited

### Relationship to the Council

The Council exercises influence on the Board through approval of its annual Statement on Intent.

The shareholders exercise influence on the Company through the negotiation of the annual Statement of Intent.

### Nature and scope of the company

SICON Limited is a supplier of asset management, maintenance and construction services. Consistent with its objective, the Company will pursue activities designed to ensure the efficient and prudent utilisation of its capital assets and human resources.

Ferguson Brothers Limited merged with the Company on the 31<sup>st</sup> March 2012.

### Objective

To operate as a successful, growth focused contracting business and follow these key principles which are central to its business strategy:

- Commitment to quality
- Commitment to its shareholders
- Commitment to Selwyn district
- Commitment to its people
- Commitment to health and safety
- Commitment to the environment
- Commitment to future growth.

### Key performance targets

The Company's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

	Status	Actual 2012	Target 2012
Return after tax to opening shareholder funds	Not achieved	(20.2%)	1.9%
Return after tax on opening total assets	Not achieved	(10.4%)	1.2%
Consolidated equity to total assets	Achieved	40.6%	40%
To maintain ISO 9001:2008 Quality Standard Certification	Achieved		
To maintain ACC WSMP Certification to Tertiary Level	Achieved		
To maintain NZS 4801 Safety Management Systems Certification	Achieved		
To maintain NZS 14001 Environmental Standard Certification	Achieved		

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	30,973	31,085
Expenditure	32,258	32,374
Surplus / (deficit) before taxation	(1,285)	(1,289)
Surplus / (deficit) after taxation	(1,285)	(2,269)
Ordinary dividend	-	-

## Financial interests – Selwyn Plantation Board Limited

### Relationship to the Council

The Council exercises influence on the Board through approval of its annual Statement of Intent.

The shareholders exercise influence on the company through the negotiation of the annual Statement of Intent.

### Nature and scope of the company

The core business of Selwyn Plantation Board Limited was to manage the Company's forests, farms and land on a commercial basis using the most environmentally and commercially sustainable methods. The Company is in the process of a staged realisation of its assets and has sold its main forest and land holdings.

### Objective

The Company's mission is to liquidate the Company through a well-managed and staged realisation consistent with the objective of maximising value to shareholders. It aims to protect and enhance the Company's competitive position throughout the realisation process and be responsive to its customer's needs.

### Key performance targets

The Company's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

	Status	Actual 2012	Target 2012
Ratio of equity to total assets	Achieved	98%	95%
Return before interest and tax on total assets	Achieved	5.6%	1.0%
Return after taxation to equity	Achieved	4.6%	1.0%

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	5,756	17,362
Expenditure	2,780	11,780
Surplus / (deficit) before taxation	2,976	5,582
Surplus / (deficit) after taxation	2,395	4,343
Ordinary dividend	-	-

## Financial interests – Ferguson Brothers Limited

### Relationship to the Council

Ferguson Brothers Limited was amalgamated with SICON Limited on the 31 March 2012.

### Nature and scope of the company

Ferguson Brothers Limited's business prior to the amalgamation with SICON Limited was the provision of quality contracting services. Following the merger the operational side of the Company will continue to provide quality contracting services and operates as a business unit of SICON Limited.

### Objective

To operate as a successful roading, earthworks and civil contracting business and follow these key principles which are central to its business strategy:

- Commitment to quality.
- Commitment to its shareholders.
- Commitment to its people.
- Commitment to health and safety.
- Commitment to the environment.
- Commitment to future growth.

### Key performance targets

The Company's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 could not be assessed because the company was amalgamated with SICON Limited during the year.

	Status	Target 2012
Debt / total assets	Not assessed	38.4%
Return on total assets	Not assessed	2.9%
Return on shareholders' funds	Not assessed	9.7%

### Summary of financial performance

	Actual 2012 9 months \$000	Actual 2011 12 months \$000
Revenue	9,208	17,670
Expenditure	9,283	18,443
Surplus / (deficit) before taxation	(75)	(773)
Surplus / (deficit) after taxation	(75)	(1,644)
Ordinary dividend	-	-

The performance for 2012 represents the performance of Ferguson Brothers Limited for the 9 month period 1 July 2011 to 31 March 2012. The 3 month period 1 April 2012 to 30 June 2012 is included in the financial results of SICON Limited following the amalgamation which was completed on the 31 March 2012.

## Financial interests – Orion New Zealand Limited

### Relationship to the Council

Selwyn Investment Holdings Limited has a 10.725% shareholding in Orion New Zealand Limited.

The shareholders exercise influence on the Company through the negotiation of the annual Statement of Intent.

### Nature and scope of the company

Orion's activities are to:

- Construct and maintain a reliable and secure electricity distribution network in the Christchurch and Central Canterbury region.
- Provide efficient processes that support competition amongst electricity retailers and generators.
- Seek investment/acquisition opportunities in the infrastructure and energy sectors.
- Manage, grow and if appropriate, realise other subsidiary and associate company interests.

### Objective

To operate as a successful business and provide shareholders with appropriate returns on their investments and pursue strategies that aim to ensure Orion's long-term success as a business.

### Key performance targets

The Company's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 31 March 2012 is set out below:

*Financial performance targets:*

	Status	Actual 2012	Target 2012	Note
Profit after tax	Achieved	\$54.2m	\$28.0m	1
Profit after tax / average shareholders' equity	Achieved	8.9%	5.2%	2
Fully imputed dividends	Achieved	\$34.0m	\$24.0m	3
Debt ratio	Achieved	8%	15%	4
Equity ratio	Achieved	92%	85%	4
Equity / total assets	Achieved	72%	69%	4

### Notes:

1. The group's net profit for the year ended 31 March 2012 was \$26.2 million above its SOI target due, primarily to the following favourable variances relative to target:

	\$m post tax
Insurance proceeds	19.6
Delivery gross margin	2.3
Upwards revaluations of property, plant and equipment	2.0
Other (net)	2.3
	26.2

2. The group's net profit to average shareholder's equity ratio was above its SOI target primarily due to the above target net profit.
3. The group pays dividends to its shareholders after taking into account the group's financial position, profitability and future investment requirements. The dividends payable to shareholders are determined by the board after consideration of the group's funding requirements and the requirement to meet the solvency test under the provisions of the Company's Act 1993.
4. The group's debt as at 31 March 2012 was lower than target due to higher than target insurance proceeds and lower than target capital expenditure.

Equity was higher than target because net profit was higher than target by \$26.2 million (partially offset by dividends \$10 million higher than target). The revaluation of the group's electricity distribution network on 31 March 2011 was down by \$140 million, whereas the group's SOI had a forecast downwards revaluation of \$250 million.

*Network reliability targets:*

	Actual 2012	Affected by earthquakes Actual 2011	Actual 2010	Unaffected by earthquakes 5 year average	Gazetted average 2011
Reliability – Orion network interruptions only: Duration of supply interruptions in minutes per year per connected customer (SAIDI)					
- Urban	208	4,155	21	18	
- Rural	389	1,442	342	493	
- Overall	231	3,812	61	75	166

Number of supply interruptions per year per connected  
customer (SAIFI)

- Urban	2.0	2.8	0.2	0.3	
- Rural	3.6	4.5	2.9	3.3	
- Overall	2.2	3.0	0.6	0.6	1.8

**Important notes:**

The Canterbury earthquakes and aftershocks have had a significant adverse impact on the company's electricity distribution network reliability for the years ended 31 March 2011 and 2012.

This is also the first time that the company has disclosed its actual electricity network reliability performance for the year ended 31 March 2011. Due to the severity of the earthquakes, the company was not able to calculate its reliability performance in time for last year's audited performance statements.

Due to the severity of the earthquakes and the significant uncertainties related to the ongoing nature of the earthquakes, it was not practicable for the company to set meaningful SAIDI/SAIFI targets in the company's statement of intent for the year ended 31 March 2012. In the absence of targets for the year ended 31 March 2012, the company has increased its comparative disclosures in the table above.

All figures in the two "affected by earthquakes" columns above are stated gross – that is, they are not adjusted for "major event days" as otherwise allowed under the Commerce Commission's default price quality path regulatory disclosures.

For SAIDI and SAIFI the company has assumed that all network outages caused by the 22 February 2011 earthquake were network fault-related outages only up until 31 March 2011. This applies to the figures above for the year ended 31 March 2011. The only ongoing outages as at that date were due to circumstances beyond the company's control – this especially applies to the cordoned off CBD area (approximately 2,000 mainly business customer connections).

The gazetted NZ weighted average figures above exclude Orion's so as not to 'skew' the wider industry comparative data for the year ended 31 March 2011.

SAIDI and SAIFI measures are international industry standards which enable assessment of network performance. The gazetted industry averages noted above are for all New Zealand electricity distribution networks and include rural and urban networks. Orion's network includes a significant rural component.

SAIDI =  $\frac{\text{Sum of (number of interrupted consumers x interruption duration)}}{\text{Average number of connected consumers}}$

SAIFI: system average interruption frequency index – an international index which measures the average number of interruptions that a consumer experiences in a given period.

SAIFI =  $\frac{\text{Sum of number of interrupted consumers}}{\text{Average number of connected consumers}}$

#### *Earthquake recovery targets:*

- Repair our damaged 11kV and low voltage underground cables in the eastern suburbs. (Status: 11kV complete; low voltage ongoing)
- Build and commission a new zone substation in Rawhiti Domain (fronting Keyes Road) to replace the New Brighton substation. (Status: Achieved)
- Build and connect a new 1.5km temporary 66kV overhead line from our existing (damaged) New Brighton substation to the new Rawhiti Domain substation. (Status: Achieved)
- Build and connect a new 4.5km temporary 66kV overhead line from the Bromley grid exit point to our Dallington substation. (Status: Achieved)
- Purchase or hire up to twenty five 100kW to 440kW mobile diesel generator sets as a contingency measure for the next three years. (Status: Achieved)
- Install up to 4MW of temporary diesel generators at QEII. (Status: Achieved)
- Lay and commission permanent 66kV underground cables from Bromley grid exit point to Dallington and Rawhiti Domain substations. Then remove the temporary 66kV overhead lines installed after the February 2011 earthquake. (Status: Ongoing)
- Work with the Canterbury Earthquake Recovery Authority (CERA) and the Christchurch City Council to re-establish power and network resiliency to the central business district (CBD) according to agreed priorities and timeframes. (Status: Ongoing)

#### *Environmental targets:*

- Continue to undertake and encourage demand side management. (Status: Ongoing)
- Continue our support for and sponsorship of Community Energy Action (CEA). (Status: Ongoing)
- Support the Christchurch City Council's sustainable energy strategy. (Status: Ongoing)

#### *Community and employment targets:*

- Zero work related lost time accidents for our employees and contractors. (Status: Not Achieved)
- Zero number of injury accidents (excluding car versus pole traffic accidents) involving members of the public. (Status: Achieved)
- Continue with our local public safety education and awareness programme in the safe use of electricity. (Status: Achieved and Ongoing)
- Undertake our annual formal employee survey and follow up on the results. (Status: Achieved)
- Achieve voluntary staff turnover of less than 5% for Orion and less than 10% for Connectics for the year. (Status: Not achieved by Orion, achieved by Connectics)
- Continue with our Orion engineering trainee programme. (Status: Achieved)
- Continue to develop our Connectics apprentice scheme. (Status: Achieved)
- Continue to support the CPIT Trades Innovation Centre. (Status: Achieved)
- Continue to support the Greater Christchurch Urban Development Strategy (UDS) through our network AMP. (Status: Ongoing)

#### **Summary of financial performance**

	Actual 2012 \$000	Actual 2011 \$000
Revenue	245,512	222,806
Expenditure	177,386	177,935
Surplus / (deficit) before taxation	68,126	44,871
Surplus / (deficit) after taxation	54,154	28,360
Ordinary dividend	34,000	37,500



## Financial interests – Central Plains Water Trust

### Relationship to the Council

Central Plains Water Trust is a Council Controlled Organisation (CCO), jointly controlled by the Selwyn District Council (50%) and the Christchurch City Council (50%). The Council exercises significant influence over the activities of the Trust through its ability to appoint the trustees.

### Nature and scope of activities

Central Plains Water Trust is a trust for the benefit of present and future generations of Christchurch City and Selwyn District residents.

The Trust will hold all necessary resource consents, when obtained by Central Plains Water Limited.

### Objectives

The Council recognises a major regional economic benefit in managing the water resource in the Central Canterbury Plains, including significant employment creation. The Council also wishes to be involved to ensure its own infrastructure will not be adversely affected by any proposed scheme.

### Key performance targets

The Trust's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

- To provide assistance to Central Plains Water Limited and monitor progress obtaining the necessary resource consents for the Central Plains irrigation scheme on behalf of the Trust.*

The Trust has monitored progress with regard to the various resource consent applications, funding and other priority matters through regular reports, briefings and meetings between the company, the Trust, project management and consultants.

The Trust has also monitored legal matters undertaken by the company and where necessary has obtained independent legal advice, and has obtained and recorded copies of all agreements in relation to the Scheme which concern the Trust and the consent process and in relation to legal proceedings and settlements, and of other relevant documentation to which it is entitled.

The Trust has also assisted the Company in attending and participating in mediation meetings and other discussions with appellants in the appeal process in the Environment Court.

- To consult, and develop scheme recreational opportunities and environmental community enhancers.*

Priority has been directed towards consent hearings and the mediation of appeals in the Environment Court. In that process the Trust has been able to ensure that environmental recreational educational and social benefits have been addressed in accordance with the Trust's objectives.

The Trust has also consulted with the Selwyn District Council on its future district planning processes so that the expected social, environmental and economic effects of the water scheme can be taken into account.

The Trust has also held a public meeting in which its activities and the progress of the water scheme generally have been discussed.

- The Trustees' will prepare an annual budget by 30 June and will report the financial results.*

Financial statements were provided to the settlers for the quarters ended 30 September, 31 December, 31 March and 30 June.

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	44	43
Expenditure	44	43
Surplus	-	-

## Financial interests – Tramway Reserve Trust

### Relationship to the Council

Tramway Reserve Trust is a Council Controlled Organisation (CCO) of the Council.

### Nature and scope of activities

Tramway Reserve, at the end of Tramway Reserve Road, will be subject to restoration and enhancement to be led by the Tramway Reserve Trust. The restoration project was agreed as mitigation for the past and ongoing use of Tramway Reserve Drain for waste water management. The Trust was established as part of that agreement between Ngai Tahu and the Council as a condition of the upgraded Leeston (Ellesmere) Sewerage Treatment site.

### Key performance targets

The Trust's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

- The Trust will continue work towards returning the Tramway Reserve waterway to its natural state and facilitating public access.  
The Trust continued with its monitoring role to ensure the Tramway Reserve Waterway is maintained in its natural state and that public access was available.

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	-	1
Expenditure	-	1
Surplus	-	-

## Financial interests – Orion Selwyn District Centenary Educational Trust

### Relationship to the Council

The Orion Selwyn District Centenary Educational Trust is a Council Controlled Organisation (CCO) of the Council. The Council exercises significant influence over the activities of the Trust through its ability to appoint the Trustees.

### Nature and scope of activities

The Trust was established in November 2003 by Orion New Zealand Limited. The purpose of the Trust is to promote and support the education of students who are attending Ellesmere College, Lincoln High School and Darfield High School and any other high school established in the Selwyn District in the future, and who are intending to undertake a course of tertiary education in New Zealand.

### Key performance targets

The Trust's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

- *The Trust expects to receive enough investment income each year to be able to pay out scholarships to recipients from the three current High Schools in the area.*

In the year ended 30 June 2012, the Trust earned \$6,519 (2011: \$6,428) in interest revenue, and paid out scholarships totalling \$3,750 (2011: \$3,750) to students from the three designated schools.

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	7	7
Expenditure	4	4
Surplus	3	3

## Financial interests – Selwyn District Charitable Trust

### Relationship to the Council

The Selwyn District Charitable Trust is a Council Controlled Organisation (CCO) of the Council.

### Nature and scope of activities

The Trust receives funds in the form of charitable donations and makes them available for the charitable activities of the Council.

### Key performance targets

The Trust's actual financial performance compared with the targets outlined in its Statement of Intent for the year ended 30 June 2012 is set out below:

- *The Trust aims to distribute all the funds it receives in the year of receipt*

During the period the Trust received a total of \$78,960 in donation revenue. The trust has distributed \$1,460 to the Selwyn District Council during the year. The distribution related to the donations received by the Trust for the benefit of the Southbridge Hall. The Trust additionally received \$72,500 in donations to be used for the benefit of the Selwyn Aquatic Centre and \$5,000 to be used for the benefit of the Dunsandel Community Centre.

The Trust distributed the donations received for the benefit of the Selwyn Aquatic Centre and the Dunsandel Community Centre on the 18<sup>th</sup> September 2012. This included an interest component earned on these donations.

- *The Trust aims to achieve investment returns in line with those achieved by the Council*

The Trust earns interest on donations received at the prevailing interest rates in the Trust's current accounts. Funds are distributed to the Council on a regular basis to ensure that appropriate investment returns are received on balances held prior to being used for their intended purpose.

### Summary of financial performance

	Actual 2012 \$000	Actual 2011 \$000
Revenue	79	-
Expenditure	79	-
Surplus	-	-

# AUDIT REPORT



**Independent Auditor's Report**

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

The Auditor-General is the auditor of Selwyn District Council (the District Council) and group. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, statement of service performance and other information required by schedule 10 of the Local Government Act 2002 (other information) of the District Council and group on her behalf.

We have audited:

- the financial statements of the District Council and group on pages 51 to 136, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the statement of service performance of the District Council and group on pages 11 to 50 that includes other information required by schedule 10 of the Local Government Act 2002.

**Opinion on the financial statements, statement of service performance and other information**

In our opinion:

- The financial statements of the District Council and group on pages 51 to 136:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council and group's financial position as at 30 June 2012; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the District Council and group on pages 11 to 50:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council and group's levels of service for the year ended 30 June 2012, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- The other information of the District Council and group contained in the financial statements and the statement of service performance, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, statement of service performance and other information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, statement of service performance and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, statement of service performance and other information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, statement of service performance and other information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the District Council and group's financial statements, statement of service performance and other information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, statement of service performance and other information;
- determining the appropriateness of the reported statement of service performance within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, statement of service performance and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, statement of service performance and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and statement of service performance that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the District Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, statement of service performance and other information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, statement of service performance and other information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and carrying out the audit of the long term plan, we have no relationship with or interests in the District Council and group.



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

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

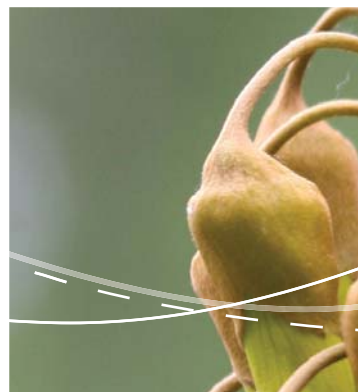
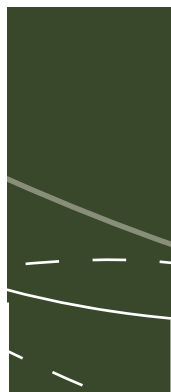
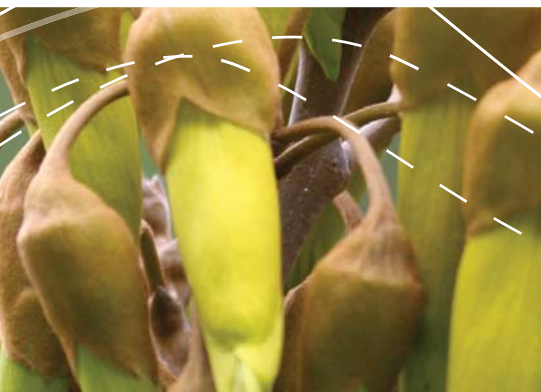
This audit report relates to the financial statements, statements of service performance and the other requirements of Selwyn District Council (the District Council) and group for the year ended 30 June 2012 included on the District Council's website. The Council is responsible for the maintenance and integrity of the District Council's website. We have not been engaged to report on the integrity of the District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements, statements of service performance and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, statements 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 financial statements, statements 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 financial statements, statements of service performance and the other requirements as well as the related audit report dated 24 October 2012 to confirm the information included in the audited financial statements, statements 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.



# COUNCIL INFORMATION



## Mayor and Councillors

Mayor		Deputy Mayor (Selwyn Central Ward Councillor)	
Kelvin Coe	513 The Lake Road RD 3 LEESTON 7683 (H) (03) 329 1768 (C) 027 267 7732 <a href="mailto:kelvin.coe@selwyn.govt.nz">kelvin.coe@selwyn.govt.nz</a>	Sarah Walters	143 Midhurst Road RD 1 CHRISTCHURCH 7671 (H) (03) 318 1227 (C) 027 270 1215 <a href="mailto:sarah.walters@selwyn.govt.nz">sarah.walters@selwyn.govt.nz</a>
Selwyn Central Ward		Springs Ward	
Mark Alexander	478 Two Chain Road RD 7 CHRISTCHURCH 7677 (H) (03) 347 6393 (F) (03) 347 6392 (C) 027 526 6388 <a href="mailto:mark.alexander@selwyn.govt.nz">mark.alexander@selwyn.govt.nz</a>	Debra Hasson	152 Chamberlains Road RD 4 CHRISTCHURCH 7674 (H) (03) 329 5445 (C) 027 435 5055 <a href="mailto:debra.hasson@selwyn.govt.nz">debra.hasson@selwyn.govt.nz</a>
Jeff Bland	Weedons Road RD 8 CHRISTCHURCH 7678 (H) (03) 347 4070 (C) 027 399 9206 <a href="mailto:jeff.bland@selwyn.govt.nz">jeff.bland@selwyn.govt.nz</a>	Malcolm Lyall	520 Springs Road PREBBLETON 7604 (H) (03) 349 7990 (C) 027 433 9964 <a href="mailto:malcolm.lyall@selwyn.govt.nz">malcolm.lyall@selwyn.govt.nz</a>
Peter Hill	1316 Tramway Road RD 2 LEESTON 7682 (H) 325 4450 (C) 027 364 5834 <a href="mailto:peter.hill@selwyn.govt.nz">peter.hill@selwyn.govt.nz</a>	Lindsay Philps	14 Lyttelton Street LINCOLN 7608 (H) (03) 325 2130 (C) 027 295 3868 <a href="mailto:lindsay.philps@selwyn.govt.nz">lindsay.philps@selwyn.govt.nz</a>
Malvern Ward		Ellesmere Ward	
Sam Broughton	275 Waireka Road RD1 DARFIELD 7571 (H) (03) 318 8284 (C) 027 223 8345 <a href="mailto:sam.broughton@selwyn.govt.nz">sam.broughton@selwyn.govt.nz</a>	Pat McEvedy	80 St John Street SOUTHBRIDGE 7602 (H) (03) 324 2572 (C) 027 430 3818 <a href="mailto:pat.mcevedy@selwyn.govt.nz">pat.mcevedy@selwyn.govt.nz</a>
John Morten	224 Waireka Road RD 1 DARFIELD 7571 (H) (03) 317 9001 (F) (03) 317 9002 (C) 027 200 2578 <a href="mailto:john.morten@selwyn.govt.nz">john.morten@selwyn.govt.nz</a>	Nigel Barnett	176 Dunsandel/Hororata Road Dunsandel, RD 2 LEESTON 7682 (H) (03) 325 4205 (C) 027 484 4888 <a href="mailto:nigel.barnett@selwyn.govt.nz">nigel.barnett@selwyn.govt.nz</a>

## Community Board Members

Malvern Community Board		Selwyn Central Community Board	
Jenny Gallagher (Chairperson)	43 Tramway Road RD 1 DARFIELD 7571 (H) (03) 318 1784 (C) 027 497 0120 <a href="mailto:jenny.gallagher@selwyn.govt.nz">jenny.gallagher@selwyn.govt.nz</a>	Liz Russell (Chairperson)	7 Oak Tree Lane ROLLESTON 7614 (H) (03) 347 7262 (C) 027 240 7964 <a href="mailto:liz.russell@selwyn.govt.nz">liz.russell@selwyn.govt.nz</a>
Allan Thorne (Deputy Chairperson)	Arbourlea 2143 Bealey Road RD 2 DARFIELD 7572 (H) (03) 318 0798 (F) (03) 318 0797 <a href="mailto:allan.thorne@selwyn.govt.nz">allan.thorne@selwyn.govt.nz</a>	Alan French (Deputy Chairperson)	23 Delamare Way ROLLESTON 7614 (H) (03) 347 2338 (C) 027 664 4305 <a href="mailto:alan.french@selwyn.govt.nz">alan.french@selwyn.govt.nz</a>
Mary Ireland	3D Perrin Place DARFIELD 7510 (H) (03) 318 8649 (F) (03) 318 8648 <a href="mailto:mary.ireland@selwyn.govt.nz">mary.ireland@selwyn.govt.nz</a>	Sandy Williams	3 Verona Court ROLLESTON 7614 (H) (03) 377 2908 (C) 021 663 692 <a href="mailto:sandy.williams@selwyn.govt.nz">sandy.williams@selwyn.govt.nz</a>
Bill Frost	55 Station Road RD 1 COALGATE 7673 (H) (03) 318 2604 (F) (03) 318 2601 <a href="mailto:bill.frost@selwyn.govt.nz">bill.frost@selwyn.govt.nz</a>	Joyce Davey	6 Juliet Place ROLLESTON 7614 (H) (03) 347 8217 <a href="mailto:joyce.davey@selwyn.govt.nz">joyce.davey@selwyn.govt.nz</a>
Bob Mugford	PO Box 35 COALGATE 7646 (H) (03) 318 2877 <a href="mailto:Bob.mugford@selwyn.govt.nz">Bob.mugford@selwyn.govt.nz</a>		

## Where to go for more information

This 2011/2012 annual report is also available at [www.selwyn.govt.nz](http://www.selwyn.govt.nz) or you can get a copy at any Selwyn District library or service centre (see list below).

Customer services	
For general enquiries, assistance and information, telephone (03) 347 2800 or (03) 318 8338	
Website	Selwyn District Council Offices
<a href="http://www.selwyn.govt.nz">www.selwyn.govt.nz</a>	2 Norman Kirk Drive PO Box 90 ROLLESTON 7643
Service Centres	
Leeston Library / Service Centre High Street Private Bag 1 LEESTON Phone: (03) 324 8080	Darfield Library / Service Centre 1 South Terrace DARFIELD 7510  Phone: (03) 318 8338
Lincoln Library / Service Centre Gerald Street LINCOLN 7608 Phone: (03) 347 2875	Rolleston Library / Service Centre Rolleston Drive ROLLESTON 7614 Phone (03) 347 2880
Auditors	Bankers
Audit New Zealand PO Box 2 CHRISTCHURCH 8140 On behalf of the Auditor-General	Westpac PO Box 2721 CHRISTCHURCH 8140
Solicitors	Sister districts
Buddle Findlay PO Box 322 CHRISTCHURCH 8140	Akitakata City City Offices, Yoshida 791 Yoshida Cho, Hiroshima 731 0592 JAPAN
	Town of Yubetsu Minatomachi 31, Yubetsu-Cho Monbetsu-gun, hokkaido 099 640, JAPAN  The Malvern Community Board has been delegated the authority to facilitate relationships with Yubetsu-Cho.
	Shandan County Government North Road No 3 Qingquan Town Shandan County Gansu Province CHINA 734100

## Council controlled trading organisations

### Council companies

<p>Selwyn Investment Holdings Limited (100% owned by the Council)</p> <p>PO Box 90 ROLLESTON 7643 Phone: (03) 347 2800 Fax: (03) 347 2799 Website: <a href="http://www.sih.co.nz">www.sih.co.nz</a></p> <p><b>Board</b> (as at 30 June 2012) WJ Bell (Chairperson) J Morten</p>	<p>Selwyn Plantation Board Ltd (60.68% owned by Selwyn Investment Holdings Limited)</p> <p><b>Board</b> (as at 30 June 2012) R Polson (chairperson) A Berge S Smith J Morten</p>
<p>SICON Limited (100% owned by Selwyn Investment Holdings Limited)</p> <p>3 South Terrace PO Box 40 DARFIELD 7541 Phone: (03) 324 3068 or (03) 318 8320 Fax: (03) 318 8578 Email: <a href="mailto:sicon@sicon.co.nz">sicon@sicon.co.nz</a> Website: <a href="http://www.sicon.co.nz">www.sicon.co.nz</a></p> <p><b>Board</b> (as at 30 June 2012) W J Bell (Chairperson) L Roulston P Carnahan N McBreen</p>	

### Other council organisations

<p>Central Plains Water Trust (50% owned by Selwyn District Council)</p> <p>PO Box 90 ROLLESTON 7643 Phone: (03) 347 2800 Fax: (04) 347 2799</p> <p><b>Trustees</b> (as at 30 June 2012) DJ O'Rourke (Chairperson) DJ Catherwood RW Davison DAR Haslam V Smart C Williams</p>	<p>Izone Southern Business Hub Council committee established to develop an industrial park at Rolleston</p> <p>PO Box 90 ROLLESTON 7643 Phone: (03) 347 2800 Fax: (03) 347 2799 Website: <a href="http://www.izone.org.nz">www.izone.org.nz</a></p> <p><b>Committee Members</b> (as at 30 June 2012) JB Morten (Chairperson) JL Christensen WJ Bell S Price R McEwan</p> <p><b>Chief Executive</b> RD Hughes Developments Limited Attention: Robin Hughes Phone: (03) 379 2609</p> <p><b>The Council Manager responsible</b> Douglas Marshall - Manager Corporate Services</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Statement of values

In fulfilling its statutory and community obligations, the Council will operate according to the following values:

### *Leadership*

The Council will guide, inform and seek community involvement in policy decisions in accordance with the principles of community governance.

### *Community Service*

The Council will provide quality services in a prompt, helpful and friendly manner, minimising the cost through innovative management and best utilisation of resources.

### *Commercial*

The Council's service charges will be based on the benefits of those services to the recipients after considering the equity, efficiency and transparency of those services.

### *Environment and Biodiversity*

The Council will encourage and, where appropriate, enforce measures to sustain and enhance the District's biophysical environment, including its biological diversity.

### *Health and Safety*

The Council will encourage and, where appropriate, enforce measures to sustain and enhance public health and safety.

### *Economic Development*

The Council will encourage and, where appropriate, facilitate sustainable economic development.

### *Cultural Diversity*

The Council will have due regard for the diversity of cultural perspectives within the district.

### *Treaty of Waitangi (The Treaty)*

The Council will take account of its responsibilities as outlined under section 4 of the Local Government Act 2002.

### *Staff*

As a good employer, the Council will continue to attract, retain and develop skilled staff.

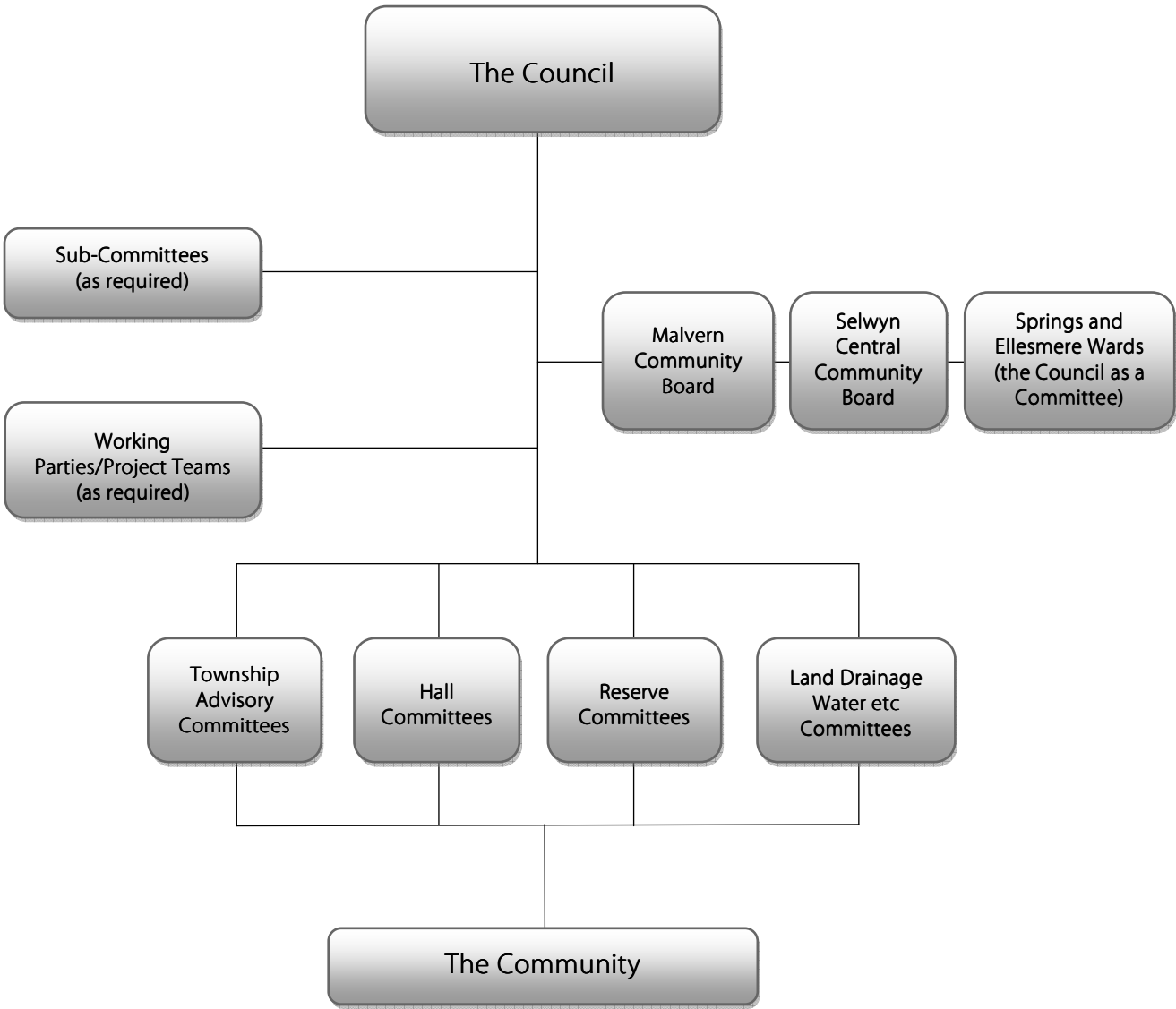
## Statement on quality of service

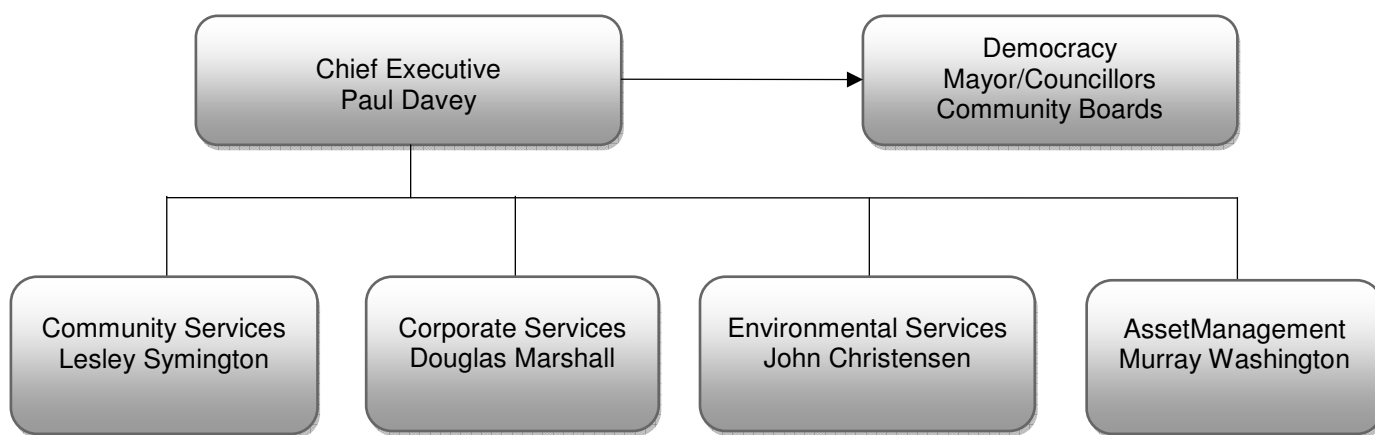
The emphasis on quality and service shall be, at all times, the focus of the Council activities. The Council will maintain and strive to improve the quality of services that are provided.

It will continue to provide services that meet the needs of its 'customers' and exceed their expectations in the process.

To achieve success, the Council will demonstrate innovation in providing solutions to meet those needs and expectations into the future while operating in a cost-effective and business-like manner.

Governance structure





Community Services	Corporate Services	Environmental Services	Asset Management
Grants & Subsidies Community Development Community Reserve Grants Economic Development Libraries Service Centre Management	<b>Support Services</b> Budgeting Rating Financial Reporting Information System Izone Southern Business Hub Monitoring the Council's Subsidiaries  <b>Community</b> Cemeteries Civil Defence Rural Fire	<b>Animal Control</b> Dog and Stock Control  <b>Building</b> Building Consents Building Inspections  <b>Environmental Health</b> Liquor & Food Licenses Health Nuisance Complaints  <b>Resource Management</b> Subdivision Consents Land Use Consents District Plan Enquiries RMA Monitoring  <b>Resource Management Planning</b> District Plan Variations Township Structure Planning Contestable Funds Administration Strategic Planning General Policy Work	<b>Roading</b> Roothing Townships Traffic Safety  <b>Waste Management</b> Refuse Collection Refuse Disposal  <b>Waste Water Services</b> Sewerage Land Drainage  <b>Water Services</b> Urban & Rural Supplies Water Races  <b>Community Services</b> Public Toilets Property (including Community Centres & Reserves) Swimming Pools



## **Maori Involvement in Decision-Making**

As part of its strategic objectives, the Council recognises an obligation to take into account the principles of the provisions of the Local Government Act 2002 to recognise and provide for the special relationship between and with Maori, their culture, traditions, land and taonga.

The Council has entered into a service and funding agreement with Mahaanui Karataiao Ltd to assist the Council in meeting its obligations under Section 81 of the Local Government Act 2002.

Mahaanui Karataiao Ltd is a runanga-owned entity and a consultancy which has been established specifically for the purpose of engaging with local government.

A broad range of services is offered under the agreement including advice/liaison and the facilitation of consultation on resource management issues, advice on policy and democratic processes and training for the Council and Runanga staff.

The Council will also continue to schedule bi-monthly meetings to engage with and share information with the Taumutu Runanga.