



Southland District Council

ANNUAL REPORT 2008/2009



Key Statistics about Southland District

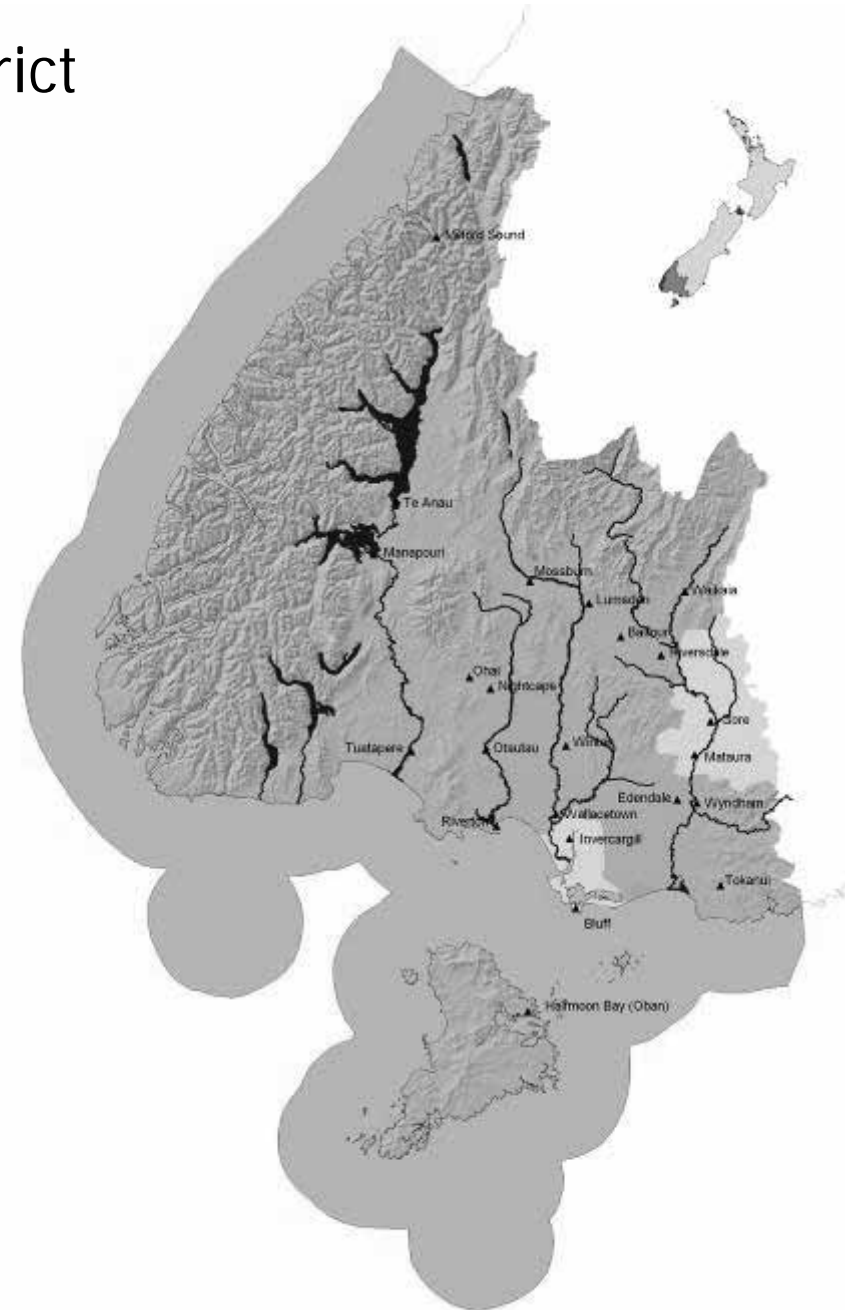
Population	28,440 ¹
Māori	9% ²
European	79% ²
Other ethnic groups	19% ²
Median household income	\$48,700 ¹
Median house price	\$190,000 ⁴
Land area	30,753 km ²
Length of coastline	3,400 km
Average annual rainfall	1,029 mm
Average annual sunshine hours	1,619 hours
Average annual temperature	15 °C
Number of Councillors	12
Number of Community Boards and Community Development Area Subcommittees	12 (CBs) 16 (CDAs)
Rating Units	20,632 ³
Area of parks and reserves	1,249
Number of sports fields and playgrounds	70
Number of libraries	12
Length of sealed roads	1,951 km
Length of gravel roads	3,010k m
Length of footpaths	193 km
Number of bridges	974
Number of streetlights	2,416
Length of wastewater pipes	205 km
Length of stormwater pipes	107 km
Length of water pipes	632 km

¹ Census 2006

² More than 100% as respondents can choose more than one ethnic group

³ June 2009 (Based on properties subject to Waste Management Rate, including non-rateable units)

⁴ www.interest.co.nz home loan affordability series April 2009



Contents

OVERVIEW

From the Mayor and Chief Executive	7
Explaining the Planning Framework	8
Key Highlights	10
Summary Activity Report	13
Financial Overview	14
Community Outcomes and Report on Progress	19
Report on Opportunities for Māori to Contribute to Decision-Making	22
Audit Report	24
Statement of Compliance and Responsibility	26

ACTIVITY REPORTS

Guide to Activity Reports	29
Beautification	31
Building Control	33
Cemeteries	35
Civil Defence Emergency Management	37
Community Centres	40
Community Housing	42
District Support	44
Dog Control	46
Forestry	48
Grants and Donations	50
Health Regulation	55
Library Service	58

Parks and Reserves	61
Public Conveniences	63
Representation and Advocacy	65
Resource Management	68
Roading and Transport	72
SIESA (Stewart Island Electricity Supply Authority)	79
Solid Waste Management	81
Stormwater	84
Strategy and Communication	87
Te Anau Airports	90
Wastewater	92
Water Supply	98
Work Schemes	104
Other Local Services	106

FINANCIAL INFORMATION

Accounting Policies	111
Financial Statements	124
Notes to the Financial Statements	128
Council Controlled Organisations	156

OTHER INFORMATION

About the Council	163
Glossary	167



OVERVIEW
ACTIVITY REPORTS
FINANCIAL INFORMATION
OTHER INFORMATION

Overview



OVERVIEW
ACTIVITY REPORTS
FINANCIAL INFORMATION
OTHER INFORMATION

From the Mayor and Chief Executive



In 2008/2009 Council has continued to work towards making Southland a great place to live. Major initiatives undertaken during the year include the commencement of water and sewerage schemes for Edendale and Wyndham, continuing renewal and maintenance of our extensive roading network, initiation of a number of new shared services and completing a large number of local township projects, some of which are in fact significant undertakings for communities of their size.

The 2008/2009 year has seen many changes at both a national and international level. While Southland has not been severely affected by the worldwide recession which began part way through the year, there has been some fall-out for certain industries and parts of the District. This has led Council to re-look at its priorities and in particular its short and medium term commitments.

The change in Government in late 2008 has also meant a number of policy changes, including reviews of the Resource Management Act and the Local Government Act, which the Council has had to spend time understanding and responding to. However, despite all this uncertainty and change, residents continue to be satisfied with Council services, with the annual residents' survey showing 92% are satisfied with Council's overall performance.

Council has spent a large amount of the 2008/2009 year preparing the new Ten Year Plan and updating its associated activity management plans. These documents will become the focus of Council for the next three years.

Managing the District's roads continues to be a challenge for Council. During the year, Council spent more on roads than it had budgeted. This, along with the Government's recent announcement that Southland District will be receiving \$8.7 million less in national road funding over the next three years than requested, will also put significant pressure on roading and rates in the future. Council is grappling with this issue of how to look after our roads while balancing what the district needs, the cost of doing the work, the money Government is giving us and our rates take. At the present level of funding, the District simply cannot afford the level of roading needed to maintain our network which is the backbone of our District's economic, social and cultural wellbeing.

The international forestry market is one area that has been hit by the recession with wood prices continuing to fall. This has impacted on the Council's own forestry activity with a reduction in the value of forestry assets and lower revenue from log sales.

Southland, however, continued to buck national trends with only a small decrease in the number of building and resource consents. The level of regulation and control of natural resources in Southland is also seen by many as a key factor in determining the economic potential and diversity of the District. The review of the District Plan (which controls use of these resources) also began during the year with a very positive response to early joint consultation with Environment Southland about the key issues.

A renewable energy trial incorporating a small wind turbine and two solar panels began on Stewart Island to try to reduce the island's dependence on the diesel-powered generators. Financially, Council's total assets are now valued at \$1.27 billion and a surplus of \$4.6 million was returned for the 2008/2009 year.

We would like to thank our extended Council "family" for their hard work and commitment which is a reflection on what we have managed to achieve together over the past year. We believe Southland has continued to demonstrate its importance as a leader in the country and the work undertaken by Council this year helps to keep the District as one of New Zealand's greatest places to live.

Frana Cardno
MAYOR, JP, QSO

David Adamson
CHIEF EXECUTIVE

Explaining the Planning Framework

Annual Report

The Annual Report tells you and us how well we did against what we said we were going to do in our Annual Plan or LTCCP, how much it cost to do this and how we paid for it. The information in the report is checked by Audit New Zealand who gives its opinion on whether the financial statements fairly represent the Council's financial position and comply with generally accepted accounting practice and also how accurately we have monitored and reported on our activities. This document reports on the Council's activities during the year 1 July 2008 to 30 June 2009 which was the period of the Annual Plan 2008/2009.

Long Term Council Community Plan

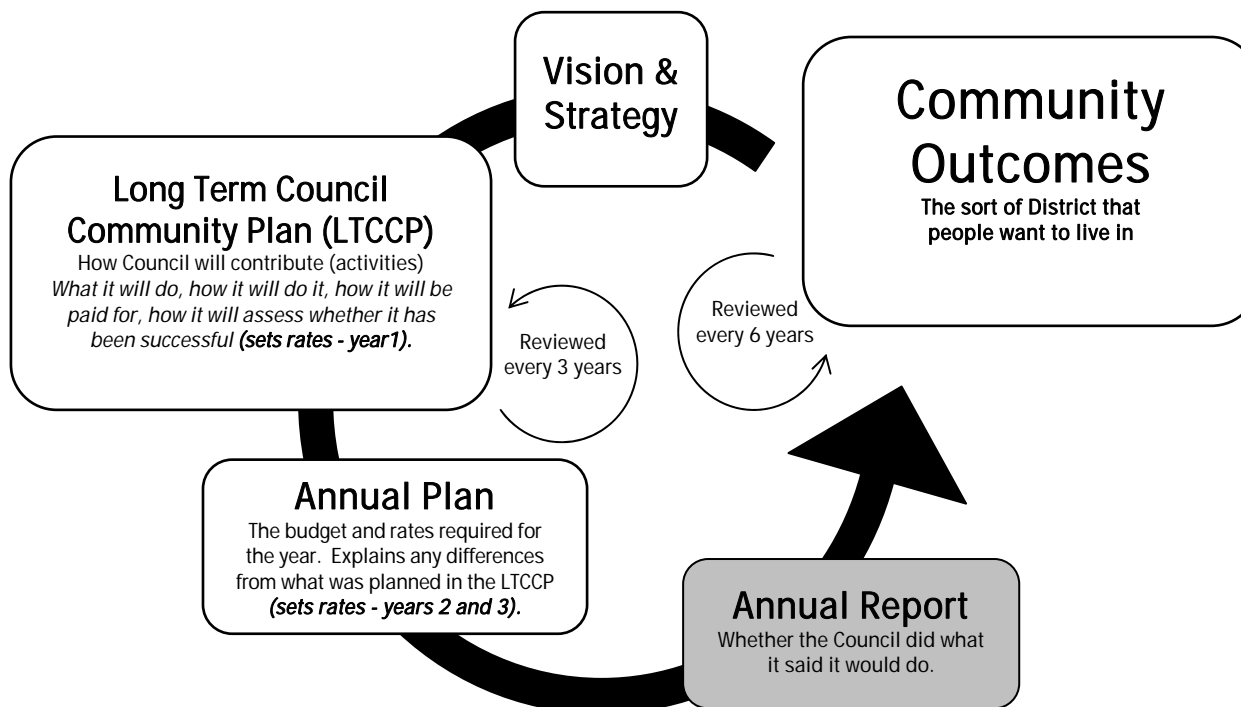
The Long Term Council Community Plan (LTCCP) sets out how Council intends to contribute to community outcomes through its activities over the next 10 years, the cost of the activities and how they will be funded. The plan is the Council's primary planning document and is reviewed every three years. The Southland District Council adopted its LTCCP 2009-2019 on 30 June 2009.

Community Outcomes

The direction of the LTCCP is based on what are called community outcomes. Community outcomes describe the sort of District that people want to live in now and into the future. For example one of the outcomes Council works towards is *A diverse economy built from our strengths for growth and prosperity*. For more details on community outcomes refer to page 19.

Annual Plan

Annual Plans are required to be produced every year that an LTCCP is not. The primary purpose of the Annual Plan is to provide the accountability base for setting and assessing rates, showing where the Council plans to spend its money from 1 July to 30 June and also to identify and explain any variations from the LTCCP. If the Council is making any 'significant' changes from the LTCCP, it must also amend the relevant sections of the LTCCP.



- OVERVIEW
- ACTIVITY REPORTS
- FINANCIAL INFORMATION
- OTHER INFORMATION

Vision, Mission and Guiding Principle

The Council has had "People First" as its guiding principle since 1991. "Serving communities together" was added in 1996. Its vision and mission have had a number of iterations, with the vision reworded into one sentence in 2006, while still encapsulating the four aspects of community wellbeing: economic, environmental, social and cultural.



Vision

Thriving, healthy communities whose economic, cultural, and social wellbeing and opportunities are supported by excellent infrastructure, services and amenities within a high quality environment.

Mission

Working together for a better Southland.

Guiding Principle

People First

- P*romote social, economic, environmental and cultural well-being
- E*ffective representation
- O*pen and accessible
- P*rogressive and innovative
- L*ocal involvement
- E*xceeding expectations

Serving Communities Together

Key Highlights

This section describes some of the Council's key achievements, events and projects which occurred in 2008/2009. Details about all activities and other projects can be found in the Activity Reports from page 29.

Residents' Satisfaction Survey Results

Satisfaction with the performance of Council and its activities remains high again this year, with the residents' survey showing around 92% of residents are satisfied with the Council's overall performance. Services with the highest satisfaction were libraries, community centres and sports fields. Services with the lowest satisfaction were gravel roads, footpaths, sealed roads and quality of town water supply. There were large improvements in satisfaction over previous years in dog control, location of refuse stations and recycling centres, community development and the level of consultation with the community. The table opposite summarises these results.

Focus on Roothing

Roothing continues to be a key area of focus and spending for the Council. During the year, Council carried out over 116 kilometres of reseals and 18 kilometres of rehabilitations on the District roads. This work cost nearly \$8.3 million and along with maintenance activities made up a significant portion of Council's overall expenditure on roading of \$26.6 million compared to the budget of \$23.9 million.

The portion of the Papatotara Coast Road (Tuatapere) which was washed away by storms was relocated during the year. The new route was developed inland through regenerated bush, scrub and open farm land. This will provide access for those farming in the area, owners of bush blocks as well as Hump Ridge Track users. A number of roads on Stewart Island were also resealed during the year.

The year also saw particular emphasis going into planning for the roading activity for the next ten years as part of the development of the Council's Ten Year Plan. This process involved reviewing the condition of the roading network, its remaining life and determining what level of maintenance and renewal is needed to be carried out each year to keep the roads in good condition and subsequently the amount of funding (rates and NZTA subsidy) needed.

Unfortunately, despite the ten year planning process showing that increased funding was needed for roads (not only to carry out more work but also to pay for increases in the cost of doing the work), the NZ Transport Agency has recently announced that the amount of subsidy funding provided to Southland to help pay for roads will gradually reduce rather than increase over time. Their announcement will see a reduction of \$2.1 million, \$2.9 million and \$3.75 million for the roading programme over the next three years.

Going forward, this is a significant issue for the District, because in order to avoid further rate increases on top of what was signalled in the Ten Year Plan, the Council will have to reduce what it spends on roads. In addition, while the Council believes that it is important to understand the long-term liability for roading infrastructure to ensure that a sustainable level of maintenance is carried out, the Council is very concerned that the Government is not providing the level of subsidy which the planning has indicated is needed in Southland.

Resident Satisfaction with Council Services

Council Service	Satisfied
Libraries (Location)	98%
Community Centres*	96%
Sports fields	96%
Parks and Reserves	96%
Playgrounds	94%
Sewerage system	93%
Cemeteries	93%
Gardens/Street plantings	93%
Stock Control	90%
Streetlighting	85%
Development (Community, Enterprise and Tourism)*	84%
Water Supply*	84%
Solid Waste ¹	82%
Dog Control	80%
Sealed roads	71%
Footpaths	66%
Gravel roads	50%

* Average of results for different aspects of service
¹ Average of Transfer stations (location and opening hours), recycling centres and wheelie bin collection.

With the indicated funding for the next three years being substantially below the level forecast in the Activity Management Plan Council will need to further review the levels of both maintenance and renewals for the next three years. The challenge will be to ensure levels of service can be maintained within the funding levels approved. This is something that the Council is working on at the moment and, given that a high proportion of residents have indicated that they are not satisfied with current maintenance of gravel roads (50%) and sealed roads (29%), Council is conscious that there is likely to be a growing gap between the community's expectation about roads and what the community can afford.

Building and Resource Planning Consents

It was another busy year for the Building Control and Resource Management departments. Despite a large drop nationally in the number of consent applications, the number of consents processed in the Southland District remained high, with just 23 fewer building consents and 37 fewer resource consents compared to the previous year.

Surveys of Building Control and Resource Management applicants were also conducted this year and these showed an improvement in satisfaction in a number of areas. In particular, building control applicants were more satisfied with timeframes than in 2006/2007 and resource management applicants were more satisfied with performance of staff. Both surveys showed that processing costs were the area that had the least satisfaction.

Three Waters Continues to be a Focus

The 2008/2009 year saw the Council continue to work on its priority water, sewerage and stormwater projects, in particular those likely to have the greatest benefit to the community. Significant progress has been made on the construction of the Edendale and Wyndham combined sewerage/water scheme with the pipe network for both the sewerage and water supply scheme in the Edendale township being completed and work started on the reinstatement of roads and roadsides at the end of the financial year. The sewerage scheme (combined with Wyndham) will be unique in Southland as it uses an innovative treatment system where the sewage is treated using bacteria and worms. The Edendale portion of the sewerage scheme became operational in July 2009 and will be followed by the water scheme which will be completed in 2009/2010. Construction also began on the pipe network in the Wyndham township and will continue through to October 2011.

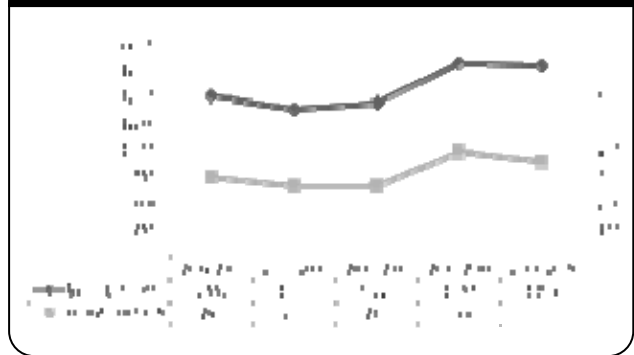
District Plan Review Underway

The Council began to review its District Plan this year. The District Plan, which outlines the Council's objectives, policies and rules on land use and development in the District, is being reviewed following a period of intensive growth and development pressure in the District and increased community expectations regarding environmental quality.

A set of discussion papers on various issues were released in May 2009 with public meetings held around the District following this to get feedback. This information will be used to assist in the formulation of the Draft document.

The initial consultation stage is being done in conjunction with Environment Southland's Regional Policy Statement review to ensure consistency between the two plans.

Consents Processed During Year



In addition, the year saw a significant improvement in the proportion of projects completed by the end of the year despite the fact that a number of water projects have had to be delayed because of the Government's announcement that it was putting a hold on the subsidy scheme to review how the funding is allocated.

Forward planning for the next ten years was also a key focus with the completion of three Activity Plans, one each for water, sewerage and stormwater assets. These plans detail the current condition and performance of Council's numerous schemes and what work will be needed over the next ten years to keep them operating well. This information formed a critical component of the Council's Ten Year Plan which was adopted during the year. The Ten Year Plan also discussed the possibility of changing the way township water and sewerage schemes are funded - moving from individual rates for each scheme to a uniform rate across all urban schemes. While the Council decided to leave this as it is for the 2009/2010 year, it is an area that will be looked at further in the future.

Water, stormwater and sewerage will continue to be key issues for the Council with some uncertainty around several issues, including the impact of the new water/sewerage maintenance contract due to be re-tendered, changes being considered to the Ministry of Health process for distributing drinking water subsidies as well as rapid change around water use and environmental standards for stormwater and sewerage discharges.

Renewable Energy Trial (Stewart Island)

A small wind turbine and two solar panels were installed on Stewart Island in October as part of a renewable energy trial. Currently, the electricity on the Island is produced from diesel powered generators, however the Council, along with PowerNet and Right House, and the community have been working together to identify and implement renewable generation solutions to better manage the cost of electricity on the Island and reduce the reliance on these diesel powered generators. The energy produced from the wind and photovoltaic generation is being monitored and it is hoped in the future a larger scale system can be installed which would contribute as much as a third of total electricity on the Island.

Sister City Agreement Signed with Cinque Terre

Southland District Council signed a sister city agreement with Cinque Terre National Park in Italy via Skype internet service in March 2009. The two areas have a number of similarities including the districts being made up of small communities with solid connections to the land - in Southland agricultural farming; in Cinque Terre vineyards and horticulture; and a growing tourism industry including an emphasis on our natural environment and walking tracks. The objectives of the agreement are to promote the natural attributes of both regions, promote the development of cultural, youth, municipal and recreational exchanges between the citizens of both communities, explore, promote and assist with sustainability outcomes and exchange of information and research.

Inclusive Communities Strategy

Following submissions to the Southland District Council's 2008/2009 Annual Plan, Council developed a strategy to ensure that all people are able to fully participate in life within the Southland District, including people with impairments and/or from ethnic communities. The strategy and associated action plan was adopted in January 2009 and Council began implementing the strategy with a review of disabled parking throughout Southland District to ensure these were the correct width and safe and appropriate.

Summary Activity Report

The Annual Plan 2008/2009 included 104 projects for the year as well as 141 performance targets for its 26 activities. The graphs and table opposite and below provide a snapshot of the status of projects and performance targets as at 30 June 2009.

Projects – During the 2008/2009 year Council prioritised a number of projects to ensure that progress is made on those likely to have the greatest benefit to the community. Overall, more than one third of all projects were completed by the end of the year with a number of other projects in progress and due to be completed in 2009/2010. Several projects were also re-programmed into the new Ten Year Plan 2009-2019. The table below groups together the results for similar significant activities, summarising the 26 activities into eight. More detail about the individual activities including commentary of specific projects and achievements are included in the Activity Reports from page 29.

Performance targets - 75% of performance targets were either met in full or by a majority.

Activity	Project Report			Level of Service Indicator Targets		
	Complete ¹	In Progress	Not Complete ²	Achieved	Majority Achieved ³	Not Achieved ⁴
Roading and Transport	4	3	6	6	6	8
Solid Waste Management	1	2	0	1	2	2
Other District Services	1	0	2	15	10	3
Stormwater, Wastewater, Water	27	10	26	3	6	8
Other Local Services	8	4	8	18	4	5
Regulatory Services	1	1	0	3	9	8
Governance, Strategy, Communication	-	-	-	8	2	1
Grants and Donations	-	-	-	10	3	0
Total 2008/2009	42 (40%)	20 (19%)	42 (41%)	64 (45%)	42 (30%)	35 (25%)
Total 2007/2008	22 (13%)	33 (19%)	115 (68%)	54 (38%)	40 (28%)	48 (34%)

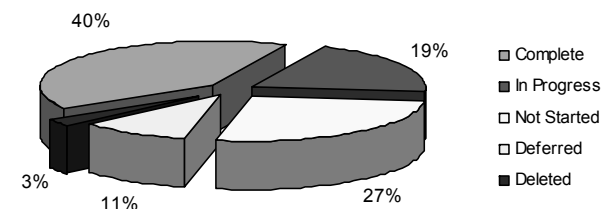
¹ In addition to the 42 projects identified for 2008/2009 being completed, Council also completed several projects carried forward from previous years. These are included in the project tables in the Activity Report section.

² Includes projects which are not started (28), deferred (11) and deleted (3). Many of these projects have been carried forward to the 2009/2010 year or a future year.

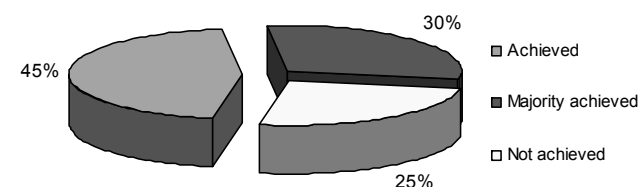
³ Majority achieved describes the number of performance measures that achieved 75% or more of the target.

⁴ This includes 4 indicators which were not measured in 2008/2009.

Project Status for 2008/2009



Key Performance Targets Met



Activity Grouping

Other District Services includes Civil Defence, Community Housing, District Support, Forestry, Libraries and Work Schemes.

Other Local Services includes Beautification, Cemeteries, Community Centres, Airports, Parks and Reserves, Public Conveniences, SIESA and Council Buildings and Property.

Regulatory Services includes Building Control, Dog Control, Health Regulation and Resource Management.

Financial Overview

The financial overview provides a summary of the year-end financial results for the Southland District Council. The information contained in this overview has been extracted from the full financial statements which contain detailed information about Council's finances and service performance. The financial results include information about the Council, Stewart Island Electricity Supply Authority and Venture Southland. The table shows the financial year-end results, as at 30 June 2009 and includes comparisons from the previous financial year and the 2008/2009 budget.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Full details of the Council's accounting policies can be found on page 111.

The Annual Report has been prepared in accordance with NZ GAAP. The Annual Report complies with NZ International Financial Reporting Standards, as appropriate for public benefit entities.

The information included in the summary annual report has been prepared in accordance with FRS 39: Summary financial Reports.

FINANCIAL SUMMARY			
Actual 2007/2008		Actual 2008/2009	Budget 2008/2009
	FINANCIAL PERFORMANCE		
57,811,706	Revenue Earned (incl Asset Development)	60,086,944	68,300,298
52,805,231	Less Total Expenditure	55,055,175	53,776,799
48,190	Less Finance Costs	388,987	170,371
(1,347)	Plus Share of Associate Surplus/(Deficit)	7,182	-
-	Plus Income Taxation Benefit	-	-
4,956,938	• Net Surplus (after taxation)	4,649,964	14,353,128
	CHANGES IN EQUITY		
1,126,931,619	Equity at Start of the Year	1,229,440,029	1,162,044,902
97,551,471	Movement in Asset Revaluation Reserve	38,826,506	54,137,993
4,956,938	Net Surplus/(Deficit) for the Year	4,649,964	14,353,128
1,229,440,028	• Equity at the End of the Year	1,272,916,499	1,230,536,023
	FINANCIAL POSITION		
1,229,440,028	Total Equity	1,272,916,499	1,230,536,023
17,523,889	Current Assets	15,162,102	13,245,370
1,227,072,457	Non-Current Assets	1,273,381,864	1,236,027,602
1,244,596,346	Total Assets	1,288,543,966	1,249,272,972
14,235,478	Current Liabilities	15,004,454	11,562,581
920,840	Non-Current Liabilities	623,013	7,174,368
15,156,318	Total Liabilities	15,627,467	18,736,949
1,229,440,028	• Net Assets (Assets less Liabilities)	1,272,916,499	1,230,536,023
	CASH FLOWS		
17,500,315	Operating Cashflow	22,492,854	26,727,845
(22,617,469)	Investing Cashflow	(22,491,682)	(31,777,986)
4,805,721	Financing Cashflow	1,486,635	7,461,419
(311,433)	• Net Cashflow Increase / (Decrease)	1,487,807	2,411,278

SURPLUS

what income Council has left after operational costs are paid

EQUITY

net assets owned by ratepayers

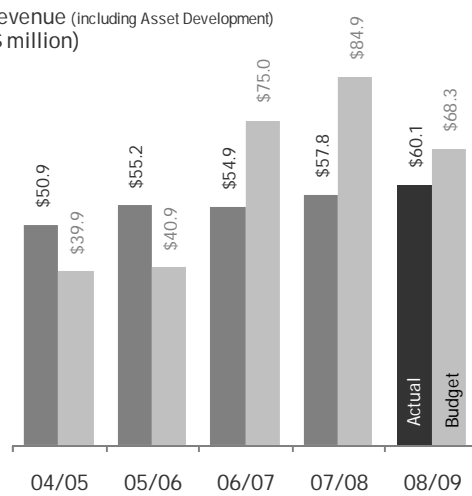
NET ASSETS

what Council owns and what it owes at the end of the year

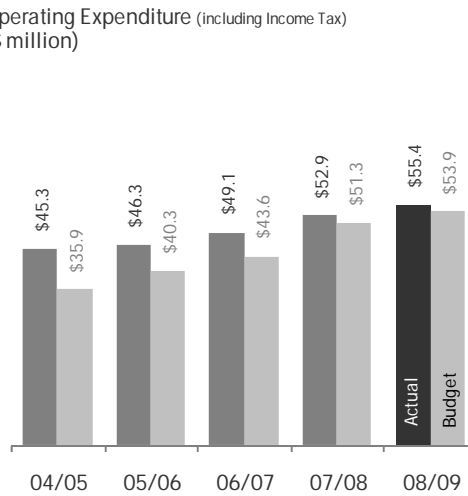
CASHFLOW

how Council generated and used cash during the year

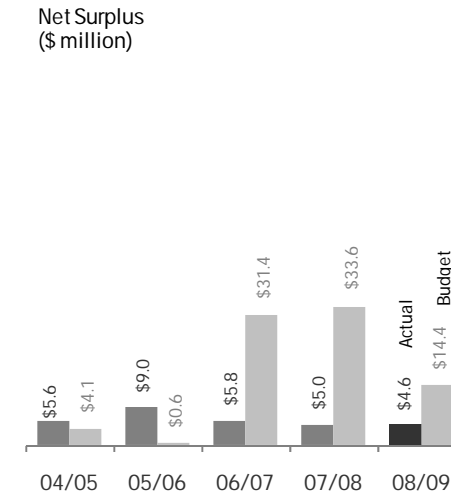
Revenue (including Asset Development)
(\$ million)



Operating Expenditure (including Income Tax)
(\$ million)



Net Surplus
(\$ million)



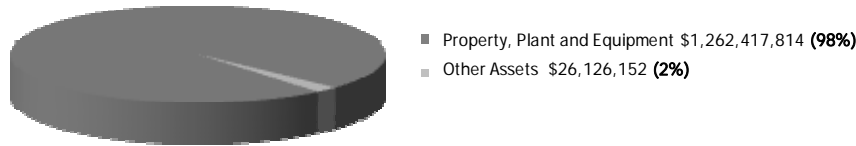
Surplus

This year saw a net surplus of \$4.6 million compared to the budgeted surplus of \$14.4 million. When the Annual Plan was prepared, it was assumed that several water and wastewater projects would receive funding from the Ministry of Health and be constructed during the year. A number of these projects are still in progress and, as a result, the associated funding from the Ministry of Health (in the form of subsidies) as well as contributions from those connecting to the water/wastewater schemes (recoveries) are \$7.4 million lower than budgeted.

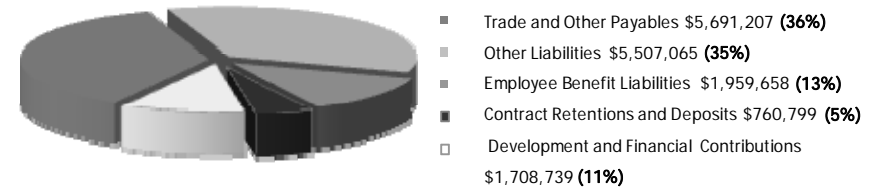
In addition, it was anticipated that the old Te Anau airport (Waiau) would be sold during the year. Due to consultation with ratepayers, the process of decommissioning the airport and current market conditions this did not occur resulting in \$3 million less in revenue. This was partially offset by an additional approved subsidy of \$900,000 from the NZ Transport Agency for additional roading work undertaken during the year.

Furthermore, Development and Financial contributions were \$269,000 less than budgeted. Development and Financial contributions are contributions which are paid to the Council where a development (such as a subdivision) generates a demand for infrastructure (such as water and wastewater or reserves). They aim to collect the costs of capital projects, which are planned or have been undertaken, from those creating the demand. The number of demand capital projects was less than anticipated therefore the related revenue recognised for those projects was also less than budgeted.

Composition of Total Assets



Composition of Total Liabilities



Net Assets and Equity

Overall, total net assets have increased by \$43.5 million from last year. This is mainly due to an increase in the revaluation of Council's infrastructural assets as a result of continuing cost increases. Ratepayer equity also increased 3.5% over the previous year to \$1.27 billion. As a result of the movement of capital projects into future financial years and the internal funding of completed projects or those in progress, long term projected external borrowings were not required. This meant that non-current liabilities are lower than expected in the budget (refer to the Financial Summary table on page 14). However, short term borrowings were required to meet operating cashflow needs in the periods between quarterly rates takes, hence current liabilities is higher than anticipated in the budget. Development and Financial contributions included in current liabilities were \$2.9 million less than budgeted. Development and Financial contributions are contributions which are paid to the Council where a development (such as a subdivision) generates a demand for infrastructure (such as water and wastewater or reserves). The aim of the contribution is to collect the costs of capital projects, which are planned or have been undertaken, from those that are creating the demand. The budget assumed a higher level of contributions from Te Anau developers than actually were received. The contributions balance represents the unspent funds collected from developers.

Cash Flow

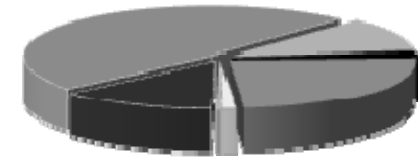
Net cash inflow from operating activities is lower than budget by \$4.2 million. This is mainly due to lower asset development revenue (i.e. Ministry of Health grants and water/wastewater scheme recoveries) being received because of capital projects still in progress as of 30 June 2009 (see comments under Surplus). The lower project income is partially offset by increased funding from the New Zealand Transport Agency for additional road work undertaken during the year. A change in the timing of when capital projects will be undertaken has also affected the net cashflow from investing and financing activities (see the financial summary table on page 14). Net cash outflow from investing activities is \$9.3 million lower than budget and net cash inflow from financing activities is \$6.0 million lower than budget. The budget assumed external financing of capital projects and a higher amount of contributions from subdivision developers than actually occurred. Council was principally able to internally fund its projects during the year by drawing down its investments.

Overall, the decrease in capital project spending has offset the lower than budgeted cash receipts for the year and consequently, the Council has ended the year with a cash balance of \$6.4 million, which is \$0.7 million higher than budget.

Where the revenue came from

The Council received \$60.1 million of revenue during the year, including \$29.2 million from rates. The breakdown of this revenue is shown in the graph (right). Overall, revenue was \$8.2 million lower at the end of the year than what was budgeted largely because a number of water and wastewater projects were still in progress meaning the associated income from the Ministry of Health and those connecting to the schemes were not received. In addition, the sale of the old Te Anau airport site is still in progress due to the current property market conditions. These were partially offset by additional income from the NZ Transport Agency for extra roading work carried out during the year as well as a higher number of subdivision developments being completed resulting in assets being vested (given) to Council. The value of the vested assets is recognised as revenue, but is not actual cash revenue to Council.

Sources of Revenue (incl Asset Development, excl Venutre Southland)



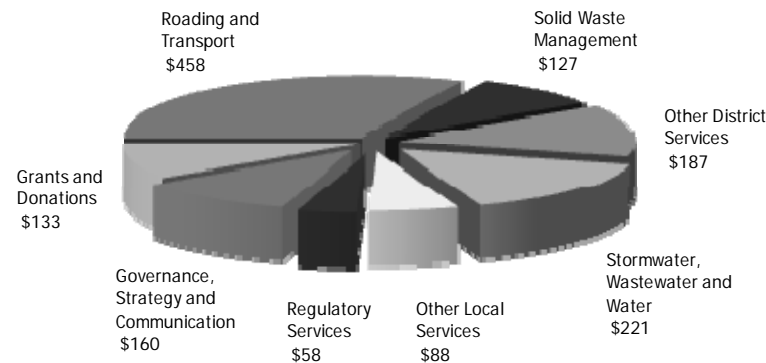
- Rates \$29,184,488 (48.6%)
- Other Revenue \$6,717,724 (11.2%)
- Interest and dividends \$748,059 (1.2%)
- NZ Transport Agency \$14,745,659 (24.5%)
- Grants and Subsidies \$693,445 (1.2%)
- Gains/(Losses) (\$286,298)(-0.5%)
- Asset Development \$8,291,049 (13.8%)

Where your rates were spent

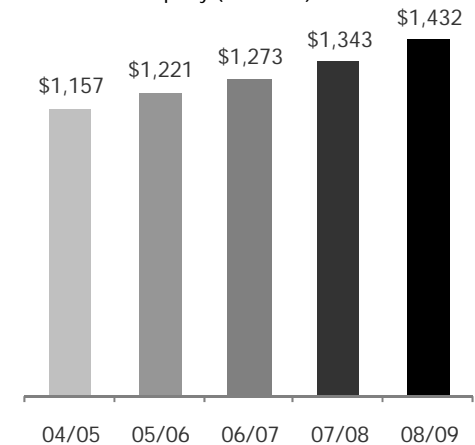
The average annual rates per property for the past five years are shown in the graph (below right). The pie chart (below left) shows the breakdown of where the average rates of \$1,432 per property was spent in 2008/2009. Spending on Roothing and Transport topped the list, followed by Stormwater/Water and Wastewater, Other District Services, and Governance, Strategy and Communication. "Other District Services" groups together the Civil Defence, District Support and Library activities.

The majority of Council's expenditure (operational and capital) is on essential infrastructure such as roads, wastewater and water.

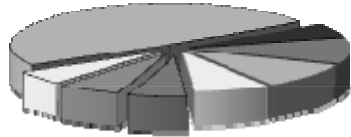
Average Rates Expenditure Per Property (Rateable)



Rates Per Property (Rateable)

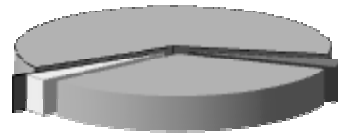


Activity Operational Expenditure
(excl Venture Southland)



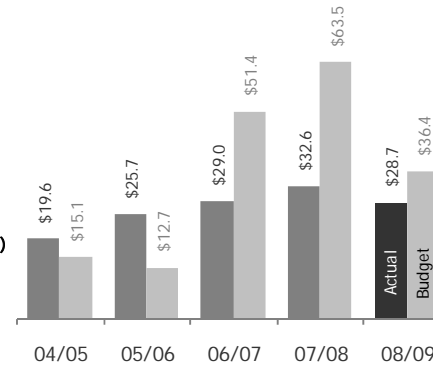
- ▣ Rooding and Transport \$26.5 million (48.6%)
- ▣ Solid Waste Management \$3.0 million (5.6%)
- ▣ Other District Services \$5.5 million (10.1%)
- ▣ Stormwater, Wastewater, Water \$5.5 million (10.1%)
- ▣ Other Local Services \$4.2 million (7.7%)
- ▣ Regulatory Services \$3.2 million (5.9%)
- ▣ Governance, Strategy \$3.6 million (6.6%)
- ▣ Grants and Donations \$3.0 million (5.4%)

Activity Capital Expenditure
(including Vested Assets)

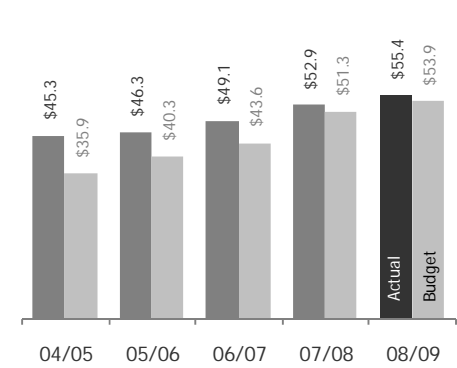


- ▣ Rooding and Transport \$17.58 million (61.2%)
- ▣ Solid Waste Management \$0.001 million (0.0%)
- ▣ Other District Services \$0.85 million (3.0%)
- ▣ Stormwater, Wastewater, Water \$9.41 million (32.8%)
- ▣ Other Local Services \$0.79 million (2.7%)
- ▣ Regulatory Services \$0.03 million (0.1%)
- ▣ Governance, Strategy \$0.04 million (0.2%)
- ▣ Grants and Donations \$0 million (0.0%)

Capital Expenditure (including Vested Assets)
(\$ million)



Operating Expenditure (including Income Tax)
(\$ million)



Operational Expenditure

Just over \$55 million was used on operating expenditure with nearly half of this spent on Rooding and Transport services (49%). Overall operating expenditure was \$1.5 million higher than budgeted due to a number of factors detailed in the table below.

Increases	Decreases
<ul style="list-style-type: none"> ▪ \$1.9 million additional depreciation principally for infrastructural assets. ▪ \$1.3 million related to including a share of Venture Southland's expenses. ▪ \$1.9 million related to a change in the rooding programme. 	<ul style="list-style-type: none"> ▪ \$400,000 less than anticipated on District Plan review costs. ▪ \$1.4 million underspends on various operational costs. ▪ \$1.8 million of internal interest and project income offset against expenditure which had been budgeted as external revenue.

Capital Expenditure

Council spent \$28.7 million on capital projects in 2008/2009. Of this total, \$17.6 million (61%) was spent on rooding and transport projects throughout the District and \$9.4 million (33%) was spent on stormwater, water and wastewater projects in local townships. The capital project spending was lower than the \$36.4 million budgeted in the Annual Plan as a number of capital works are still in progress or not yet started. More detail on these are shown in the Activity Reports.

- OVERVIEW
- ACTIVITY REPORTS
- FINANCIAL INFORMATION
- OTHER INFORMATION

Community Outcomes

Six years ago Southland's local authorities first invited our citizens to define their aspirations for their region and its communities. This is what the community told us they wanted:

Outcomes

1.

LIFESTYLE and CULTURE

Southland is a great place to live.

1. We value our history and heritage.
2. We have a choice of quality places to go and things to do.
3. We embrace and respect a diverse community.
4. We are proud to be Southlanders.
5. We live in a creative place.

2.

ECONOMY and EMPLOYMENT

A diverse economy built from our strengths for growth and prosperity.

1. We have a quality infrastructure with potential for growth.
2. We have an innovative and vibrant culture that supports business.
3. We have a business friendly environment in which to operate.
4. We have an economy built on our competitive advantage.
5. We have full employment and rewarding careers.
6. We retain and build on our skills base.
7. We keep the things about living here that we value

3.

LAW and ORDER

Safe places in a caring society that is free from crime.

1. We have safe roads.
2. We have safe homes.
3. We have public places safe for children and families.
4. We apprehend and hold law breakers appropriately accountable.
5. We support the victims of crime.

4.

HEALTH and WELLBEING

We are healthy people.

1. We are able to live healthy lifestyles.
2. We have good quality affordable housing.
3. We live in a compassionate caring community.
4. We have equity of access to health services.

5.

LEADERSHIP

Strong effective leadership taking us into the future.

1. Citizens and communities are inspired, motivated and empowered.
2. Decisions are progressive, forward looking and robust.
3. The community has confidence in its leaders.

6.

ENVIRONMENT

A treasured environment which we care for and which supports us now and into the future.

1. We have an informed community caring for the environment.
2. We have a healthy, safe and accessible built environment.
3. We have an environment protected from the negative effects of human activities.

7.

EDUCATION and TRAINING

A well-educated and skilled community continually seeking further opportunities to learn.

1. We have accessible learning opportunities.
2. We have high quality learning opportunities available to meet community needs and demands.
3. We deliver innovative, integrated and effective learning programmes.
4. We have a culture of continuous learning.

Intermediate Outcomes

Each outcome itself has intermediate outcomes, which were also identified by the Southland community, and a series of indicators that help us measure progress. Steps toward achieving the intermediate and long term outcomes are being monitored as part of the Our Way Southland project. The outcomes act as guiding principles. Local Government has a legal responsibility under the Local Government Act to take community outcomes into account when setting its programmes and activities, so we can do our part in helping realise our communities' aspirations. Government departments, private businesses, volunteer groups and other agencies also have a role to play, but the legal responsibility to facilitate the process sits with Southland's councils.

Sections 91 and 92 of the Act require councils to coordinate a whole of community approach, involving local and central government and the business and volunteer sectors, in order to identify and realise community outcomes. Section 91 of the Act says that we must consult the community and define its desired outcomes not less than once every six years. Section 92 requires that councils monitor and, at least once every three years, report on what progress has been made towards achieving the community's outcomes. Each Council must weave the community's desired outcomes into its strategic and annual plans, in accordance with Parts 1 and 3 of Schedule 10 of the Act, so that we are consciously working towards the same ends.

Report on Progress

The Our Way Southland project, via the Shared Services Forum, has produced the first monitoring report for the Southland community covering the period 2005 to 2008. The preliminary draft report was approved by Environment Southland, Southland District Council and the Gore District Council in December 2008, and by the Invercargill City Council in January 2009. The final draft was presented to the Shared Services Forum in June 2009.

This report presents a snapshot of the current state of Southland's community outcomes, and identifies movements and changes since 2005. The results of this report apply equally to businesses, government departments, Iwi, volunteer groups and individuals throughout Southland. The report uses a series of indicators to track key outcomes of importance to the community, namely what Southland is like as a place to live; the local economy and environment (including the recent dairy boom); how safe our roads and communities are; how healthy and educated Southlanders are; and the leadership of Southland. These outcomes are vital to ensuring that Southland retains a competitive edge, both nationally and internationally.

The monitoring of community outcomes does not evaluate specific objectives or work programmes - instead it is designed to initiate discussion about whether or not the community's desired outcomes are being achieved for the people of Southland. So as to initiate such discussion, Southland's four councils will bring Southland's leaders together at a Leaders' Forum in September 2009. This forum will build upon the findings of the monitoring report by bringing together the collective knowledge, resources and skills of attendees to identify and agree on the key issues of concern and collaborative action for Southland.

Following the forum, a number of focus groups will be convened, comprised of representatives of key stakeholder agencies, in order to further identify and initiate collaborative regional projects. These groups will be facilitated by the Our Way Southland project, and will be informed by additional monitoring of community outcomes, including a regional Quality of Life survey which will be conducted early in 2010.

Council's contribution

It is up to a wide range of organisations, groups and people to work towards community outcomes. As one of the key players, Council identifies the role that it will play and how it will allocate resources to contribute towards achieving community outcomes in its own plans. The table below shows that most of Council's activities contribute to more than one outcome to varying degrees. The primary outcome (●) is where Council believes that activity has the most impact. The shading shows the level of contribution to community outcomes. (○) indicates where the activity contribution has an associated level of service and key performance indicator link. More information about the contributions can be found under 'Why we do it' in each activity statement.

COMMUNITY OUTCOME	1. LIFESTYLE & CULTURE Southland is a great place to live.				2. ECONOMY & EMPLOYMENT A diverse economy built from our strengths for growth and prosperity.							3. LAW & ORDER Safe places in a caring society that is free from crime.					4. HEALTH & WELLBEING We are healthy people.				5. LEADERSHIP Strong effective leadership taking us into the future.			6. ENVIRONMENT A treasured environment which we care for and which supports us now & into the future.			7. EDUCATION & TRAINING A well-educated & skilled community continually seeking further opportunities to learn.					
	1.1	1.2	1.3	1.4	1.5	2.1	2.2	2.3	2.4	2.5	2.6	2.7	3.1	3.2	3.3	3.4	3.5	4.1	4.2	4.3	4.4	5.1	5.2	5.3	6.1	6.2	6.3	7.1	7.2	7.3	7.4	
INTERMEDIATE OUTCOME																																
Beautification				●○											○																	
Building Control								○																							○	
Cemeteries	○	○		○				○										●○		○												
Civil Defence Emergency Management														○				●○		○				○								
Community Centres		●○													○																	
Community Housing														○					●○													
District Support																						●○										
Dog and Animal Control													○	○	●○	○						●○										
Forestry									●○																		○					
Grants	●○																					●○										
Grants (Venture Southland)	○	●○	○	○		●○			○	○	○											●○										
Health Regulation																○		●○		○								○				
Library Service		●○																													○	
Parks and Reserves		●○													○			○													○	
Public Conveniences																											●○					
Representation and Advocacy				○																		●○	○	○								
Resource Management	○		○					○										○				○	○	○	○	○	○	●○				
Roading and Transport		○				●○							●○							○												
SIESA						●○		○																								
Solid Waste Management						○									○										○	○	●○	○				
Stormwater						○							○	○	○							○				●○	○					
Strategy and Communication				○																		●○	●○	○	○							
Te Anau Airports						●○									○													○				
Wastewater						○		○										●○									○					
Water Supply						○			○				○	○				●○								○						
Work Schemes		●○		○											○	●○					○											
Other Local Services		○				●○									○											○			●○		○	
WELLBEING INFLUENCE																																
Social																																
Environmental																																
Cultural																																
Economic																																
KEY TO SHADING - OUTCOMES	Outcome Contribution																															
	Negligible (1) - Negligible/very limited contribution to community outcomes.																															
	Minor (2) - Minor contribution to community outcomes.																															
	Moderate (3) - Moderate contribution to community outcomes.																															
	Major (4) - Major contribution to achieving the community outcomes.																															
Extreme (5) - Widespread contribution / effect on community outcomes.																																
	KEY TO SHADING WELLBEING INFLUENCE																Wellbeing Influence															
	Shows where community outcomes influences wellbeing.																Shows where wellbeing influences community outcomes.															

Report on Opportunities for Māori to Contribute to Decision-Making

Introduction

Nine percent of the Southland District's population is Māori, with the highest concentrations in Ohai (42% of the population), Nightcaps (19%) and Riverton (18%). The Southland District Council acknowledges the importance of tikanga Māori and values its relationship with both Ngāi Tahu (through the four Southland papatipu rūnanga) and ngā matawaka (other Māori who are not Ngāi Tahu) living within Murihiku/Southland. The Council has a Māori name 'Te Rohe Pōtae o Murihiku' and a charter of understanding with Te Ao Mārama Incorporated.

Māori Name – 'Te Rohe Pōtae o Murihiku'

The Council was officially gifted its Māori name 'Te Rohe Pōtae o Murihiku' at a naming ceremony at Takutai o te Tītī marae at Colac Bay/Ōraka in November 2005, strengthening links between Council and the tāngata whenua and emphasising the importance of Council's partnership with Ngāi Tahu.

The Māori name acknowledges the Council's role as an all-embracing shelter ("umbrella/lid") for the District. The four Ngāi Tahu Papatipu Rūnanga of Murihiku deliberated over several years before authorising the phrase Te Rohe Pōtae o Murihiku, which give it special significance.

The Council's logo has been updated to include the Māori name and official signage will be updated progressively, along with Council's stationery.

Charter of Understanding

To help promote and develop its relationship with Māori, the Southland District Council (together with the other three local authorities in the Southland region, namely Environment Southland, Invercargill City Council and the Gore District Council) is an active participant and signatory to the charter of understanding 'He Huarahi mō Ngā Uri Whakatapu (A Pathway for the Generations Coming Through)' between the four councils and Te Ao Mārama Incorporated. The charter was revised in 2003 to incorporate the wider responsibilities under the Local Government Act 2002.

The charter of understanding provides:

- The basis for an ongoing relationship between the four councils and the tāngata whenua of Murihiku to assist in developing the capacity of Māori to contribute to the decision-making processes.
- A foundation for consultation on a wide range of local government issues.
- For the recognition and willingness of Te Ao Mārama to assist all councils in consultation with all ngā matawaka living in Murihiku.

Te Roopū Taiao is the collaborative structure put in place for the purposes of giving effect to the charter of understanding and the obligations of the parties to the charter. Senior Councillors and Council staff involved in natural resource management regularly attend Te Roopū Taiao meetings.

Fostering Māori Capacity

The table below highlights progress with a number of initiatives aimed at fostering Māori capacity to contribute to decision-making processes:

Initiatives	Progress
<ul style="list-style-type: none"> Hold regular liaison meetings between Te Ao Mārama and Southland District Council Executive and Senior Managers (at least once per annum). 	<p>No formal meetings were held in 2008/2009. However, Southland District Council Executive and Senior Managers meet regularly with Te Ao Mārama at joint meetings with other local authorities and Te Ao Mārama, and in addition have informal meetings with representatives of Te Ao Mārama as required.</p>
<ul style="list-style-type: none"> Provide an interpreter on request should Māori wish to present submissions in Māori. 	<p>Interpreter available if requested. There were no requests in 2008/2009.</p>
<ul style="list-style-type: none"> Invite Māori to attend Council meetings and hearings to become familiar with Council protocol. 	<p>There is a standing invitation in place.</p>
<ul style="list-style-type: none"> Give consideration to appointment of Iwi representatives to act as hearing commissioners on key issues, such as major resource consent applications that have issues of Iwi significance. 	<p>Ngai Tahu has been requested through Te Ao Marama to identify suitable persons. This is yet to occur.</p>
<ul style="list-style-type: none"> Maintain existing protocols and with Māori in relation to the ways in which Council will undertake its statutory duties and continue with the integration of protocols into the Southland District Council organisation (e.g. information in HR manual, GIS, Ngāi Tahu Claims Settlement Act 1998 training and displays). 	<p>The Charter of Understanding between the four councils of Southland and the four runanga (through Te Ao Marama) is in place and reviewed regularly through Te Roopu Taiao. Council has established a staff committee to seek to integrate these processes into the organisation more fully.</p>
<ul style="list-style-type: none"> Set aside \$10,000 annually to assist the Murihiku Ngāi tahu Papatipu Rūnanga to review Te Whakatau Kaupapa o Murihiku (Southlands' Iwi resource management document). (This project is being managed by Te Roopū Taiao, and the Council has appointed an elected representative and staff member onto a working party, to review this document). 	<p>This funding was provided and Te Whakatau Kaupapa o Murihiku has now been superseded by Te Tangi a Taura - the Cry of the People as the Murihiku Ngai Tahu resource management plan.</p>
<ul style="list-style-type: none"> Contribute to a project being undertaken by the New Zealand Archaeological Association (NZAA) to improve the accuracy of the location of archaeological sites in Southland, including "sites of significance" to Ngāi Tahu Iwi. 	<p>Council has previously contributed along with various other councils of the Southland region. Awaiting progression by NZAA.</p>

Audit Report

Audit Report

To the readers of Southland District Council's financial statements and performance information for the year ended 30 June 2009

The Auditor-General is the auditor of Southland District Council (the District Council). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the District Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the District Council for the year ended 30 June 2009, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the District Council on pages 109 to 155:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The service provision information of the District Council on pages 31 to 107 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The District Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 30 October 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements, performance information and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the District Council as at 30 June 2009. They must also fairly reflect the results of its operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit and in conducting the audit of the Long-Term Council Community Plan, we have no relationship with or interests in the District Council.



Julian Tan
 Audit New Zealand
 On behalf of the Auditor-General
 Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements, performance information and the other requirements

This audit report relates to the financial statements, performance information and the other requirements of Southland District Council (the District Council) for the year ended 30 June 2009 included on its website. The District Council is responsible for the maintenance and integrity of the website. We have not been engaged to report on the integrity of the District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements, performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, performance information and the other requirements as well as the related audit report dated 30 October 2009 to confirm the information included in the audited financial statements, performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Compliance and Responsibility

Compliance

The Council and management of the Southland District Council confirm that all the statutory information requirements in Section 101 of the Local Government Act 2002 regarding financial management have been complied with.

Responsibility

The Council and management of the Southland District Council accept responsibility for the preparation of the annual financial statements and the judgements used in them.

The Council and management of the Southland District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Management of the Southland District Council, the annual financial statements for the year ended 30 June 2009 fairly reflect the financial position and operations of the Southland District Council.



F G Cardno
MAYOR

Date: 30 October 2009



D P Adamson
CHIEF EXECUTIVE

Date: 30 October 2009



P S Culling
**GROUP MANAGER CUSTOMER
AND FINANCIAL SERVICES**

Date: 30 October 2009