

Southlink



News from the South Taranaki District Council

Annual Report shows lower investment returns

Unrealised investment income and accounting adjustments saw the South Taranaki District Council's books show a largely 'paper' deficit when it adopted its 2011/2012 Annual Report at Monday's Special Council Meeting.

The Report showed the Council finished the year with operational savings of \$737,882 however a lower than projected return on the Council's Long Term Investment Fund (LTIF) and \$4.5 million of accounting adjustments meant that the end result was a deficit of \$10 million.

South Taranaki Mayor, Ross Dunlop, says the Council's operating expenditure was well under budget and the Council's financial position is sound.

"As a result of good investment earnings from previous years, last year's deficit will have no impact on rates," he says.

Each year the Council draws \$5.6 million from the Funds earnings; \$3.87 million is used to subsidise rates and \$1.73 million is used to repay loans for community projects (e.g. Rotokare Predator Proof Fence, the Powerco Aquatic Centre upgrade and TSB Hub). What's left over is returned to the Fund.

"In the years when the Fund makes more than we

require, the surplus earnings are returned back to the Fund – in years when it makes less than we need, we can draw on the Fund to meet our commitments."

"Put simply, in good years we build the Fund so that in bad years we can still meet our priorities."

Mr Dunlop says it is unwise to view the LTIF in the short term. "Investment Funds fluctuate from day to day, month to month, year to year. The important thing is to look at the fund over the long term. For example over the last 3 years the average gross return has been a very strong 9.53% (2009/10 - 10.8%, 2010/11 – 14.5% and 2011/12 – 3.3%). Since its inception in 1997 (to Sept 2012) it has achieved an average gross return of 6.78%," he says.

"Obviously the LTIF would not be sustainable if it continually earned less than what the Council drew

down each year, but historically this has not been the case."

Mr Dunlop also says the \$4.5 million loss on Derivatives the Council had to show was completely misleading. "Basically, we have to account for the potential penalties we would be charged if we paid all Council debt off tomorrow – like the mortgage penalties a bank would

charge a homeowner who paid off their mortgage before the due date. Obviously we have no intention of doing that, however we have to show it as a 'paper' accounting entry on our books to meet the International Financial Reporting Standards," he says.

"Council's operating expenditure savings (\$737,882) was a very good result considering the \$1.86 million of unbudgeted expenditure resulting from the extreme weather events in January and March. The fact that we were able to absorb this emergency expenditure and still have an operational surplus further demonstrates the Council's prudent approach to operational spending," he says.

"At the end of the day since the LTIF was started we have returned \$70 million back to the community in the form of rates subsidies, have used it to loan fund some major community facilities and managed to grow it from \$88.7 to \$106.5 million. I think that is a very credible result."

-Ross Dunlop

By the numbers:

- The Councils LTIF made \$2.2 million over the year which was a gross 3.3% return.
- Since its inception in 1997 (to Sept 2012) the LTIF has achieved an average gross return of 6.78%.
- In the first 3 months of the new financial year (July – September) the LTIF has already made \$5 million.
- In 2010/11 Council recorded a surplus of \$4.1 million
- Council is currently recording a surplus of \$2.2 million for the first quarter (1 July – 30 Sept) of the 2012-2013 financial year.

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South Taranaki business success

Well done to our South Taranaki businesses that put themselves forward for this year's Westpac Taranaki Chamber of Commerce Business Excellence Awards.

Business owners and staff swapped work attire for gowns and black ties to acknowledge and celebrate the success of Taranaki business on Saturday night.

Swapping bush shirts and tramping boots for something more glitzy was Rotokare Scenic Reserve Trust who ended up winning the New Plymouth District Council Environmental and Sustainability Awareness award. Trust Chairman Mike Weren, who accepted the award on behalf of the Trust, says winning the award was a great honour and acknowledgement for the volunteers, staff, supporters and sponsors.

"Going through the application and interview process with the Judges was a good way to do some self analysis. Although we may not usually be thought of as a business in the normal sense, we are certainly striving to operate in a business-like way in terms of how we manage finances, people and other resources," says Mr Weren.

The Garden Edge and Fat Cow Cafe also received honours as finalists of the Top Shop award.



Upcoming Meetings

Monday 5 November
Ordinary Council, 7.30pm

Monday 19 November
Environmental Hearings Committee, 4pm
CANCELLED

Wednesday 21 November
Iwi Liaison Committee, 10am

Unless otherwise specified, meetings are held in the Council Chambers, Albion St, Hawera

Aqua Sports at Aquatic Centre

Term 4 Aqua Sports are being held every Monday night from 7-8pm. Suitable for school aged children, sessions involve a range of sports including Mini Water Polo, Snorkelling and Kayaking. Admission is \$6 per child.



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