Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

16 MAY 2013

Meeting Status: **Public**

Purpose of Report: For Information

FINANCIAL REPORT TO 31 MARCH 2013

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 31 March 2013. Financial exceptions are noted in the report together with explanations for any significant variations from the budgets.

SIGNIFICANCE OF DECISION

2 This report does not trigger Council's Significance Policy.

BACKGROUND

3 The financial reports to 31 March 2013 show the Council's financial performance against budgets and highlight any financial exceptions and include some financial performance and analysis indicators.

4 The Council is provided with information on seven broad areas at each quarter end. These are:

Part A: Statement of Comprehensive Income (Financial Performance)

Part B: Statement of Financial Position

Part C: Statement of Rating Position

Part D: Revenue/Expenditure by Activity with Explanations on Variances and Trends

Part E: Explanation of Capital Works Programme Performance

Part F: Outstanding Rates Debt

Part G: Statement of Performance against Treasury Policy Limits

Full explanations are provided under each part.

Part A: Statement of Comprehensive Income (Financial Performance)

5 The Statement of Comprehensive Income covers all of Council's revenue and expenditure from all funding sources not just rates funding. The net position of revenue less expenditure provides the operating surplus or deficit. Table 1 below summarises Council’s Statement of Comprehensive Income as at 31 March 2013. Explanations of key components and variances follow. The Statement compares actual revenue and expenditure for the year to date up to 31 March with budgets for the full year.

Table 1

2011/12 Actual $000		31/03/2013 Actual $000	2012/13 Budget $000
45,621	Total Rates	36,282	47,180
7,614	Fees and Charges	6,344	8,782
3,468	Financial/Development Contributions	1,955	2,040
361	Trust Fund Revenue Aquatic Centre	900	900
880	Vested Assets	96	1,040
1,967	NZTA Operating Funding	827	1,577
612	NZTA Expressway Project	200	200
1,403	NZTA Capital Funding	261	1,493
61,926	**TOTAL OPERATING REVENUE**	**46,865**	**63,212**
39,314	Operating Costs	28,357	40,891
612	NZTA Expressway Project	200	200
975	Loss on Disposal	-	-
5,187	Finance Costs	4,977	8,474
5,936	Gain/(loss) on Revaluation of Financial Instruments	-	-
13,142	Depreciation/Amortisation	10,169	13,383
65,166	**TOTAL OPERATING EXPENDITURE**	**43,703**	**62,948**
(3,240)	**Operating Surplus (Deficit)**	**3,162**	**264**
-	Less recognition of NZTA’s share (subsidy) on the land purchased for the Western Link Road	(13,625)	-
(3,240)	**TOTAL COMPREHENSIVE INCOME**	**(10,463)**	**264**

Explanation of Operating Revenue

6 This consists of the following components:

- Rates Revenue
- Other Revenue:
  - Fees and Charges
  - Financial Contributions/Development Contributions
  - Vested Assets
- New Zealand Transport Agency Revenue
  - Operating Funding
  - Capital Projects Funding
  - Expressway Project

Rates Revenue

7 The rates budget is the total Council rates levied of $48.268 million less Council's rates on its own properties to give a net rates budget of $47.18 million.

8 The rates levied in the first nine months reflect 75% of the total annual rates and also includes rates penalties which are in addition to the total rates levied.

Fees and Charges

9 Overall fees and charges are on target to meet budget. There are overs and unders that offset each other to achieve this and these will be explained in detail later in the report.

Financial Contributions/Development Contributions

10 Financial Contributions are levied under the Resource Management Act and cover Reserves Contributions levied on developers at the time of subdivision in accordance with Council's Development Contributions Policy in the Long Term Plan.

11 Development Contributions are levied under the Local Government Act 2002 and cover all key activities except Parks and Open Space and are levied on developers at the time of subdivision in accordance with Council's Development Contributions Policy in the Long Term Plan.

12 Accounting Standards require that Development Contributions and Financial Contributions are not recognised as revenue until they are utilised to fund capital works. The reason for this is that until the contributions are spent on the capital works for which they are collected they are required to be recognised as a current liability. As the Contributions are spent on capital works they are recognised as revenue. The Contributions recognised to date as revenue are on target to meet the budget at year end.

Vested Assets:

13 These are the roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision. These are non-cash assets but the value of these vested assets needs to be recognised as revenue in the Statement of Comprehensive Income. For the first nine months to March there was $96,000 worth of assets vested to Council by developers. Council is not anticipating to reach the full year’s budget by year end. As this is non cash revenue it will not have a material impact on Council’s financial position at year end.

Explanation of Operating Expenditure

14 Total Operating Expenditure consists of operating costs, depreciation and finance costs. Overall Operating Expenditure is below the budget for the first nine months. Variances in operating costs and finance costs are summarised briefly below. Further detail on variances in Operating Costs are provided in Part D and explanation of the capital works programme affecting finance costs are provided in Part E. The operating expenditure against the annual budget for all of the Council's sixteen activities is shown in Part D with relevant explanations on trends and variances.

Operating Costs

15 The operating costs both direct and indirect are below the budget for the first nine months. This is mainly due to lower operating costs as at 31 March 2013 for Economic Development, Access & Roading, Coastal Management, Stormwater Management and Supporting Environmental Sustainability. These are explained under Part D.

Finance Costs

16 Council's finance costs or debt servicing costs are below budget for the first nine months. This reflects the lower level of capital expenditure in the first nine months and also the lower average interest rates achieved for existing debt through the management of Council's interest rate swaps. The analysis of the Capital 2012/13 programme is set out in summary form in Part E.

Operating Net Surplus

17 Even though the total operating revenue is below the budgeted revenue for the first nine months, the operating expenditure is lower (by a greater margin) than the budget for the same period, resulting in an operating surplus of $3.162 million as at 31 March 2013.

18 The operating surplus relates predominantly to savings in debt servicing costs. This is not the rates surplus which will be much smaller. The latter is discussed in Part C Statement of Rates Position.

Deficit

19 After recognising NZTA's share (subsidy received in prior years) on the land purchased for the Western Link Road of $13.625 million the net deficit is $10.463 million

Recognition of NZTA's share of the land purchased for Western Link Road

20 This recognises NZTA's subsidy, received up until 2009, on the land purchased for the Western Link Road. The Western Link project was on hold until the Board of Inquiry made their final decision on the Expressway around 15 April 2013. As a result NZTA's share of the land will be transferred back to NZTA and Council's share will be sold to NZTA early in the 2013/14 year. This transaction is non cash and represents a write off of NZTA's share of the land that Council was holding for the Western Link Road.

Part B: Statement of Financial Position as at 31 March 2013

21 The Statement of Financial Position as at 31 March 2013 is set out below, followed by an overview of the key components.

Table 2

2011/12 Actual $000		31/03/2013 Actual $000	2012/13 Budget $000
	Current Assets		
2,662	Cash & Cash Equivalents	2,969	3,561
5,573	Trade and Other Receivables	5,921	2,667
132	Inventories	112	137
2	Derivative Financial Instruments	2	48
8,369	**Total Current Assets**	**9,004**	**6,413**
	Non-Current Assets		
844,339	Property, Plant and Equipment	851,140	894,912
263	Forestry Assets	263	350
343	Intangible Assets	422	350
3	Derivative Financial Instruments	3	228
66	Other Financial Assets	66	-
845,014	**Total Non-Current Assets**	**851,534**	**895,840**
853,383	**TOTAL ASSETS**	**860,538**	**902,253**
	Liabilities & Public Equity		
	Current Liabilities		
14,896	Trade and Other Payables	6,558	15,293
1,908	Derivative Financial Instruments	1,908	1,704
1,594	Employee Benefit Liabilities	1,328	1,499
1,110	Deposits	1,089	1,200
68,059	Public Debt	24,712	13,909
2,104	Development Contributions	1,778	562
89,671	**Total Current Liabilities**	**37,373**	**34,167**
	Non-Current Liabilities		
20,364	Public Debt	90,491	121,281
8,476	Derivative Financial Instruments	8,266	4,618
308	Employee Benefit Liabilities	308	445
38	Provisions	38	38
29,186	**Total Non-Current Liabilities**	**99,103**	**126,382**
118,857	**TOTAL LIABILITIES**	**136,476**	**160,549**
573,267	Retained Earnings	562,879	579,566
159,338	Revaluation Reserve	159,338	159,338
1,921	Reserves & Special Funds	1,846	2,800
734,526	**TOTAL PUBLIC EQUITY**	**724,063**	**741,704**
853,383	**TOTAL LIABILITIES & PUBLIC EQUITY**	**860,538**	**902,253**

Current Assets

22 The higher level of current assets since 30 June 2012 reflects the increase in cash and investment as at 31 March 2013 compared to 30 June 2012. The increase in cash and investments reflects that Council had borrowed funds to fund this year's capital expenditure funding requirements for April/May.

Non-Current Assets

23 Council's Property Plant and Equipment Assets are Council's infrastructural assets of Roading, Water, Wastewater and Stormwater, Land and Buildings, Parks and Reserves, Improvements and Community Facilities. The higher value of Council's assets as at 31 March 2013 compared to 30 June 2012 reflects nine months of capital expenditure less depreciation of Council's Assets. It also recognises the transfer of NZTA's share of the Western Link Road properties back to NZTA.

Current Liabilities

24 The lower level of current liabilities since 30 June 2012 reflects the lower level of short term public debt as at 31 March 2013. Since 30 June 2012 Council has borrowed long term funds from the Local Government Funding Agency (LGFA) to refinance its short term bank funded debt once it was able to join the LGFA as a shareholder.

Non Current Liabilities

25 The higher level of non-current liabilities reflects the borrowing of the long term funds from the LGFA to replace its short term bank funded debt. The other items have not been updated since 30 June 2012 as it involves significant work and cost to assess on a quarterly basis. Market indicators would suggest the liability would reduce rather than increase. These will be updated annually as part of the Annual Report unless there are significant variances in the market.

Public Equity

26 Public Equity = Total Assets minus Total Liabilities. The total public equity has increased by the net surplus for the nine months, less the NZTA's share of the Western Link properties.

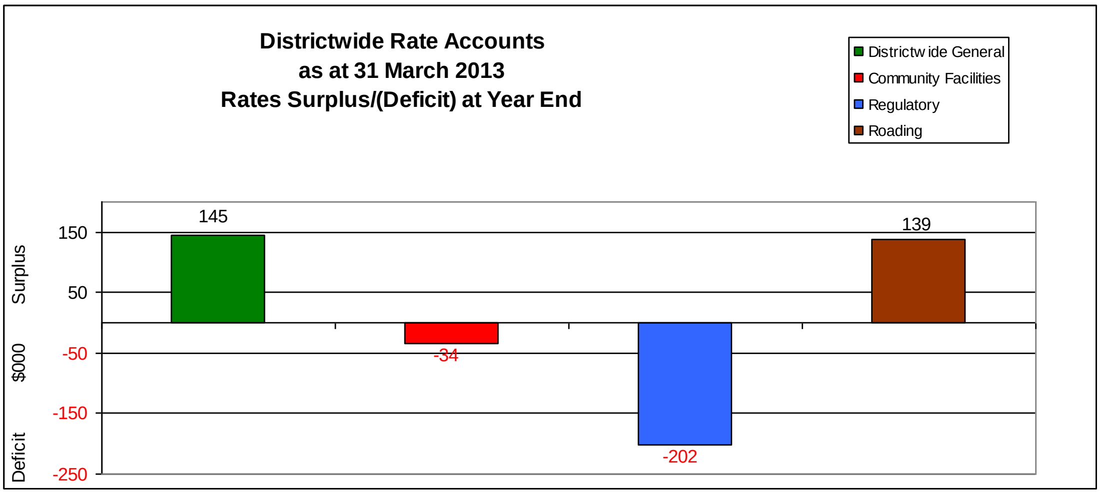
Part C: Statement of Rates Position

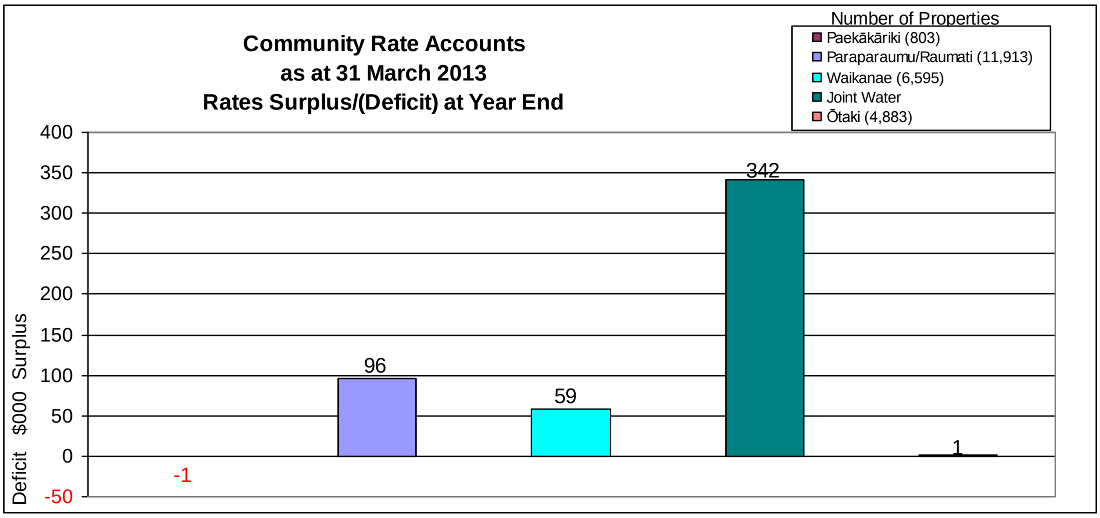
27 The Rates Surplus/(Deficit) is different to the Net Surplus (deficit) because Rates Surplus/(Deficit) only covers Council's revenue and expenditure that is rates funded. Any surplus/deficit effects the rates required for the next financial year.

28 The overall rates position to 31 March 2013 and the forecast position to year end are detailed in Table 3 below. The Council's rates position is also illustrated in Figures 7 and 8.

Table 3

	Net Rate Requirement Actual to 31 March 2013 $000	Net Rate Requirement 2012/13 Annual Budget $000	Actual/ Annual Budget %	Net Rate Requirement Financial Projections to 30 June 2013 $000	End of Year Forecast Rates Surplus/ (Deficit) $000
Districtwide					
Districtwide General	6,258	9,344	67	9,199	145
Community Facilities	7,646	11,197	68	11,231	-34
Regulatory	3,026	4,610	66	4,812	-202
Roading	4,478	5,521	81	5,382	139
Total Districtwide	**21,408**	**30,672**	**70**	**30,624**	**48**
Community					
Paekākāriki	279	387	72	388	-1
Paraparaumu/Raumati	4,583	6,760	68	6,664	96
Waikanae	1,807	2,285	79	2,226	59
Joint Water	3,749	5,601	67	5,259	342
Ōtaki	1,877	2,563	73	2,562	1
Total	**33,703**	**48,268**	**70**	**47,723**	**545**





Explanation of Table 3

29 The Council will levy total annual rates of $48.268 million for the 2012/13 year. This is reflected in the 2nd column titled 'Net Rate Requirement 2012/13 Annual Budget' and shows how total rates are allocated across Districtwide and local Community rates.

The net rate requirement is as follows:

Total year to date operating expenditure (funded from Rates)	-	Total year to date operating revenue (excluding rates)	=	Net Rate Requirement

30 As at the 31 March 2013 the end of the first nine months there would be a general expectation that the net rate requirement would be around 75% of the annual rate requirement.

31 Due to seasonal patterns of revenue and expenditure and other trends and exceptions which are further explained under Part D the average rate requirement as at 31 March 2013 is 70% of the annual rate requirement. The projected rates surplus based on the first nine month’s results and trends is $545,000 at year end. After allowing for the funding of a provision from 2012/13 rates surplus to fund the budgeted District Plan hearing costs of $204,000 for the 2013/14 year, the projected rates surplus at year end reduces to $341,000. This compares to the $226,000 projected rates surplus included in the Draft Annual Plan. The updated rates surplus will be taken into account in the Chief Executive’s report to the Draft Annual Plan.

32 The Council budgets for six months interest costs on the proportion of its new capital expenditure, funded from debt, so the interest costs on new debt are dependent on the timing of the Capital Expenditure Works programme. Also, the Council's interest rate swap portfolio has lowered Council's overall cost of debt. These interest rate savings are offset by the other shortfalls in Council's operating revenue or where expenditure is forecast to exceed the budget as explained in Parts D and E that follow.

33 The analysis of the projected shortfalls in revenue and expenditure savings which support this forecast is as follows:

Analysis of Projected Surplus/(Deficit)		**Projected Surplus/ (Deficit) $000**
Projected Additional Expenditure		
Turf Farm Maintenance	(15)	
District Plan Legal Expenses	(202)	
Animal Control – Legal Expenses	(39)	
Aquatic Facilities Operating costs	(196)	
Resource Consents – Legal Costs	(50)	(502)
Projected Revenue Shortfalls		
Library Revenue	(28)	
Subdivision Engineering Fees	(19)	(47)
Projected Expenditure Savings		
Insurance Premium Savings	60	
Bore – Energy Contingency	93	
Water Leak Detection	48	201
Projected Additional Revenue		
LIM Revenue	90	
Aquatic Centre Revenue	38	
Dog Fines	25	
Dog Registration	10	
Cemeteries Revenue	56	219
Debt Servicing Savings		
Districtwide Stormwater	(21)	
Town Centre	4	
Coastal Protection	28	
Community Facilities	19	
Environmental Protection	32	
Solid Waste	4	
Roading	402	
Parks & Reserves	31	
Paekākāriki Water and Stormwater	(5)	
Paraparaumu/Raumati Stormwater/Wastewater	111	
Waikanae Stormwater and Wastewater	45	
Paraparaumu/Waikanae Joint Water	248	
Ōtaki Water/Stormwater	22	920
Depreciation	(13)	(13)
Forecast Rates Surplus		778
Other Additional Expenditure items as agreed at Council Meeting 31st January 2013		
Regional Governance	(35)	
Pre Feasibility Study/VIC Centre	(30)	
Expressway Operational Costs	(149)	(214)
Additional Expenditure required Regional Governance (above $35k approved 31 Jan)		(19)
Net Projected Surplus		**545**
Less provision for District Plan Hearing Costs (2013/14 Draft Annual Plan)		(204)
Net Projected Rates Surplus		**341**

Explanation of Additional Expenditure

Parks & Reserves - Turf Farm Maintenance

34 The Council's purchase of the Turf Farm will involve additional maintenance expenditure which was not budgeted for in the 2012/13 year.

Legal Costs – Development Management

35 Legal costs are projected to exceed the budget by approximately $202,000 in this area as a result of the Weir Judicial Review and Plan Change 72A costs.

Animal Control – Legal Expenses

36 Legal costs associated with dog prosecutions are forecast to be overspent by $39,000. In 2011/12 there were five cases that were concluded with another eight cases spanning the 2011/12 and the 2012/13 year. There are three new cases that have been prosecuted in 2012/13 with another two pending. The total legal costs have decreased from $120,000 in 2011/12 to a forecast spend of $75,000 this year as a result of implementing more robust internal decision making processes regarding prosecutions and a a review of external legal providers.

Aquatic Facilities - Operating

37 The operating costs of the aquatic facilities across the District are forecasting to be overspent by $196,000 at year end. This is the result of one-off costs associated with the transfer of Aquatic facilities back to KCDC management. Expenditure items include training, staff recruitment etc. Another factor was increased insurance costs for the new Coastlands Aquatic Centre. All of these costs are one-off costs which are not required at the same level for future years. These costs are partially offset by increased revenue resulting from bringing the management of the aquatic facilities in house such as learn to swim revenue as explained in clause 48 of this report.

Legal Costs Resource Consents

38 Costs in this area are forecast to be higher than budget. One significant unplanned spend in this budget relates to the Environmental Court Appeal in relation to 51A The Parade Paekakariki. Another significant spend was for the Ryman appeal which has costs of $21,000 to date.

39 The legal costs for Resource Consents vary from year to year and budgets are set based on an average level of legal expenditure on Resource Consents (over several years).

Explanations of Projected Shortfalls in Revenue

Library Revenue

40 Library revenue is forecast to be below the budget by $28,000 at year end. One of the reasons is less revenue being recovered from the Extended Loans/fines for library books. A new practice has been implemented involving sending out reminder notices to lenders three days before due date resulting in lower revenue. Other reasons for the downturn include a lack of demand for items such as CD hire and the Best Seller collection.

District Plan Revenue (Subdivision Fees)

41 The District Plan revenue for subdivision fees is $19,000 below budget due to the economic downturn.

Explanations of Expenditure Savings

Local Authority Protection Programme (LAPP) Fund Premiums

42 The LAPP premiums are the insurance premiums covering 40% of the value of the Council's underground assets (the Government has pledged to cover the remaining 60% of the value). These premiums have been reduced by $60,000 as certain types of asset have moved from commercial insurance to LAPP insurance. Assets include:

- Water Bores
- Water Reservoirs
- Wastewater Oxidation Ponds

Bores Energy Contingency

43 Despite the drought conditions the emergency bores were only required for a limited number of days. As a result the Contingency Energy Budget was not required in full. Savings of $93,000 have been achieved.

Water Leak Detection

44 As a result of the Water Meter installation project leaks are being found and fixed. These costs are being met from the Reactive Reticulation capital renewals budget which has resulted in savings in the operational budgets of $48,000.

Explanations of Additional Revenue

LIM Revenue

45 The LIM revenue is projected to exceed the budget by $90,000 at year end. This is the result of a forecast additional 150 LIM's being processed in this financial year. There is an increased trend in potential property buyers acquiring LIMs before proceeding with property purchases.

Cemeteries Revenue

46 The Cemeteries revenue is forecast to exceed the budget by $56,000 by year end. When compared with the previous years, the revenue is well above normal levels. The base revenue is 37% above 2011/12 levels.

Animal Control Revenue

47 Dog fines are currently $20,000 over the budget and based on the trend are forecast to be $25,000 above the budget at year end. This is as a result of more enforcement work being undertaken.

48 Dog registration fees are currently $10,000 above the budget and are forecast to remain at that level by year end.

Aquatic Facilities Revenue

49 Aquatic facilities revenue is higher than budgeted as new revenue streams are realised as a result of bringing the Aquatic Facilities under Council control, namely Aqua Fit, Learn to Swim and General Merchandise Sales.

Debt Servicing Savings

50 These debt servicing savings relate to the lower level of capital expenditure in the first nine months for the 2012/13 year and also to the lower average interest rates achieved on existing debt due to the management of Council's interest rate swaps.

Depreciation

51 Depreciation in total is forecast to exceed the budget by $13,000 at year end. There are minor unders and overs relating to depreciation expense for various activities.

Additional Expenditure as agreed at Council Meeting 31st January 2013

Regional Governance

52 Council approved the allocation of a further $35,000 from the projected 2012/13 rates surplus to cover the forward work on regional governance for this year. At the same meeting it was noted that if a large number of residents were to be surveyed it would require additional funding.

Additional Expenditure Requirement (Regional Governance)

53 With a larger survey now being undertaken and other related costs the additional funding requirement (above the $35,000 approved on 31 January 2013) is a further $19,000.

Pre-Feasibility Study/VIC Centre

54 Council approved additional funds of $15,000 from the projected 2012/13 rates surplus to fund a feasibility study for the proposed gateway or visitor centre for Kāpiti Island.

55 Council approved additional funds of $15,000 from the projected 2012/13 rates surplus to fund a review of the visitor information network in Kāpiti.

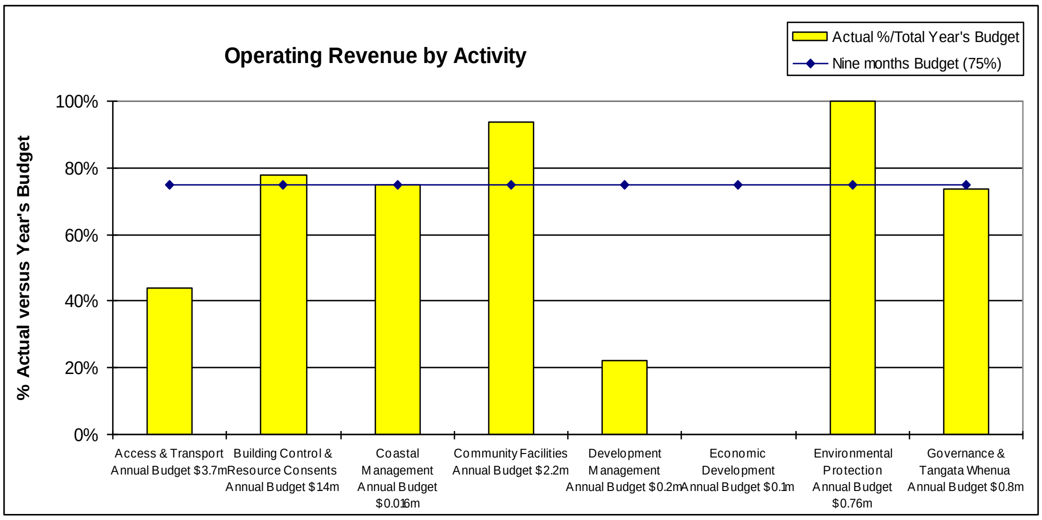
Expressway Operational Costs

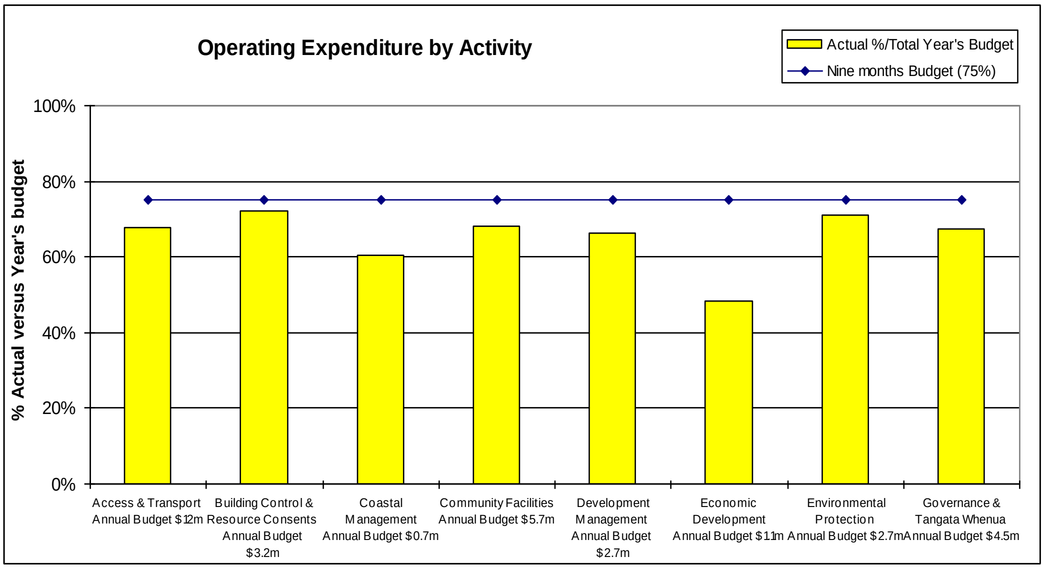
56 Council approved further allocation of $149,000 from the projected 2012/13 rates surplus to the Expressway budget to ensure input into the NZTA Peka Peka to Ōtaki Expressway Project.

Part D: Revenue/Operating Expenditure by Activity with Explanations on Variances and Trends.

Operating Revenue/Operating Expenditure

57 The graphs below show actual operating revenue (other than rates) and operating expenditure as at 31 March 2013 as a percentage of the Annual Budget for each Activity. Comments on general trends and exceptions are provided below.





Explanations of key variances for operating revenue and expenditure for each activity

<u>Access and Transport</u>

58 Operating revenue is lower than budget as at 31 March 2013 due to the lower level of expenditure incurred that was eligible for NZTA subsidy as at 31 March 2013.

59 Operating expenditure is also lower than the budget for this stage of the year due to vacancies in the Roading Team during the early part of the financial year.

Building Control and Resource Consents

60 The operating revenue is exceeding the budget for the first nine months mainly due to the increase in LIM revenue.

Coastal Management

61 The operating expenditure is lower due to the lower level of maintenance required to date. Planned maintenance is not undertaken until the final quarter to see what portion of the budget is required to fund storm event damage. A lower level of expenditure has been required for reactive maintenance to date and the planned maintenance is being undertaken in the final quarter.

Community Facilities

62 The lower level of operating expenditure compared to the budgets mainly relates to lower debt servicing costs due to the timing of the capital works programme.

63 Revenue is higher due to higher cemeteries revenue and increased revenue from swimming pools mainly from the extra revenue such as ‘learn to swim’ classes as a result of the Council bringing the management of the pools in-house.

Development Management

64 Both operating expenditure and revenue are lower due to the lower level of activity related to private plan changes.

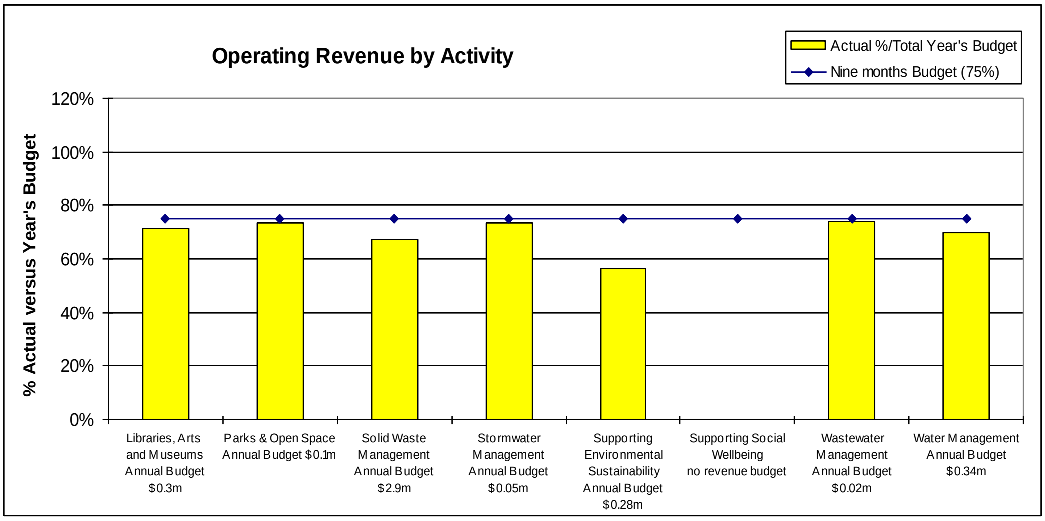
Economic Development

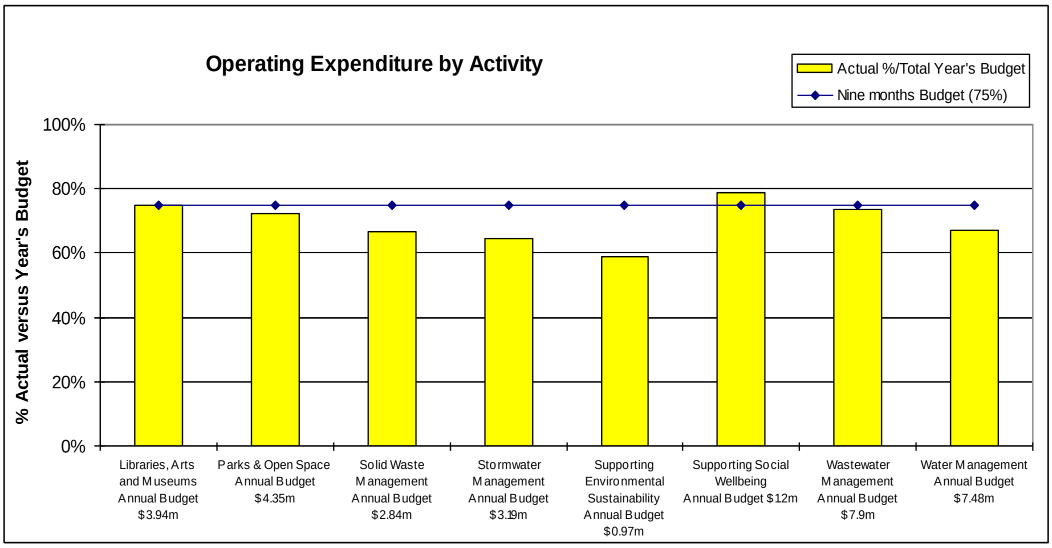
65 The lower level of operating expenditure relates mainly to the lower level of debt servicing associated with the Clean Tech capital expenditure for the 12/13 year.

66 There has been no revenue received in relation to the economic development activity this year due to the Clean Tech Centre not being built as yet but it is proposed for the 2013/14 year.

Environmental Protection

67 The higher level of operating revenue compared to the budgets mainly relates to the levy and collection of the annual Dog Registration fees which were due in the first week of August and the annual Health Licenses which are levied and paid in the first three months of the year.





Explanations of key variances for operating revenue and expenditure for each activity

<u>Stormwater</u>

68 The operating expenditure is lower due to the lower level of maintenance required to date. Planned maintenance is not undertaken until the final quarter to see what portion of the budget is required to fund storm event damage. A lower level of expenditure has been required for reactive maintenance to date, the planned maintenance is being undertaken in the final quarter.

<u>Supporting Environmental Sustainability</u>

69 The operating expenditure is lower due to the timing of the ecological sites rates relief and Heritage grants due in the final quarter of the year. The operating revenue is lower due to the timing of the internal revenue being transferred in the final quarter of the year.

<u>Supporting Social Wellbeing</u>

70 Operating expenditure is higher for the first nine months compared to the budget due to some of the annual community contract payments being made in the first nine months of the year.

Solid Waste Deficit

71 As part of the adoption of Draft Annual Plan on 17 March Council were advised of an expected deficit of $190,000 in the Solid Waste activity. At the same meeting it was agreed that this would be funded from the Contingency fund. It was also noted that the deficit may change depending on what happened to the sale of Council bags.

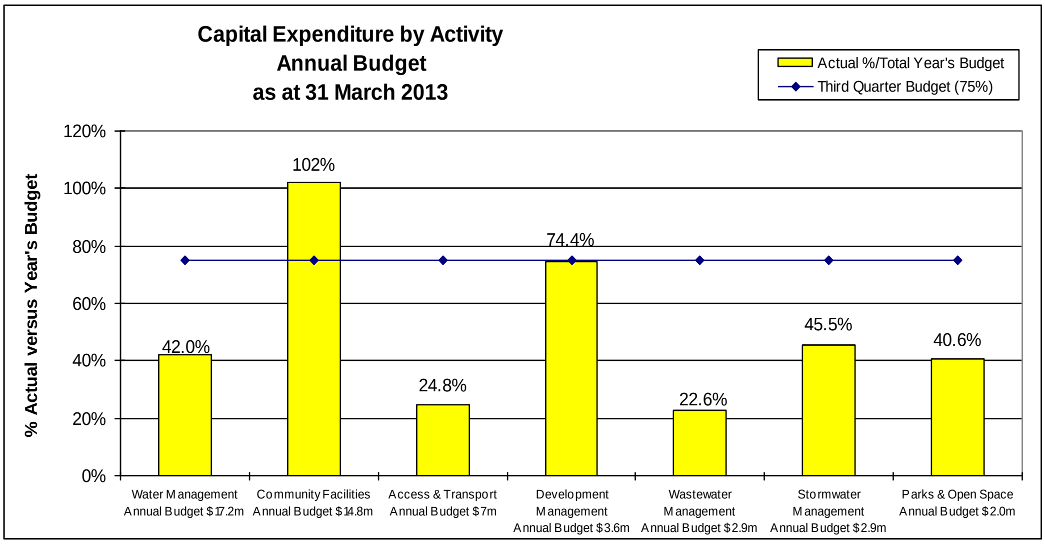
72 A further 3 months of sales data is now available and Council bag sales are declining at a slower rate that than expected despite the price differential of over $1.00 when compared to private operators.

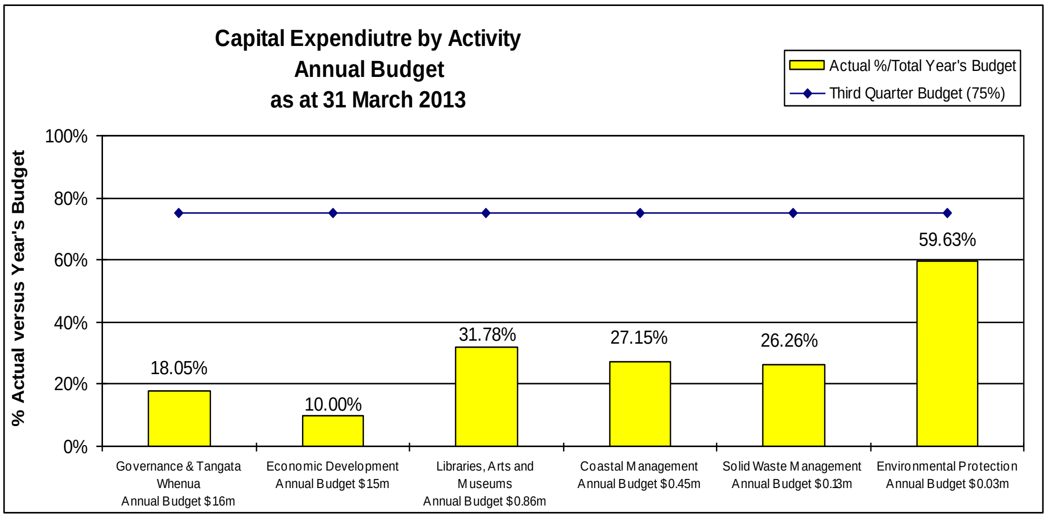
73 The continued sales have meant the deficit of $190,000 is now estimated to be $75,000 as at 30th June 2013. This means less of the Contingency Fund will be required to fund the deficit. A further update on the Solid Waste account along with the impact on the Contingency fund will be provided as part of the Chief Executives Report to the 2013/14 Draft Annual Plan.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

74 With the exception of Community Facilities and Development Management all activities have a lower capital expenditure than budgeted.

75 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 March 2013 against annual budgets and forecasts.





76 There are three activities which have no capital expenditure: Supporting Social Wellbeing, Supporting Environmental Sustainability and Building and Resource Consents.

77 The higher level of Community Facilities capital expenditure relates mainly to the new Coastlands Aquatic Centre and Civic Building.

78 The forecast total project costs for both the Coastlands Aquatic Centre and Civic Building upgrade are unchanged from the total budgets approved on 15 December 2011. Due to some timing changes there was less expenditure in the 2011/12 year than forecast which means that more expenditure will be incurred in the 2012/13 year but the total expenditure will remain within the total budgets for each project.

79 The total 2012/13 capital expenditure programme of $55.164 million has been reforecasted to $46.786 million and reflects timing changes between years for projects such as the Water Supply – River Recharge Project (stage 1) and Water Treatment Plan Upgrades.

80 A summary of the activities where the forecast expenditure varies from the budget is attached as Appendix 1. The explanations for the proposed changes to financial forecasts are included in the Activity Report under the Major Projects over $250,000 and in the capital expenditure listing for projects less than $250,000 for each Activity.

81 A full listing of the proposed capital projects to be carried over into the 2013/14 year in addition to these carry over projects already included in the Draft Annual Plan is attached as Appendix 2. The proposed additional capital carryovers totalling $1.873 million will be included in the Chief Executive's report to the Draft Annual Plan for consideration by the Council for inclusion in the final Annual Plan.

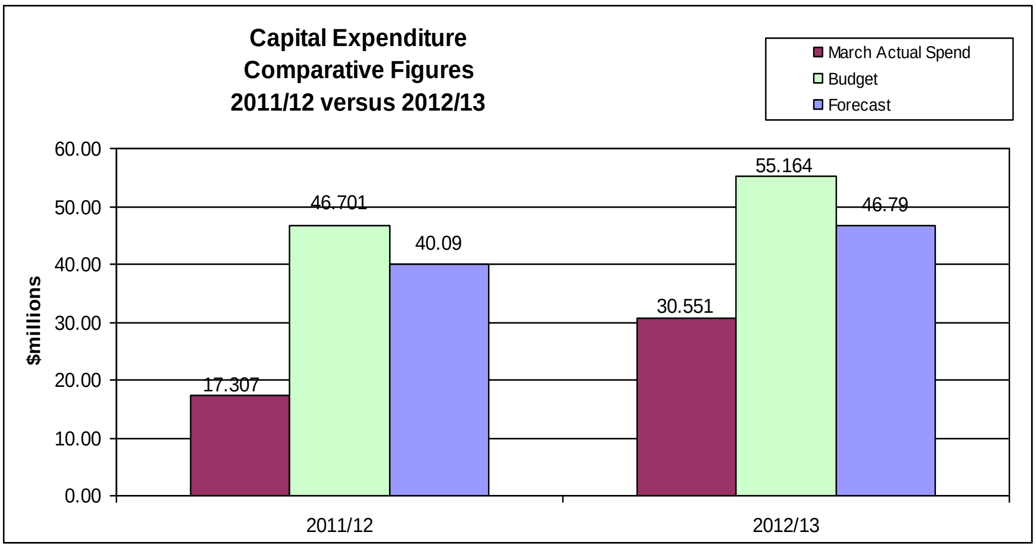
82 Key capital projects where forecasts have changed and have resulted in additional/carry overs include:

- Raumati Pool closure $250,000. This is due to the delays in the completion of the Coastlands Aquatic Centre;
- Libraries RFID technology $214,000. The technology is changing for this service and so the project is being delayed and carried over into the next financial year as further investigations will be undertaken on options;
- Rauparaha Street Pump Station upgrade $868,000. The project is budgeted to cost $1.367 million with $868,000 of that work being carried out in the 2013/14 year; and
- the new Paekākāriki bore pipeline $148,000. This work has been delayed due to the first bore being drilled unsuccessfully and a second bore has been drilled with satisfactory results.

83 Adjustments are being made to debt servicing and loan repayment/depreciation budgets for the 2013/14 draft Annual Plan process.

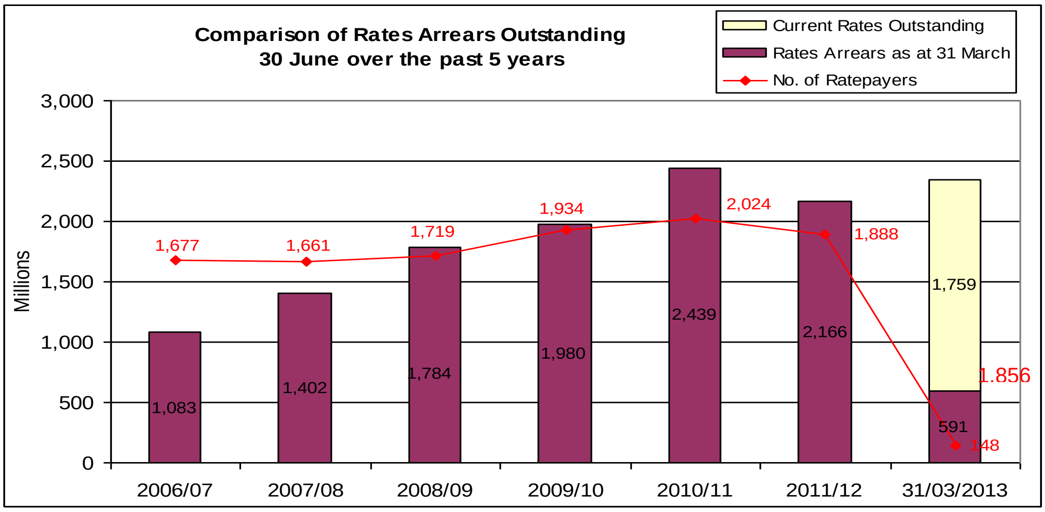
84 The capital expenditure at 31 March 2013 of $30.551 million represents 65% of the total reforecast capital expenditure for the 2012/13 year.

85 Set out below is a comparison of the capital expenditure programme between the 2011/12 year and 2012/13 and the actual spend as at 31 March 2013.



Part F: Outstanding Rates Debt as at 31 March 2013

86 The first graph below shows the analysis of rates debt between rates arrears (rates outstanding as at 30 June 2012, which is still unpaid) and the current rates debt (2012/13 rates that have not been paid as at 31 March 2013) and how the position as at 31 March 2013 compares to the position for the 30 June 2012 and the previous five years.



87 The rates arrears as at 30 June 1012 of $2.166 million has been reduced to $591,000 as at 31 March 2013 and the number of rate debtors with outstanding rate arrears as at 30 June 2012 has reduced from 1,888 ratepayers to 149 ratepayers.

88 The current rates debt relating to the 2012/13 rates as at 31 March 2013 $1.759 million involving 1,856 ratepayers is higher than the current rate arrears of $1.712 million involving 1,859 ratepayers as at 31 March 2012.

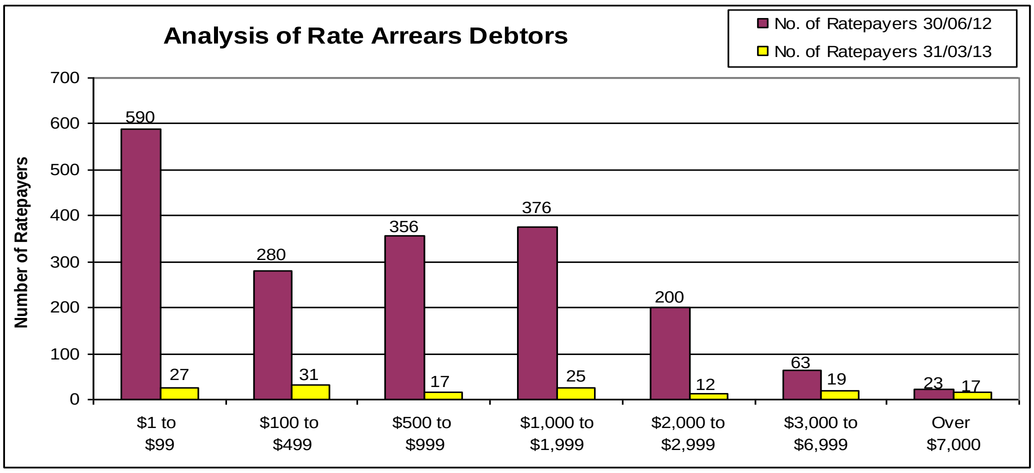
89 The total rates outstanding as at 31 March 2013 covering both current and rate arrears is $2.350 million which is higher than the total rates outstanding of $2.166 million as at 30 June 2012. The rate arrears collection has improved from previous years and work is currently being carried out to reduce the current rates outstanding by follow up letters and telephone calls to set up payment arrangements. Follow up letters have been sent to all ratepayers in April with outstanding rates and a further follow up letter will be sent in early June reminding them of the 10% arrears penalty which is applied to all rates outstanding after 30 June 2013. With the follow up, the total rates outstanding as at 30 June 2013 is projected to be at or below the level as at 30 June 2012.

90 As the Council collects rates on behalf of the Greater Wellington Regional Council the total rates outstanding includes both Council's rates. The analysis of the rates outstanding as at 31 March is as follows:

	$000	$000
Kāpiti Coast District Council rates	277	
Kāpiti Coast District Council penalties	243	
Total Kāpiti Coast District Council outstanding rates		520
Greater Wellington Regional Council rates	45	
Greater Wellington Regional Council penalties	26	
Total Greater Wellington Regional Council outstanding rates		71
Total rates outstanding as at 31 March 2013		**591**

Analysis of Rate Arrears Debtors

91 The definition of "rate arrears debtors" is where the ratepayers has outstanding rates at the beginning of the 2012/13 year and still has outstanding rates as at 31 March 2013.



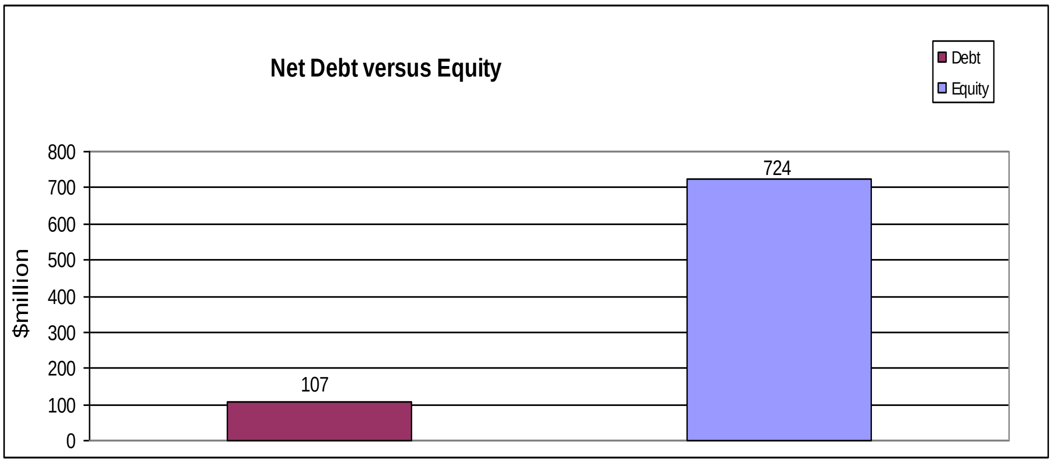
92 The maroon column shows the number of "rate arrears debtors" grouped by their level of rates debt as at 30 June 2012. The yellow column shows the number of those rate arrears debtors with rates still outstanding as at 31 March 2013 for each range of rates debt. It shows a good decrease in rates debt after nine months in the number of rate arrears debtors.

93 The rates collection process involves regular follow up with outstanding debtors and updates to payment arrangements to ensure debts are cleared over a reasonable time period.

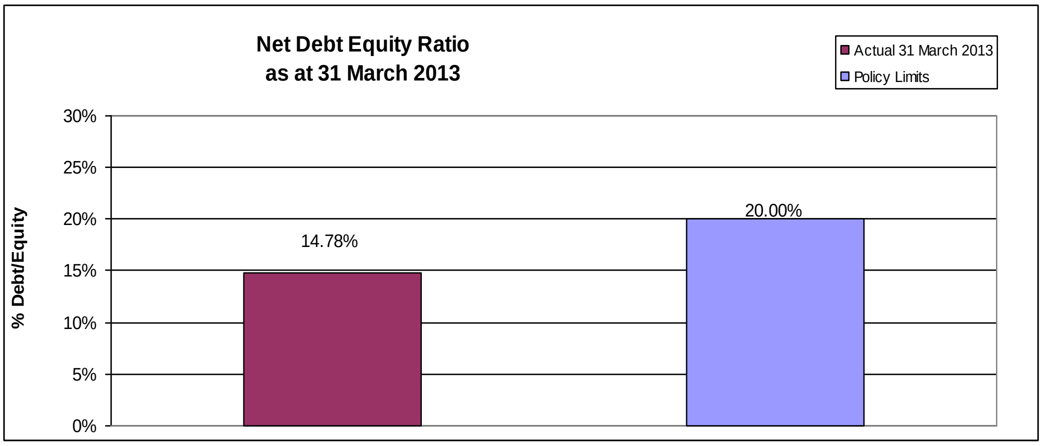
94 The rates outstanding as at 30 June 2012 of $2.166 million has been reduced to $591,000 as at 31 March 2013 and the number of rate debtors with outstanding rate arrears as at 31 March 2013 has reduced from 1,888 ratepayers as at 30 June 2012 to 148 ratepayers.

Part G: Performance against Treasury Management Policy Limits

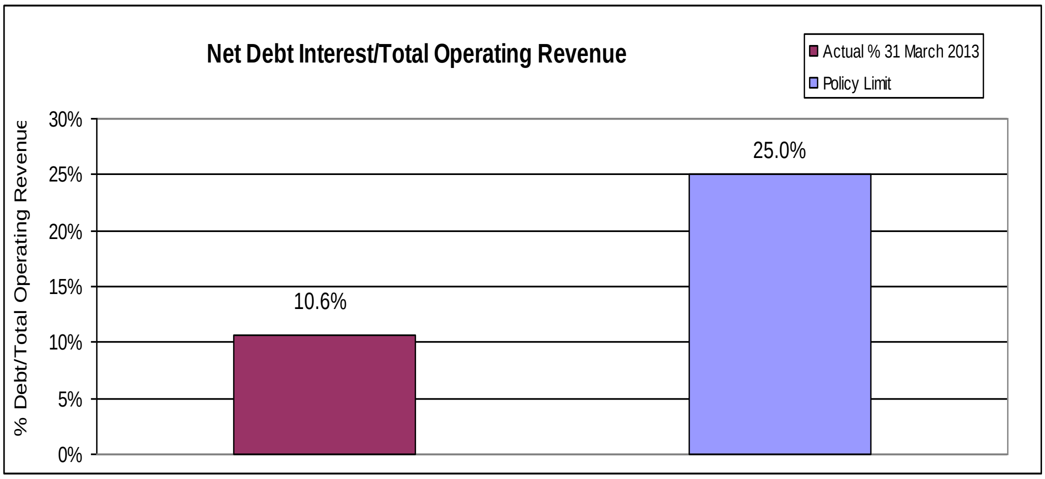
95 The graphs below shows that Council is well within its debt/equity policy limits as at 31 March 2013, as set in its Treasury Management Policy. Net Debt as at 31 March 2013 equals $107 million. Public Equity as at 31 March 2013 equals $724 million.



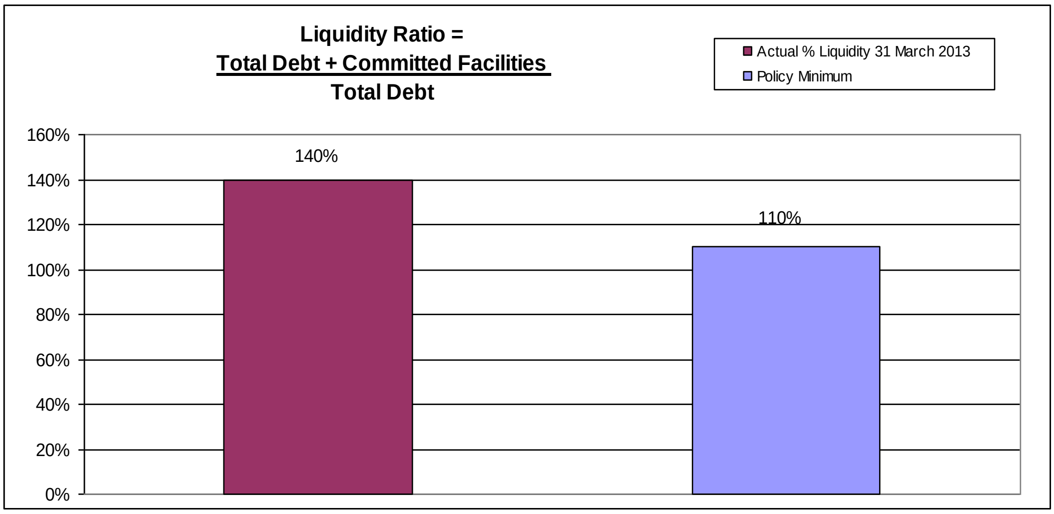
96 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 14.78% which is well within the 20% limit.



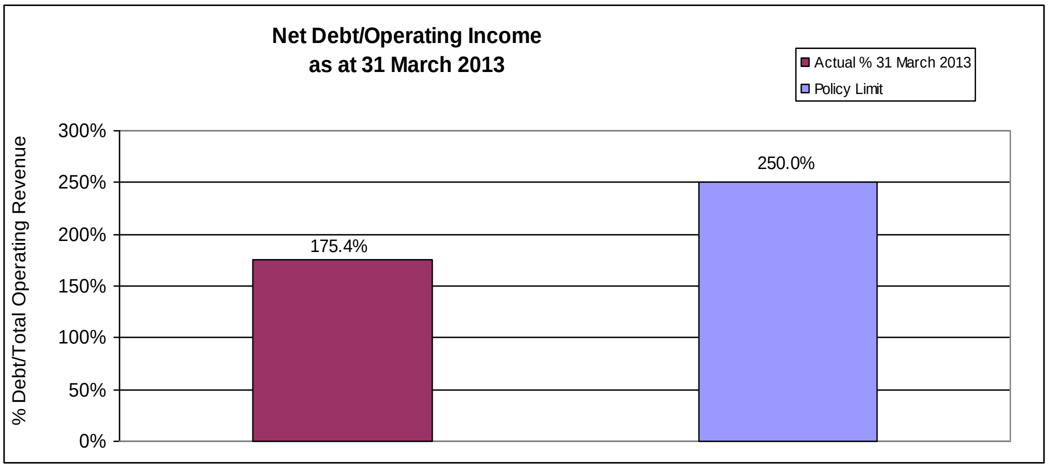
97 The Treasury Management Policy sets a limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The current ratio budgeted for the 2012/13 year is 10.6% which is well within the limit.



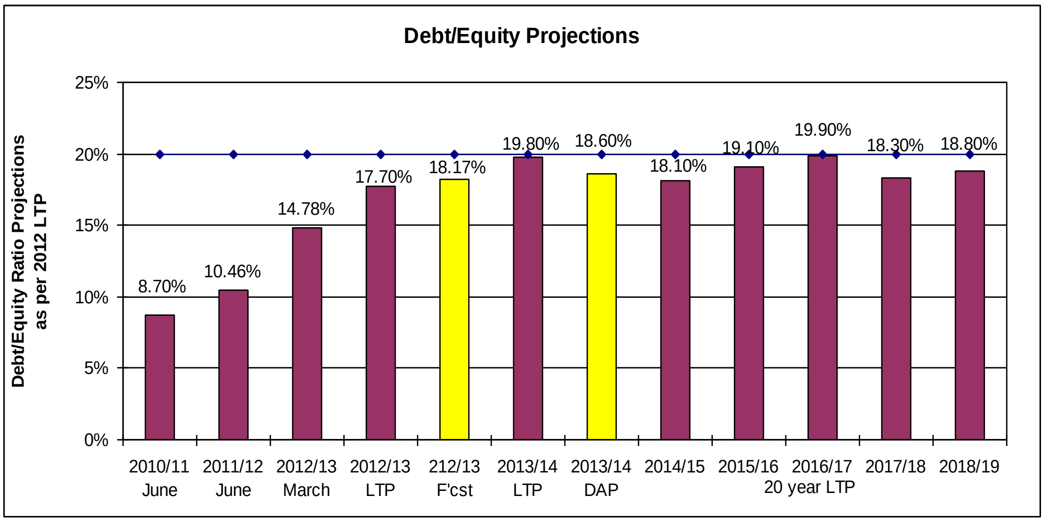
98 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 140% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



99 The net debt to operating income (excluding vested assets and development contributions) measures the ability of an organisation to repay its debt form operating income. The Treasury management Policy sets a limit of 250% for the ratio of Net Debt to Operating Income. The forecast ratio to the 30th June 2013 is 175.4% which is well within the limit.



100 The debt equity graph shows the actual debt/equity ratio as at 31 March 2013 and for the following years the budgeted debt/equity ratios as per the 2012 LTP. The items in yellow are the forecast positions to the end of the 2012/13 and 2013/14 years.



Other Considerations

101 There are no further financial, legal, publicity, consultation or other considerations.

Delegation

102 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the Governance Structure.

Section B.3.7:

Financial and Asset Management,

7.5 Authority to monitor performance of the Council's financial activities, including income, operating and capital expenditure against budgets, remissions, key financial indicators and investment and debt/borrowings management.

RECOMMENDATIONS

103 That the Corporate Business Committee notes the nine monthly financial results contained in this report FIN-13-881.

104 That the Corporate Business Committee notes the Council's operating surplus for the first nine months ended 31 March 2013 was $3.162 million which mainly reflects the savings in debt servicing costs through lower interest costs and the management of the interest rate swaps. After recognising NZTA's share (subsidy received in prior years) on the land purchased for the Western Link Road of $13.625 million the net deficit is $10.463 million.

105 That the Corporate Business Committee notes that based on the operating results for the first nine months ended to 31 March 2013 the forecast net rates surplus is $341,000 for the year end.

106 That the Corporate Business Committee notes that the net capital expenditure for the nine months amounted to $30.551 million compared to the capital expenditure budget for the year of $55.164 million. The Capital Expenditure programme has been reforecasted and now totals $46.786 million for the 2012/13 year. The expenditure to date represents 65% of the total reforecast capital expenditure budget for the 2012/13 year.

107 That the Corporate Business Committee notes the other key financial performance indicators including the performance against key Treasury Management Limits.

Report prepared by:	**Approved for submission by:**
Matt McGlinchey **Accounting & Financial Services Manager**	**Warwick Read** **Group Manager Finance**

Appendix 1 – Forecast Changes to Capital Programme in 2012/13
Appendix 2 – Capital Carry Overs to 2013/13