Annual Report 2011/12

News from the South Taranaki District Council

The Council adopted its Annual Report for the 2011/12 financial year on Monday 29 October 2012. The 2011/12 Annual Report (which reflects the period from 1 July 2011 to 30 June 2012) shows how well the district's assets are being looked after and how well the Council is performing as an organisation.
Today's Southlink is a short outline of that Annual Report. For a more detailed Summary Annual Report or the Full Annual Report go to our website www.southtaranaki.com or call into your local LibraryPlus centre or the Hawera Administration Building on Albion St to pick up a copy, or phone us on 0800 111 323 to arrange for a copy to be sent to you.

Financial performance

The Council finished the year with operational savings of $737,882 however a lower than expected 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.

Mayor, Ross Dunlop, says the Council's expenditure was well under budget and the deficit is largely a 'paper' loss in the sense that it is the result of income not realised as opposed to over expenditure.

"The Council's financial position is sound and as a result of very 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 reinvested back into 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%," he says.

"Obviously the LTIF would not be sustainable if it continually earnt 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 which resulted 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.

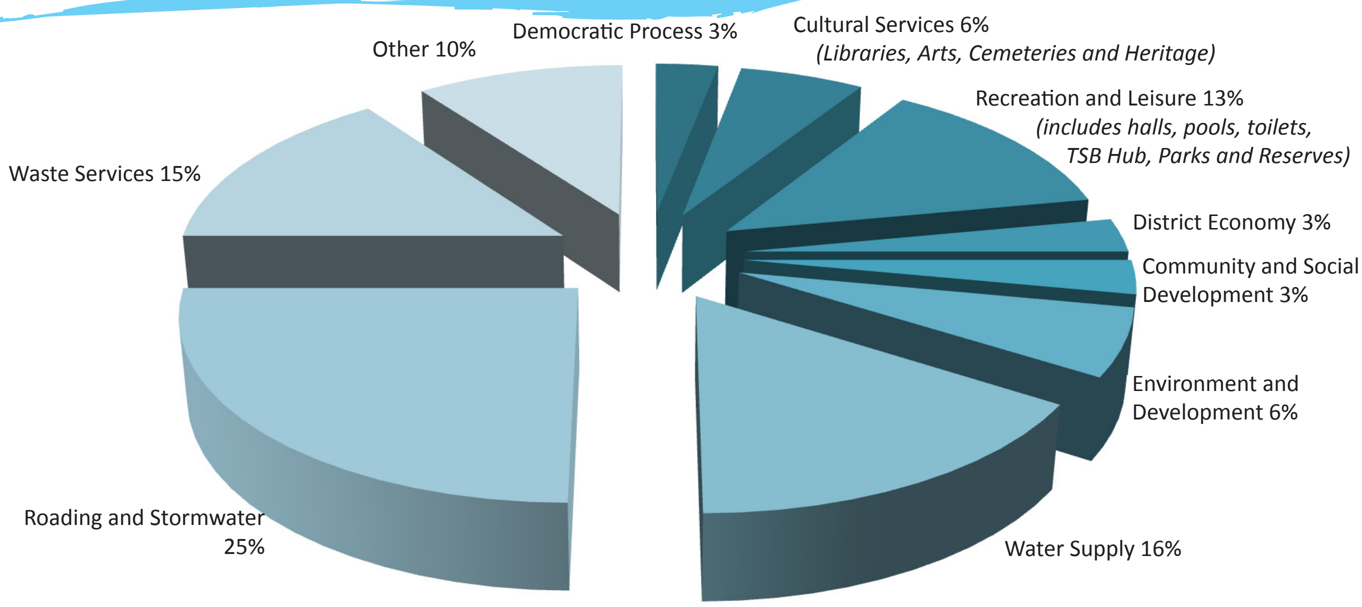
"At the end of the day, since the LTIF was started we have returned $72 million back to the community in the form of rates subsidies; loan funded some major community facilities and have managed to grow it from $88.7 to $106.5 million. I think that is a very credible result."

Ross Dunlop

By the numbers:

- The 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%.
- The LTIF started in 1997 valued at $88.7 million. Its current value (as at 30 Sept 2012) is $106.5 million.
- In the first 3 months of the new financial year (July – September) the LTIF has made $5 million.
- The Council is currently recording a surplus of $2.2 million for the first quarter (1 July – 30 Sept) in the 2012-2013 financial year.

Operating expenditure



Highlights

STDC became a founding shareholder of the New Zealand Local Government Funding Agency. This body was created so councils can use their collective bargaining power to borrow money at lower interest margins than they would be able to do on their own. Council acquired a credit rating (A+/A-1) from Standard and Poors. Together these two moves will result in significant savings on the cost of borrowing money and servicing debt into the future.

In June 2012, the Council opened an office in Harbin, our Chinese Sister City. This office was offered to STDC by the Harbin Municipal Government, rent free, for three years so there is no cost to the ratepayer. The office will be used to facilitate and develop cultural and business relationships between South Taranaki, Harbin and greater China.

Construction of the new $1.5 million Patea Pool got underway in June. The new Pool is scheduled to be opened in December 2012.

2011/12 year saw a 42% increase in the number of visits by children participating in the PowerCo Aquatic Centre's Swim and Survive Programme. Attendance increased from 6,500 to over 9,000.

Patea was the focus of the Council's water infrastructural upgrade programme with a major overhaul of the town's water supply. Construction started on a new 'secure' bore, reservoir and water plant which was completed in September 2012 ($2.6 million).

The TSB Hub continued to go from strength to strength with total annual attendance increasing by 9.5% on the previous year to 162,000. Numbers have steadily increased over the two years since the facility was opened as it continues to attract events and functions that would not have otherwise come to our District.

To find out more...

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