

Clutha District Council Annual Report 2010/11



A Summary

From the Mayor



It is with great pleasure that I present my first Annual Report Summary for the Clutha District Council.

The 2010-11 year has been a challenging one for many in our district, but thankfully Council has met all its core function requirements in a manner that has focused on value for money and fiscal responsibility.

Highlights have included the progression of sewage treatment upgrades with construction of new Biofiltro plants underway at Lawrence, Owaka, Tapanui and

Stirling. This innovative approach to find a practical solution to our communities' needs has proved such a success in Kaka Point. It is sure to provide genuine savings compared to previous upgrade options considered for sewerage ratepayers in the other townships mentioned above, while also achieving the maximum 35-year consents.

The 2010/11 year also saw good progress on the district's \$3.2 million footpath upgrade and renewal programme, with a noticeable improvement in the aesthetic and amenity value of those townships where work has taken place. Hopefully this programme will continue to result in much improved resident satisfaction levels for our footpaths.

Major water treatment upgrades to supplies in Balclutha, Kaitangata, Lawrence and Tapanui, mainstreet developments in Lawrence, the new Tapanui Bridge, and progress towards the introduction of kerbside recycling service are further examples of Council's investment in core service activities and programmes coming to fruition.

There were also several highlights in the area of district and community development.

The Gabriel's Gully Goldrush 150th Celebrations projected our district in an extremely positive light, and exemplified how a small community can work together to achieve great things.

Meanwhile, the Mayor's Taskforce for Jobs Working Party refocused itself on working towards a goal of zero unemployment for youth in the Clutha District in 12 months. Good progress was made towards this goal.

Council has maintained its strong financial position with no external debt and in excess of \$20 million in short and long term investments.

Bryan Cadogan
Mayor
Date:



Work began on major sewage treatment upgrades in Lawrence, Owaka, Stirling and Tapanui (pictured above).

From the Chief Executive

During the year, we welcomed a new Mayor, five new Councillors, along with four new members to the two Community Boards. The new Council has settled in very quickly to deal with the issues that face the district and its communities.

There are 93 performance measures reported against in the Annual Report and Council has made good progress towards meeting or exceeding the targeted performance levels for these.

The Statement of Financial Performance shows that, overall, Council has ended up very close to budget for the period.

Our expenditure was up by \$1.82 million due to allowance for depreciation being higher than budgeted by \$2.4m. This was offset by employee costs being \$0.36m less, and internal interest of \$0.51m being excluded from year end accounts.

However, our income was also up with additional income of \$0.73m from the New Zealand Transport Agency (mainly for flood repair work), the later receipt of \$0.33m from the Department of Corrections for 2009/10 water and sewerage services, additional rates revenue of \$0.1m, and the sale of property contributed another \$0.1m. Apart from these cash receipts, changes in the value of fixed interest bonds and forestry investments being higher than budget which, after allowing for disposal of utility assets that are now obsolete, contributed \$0.54m.

Overall, a good result for the Council.

I am also pleased to note that the Residents' Survey results show a continued improvement in satisfaction with the effectiveness and advice of Council staff, and wish to acknowledge their hard work during the year.

Charles Hakkaart
Chief Executive
Date:

A Wrap-Up of Council Activities

Community Leadership

The triennial elections in October resulted in the election of a new Mayor, Bryan Cadogan, and five new councillors - Stewart Cowie, Ron Davis, Bruce Graham, Michelle Kennedy and Hilary McNab.

A real highlight of the year was the Gabriel's Gully Goldrush 150th in March. This saw thousands of visitors descend on Lawrence to celebrate 150 years since the discovery of payable gold in the area. Council supported the celebrations.

Over the year, Council contributed \$2.5 million towards the Cross Recreation Centre to fund about half the cost of the new multi-use sporting and recreation facility in Balclutha. This grant was funded by an internal loan and will be paid off over the next 25 years by rates.

Council continued to promote and support the business, agricultural and forestry sectors through the District Development Board and its contractors. The year also saw a review of Council's District Development activities begin. This will help determine Council's future involvement with business, economic and community development in the district.



Descendants of Gabriel Read - who discovered payable gold near Lawrence in 1861 - at the Gabriel's Gully Goldrush 150th Celebrations in March.

Roading

Council spent \$18.1 million on maintaining and improving the local roading network during the 2010/11 year. This was \$895,000 more than was budgeted in the Annual Plan. Adverse weather events contributed to much of this, with repairs needed at a number of places including Karoro Creek and a new culvert at Bull Creek.

The Tawanui Bridge, which had been closed due to significant damage since November 2009, was replaced. After going through the process of verifying a new bridge was structurally and economically viable, and then securing 70% funding assistance from the New Zealand Transport Agency, a contract for construction was awarded in December 2010. The bridge reopened at the end of June 2011, for a total project cost of \$730,000, 7% below the approved budget.

Work continued during 2010/11 of Council's three year programme of upgrading and renewing footpaths throughout the district, with 4,545m of new footpaths constructed and 1,062m renewed. The investment is shown in the increase in resident satisfaction with footpaths, which has increased to 42% from an average of 30% before the programme began. Council worked alongside the Lawrence-Tuapeka Community Board, as well as local community groups and individuals, on a major enhancement of the Lawrence main street area which was

completed in time for the Lawrence 150 Year Celebrations in March. The upgrade (pictured right) included an upgrade to Ross Place with new streetlights, the undergrounding of the power supply, new seats, planters and rubbish bins, as well as a new carpark and upgrade to the Gabriel's Gully Road entrance.

Resident satisfaction with local roads in general dropped to 53% (7% below target), but is still relatively consistent with results over the past five years.



Sewerage & Stormwater

Construction of new 'Biofiltro' sewage treatment plants began in Lawrence, Owaka, Stirling and Tapanui. This followed the Otago Regional Council issuing new 35-year consents for the discharge of treated sewage from treatment plants from these four townships, plus Kaka Point. The consents are based on the town's sewerage schemes upgrading to a new Biofiltro sewage treatment plant such as the one which has been operating at Kaka Point since the beginning of 2010. The annual costs of the Biofiltro systems are significantly cheaper than the annual costs of the options previously considered for the townships. Construction of the new plants began towards the end of the 2010/11 financial year and are expected to be completed by the end of 2011. Sewerage continues to be one of Council's highest ranking services, consistently scoring well. It received 88% resident satisfaction in 2010.

Works undertaken on Council's stormwater systems over the past year included the upgrade of Balclutha's pump station telemetry and new pipes being installed in Tapanui, Milton, and Lawrence. The upgrade of the stormwater system in Milton was also completed in 2010.

Water Supply

Major upgrades to the water supply treatments in Balclutha, Kaitangata, Lawrence and Tapanui were substantially completed in the 2010/11 year. These upgrades are due to legislation which requires all water supplies to "take all practicable steps" to comply with new Drinking Water Standards. Fluoridation of the Milton, Tapanui and Kaitangata water supplies to help improve children's oral health began in 2010/11. Resident satisfaction ratings for urban and rural water supplies declined from 2009 to 2010. However, this may be a result of a change in wording of the questions asked, rather than a decline in the actual level of service provided.



Upgrades to the Balclutha Water Treatment Plant

A Wrap-Up of Council Activities

Sanitary Services



Waste minimisation was a key focus within Sanitary Services in 2010/11. In February, Council employed a full-time Waste Minimisation Officer to implement the Waste Minimisation Strategy and facilitate the Enviroschools Programme. Three further recycling drop-off facilities in Lawrence, Milton and Tapanui were opened during the year (pictured left). Council also continued to work towards the introduction of a kerbside recycling collection expected in 2012. The result of 96% satisfaction in 2010 again reflected how highly regarded the

wheelie bin service is to the residents of the district who use it. Mt Coee landfill was stable at 77% satisfaction while Skip Services/Transfer Stations dipped from 82% to 72%.

Public toilets continue to be one of Council's lowest ranking services, with just a 51% resident satisfaction rating. Common concerns about the facilities relate to cleanliness and vandalism. However, sites met contract specifications on 98% of inspections. New toilets budgeted for Owaka were deferred until community consultation of the townscape is completed. Similarly, new toilets budgeted for Balclutha were deferred as the scope of the Balclutha main street redevelopment continued to be developed.

Satisfaction with cemeteries continues to rate consistently high and was 84% in the 2010 Residents' Survey. A Council initiative to introduce signage and information kiosks at its main cemeteries has been met with a positive response. The signage and kiosks are used to help people navigate around the cemetery, and also provide some historical information. To date, Council has installed kiosks in the Balclutha (pictured below), Lawrence, Milton and Tapanui cemeteries.



Mayor Cadogan with descendants of Balclutha's first ever Mayor at the dedication of the new Balclutha Cemetery information kiosk

Community Services

As plans for the upgrade of the Balclutha Swimming Pool progressed, it became clear that the pool required a larger overhaul than originally planned. The scope of the project was increased to include an upgrade of the boiler and a more substantial upgrade of the changing rooms

and entrance foyer. These design and specification delays led to the October start for the re-development being postponed. Eventually, the pool had to close in February due to on-going mechanical issues. At the beginning of May Council awarded a \$3.49 million contract to Lund South to upgrade the pool to modern standards. Construction of the pool is now underway.

During the 2010/11 year, Council also undertook consultation with the Milton community to confirm support for a rebuild of the Milton Swimming Pool changing rooms.

The ongoing problems with both pools was probably a major contributing factor to a resident satisfaction rating of just 31% for Council swimming pools. The upgrades to both Balclutha (pictured below) and Milton are expected to address issues raised by pool users.



Construction of the new Balclutha Swimming Pool got underway

In Kaitangata, \$90,000 to replace the hall boiler and floor has been put on hold until the community can help make a decision about the future of the hall. And at Waihola, a reseal of the Domain Access Road has also been deferred until 2011/12 when investigations found the road will in fact need to be fully replaced.

Regulatory Services

The 2010/11 year was mostly "business as usual" for Council's Regulatory Services Department.

Progress was made on the review of the District Plan, albeit slower than intended. Fortunately, one of the recent legislative changes removed the need for an overall review of the plan after 10 years. Council is now able to undertake the review as separate plan changes, dealing with one section of the plan at a time, rather than reviewing the entire plan as one.

Construction of a new dog pound at Balclutha began in June 2011, with the successful tender price of \$106,917 being under budget.

Emergency Services

While there were no Civil Defence activations in the Clutha District, Council did provide assistance to the national emergency resulting from the Canterbury earthquakes. This involved Civil Defence staff, along with building inspectors and engineers from within Council, travelling to Christchurch in the immediate aftermath of the February 22 earthquake, and Council coordinating and communicating relevant information to the public.

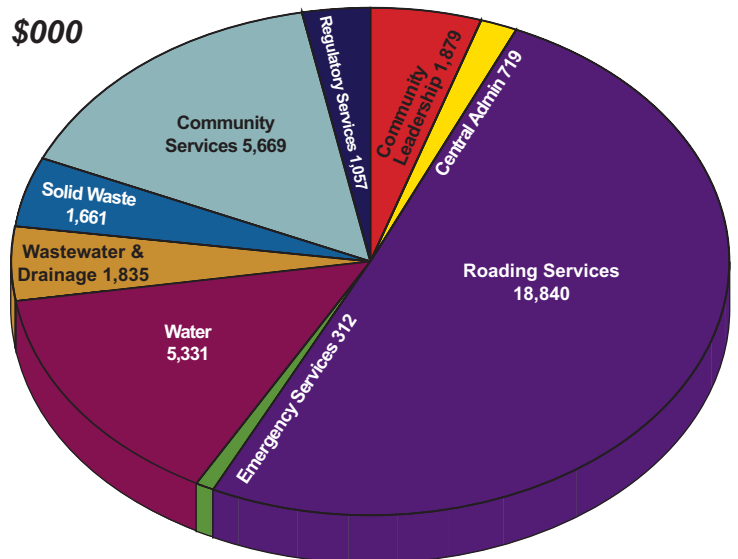
Key hazard reduction activities during the year included the new flood bank and pump station at Milton, the start of an 'Inflow and Infiltration' project to reduce the risk of sewage overflows during flooding at Milton, and liaison with the Otago Regional Council over improved access to hazard identification.

Financial Information

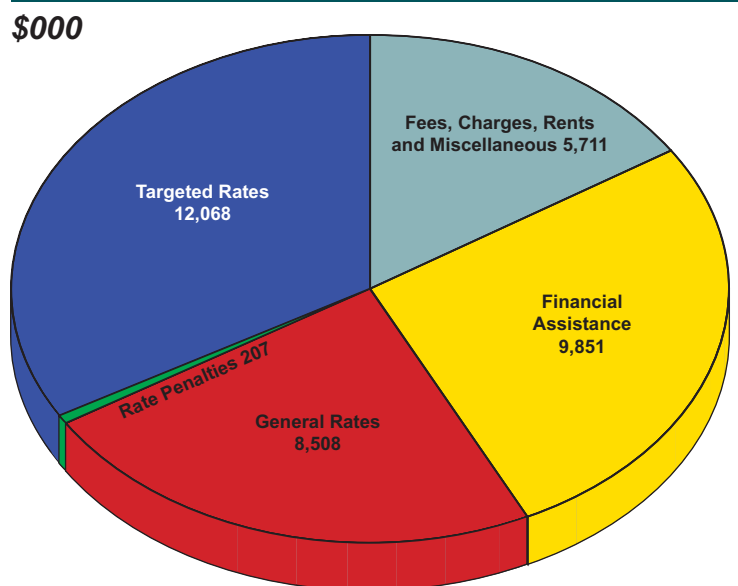
Key Financial Indicators 2010/11

	ACTUAL 30 June 10 (\$,000)	EST. 30 June 11 (\$,000)	ACTUAL 30 June 11 (\$,000)
Income			
Rates Revenue	20,037	20,677	20,782
Other Operating Revenue	15,360	13,883	15,562
Total Operating Revenue	35,397	34,560	36,344
Expenditure			
Employee Benefits Expense	3,894	4,443	4,076
Depreciation	12,929	11,969	14,666
Interest Expense	1	1	1
Other Expenditure	14,243	19,065	18,560
Total Operating Expenditure	31,067	35,478	37,303
Surplus/(Deficit)	4,330	-918	-959
Available for sale valuation gain/(loss)			
Available for sale valuation gain/(loss)	1	0	-47
Gain/(loss) on PP&E revaluation			
Gain/(loss) on PP&E revaluation	0	0	13,809
Total comprehensive income	4,331	-918	12,803
Equity at the beginning of the year	881,603	982,271	885,935
Equity at the end of the year	885,934	981,353	898,738
Current Assets			
Current Assets	29,168	17,053	26,427
Non current Assets			
Non current Assets	862,987	969,988	878,492
Total Assets	892,155	987,041	904,919
Current Liabilities			
Current Liabilities	5,713	5,211	5,602
Non current Liabilities			
Non current Liabilities	507	477	579
Total Liabilities	6,221	5,688	6,181
Net Assets/Equity	885,934	981,353	898,738
Net Cashflows			
Net Cashflows from Operating activities	14,367	11,030	10,192
Net Cashflows from Investing activities	-14,148	-11,131	-10,228
Net Cashflows from Financing activities	1	-3	2
Net Cashflows for the Year	220	-104	-34

Total Expenditure 2010/11



Total Income 2010/11



Explanation of major variations from Council's estimated figures in the 2010/11 budget are as follows:

Statement of Financial Performance

The net operating loss of \$959,259 was slightly above that budgeted by \$41,259. The components of this are explained below.

Revenue was approximately \$1.8 million greater than budget for the year ended 30 June 2011. The following major variances contributed:

- New Zealand Transport Agency Financial Assistance was \$735,000 more than budgeted due to various adverse weather events.
- Water and Sewerage miscellaneous income from Department of Corrections was ahead of budget by \$330,493. This is due to the timing of the invoices and payments.
- Miscellaneous Income for Cribs, Endowment Land & Other Land was above budget by \$97,000 due to the sale of property.

Financial Information

- Interest income was more than budget by approximately \$408,000. This occurred principally as a consequence of the increase in the unrealised market value of Council's fixed interest investments.
- Council recorded an unrealised gain of \$840,905 on the revaluation of forestry, however this was offset by a loss on disposal of \$709,532 in respect of water assets.

Operating expenditure was also above budget by \$1.8 million for the year ended 30 June 2011. The following major variances contributed to this variance:

- Actual Roding Depreciation is greater than budgeted by \$2.4 million.
- The \$1 million budgeted for West Otago Health Centre was not required during the 30th June 2011 year.
- Roding expenditure was over budget by approximately \$700,000 due to various adverse weather events during the year.
- Other expenses were less than budgeted because internal interest of \$515,000 is removed from the year end actuals.

Statement of Financial Position

- Short term investments exceeded budget by \$6.8 million. This occurred because internal loans are raised after balance date (approx. \$3 million). \$1 million loan was not required for West Otago Health and other capital costs were less than budgeted.
- Property plant & equipment was less than budget by \$92 million. This is due to the timing of revaluations and various budgeted capital projects.
- Trade & Other Receivables are above budget due to the timing of various invoices, including New Zealand Transport Agency \$2.3 million.
- Due to the timing of various contract payments Trade & Other payments are slightly below budget.
- Provisions are above budget due to an increase in the provision to reflect costs associated with the Kaka Point closed landfill.

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 2010/11 provides:

- An outline of Council's end of year financial position.
- An overview of Council services during 2010/11.
- A statement from Council's auditors - Deloitte.

The specific disclosures included in the summary have been extracted from the full Annual Report 2010/11 adopted on 20 October 2011. 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 2010/11 is available from Council main office at Rosebank Terrace, Balclutha or by contacting 03 419 0200.

It is also available online at www.cluthadc.govt.nz.

The Annual Report 2010/11 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.