

ANNUAL REPORT SUMMARY FOR THE YEAR ENDING JUNE 2009 - 2010

WE ARE PLEASED TO PRESENT OUR 2009/10 ANNUAL REPORT WHICH RECORDS THE ACTIVITIES UNDERTAKEN BY THE COUNCIL OVER THE PAST YEAR AS WELL AS OUR FINANCIAL PERFORMANCE AND POSITION TO THE END OF JUNE 2010. THE REPORT PROVIDES AN OPPORTUNITY FOR YOU TO JUDGE OUR PERFORMANCE IN ACHIEVING THE GOALS SET OUT IN THE FIRST YEAR OF OUR 2009 – 2010 HURUNUI LONG TERM COMMUNITY PLAN.

IT HAS BEEN ANOTHER DIFFICULT YEAR WITH BOTH THE ECONOMIC DOWNTURN AND THE NEED TO RESPOND PROMPTLY TO RESOURCE MANAGEMENT ISSUES CONTINUING TO IMPACT ON OUR BUDGETS.

WHILE THIS HAS TESTED OUR COMMITMENT TO REMAIN FISCALLY PRUDENT, WE ARE PLEASED, GIVEN THE CHALLENGES OF THE PREVIOUS 12 MONTHS, TO HAVE STILL MANAGED OUR BUSINESS AND PROJECTS WITHIN THE OVERALL BUDGET PREDICTED IN THE LONG TERM COMMUNITY PLAN. SOME OF THE ISSUES WE HAVE FACED INCLUDE:

PLANNING AND BUILDING INCOME

As a result of the recession, the level of development in the Hurunui District has been lower than in previous years which has in turn led a lower level of activity for the Planning and Building Department's of Council. The income received for Planning, which includes Resource Consent processing, Subdivision Inspection and Processing of private plan changes, was \$295,490 for the year, \$159,260 lower than the level budgeted for. In Building Control, the amount of income received was \$465,038 which was \$48,562 down on the budget for the year.

DEVELOPMENT CONTRIBUTIONS

The Council confirmed its Development Contributions methodology as part of the preparation of the 2009-2019 LTCCP resulting in projected income in 2009/2010 year of \$472,929. Actual contributions received were \$456,079, which is \$16,850 lower than anticipated. This is due to less building and development than predicted. In the district's main township of Amberley, a Development Contribution income of \$89,970 was budgeted, but only \$73,176 was received

EXPENSES INCURRED FROM APPEALS

The Council was involved in defending a number of appeals to decisions made under the Resource Management Act 1991. The key appeal from Mainpower, in respect to their application for a Windfarm proposal on Mt Cass, incurred \$167,187 in external costs for the Council in defending its position. The Council also had to carry external costs totalling \$24,984 relating to Frost Fans, \$38,163 in costs relating to Plan Change 13 (Amberley Township) and a total of \$43,506 relating to the Hurunui Water Conservation Order. The cost of these appeals exceeded expectations at the time we prepared the Council's 2009/10 budget.

SALE OF US BONDS

To minimise the Council's exposure to its investments in bonds based in the United States, Council instructed management to actively seek buyers in the secondary market in order to sell the bonds ahead of their scheduled maturity date

in 2012 and 2013. The US based bonds in Bank of America, Morgan Stanley and Merrill Lynch returned per annum interest at 7.53%, 6.86% and 7.16% respectively. They had a combined par value of \$1,500,000, but as at 30 June 2009, their fair value was \$1,382,384. The Council sold all the bonds in September 2009 for \$1,439,486, realising a gain on the fair value of \$57,102, but a loss on par value of \$60,514.

POOLS INCOME

Through the Hurunui Long Term Plan process, the Council made changes to the financing structure for the Hanmer Springs Thermal Pools and Spa. This now allows the Council to utilise the interest earned from lending the Pools operation the funds required to carry out the \$7.5m expansion works, to offset general rates.

OTHER COST SAVING MEASURES

With the level of activity in the Building Control area lower than in previous years, the Council reduced the cost of employing Building Inspectors by seconding one staff member to work for Selwyn District Council to assist in building control work in that District. In other areas, we have not replaced all staff when they have left the organisation, but redistributed the work amongst other staff as much as possible.

RESTRUCTURE OF FINANCIAL INFORMATION FOR COUNCIL COMMITTEES

Over the last two years, our Financial Services Manager has standardised the reporting of financial results to Council and its various Committees to ensure reports clearly identify

costs associated with each of the relevant activities of Council as well as how each activity is funded. The reports also provide explanations of any key variances from set budgets.

2010/11 RATES SETTING

During the year under review, the Council undertook its budgeting processes for the 2010/2011 Annual Plan and with it, the proposed rates for the 2010/2011 year. Mindful of the need for affordability, the Council structured the budget to ensure the overall increase in rates was no more than 3%, which is equal to the average rate of inflation used in the preparation of the budget.

The future of Hurunui's water resources remains the most significant issue for our district. The Council approved a well supported Hurunui Water Management Strategy (HWMS), which sets out our vision for water. Building on this Strategy, throughout the last year we have been heavily involved in the Canterbury Water Management Strategy (CWMS), which we have now adopted. The Strategies are critical to the long term future of our district. In June 2010 the Council was the first in Canterbury to approve establishment of a Zone Water Committee under the umbrella of the CWMS to guide and support water management and use in our district.

We have opposed the granting of a water conservation order on the Hurunui River. While not disagreeing with the need for management or restoration of the environmental values of the River, we believe the CWMS and the new Hurunui-Waiou Zone Committee must have all options and tools available to them to develop the integrated zone programme to achieve all environmental and development targets.

PROGRESS ON A NUMBER OF KEY ISSUES AND PROJECTS SIGNALLED IN THE FIRST YEAR OF THE HURUNUI LONG TERM COMMUNITY PLAN, ARE HIGHLIGHTED:

FLOODING, DRAINAGE & STORMWATER

Following the floods of 2008 the Council committed \$850,000 to improving the stormwater infrastructure across the Amberley Ward, and in the past year we:

- Completed the Lawcocks Road stormwater diversion work which prove its worth in heavy rains in June 2010.
- Repaired the Dock Creek flood control gate and carried out maintenance throughout the Amberley Ward area.
- Lodged resource consents for global consent and for works associated with the Eastern Drain, Dry Gully, Stanton Road, and opening lagoon mouths, with the physical works all planned. This work continues in the 2010/11 year.
- Largely completed, within the financial year, the Leithfield Beach outfall which also passed its first test during heavy rains and sea in June 2010.
- Extended funding for the stormwater upgrades over a 30 year period (rather than the 20 years planned in our long term plan) to make them more affordable.

ROADING:

Despite a recovering national economy, escalating costs and the negative impacts of the 2008 flood events, which meant we were still working to get our infrastructure back in good order at the beginning of the financial year, we managed to complete all scheduled works on our 2009/10 programme, on time and on budget; however funding changes resulted in Council spending \$600,000 less on Capital works than what was budgetd for in the LTCCP.

THIS INCLUDED:

Resealing of 40 kilometres of road; safety improvements to the intersection of Argelins and

Woodbank Road in Hanmer Springs; embankment stabilisation along Campbell Terrace at Motunau Beach; river diversion works at Lulu's Creek on the Inland Road; flood damage repairs to Arkles Bridge on the Happy Valley Road, and; installation of school active warning signs on Douglas and Lawcocks Roads outside Amberley Primary.

AMBERLEY TOWNSHIP DEVELOPMENT

After much consultation on the future development of Amberley Plan Change 13 became operative in January 2010, ensuring a substantial supply of land is available for future residential development in the town. Work also began on planning the upgrade of the town centre.

In February 2010 the developers promoting "Brakenfields" were granted a non notified consent for a new shopping centre, including a supermarket in Amberley. The developers have yet to make a public announcement on the timing of the development.

New industrial zoning for land in Grays Road was identified, through Plan Change 25. Following public consultation the Council subsequently heard the plan change in August 2010, releasing a decision the following month confirming the decision to rezone the land.

HANMER SPRINGS TOWNSHIP DEVELOPMENT

The Hanmer Springs township development project, which began early in 2010, is due for completion by the end of the year. The project, aimed at improving the appearance and infrastructure of Hanmer Springs, has an increased budget of \$1.45 million.

HANMER SPRINGS THERMAL POOLS AND SPA

We have been encouraged by the strong and continued increase in visitor numbers and revenues at the Hanmer Springs Thermal Pools and Spa. The \$7.5m expansion project for the complex began, with work to be complete by the end of 2010.

FORMER QUEEN MARY HOSPITAL SITE

The Queen Mary reserve was finally vested with Council in August 2010.

An Early Access Agreement was drawn up earlier in the year in order for refurbishment works, involving essential repairs, to commence on the three buildings on the Queen Mary site. The Crown paid over \$1.5m to Council in May 2010 for works associated with the Nurses Block. A Queen Mary Historic Reserve Planning Stakeholder Group was formed and commenced work on the reserve plan for the historic reserve, which will be consulted on in the 2010/11 year.

MEDICAL SERVICES

A tender was let for a new medical centre in Rotherham to replace the old Amuri Community Health Centre. Time taken to secure the new site and contract out the work has delayed construction with the \$1m project now due to be completed by the end of 2010.

SOLID WASTE AND RECYCLING

As a result of entering into a range of contracts with Solid Waste Contractors, a \$62,506 reduction in operating costs for all Solid Waste areas (including the operation of the transfer stations, township litter bin collections and household refuse collection) over the previous year was achieved.

BIODIVERSITY

We have made significant inroads into establishing a voluntary and co-operative partnership with landowners where we work together in a non regulatory framework to maintain and enhance the unique natural value of the district. The newly appointed Biodiversity Ambassador is involved in raising awareness around biodiversity values and issues generally, and providing support and advice to landowners with ecologically significant sites.

Along with Mainpower, we provided \$25,000 in funding support for voluntary works that benefit the natural environment, protect or reinstate indigenous sites, or improve preservation or understanding of our native heritage, through the Hurunui Natural Environment Heritage Fund.

RESERVE MANAGEMENT PLAN GRANTS

The Council distributed \$75,000 of grant funding for a variety of reserve projects throughout the district. The grant funding was distributed equally between the six communities of interest through the District.

LIBRARY REVIEW

An independent review of the Hurunui District Libraries in March 2010 confirmed our network is performing well, running efficiently and that our libraries, staff and volunteers are highly regarded by residents. Identified areas for improvement are being pursued.

LEGAL SERVICES

Our legal services needs were reviewed and tendered. Twenty legal firms throughout New Zealand expressed interest, with Buddle Findlay ultimately appointed as Council's primary legal provider for a three plus three plus three term from April 2010.

TOURISM STRATEGY

The former 'Alpine Pacific Tourism Board' was replaced with a new Hurunui Tourism Board and the tourism budget restructured; with a focus on maximising marketing spend. As a result, an additional \$130,000 has been directed into tourism marketing spending rather than overhead and employment costs. A marketing strategy has been agreed and a tourism strategy drafted.

BROADBAND

The Council continued to advocate for broadband services in the district, via its economic development arm, Enterprise North Canterbury. In July 2009 the Mayors of Hurunui and Waimakariri and the Chair of ENC wrote to the Hon Steven Joyce, Minister for Communications and Information Technology promoting the prioritisation of the roll out of fibre based broadband to locations, businesses and individuals who create wealth, and who can significantly increase New Zealand's productivity and export earnings. This is because, in our view, when available resources are limited, it is poor strategy to waste infrastructure spend by

providing fibre based broadband to consumers for entertainment or other non wealth creating purposes. We further promoted there should be no distinction between urban and rural New Zealand in Government's assistance in the rollout of broadband.

In May 2010 a status report noted Telecom Undertakings will deliver fast broadband to those parts of North Canterbury within 4kms of an exchange, and super-fast broadband in Amberley and Hanmer Springs by December 2011. The first stage of a Government two stage bidding process for the provision of enhanced broadband in rural areas closed at the end of May 2010. The policy aims to deliver ultra fast broadband to all rural schools and fast broadband to households and enterprises over a ten year period. Final tender proposals are now being sought by November 2010.

GOVERNMENT FUNDED PROJECTS

It is also worth noting the support we have received from Central Government towards our community programmes.

- The Hurunui Youth Programme (HYP) received \$86,000 to enable the programme to continue for a further 2 years.
- Through the 'Community Max' scheme, we employed a young person for six months to digitise histories and stories for a web based programme, called a 'kete'.
- A Biodiversity Ambassador position has been funded to implement the Council Biodiversity Strategy. The focus of this role is to increase awareness of the districts unique flora and fauna by working with private land owners and schools to source funding for restoration projects; regular features in the Hurunui News; involvement in educational programmes and partnering with the Greening Waipara and Weedbusters projects.

- In June 2010, \$80,000 per year was granted for three years for a Community Development scheme to be undertaken in the Hurunui District. The actual programme will commence in the 2010/11 year.

Our Council has worked hard under often challenging conditions as our economy struggles to recover from the recession, to deliver for you, our ratepayers, both in terms of financial prudence and service delivery.

It is therefore pleasing to see our recent resident satisfaction survey highlighting an upward trend in resident satisfaction with our work. You rated our overall performance at 83% in 2010, up from 79% in 2009 and the level of satisfaction in performance from our council offices increased to 78% (up from 70% in 2009).

Improvements were also evident in most surveyed areas, particularly in the main infrastructure areas of water and roading.

We would like to acknowledge the work of all elected members and staff who have contributed to our success as a Council over the 2009/10 year.

An important aspect of the Annual Report is also to comment on the progress we have made and to provide analytical data on how we meet and compare with the community outcomes we agreed to, as set out in the Hurunui Long Term Community Plan 2009-19.

92.5% of the indicators show we are on our way to achieving these outcomes; we are either doing 'okay' or we are 'doing well'. Only a few indicators indicate we are not doing as well as we would like, such as voter turnout at local government elections, the number of people in the district receiving means tested benefits, the number of hospital admissions and road crashes.

Generally many of our indicators, including the not so positive results, follow national trends and in several cases, reflect the economic

downturn of the recession. Overall we are making a progress, with positive results in reaching our six Community Outcomes.



W Dalley
MAYOR



A Dalziel
CHIEF EXECUTIVE OFFICER

COUNCIL'S FINANCIAL RESULTS

The following information was taken from the financial statements from the year ended 30 June 2010, which were adopted by Council on 28 October 2010. The financial statements have been audited by Audit New Zealand, who have provided an unqualified audit opinion.

This summary was authorised for release by Council on the same date.

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive shows that the Council recorded a net surplus after tax of \$3 million for the 2009/2010 year. For the same period last year, the Council recorded a deficit of \$1.3 million. On top of this surplus, the Council recognised an increase to the value of its roading assets of \$33.4 million and the Council recorded a gain on the book value of the bonds that it sold in September 2009 of \$73,000.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Group		Actual 2010 \$000's	Council Budget 2010 \$000's	Actual 2009 \$000's
	Actual 2010 \$000's	Actual 2009 \$000's			
Revenue					
District Wide Rates & Rate Penalties	5,185	5,137	5,185	5,109	5,137
Targeted Rates	6,778	6,414	6,778	6,713	6,414
Development Contributions	456	(341)	456	473	(341)
External Interest Received	146	451	145	118	433
NZTA Subsidies	3,436	10,876	3,436	3,454	10,876
Hanmer Springs Thermal Pools & Spa	6,768	6,316	6,768	6,687	6,316
Vested Asset Income	562	0	562	410	0
Other Income	4,586	4,153	4,586	5,085	4,157
Gains/(Losses) on Forestry Revaluation	503	(36)	503	325	(36)
	28,420	32,970	28,419	28,374	32,956
Less Expenditure					
Employee Benefits	7,573	7,463	7,573	4,306	7,463
Direct Expenditure	12,722	21,577	12,721	15,480	21,545
External Interest Paid	0	0	0	286	0
Depreciation & Amortisation	5,122	5,298	5,122	5,655	5,298
Total Operating Expenditure	25,417	34,338	25,416	25,727	34,306
Operating Surplus/(Deficit) before tax	3,003	(1,368)	3,003	2,647	(1,350)
Share of associates surplus/(deficit)	5	27	0	0	0
Net Surplus/(Deficit) before tax	3,008	(1,341)	3,003	2,647	(1,350)
Tax Expense	0	0	0	0	0
Net Surplus/(Deficit) after tax	3,008	(1,341)	3,003	2,647	(1,350)
Add Other Comprehensive Income					
Gains/(Losses) on Asset Revaluation	33,432	2,529	33,432	0	2,529
Gains/(Losses) on Fair Value of Investments	73	(149)	73	0	(149)
	33,505	2,380	33,505	0	2,380
Total Comprehensive Income	36,513	1,039	36,508	2,647	1,030

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Group		Actual 2010 \$000's	Council Budget 2010 \$000's	Actual 2009 \$000's
	Actual 2010 \$000's	Actual 2009 \$000's			
Equity at Start of Year	272,046	271,007	271,883	271,482	270,853
Add Total Comprehensive Income for Year	36,513	1,039	36,508	2,647	1,030
Equity at End of Year	308,559	272,046	308,391	274,129	271,883

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2010

	Group		Actual 2010 \$000's	Council Budget 2010 \$000's	Actual 2009 \$000's
	Actual 2010 \$000's	Actual 2009 \$000's			
Assets					
Current Assets					
Cash and cash equivalents	2,326	2,642	2,326	2,572	2,330
Trade and other receivables	1,455	4,413	1,455	2,445	4,723
Inventories	171	110	171	146	110
Non-current assets held for sale	470	440	470	167	440
Total current assets	4,422	7,605	4,422	5,330	7,603
Non-current assets					
Property, plant and equipment					
- Operational	30,647	28,797	30,647	31,432	28,797
- Restricted	27,441	26,644	27,441	32,470	26,644
- Infrastructure	247,944	210,533	247,944	212,484	210,533
Intangible assets	93	48	93	56	48
Forestry assets	2,182	1,679	2,182	2,040	1,679
Other financial assets	325	2,683	325	604	2,683
Investments in associates	168	163	0	0	0
Investments held to maturity	0	0	0	0	0
Total non-current assets	308,800	270,547	308,632	279,086	270,384
Total assets	313,222	278,152	313,054	284,416	277,987
Liabilities					
Current liabilities					
Trade and other payables	3,045	4,262	3,045	3,655	4,260
Landfill aftercare provision	8	8	8	8	8
Employee benefits	618	715	618	556	715
Income in advance	841	954	841	491	954
Total current liabilities	4,512	5,939	4,512	4,710	5,937
Non-current liabilities					
Term debt	0	0	0	5,500	0
Landfill aftercare provision	151	167	151	77	167
Employee benefits	0	0	0	0	0
Total non-current liabilities	151	167	151	5,577	167
Total liabilities	4,663	6,106	4,663	10,287	6,104
Net assets	308,559	272,046	308,391	274,129	271,883
Equity					
Asset revaluation reserve	159,204	125,781	159,204	123,252	125,781
AFS investments revaluation reserve	78	78	78	78	78
Other reserves	1,970	4,699	1,970	5,227	4,699
Retained earnings	147,307	141,488	147,139	145,572	141,325
Total Equity	308,559	272,046	308,391	274,129	271,883

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Group		Actual 2010 \$000's	Council Budget 2010 \$000's	Actual 2009 \$000's
	Actual 2010 \$000's	Actual 2009 \$000's			
Cash flows from operating activities					
Rates and penalties	14,763	9,739	14,763	11,822	9,739
Roading subsidy	3,286	10,876	3,286	3,406	10,876
Hanmer Springs Thermal Reserve	6,768	6,316	6,768	6,687	6,316
Money received on behalf of other authorities	2,436	2,162	2,436	2,356	2,162
Interest received	138	505	138	118	487
Dividends received	33	34	33	32	34
Other income	5,176	2,601	5,176	5,574	2,321
Payments to suppliers and employees	(22,581)	(25,880)	(22,581)	(19,786)	(25,877)
Interest and other costs of finance paid	0	0	0	(286)	0
Money paid to other authorities	(2,436)	(2,243)	(2,436)	(2,356)	(2,243)
Net GST Movement	175	(122)	175	0	(159)
Net cash from operating activities	7,758	3,988	7,758	7,567	3,656
Cash flows from investing activities					
Payment for investments	0	0	0	0	0
Proceeds on sale of investments	2,112	3,490	2,424	500	3,800
Payment for plant, property & equipment	(10,186)	(7,042)	(10,186)	(13,750)	(7,042)
Proceeds from the sale of plant, property & equipment	0	0	0	0	0
Interest received	0	0	0	0	0
Net cash from investing activities	(8,074)	(3,552)	(7,762)	(13,250)	(3,242)
Cash flows from financing activities					
Proceeds from the issue of debt securities	0	1	0	5,500	1
Net cash from financing activities	0	1	0	5,500	1
Increase/(decrease) in cash & cash equivalents	(316)	437	(4)	(183)	415
Cash and cash equivalents as 1 July	2,642	2,205	2,330	2,755	1,915
Cash and cash equivalents as 30 June	2,326	2,642	2,326	2,572	2,330

The GST (net) component of operating activities reflect the net GST paid and received with 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.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows the level of assets that the Council owns and the amount of liabilities that the Council owes as at the end of June 2010. The statement shows that the Council held \$4.4 million in Cash and other Current Assets and over \$308 million in Fixed Assets and Forestry as at 30 June 2010. Liabilities totalled \$4.6 million, resulting in the total amount of equity owned by the Hurunui District Council of \$308,391,000.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows that received net cash from operating activities of \$7.8 million, which along with sales of investments of \$2.4 million, was used to pay for \$10.2 million in fixed assets. The end result was that there was \$4,000 less in the bank than there was at the start of the financial year.

MORE INFORMATION

More information can be found in the Council's financial statements on page 84 of the Annual Report.

The Annual Report is available from Council's Service Centres, libraries, website www.hurunui.govt.nz or by phoning us on 314 8816.

ACCOUNTING POLICIES AND DISCLOSURES

The group column within the summary financial statements consists of Hurunui District Council and its wholly subsidiary Hurunui Holdings Limited and associate Enterprise North Canterbury (50% equity share). Investment in associates is accounted for in the group financial statements using the equity method. Transactions between the group entities have been eliminated on consolidation.

The financial statements on which this summary has been based on were prepared in accordance with New Zealand Generally Accepted Account Practice (NZ GAAP) for public benefit entities and relevant New Zealand equivalents to International Financial Reporting Standards.

This summary cannot be expected to provide a complete understanding as provided by the full financial statements.

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollar (\$'000) unless stated.

There have been no changes in accounting policies except that the company has adopted NZ IAS 1, Presentation of Financial Statements (revised). The revised standard required information in the financial statements to be aggregated on the basis of shared characteristics and introduced a statement of comprehensive income.

EVENTS AFTER BALANCE DATE

In August 2010, the Council was formally vested a portion of land that was the former Queen Mary Hospital in Hanmer Springs. The land includes three heritage buildings that the Council has assumed responsibility for.

COMMITMENTS

Contractual commitments remaining at balance date totalled \$5.6m.

AUDIT REPORT

The Hurunui District Council
Annual Report Summary
For the year 1 July 2009 – 30 June 2010
For more information check the Council website: www.hurunui.govt.nz
or call Customer Services
Phone: 314 8816

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