

CLUTHA DISTRICT COUNCIL ANNUAL REPORT 2009/10



A SUMMARY

FROM THE MAYOR AND CHIEF EXECUTIVE

We are pleased to present this summary of the Clutha District Council's 2009/10 Annual Report.

The financial year did not start that well for us. Just after the 2009-19 Long Term Plan was adopted, the New Zealand Transport Agency advised that less money would be available for road maintenance and improvements than we thought necessary and had budgeted for. Also, there was no money available for the sealing of the Nuggets Road.

At the same time, we found out that the Clydevale Bridge was not as strong as we thought and we had to put restrictions in place to protect the bridge and safety of users. To compound our bridging concerns, the Tawanui Bridge failed and had to be closed. We are working on repairing/replacing these bridges.

Despite these setbacks, progress has been made. We were pleased to officially open the newly sealed Karoro Creek/Ahuriri Flat roads. Satisfaction levels in respect to our roading did decline by 2%, but it is still trending upwards over a period of time.

It is good to note that satisfaction levels for our footpaths is increasing (up from 31% in 2008 to 41% in 2009) given Council's efforts to improve the footpaths in the district. We look forward to this coming off the 'bottom-rated' service as the programme of renewals and new footpaths continue.

Water Services is an area where Council has made good ground and this report identifies the improvements started and completed, resulting in improvement in satisfaction levels from 43% in 2006 to 59% in 2009.

The Clutha District Council has been second in the country to install a Biofiltro sewage treatment plant and first in the world to do so in conjunction with an existing oxidation pond. The resulting improved effluent quality is very promising and we are now looking at using this technology elsewhere in the district. This has the potential to save ratepayers \$120 to \$460 a year.

It was good to see recycling started within the district, with a free drop-off centre set up at the Mt Cooe Landfill near Balclutha.

An area of concern for Council is the condition of the district's swimming pools. They no longer meet modern standards and user expectations, indicated by decreased resident satisfaction levels. This has resulted in Council planning extensive upgrade and renewal work for the Balclutha and Milton pools, and the Lawrence community is investigating a new pool.

Our Emergency Services/Civil Defence systems have been tested a number of times, with a tsunami threat in February and flooding at Milton in May. We are fortunate no significant risks or damage ensued, but it is an opportunity to test our Civil Defence systems and reinforce the preparedness message.

Overall, our net operating surplus of \$4.3 million is behind budget by \$2.2 million. (Note that this is not a cash surplus, but is based on accounting principles incorporating accruals, non-



Work began on major water treatment upgrades in Balclutha, Kaitangata, Lawrence and Tapanui (pictured above).

cash adjustments and changes in values. Council's year-end cash position increased by \$220,473). This \$4.3 million net operating surplus is behind budget because our revenue was behind budget by \$3 million with the New Zealand Transport Agency financial assistance being \$3.1 million less; funding assistance for upgrading water and introducing fluoridation being \$686,000 less because work has not progressed as quickly as planned. (Note this assistance will be available next year as work is completed). These reductions are offset a little because extra water connections were sold; mostly for the new Waipahi Stock Water Scheme.

Council's financial position remains strong with no external borrowing and we have \$24.2 million in investments. The investments are \$12.7 million above budget because some of the capital projects have not progressed as quickly as planned, e.g. water treatment upgrades, Balclutha swimming pool and the Nuggets Road sealing project did not proceed at all. The investments will be drawn down as the water projects and swimming pool work are started and/or completed next year.

A full version of the Annual Report 2009/10 is available online at www.cluthadc.govt.nz, your local library or service centre, or by calling us on 03 419 0200.

Juno Hayes
Mayor
Date: 7 October 2010

Charles Hakkaart
Chief Executive

A WRAP-UP of COUNCIL ACTIVITIES

COMMUNITY LEADERSHIP

Residents' satisfaction with the decision-making, planning and leadership of elected members rose from 51% in 2008 to 60% in the 2009 Resident Survey.

Through Council's District Development Board, Council continued to promote and support our business, agricultural and forestry sectors, while the Youth Council, now into its third year, continued to establish itself as a platform for the youth of the district to have a voice at the Council table.

Aside from the core Community Leadership activities, Council and the District Development Board continued to offer assistance and advice toward's next year's Lawrence 150 Year Celebrations. Council provided a \$15,000 grant to the committee organising the celebrations, assisted with the facilitation of meetings between community, stakeholders and agencies, and sent out newsletters to a database of interested people. Consultation was also undertaken on a major streetscape upgrade for Lawrence, which will be completed in time for next year's celebrations from March 18-21.

ROADING



Sealing of Karoro Creek/Ahuriri Flat roads was completed (above), but all new seal extensions were put on hold in 2009/10.

Council spent \$15.6 million on maintaining and improving the local roading network during the 2009/10 year. This was \$4.6 million less than initially budgeted for in the 2009/10 year of the Long Term Plan.

Under the National Land Transport Programme released in August 2009 by the New Zealand Transport Agency (NZTA), the Clutha District received considerably less funding assistance than Council had asked and budgeted for in 2009/10. The funding reduction had a serious impact, especially given that the Clutha District has the second longest roading network in New Zealand at about 2,900km. Overall, Clutha received 15% less than anticipated, resulting in less work being able to be carried out than was planned.

This has put a huge dent in Council's roading programme, as there were no new seal extensions in 2009/10. This includes the Nuggets Road seal extension which had been budgeted for as a possible project, but all indications are now that it has little chance of being funded in the near future.

On a positive note, a real highlight of the year was the official opening of the newly sealed Karoro Creek and Ahuriri Flat Roads in September 2009. This \$1.65 million project was funded with

assistance from the Regional 'R' Fund, made available by the NZTA through the extra 5c fuel tax which has been levied per litre of fuel sold since 2005.

The resident satisfaction rating for local roads was 56%, slightly behind the target of 60%. Going forward, this rating will be one of the tools Council will use to gauge the impact of the NZTA funding cuts.

Work continued during 2009/10 of Council's three year programme of upgrading and renewing footpaths throughout the district.

The bulk of the work during the year focused on Kaitangata and Balclutha. The efforts to update and in some cases install new footpaths seems to be reflected in the resident satisfaction level with this service, which have risen from 31% in 2008 to 41% in 2009.

WATER SUPPLY

Work began on major upgrades to the water supply treatments in Balclutha, Lawrence, Milton and Tapanui. This work is being heavily subsidised by central government. Tapanui's upgrade has been given priority after a significant water outage occurred in December 2009, followed by a major dirty water supply event which caused substantial problems in the township.

Council officially opened the new Waipahi Stock Water Scheme on Friday 23 April. The new scheme is sourced from the Waipahi River to supply stock drinking water for the local farming area. It has the capacity to provide about 85 litres of water per hectare, per day over the area of benefit. The demand for the scheme is 11,500ha. There are currently 44 properties connected with a total of 677 units being supplied.

Overall, the rating for the quality of town water supplies has risen significantly since surveying 2006, up 16% from 43% to 59%, but just below the target level of 60%. The rural counterpart, however, did not score so well. Satisfaction with rural water schemes was at the lowest since resident surveying began in 2006.

SEWERAGE AND STORMWATER

Sewerage

Resource consents for sewage discharges from Council sewerage schemes are imposing increasingly stringent conditions due to increased environmental expectations and standards.

A major \$2.2 million upgrade of the Milton Sewage Treatment Plant was completed in 2009/10. The upgrade provides extra capacity and improved treatment to reduce the impact of the discharge on the Tokomairiro River, while meeting conditions for a new 35-year consent for the plant.

Meanwhile, a new \$250,000 sewage treatment system was constructed at Kaka Point in late 2009. The new system uses proprietary technology and has the potential to significantly reduce the annual costs of the cheapest options previously considered for Kaka Point and some other townships around the district.

Resident survey respondents were asked how satisfied they were with their sewerage service during the past 12 months. Of the respondents, 90% were satisfied with the services, meeting the target in the Annual Plan.

Stormwater

Construction of the Milton stormwater pumpstation and floodbank was largely completed by the end of the financial year. Surface flooding has caused problems in Milton in recent years, particularly during major flooding events in April 2006 and August 2007.

AUDITOR'S REPORT

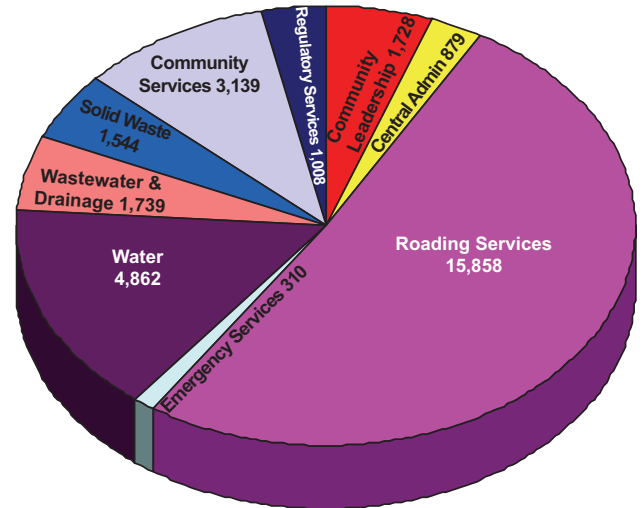
FINANCIAL INFORMATION

Key Financial Indicators 2009/10

	ACTUAL 30 June 09 (\$,000)	ACTUAL 30 June 10 (\$,000)	EST. 30 June 10 (\$,000)
Income			
Rates Revenue	19,052	20,037	19,904
Other Operating Revenue	15,547	15,360	18,530
Total Operating Revenue	34,599	35,397	38,434
Expenditure			
Employee Benefits Expense	3,882	3,894	4,234
Depreciation	13,466	12,894	11,363
Interest Expense	1	1	1
Other Expenditure	15,376	14,278	16,340
Total Operating Expenditure	32,725	31,067	31,938
Operating Surplus	1,874	4,330	6,496
Movement in Equity Reserves	0	1	0
Movement in Revaluation Reserves	96,802	0	0
Total Recognised Revenue & expenses	98,676	4,331	6,496
Equity at the beginning of the year	782,927	881,603	882,179
Equity at the end of the year	881,603	885,934	888,675
Current Assets	27,548	29,168	15,167
Non current Assets	859,800	862,987	877,403
Total Assets	887,348	892,155	892,570
Current Liabilities	5,222	5,714	3,401
Non current Liabilities	523	507	494
Total Liabilities	5,745	6,221	3,895
Net Assets/Equity	881,603	885,934	888,675
Net Cashflows from Operating activities	14,398	14,335	17,840
Net Cashflows from Investing activities	-14,642	-14,115	-17,924
Net Cashflows from Financing activities	-5	1	-4
Net Cashflows for the Year	-249	221	-88

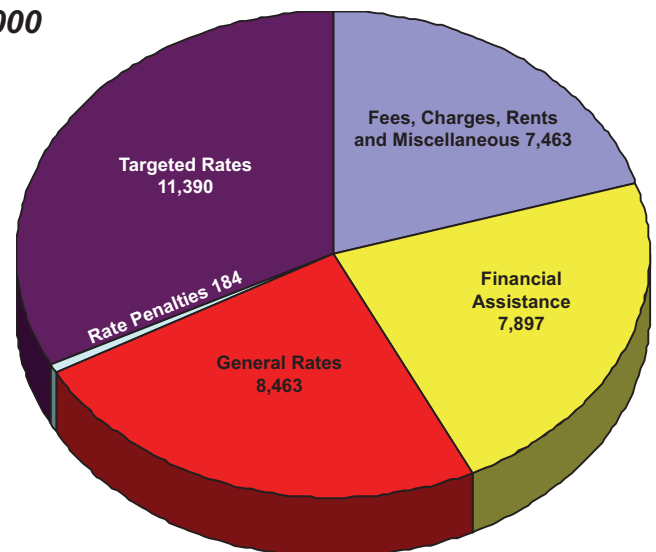
Total Expenditure 2009/10

\$000



Total Income 2009/10

\$000



Explanation of major variations from Council's estimated figures in the 2009/10 budget are as follows:

Statement of Financial Performance

The net operating surplus of \$4.3 million was behind budget by \$2.2 million. Note that this is not a cash surplus, but is based on accounting principles incorporating accruals, non-cash adjustments and changes in values. Council's year-end cash position increased by \$220,473).

Revenue was approximately \$3 million less than budget for the year ended 30 June 2010. The following major variances contributed:

- New Zealand Transport Agency financial assistance was \$3.1 million less than budgeted due to a reduction in the Clutha District Council approved programme for the three years 2009-2012.
- Cap funding and Fluoridation subsidy for water schemes is behind budget by \$686,000 due to the timing of payments.

FINANCIAL INFORMATION

- Water Connections were above budget by \$315,000, this is mainly attributable to more water connections for Waipahi.

Operating expenditure was also below budget by \$0.8 million for the year ended 30 June 2010. The following major variances contributed to this variance:

- Actual Roothing Depreciation is more than that budgeted by \$650,000.
- Sanitary Services budgeted \$90,000 for a weighbridge which was not completed in the current financial year.

Statement of Financial Position

- Short term investments exceeded budget by \$12.7 million. This occurred because capital costs were less than budgeted.
- Property Plant & Equipment was less than budget by \$14.8 million. This is due to the timing of various projects including \$3.3 million of roading, \$6 million of water services and \$1.0 million for the Balclutha Swimming Pool.
- Trade & Other receivables are above budget due to the timing of various invoices, including New Zealand Transport Agency \$2 million, and Department of Corrections of \$1 million.
- Due to the timing of various contract payments Trade & Other Payables are above budget.

Statement of Changes in Equity

Variances in the surplus have been commented on under the Statement of Financial Performance above.

Statement of Cashflows

Variances in the surplus have been commented on under the Statement of Financial Performance above.

Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report.

This summary booklet of the Annual Report 2009/10 provides:

- An outline of Council's end of year financial position
- An overview of Council services during 2009/10
- A statement from Council's auditors - Deloitte

The specific disclosures included in the summary have been extracted from the full Annual Report 2009/10 adopted on 7 October 2010. This summary document cannot be expected to provide as complete an understanding as provided by the full financial report itself.

A full copy of the Annual Report 2009/10 is available from Council main office at Rosebank Terrace, Balclutha or by contacting 03 419 0200. It is also available on www.cluthadc.govt.nz.

The Annual Report 2009/10 has been audited and gained an unqualified opinion, which means the report has met the requirements of the Local Government Act 2002.

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

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