

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

15 AUGUST 2013

Meeting Status: **Public**

Purpose of Report: For Information

FINANCIAL REPORT TO 30 JUNE 2013

PURPOSE OF REPORT

- 1 This report sets out Council's financial results and financial position at 30 June 2013. Financial exceptions are noted in the report together with explanations for any significant variations from approved budgets.

SIGNIFICANCE OF DECISION

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

BACKGROUND

- 3 The financial reports to 30 June 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 of financial performance at each quarter and 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 as at 30 June 2013

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 30 June 2013. Explanations of key components and variances follow. The Statement compares actual revenue and expenditure for the year to 30 June 2013 with budgets for the full year.

Table 1

2011/12 Actual \$000		30/06/2013 Actual \$000	2012/13 Budget \$000
45,621	Total Rates	48,279	48,295
7,614	Fees and Charges	8,080	7,961
3,468	Financial/Development Contributions	2,032	2,041
361	Trust Fund Revenue Aquatic Centre	1,189	1,125
880	Vested Assets	482	1,040
-	Gain/(loss) on Revaluation of Financial Instruments	4,161	-
1,967	NZTA Operating Funding	987	1,297
612	NZTA Expressway Project	200	200
1,403	NZTA Capital Funding	1,344	1,773
61,926	TOTAL OPERATING REVENUE	66,754	63,732
39,314	Operating Costs	40,435	40,150
612	NZTA Expressway Project	204	200
975	Loss on Disposal	-	-
5,187	Finance Costs	7,253	8,474
5,936	Gain/(loss) on Revaluation of Financial Instruments	-	1,262
13,142	Depreciation/Amortisation	13,472	13,383
65,166	TOTAL OPERATING EXPENDITURE	61,364	63,469
(3,240)	Operating Surplus (Deficit)	5,390	263
-	Revaluation – Fair Value Movement on Property, Plant, and Equipment	(13,625)	-
(3,240)	TOTAL COMPREHENSIVE INCOME	(8,235)	263

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
- 7 The rates revenue reflects the rates levied for the year including rates penalties less Councils rates on its own properties.

Fees and Charges

- 8 Overall fees and charges were above the budget. There are overs and unders that offset each other that contributed to this and these will be explained in detail later in the report.

Financial Contributions/Development Contributions

- 9 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.
- 10 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.
- 11 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 as revenue are in line with the budget at year end.

Vested Assets:

- 12 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 2012/13 financial year there was \$482,000 worth of assets vested to Council by developers. As this is non cash revenue it will not have a material impact on Council's financial position at year end.

Gain/(loss) on Revaluation of Financial Instruments

- 13 This is an unrealised gain based on the value of Council's interest rate swap portfolio in relation to the market as at 30 June 2013.

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 2012/13 financial year. 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 above the budget for the 2012/13 financial year. This is mainly due to higher operating costs as at 30 June 2013 for Access and Roothing, Development Management and Community Facilities. At the 31 January 2013 Council meeting the Council authorised additional costs of \$149,000 associated with the Expressway project (input into the Peka Peka to Ōtaki project), an additional \$35,000 for the Regional Governance project, \$15,000 for a review of the Visitor Information Centre in Kāpiti and \$15,000 for a feasibility study for the proposed Gateway Visitor Information Centre for Kāpiti Island.
- 16 Additional legal costs of \$202,000 for the District Plan were identified in the March quarterly financial report to the Corporate Business Committee to be funded from the projected rates surplus at year end.
- 17 Also \$100,000 of legal costs for the Weir Judicial Review was allowed for in the forecast District Plan legal costs for the 2012/13 year. In the final 2013/14 Annual Plan an additional \$150,000 was allowed for the legal costs Weir Judicial Review. Due to the timing of the hearing most of the legal costs were incurred prior to 30 June 2013 and have been included in the 2012/13 year.

Finance Costs

- 18 Council's finance costs or debt servicing costs are below budget for the 2012/13 financial year. This reflects the lower level of capital expenditure 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 Surplus

- 19 The total operating revenue is higher than the budget at year end and this is mainly due to the gain on the revaluation of the interest rate swaps of \$4.161 million. The total operating expenditure is below the budget mainly due to savings in debt servicing costs. This has resulted in a net operating surplus at year end of \$5.390 million. This is not the rates surplus which will be much smaller. The latter is discussed in Part C Statement of Rates Position.

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. The transfer of NZTA's share of the land is non cash and represents a write off of NZTA's share of the land that Council was holding for the Western Link Road.

Deficit

- 21 After recognising the net operating surplus of \$5.39 million and 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 \$8.235 million

Part B: Statement of Financial Position as at 30 June 2013

22 The Statement of Financial Position as at 30 June 2013 is set out below,

Table 2

2011/12 Actual \$000		30/06/2013 Actual \$000	2012/13 Budget \$000
Current Assets			
2,662	Cash & Cash Equivalents	5,160	3,561
5,573	Trade and Other Receivables	6,176	2,667
132	Inventories	106	137
-	Non-Current Assets held for sale	3,650	-
2	Derivative Financial Instruments	39	48
8,369	Total Current Assets	15,131	6,413
Non-Current Assets			
844,339	Property, Plant and Equipment	858,242	894,912
263	Forestry Assets	525	350
343	Intangible Assets	431	350
3	Derivative Financial Instruments	232	228
-	Trade and other receivables	371	-
66	Other Financial Assets	1,766	-
845,014	Total Non-Current Assets	861,567	895,840
853,383	TOTAL ASSETS	876,698	902,253
Liabilities & Public Equity			
Current Liabilities			
14,896	Trade and Other Payables	14,331	15,293
1,908	Derivative Financial Instruments	1,342	1,704
1,594	Employee Benefit Liabilities	1,752	1,499
1,110	Deposits	991	1,200
68,059	Public Debt	10,077	13,909
2,104	Development Contributions	1,352	562
89,671	Total Current Liabilities	29,845	34,167
Non-Current Liabilities			
20,364	Public Debt	115,147	121,281
8,476	Derivative Financial Instruments	5,147	4,618
308	Employee Benefit Liabilities	244	445
38	Provisions	38	38
29,186	Total Non-Current Liabilities	120,576	126,382
118,857	TOTAL LIABILITIES	150,421	160,549
573,267	Retained Earnings	577,061	579,489
159,338	Revaluation Reserve	145,712	159,338
1,921	Reserves & Special Funds	3,504	2,877
734,526	TOTAL PUBLIC EQUITY	726,277	741,704
853,383	TOTAL LIABILITIES & PUBLIC EQUITY	876,698	902,253

Current Assets

- 23 The higher level of current assets as at 30 June 2013 reflects the increase in cash and investments as at 30 June 2013 compared to budgets. The increase in cash and investments reflects Council's working capital requirements as at 30 June 2013.

Non-Current Assets

- 24 Council's Property Plant and Equipment Assets are Council's infrastructural assets of Roothing, Water, Wastewater and Stormwater, Land and Buildings, Parks and Reserves, Improvements and Community Facilities. The lower value of Council's assets as at 30 June 2013 compared to the budget reflects the lower level of capital expenditure compared to the budget spent by year end. It also recognises the transfer of NZTA's share of the Western Link Road properties back to NZTA.

Current Liabilities

- 25 The lower level of current liabilities as at 30 June 2013 reflects the lower level of short term public debt owed as at that date compared to the budget.

Non Current Liabilities

- 26 The lower level of non-current liabilities as at 30 June 2013 reflects the lower level of long term borrowing owed at that date compared to the budget.

Revaluation Reserve

- 27 The reduction in the revaluation reserve reflects the transfer of NZTA's share of the Western Link properties back to NZTA.

Public Equity

- 28 Public Equity = Total Assets minus Total Liabilities. The total public equity has increased by the net surplus for the 2012/13 financial year, less the NZTA's share of the Western Link properties.

Part C: Statement of Rating Position

- 29 The Rates Surplus/(Deficit) is different to the operating surplus as follows.
- Operating Surplus/(Deficit) covers all of Council's operating revenue and expenditure from all funding sources, including vested assets.
 - Rates Surplus/(Deficit) only covers Council's revenue and expenditure that is rates funded. Any surplus/deficit effects the rates required for next year.
- 30 The overall rates position to 30 June 2013 is detailed in the following table.

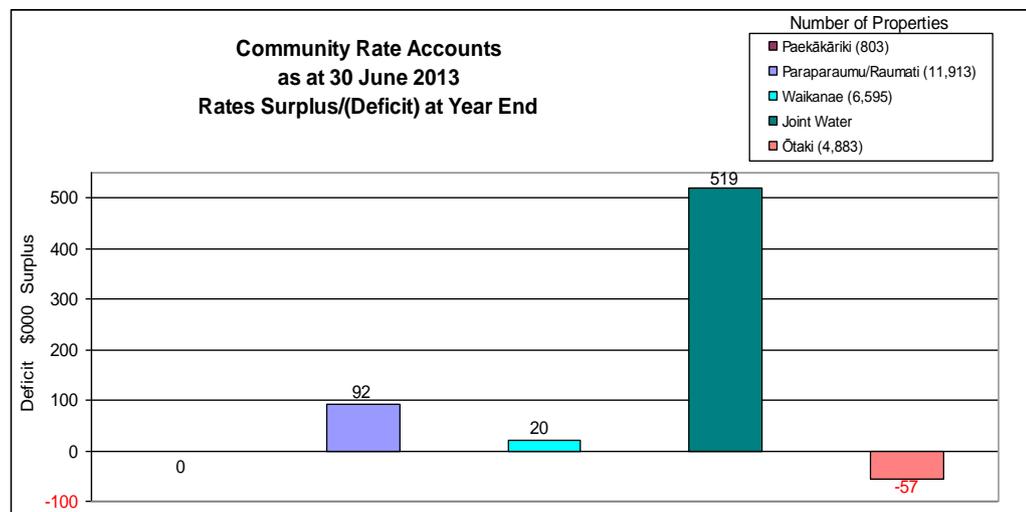
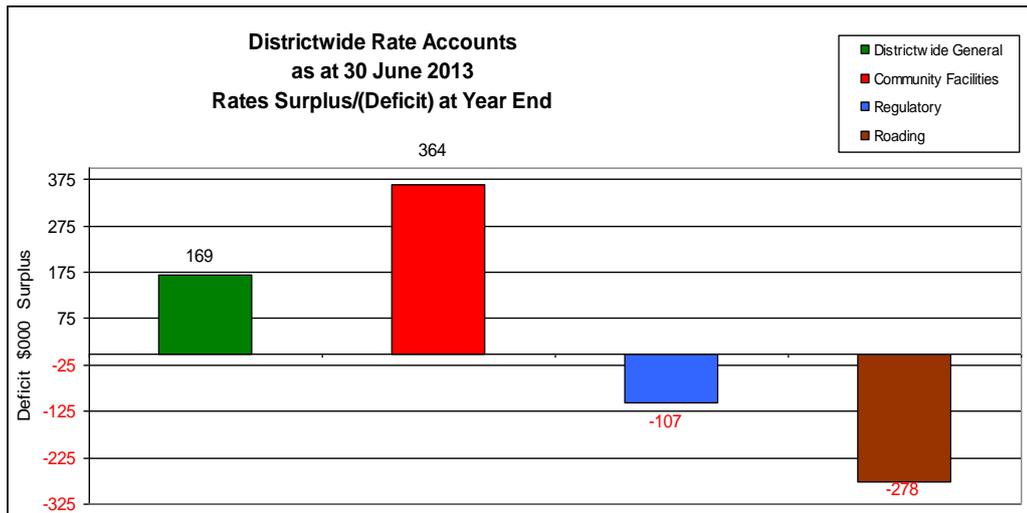
	Net Rate Requirement Actual to 30 June 2013 \$000	Net Rate Requirement 2012/13 Annual Budget \$000	Actual/ Annual Budget %	End of Year Rates Surplus/(Deficit) \$000
<u>Districtwide</u>				
Districtwide General ¹	9,175	9,344	98	169
Community Facilities ²	10,833	11,197	97	364
Regulatory ³	4,717	4,610	102	(107)
Roading ⁴	5,799	5,521	105	(278)
Total Districtwide	30,524	30,672	100	148
<u>Community</u>				
Paekākāriki	387	387	100	0
Paraparaumu/Raumati	6,668	6,760	99	92
Waikanae	2,265	2,285	99	20
Joint Water	5,082	5,601	91	519
Ōtaki	2,620	2,563	102	(57)
TOTAL	47,546	48,268	99	722

¹ Districtwide General Expenses: including emergency management, civil defence, public toilets and cemeteries. Supporting Social Wellbeing, Supporting Environmental Sustainability, District Strategic Development Projects, Districtwide Coastal Protection of the Council's Infrastructure and Districtwide Strategic Flood Protection.

² Libraries, Parks and Reserves, Swimming Pools, Public Halls and Community Centres

³ Public contribution towards the following Regulatory Services which are not met by user charges: Resource Consents, Building Consents, Development Management, Environmental Health, Liquor Licensing, Hazardous Substances, Environmental Monitoring and Animal Control

⁴ All Roothing Expenditure except for historic debt servicing costs



- 31 The Districtwide General rates surplus has mainly been driven by the savings in Coastal management costs resulting from less maintenance being required from fewer storm events during the year.
- 32 The Community Services rates surplus mainly relates to the savings in the Coastlands Aquatic Centre depreciation charges resulting from the delays in the completion of the facility following Mainzeal going into receivership.
- 33 The Regulatory Services rate account ended the year with a deficit of \$107,000 mainly as a result of additional legal costs associated with the District Plan process that were identified as being funded from the projected rates surplus at year end (in the March quarter financial report to Corporate Business Committee).
- 34 The Roading Rates account ended the year in deficit \$278,000 partly as a result of the additional expenditure provision of \$149,000 for the Expressway process as approved by the Council in January 2013. This provision is funded from the overall rates surplus as at 30 June 2013. Also contributing to the deficit is the lower level of roading operation subsidy approved and received from the NZTA.

- 35 The Paraparaumu/Waikanae joint water account ended the year with a surplus of \$519,000 which mainly related to savings in debt servicing costs from the changes to timing of the capital works programme. Also energy savings were made as a result of the water bores only being required for two days over summer.
- 36 The Ōtaki rates account ended the year in deficit of \$57,000 mainly as a result of the additional expenditure on the Ōtaki wastewater sludge disposal compared to the budget.
- 37 The total rates surplus as at 30 June 2013 is \$722,000 of which \$341,000 has been used to offset rates in 2013/14 and the balance of \$381,000 is available to be used to offset the 2014/15 year rates increase.

Analysis of Surplus/(Deficit)

- 38 The analysis of the shortfall/increase in revenue, additional expenditure and savings which support this surplus are as follows:

Analysis of Surplus/(Deficit)	Surplus/ (Deficit) \$000
Additional Expenditure	
Aquatic Facilities Operating Costs	(275)
District Plan – Additional Legal Costs	(330)
Regional Governance	(77)
Animal Control – Legal Expenses	(24)
Resource Consents – Legal Expenses	(65)
Paraparaumu/Waikanae Joint Waste Treatment Plant Costs	(112)
Ōtaki Wastewater Sludge Disposal Costs	(86)
Expressway Process – additional costs	(149)
Cycleway/Walkway/Bridleway – additional cost	(52)
Roading – Routine Drainage Maintenance	(64)
Roading – Environmental Maintenance	(67)
	<u>(1,301)</u>
Revenue Shortfalls	
NZTA Subsidy - Operating	(310)
Clean Tech Revenue	(143)
Environmental Sustainability	(37)
Library Revenue	(31)
Resource Consents - Compliance Revenue	(30)
Subdivision engineering fees	(21)
Trade Waste Fees	(8)
Extraordinary Water Charges	(75)
	<u>(655)</u>
Revenue Increases	
Animal Control – Dog registrations	21
Animal Control – Prosecution Fines	31
Building Consent/LIM Revenue	116
Cemeteries Revenue	81
Parks and Reserves Grant Revenue	106
Environmental (Traffic, liquor licences)	27
Resource Consents – Expressway Consent Monitoring	64
Reserve Rentals	71
Swimming Pools revenue	52
Youth Grants and Funding	20
	<u>589</u>

Analysis of Surplus/(Deficit)	Surplus/ (Deficit) \$000	
Expenditure Savings		
Insurance Premium Savings	60	
Building Control - Transport Costs	37	
Coastal Management, Coastal Projection Maintenance/ Monitoring/Beach Accessways	40	
Public Halls Maintenance	57	
Economic Development	72	
Environmental Monitoring	96	
Joint Water Bores – Energy Contingency	95	
Joint Water Bore – Maintenance/other Operating Costs	92	
Stormwater Drain Maintenance/Beach Outlets	206	
Paraparaumu Wastewater – Reticulation Maintenance	60	
Paraparaumu Wastewater – Pump Station Maintenance and Energy	45	860
Debt Servicing Savings		
Access & Transport	482	
Coastal Management	5	
Community Facilities	260	
Development Management	31	
Economic Development	77	
Environmental Protection	(12)	
Governance	(2)	
Libraries, Arts and Museums	(38)	
Parks & Open Spaces	11	
Solid Waste	4	
Districtwide Stormwater	(65)	
Ōtaki Water/Wastewater/Stormwater	26	
Paekākāriki Water/Stormwater	(7)	
Waikanae Wastewater	41	
Joint Water	364	
Paraparaumu Water/Wastewater/Stormwater	10	1,187
Depreciation Underspend		42
Net Surplus at year end		722

Explanation of Additional Expenditure

Aquatic Facilities

39 The operating costs of the aquatic facilities across the District were overspent by \$275,000 at year end. This is the result of having to continue to operate the Raumati Pool longer than anticipated while the Coastlands Aquatic Centre was being completed and also the one off costs associated with the transfer of aquatic facilities back to KCDC management (Training, Staff Recruitment), and continuing to operate Raumati Pool while the Coastlands Aquatic Centre is completed. Most of these costs are one-off costs which are not required at the same level for future years or they are separately budgeted for in future years. The aquatic facilities operating costs were forecast to be overspent by \$196,000 at year end in the March 2013 quarterly report. These costs are partially offset by increased revenue described in note 63.

District Plan Legal Costs and other Costs

- 40 Total District Plan costs have exceeded the budget by \$330,000 at year end with \$306,000 being spent on the legal costs associated with the Weir Judicial Review. Additional legal costs of \$202,000 for the District Plan were identified in the March quarterly financial report to the Corporate Business Committee to be funded from the projected rates surplus at year end.
- 41 Also \$100,000 of legal costs for the Weir Judicial Review was allowed for in the forecast District Plan legal costs for the 2012/13 year. In the final 2013/14 Annual Plan an additional \$150,000 was allowed for the legal costs Weir Judicial Review. Due to the timing of the hearing most of the legal costs were incurred prior to 30 June 2013 and have been included in the 2012/13 year.

Regional Governance

- 42 Council approved the allocation of a further \$35,000 at its 31 January meeting 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. With a larger survey being undertaken and other related costs the additional funding requirement (above the \$35,000 approved on 31 January 2013) is a further \$42,000.

Animal Control – Legal Expenses

- 43 Legal costs associated with dog prosecutions were overspent by \$24,000 at year end. The total legal costs have decreased from \$120,000 in 2011/12 to a spend of \$60,000 this year as a result of implementing more robust internal decision making processes regarding prosecutions and a review of external legal providers.

Resource Consents – Legal Expenses

- 44 The legal costs exceeded the budget by \$65,000. One significant unplanned spend in this budget relates to the Environmental Court Appeal in relation to 51A The Parade Paekakariki. Another significant spend was on the Ryman appeal to the Environment Court.

Paraparaumu/Waikanae Joint Waste Treatment Plant Costs

- 45 There have been a number of mechanical breakdowns associated with the sludge drying plant which is budgeted to be replaced in the 2013/14 year.

Otaki Wastewater - Sludge Disposal

- 46 There have been increased costs associated with implementing a higher standard for dewatering the sludge before being transported to the Paraparaumu wastewater treatment plant for drying and disposal to the Otaihangā Landfill.

Expressway Process – Process Additional Costs

- 47 Council approved an allocation of \$149,000 for additional costs associated with Expressway budgets at its 31 January 2013 meeting (to be funded from the projected 2012/13 rates surplus) to ensure input into the NZTA Peka Peka to Ōtaki Expressway project.

Cycleway/Walkway Maintenance Costs

- 48 The cycleway/walkway maintenance costs exceeded the budget by \$52,000 by year end. The beach accessways maintenance budget was underspent to partially offset this overspend.

Roading – Routine Drain Maintenance and Environmental Maintenance

49 Expenditure in these areas has been overspent due to high visibility and rising community expectation associated with litter control, channel cleaning and sump maintenance. The budget for 2012/13 was increased to accommodate the actual historical expenditure. This area is however subject to a reduced level of subsidy and work is ongoing to look at potential for reduced costs. It may be however that increased Council contribution in those future years would be required to meet the required levels of service.

Explanations of Shortfalls in RevenueNZTA Subsidy and Operating

50 The NZTA approved the three year programme for NZTA subsidy after the 2012 LTP was adopted. As a result there has been a \$310,000 reduction in operating subsidy. The roading programme was adjusted to try and accommodate this reduction in subsidy.

Clean Tech Revenue

51 Due to the delays in the overall Clean Tech project with the Clean Tech building just about to commence there has been no revenue generated from this project during the 2012/13 year. This has been offset by lower debt servicing costs associated with the Clean Tech loan.

Environmental sustainability

52 The Sustainable Garden Show revenue was below the budgeted level by \$10,000 but this was more than offset by the Sustainable Garden Show expenditure which was below budget by \$20,000. Also some of the sustainability initiative revenue was not received as budgeted but related expenditure was reduced accordingly.

Library Revenue

53 The Library revenue shortfall of \$31,000 relates mainly to the following revenue items:

- **DVD loans** are below the budgeted revenue due to less customer demand and other options for accessing movies (and music).
- **Extended loan charges revenue** is below the budgeted level which is a result of the additional reminders which are sent out for overdue books.
- **Best Seller Collection** is substantially below the budgeted level due to other options for people; increased fiction resources and SMART collaboration.

Resource Consents - Compliance Revenue

54 Land Use and Subdivision application fees were \$30,000 below budget. The main driver being the number of land use applications received were down from 2011/12.

Subdivision Engineering Fees

55 The subdivision engineering fees were below budget due to the lower level development in the 2012/13 year.

Extraordinary Water Charges

56 Water consumption on commercial properties was below the budget for the year.

Trade Waste Fees

57 A lower level of trade waste fees was levied based on lower volumes.

Explanations of Revenue Increases

Animal Control – Additional Dog Registrations

58 As at 30 June 2013 some 6,842 dogs have been registered. This was above the budget and has resulted in the invoicing of \$504,000 of revenue which is \$21,000 above the budget.

Animal Control – Prosecution Fines

59 Dog infringement fines are \$31,000 above budget.

Building Consent/LIM Revenue/Digital Services Charges

60 The improvement and interest in the housing market has resulted in an increased level of LIM reports from Council. The LIM revenue is \$70,000 above the budget as at year end. Building Consent fees are also above budget by \$55,000. Digital Service Charges are lower than the budget by \$9,000 by year end.

Cemeteries Revenue

61 Cemeteries revenue is well above previous levels and \$81,000 above budget for the 2012/13 year. This revenue increase is evenly spread across all of the District's cemeteries.

Parks and Reserve Grant Revenue

62 This is above budget due to the Transpower grant for the Greenline project on Wharemauku Wetland and Waikanae River Corridor (\$63,000). Other revenue included the Greater Wellington Regional Council contribution for landscape maintenance at the Paraparaumu and Waikanae Railway Stations.

Environmental Revenue

63 The environmental monitoring revenue exceeded the budget by \$27,000 at year end as follows:

- Parking and Traffic (\$20,000)
- Liquor Licensing (\$7,000)

Resource Consents – Expressway Consent Monitoring

64 The Council is monitoring the consent conditions for the Expressway which is recovered from NZTA.

Reserve Rentals

65 The reserve rentals across the District exceeded the budget by \$71,000 at year end. This was due to rentals from additional reserves such as the Howarth block and the Turf Farm.

Aquatic Facilities Revenue

66 Aquatic facilities revenue is higher than budgeted by \$52,000 at year end as new revenue streams are realised as a result of bringing the management of the Aquatic Facilities under Council control; namely Aqua Fit, Learn to Swim and general merchandise sales.

Youth Grants and Funding

67 Youth Grants were received from the Ministry of Youth Development for youth development initiatives.

Explanations of Expenditure Savings

Insurance Premium Savings

68 The Local Authority Protection Programme 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). The insurance 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

Building Control - Transport Costs

69 There have been savings in building control operating costs particularly in transport costs.

Coastal Management and Coastal Protection – Maintenance / Monitoring / Beach Accessways

70 There were less storm events this year which resulted in a lower level of maintenance being required.

Public Halls - Maintenance

71 A lower level of maintenance was required and there were savings in energy costs achieved at the main halls across the District.

Economic Development

72 There were salary savings as a result of delays in the recruitment process for a senior economic development position.

Environmental Monitoring

73 Savings made in parking enforcement noise control and other operating costs (total \$96,000).

Joint Water Bores - Energy Contingency

74 Despite the drought conditions the emergency bores were only required for two days. Savings of \$95,000 have been achieved against the budget.

Joint Paraparaumu/Waikanae Water Bore - Maintenance and other costs

75 There were savings in bore maintenance costs and other water operating costs amounting to \$92,000.

Stormwater Drain Maintenance/Beach Outlets

76 There were savings in stormwater drain maintenance costs and beach outlet maintenance right across the District due to there being less storm events this year.

Paraparaumu Wastewater – Reticulation Maintenance

77 Less reactive maintenance was required for Paraparaumu wastewater reticulation network in the 2012/13 year.

Paraparaumu Wastewater – Pump Station Maintenance and Energy Costs

78 Savings were made in pump station maintenance and energy costs for the Paraparaumu wastewater in the 2012/13 year.

Debt Servicing Savings

79 These debt servicing savings relate to the lower level of capital expenditure in 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 Savings

80 There were net savings in total depreciation of \$42,000 as at 30 June 2013.

Solid Waste

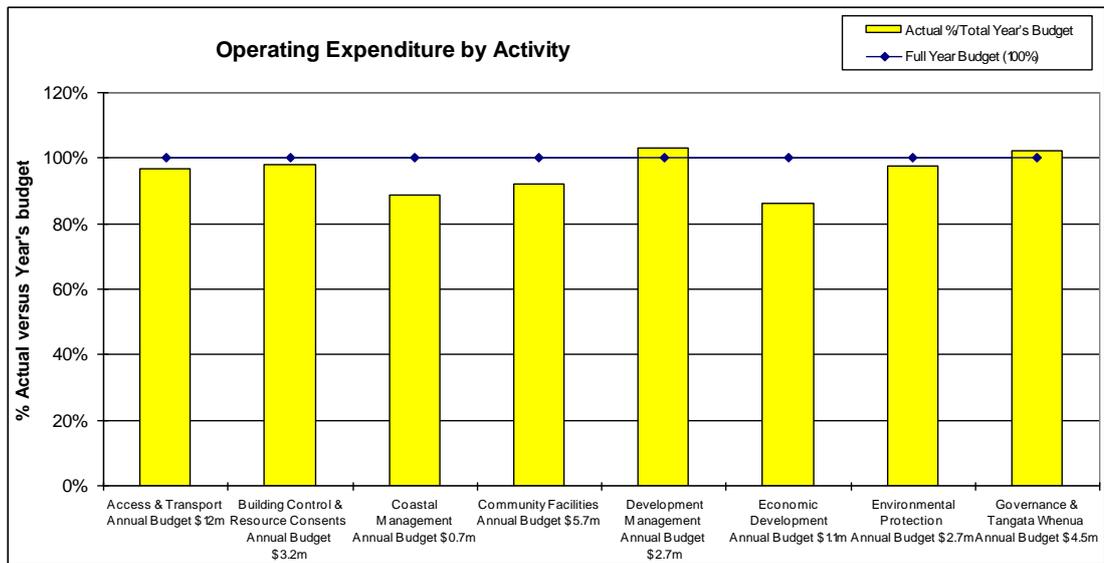
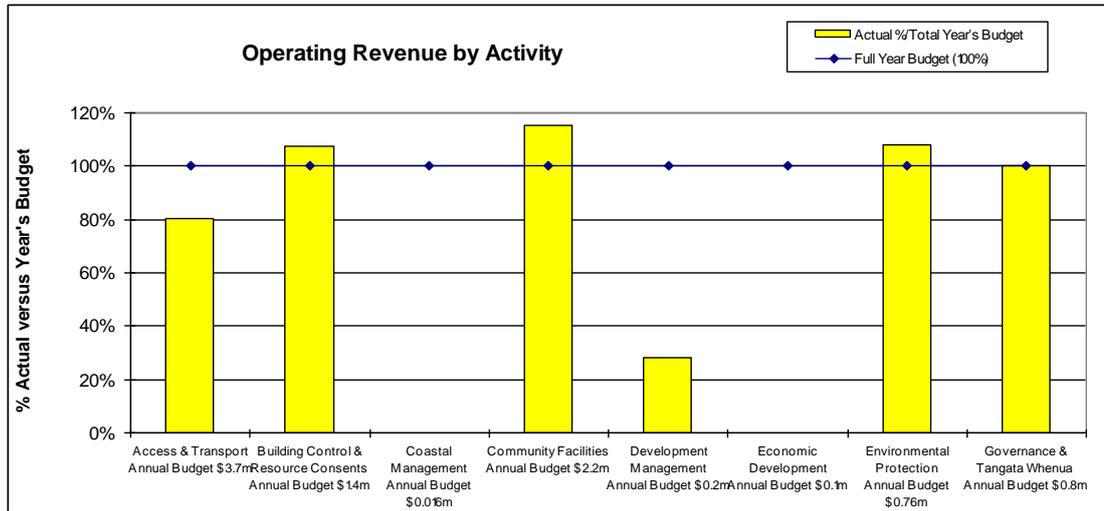
81 The deficit at year end in the Solid Waste account is \$35,000. Council were advised that the expected deficit was \$75,000 in the CE Report to Council on 2013/14 Annual Plan on 6 June 2013. The continued reduction to the forecast deficit was the result of Council Bags continuing to sell despite being over 35% more expensive than those of the private operators.

82 At that same meeting a decision was made to fund the current year's deficit and the prior years' deficit of \$90,000 from the Contingency Fund.

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

Operating Revenue/Operating Expenditure

83 The graphs below show actual other operating revenue and operating expenditure as at 30 June 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

Access and Transport

84 The lower operating revenue related to the lower level of NZTA roading operations subsidy which was approved by NZTA after the 2012 LTP was adopted.

85 Also NZTA capital subsidy (required to be recognised as operating revenue) was lower partly due to NZTA lower capital subsidy approvals and also due to lower roading capital expenditure.

Building Control and Resource Consents

86 The revenue from building consents and LIM reports are above budget as explained in note 57 earlier in this report.

Coastal Management

87 The operating expenditure is lower due to the lower level of maintenance required.

Community Facilities

88 The operating revenue was higher due to higher revenue from cemeteries and aquatic facilities as explained in notes 60 and 65 earlier in the report.

Development Management

89 The operating revenue is lower due to there being no private plan changes applications processed in the 2012/13 year.

90 The higher operating expenditure relates to the additional legal costs associated with the District Plan process.

Economic Development

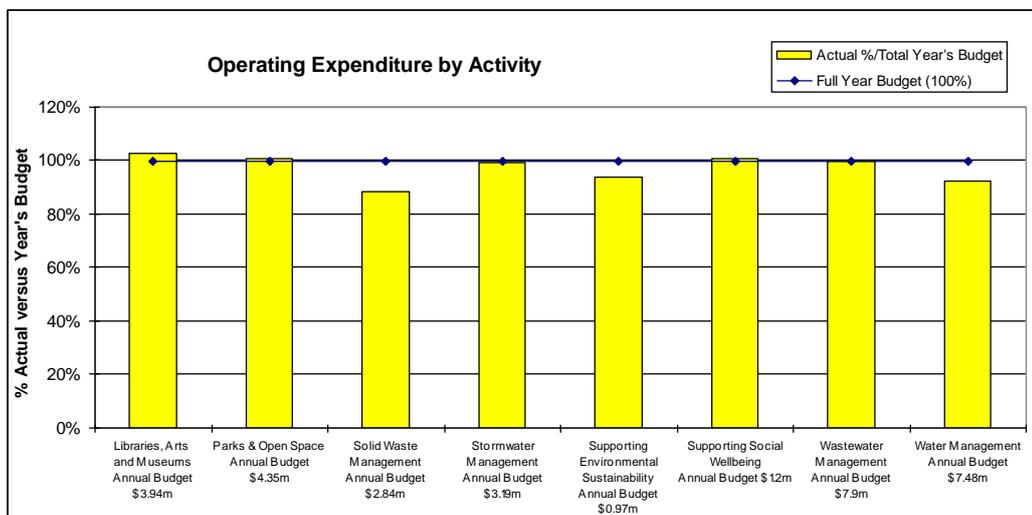
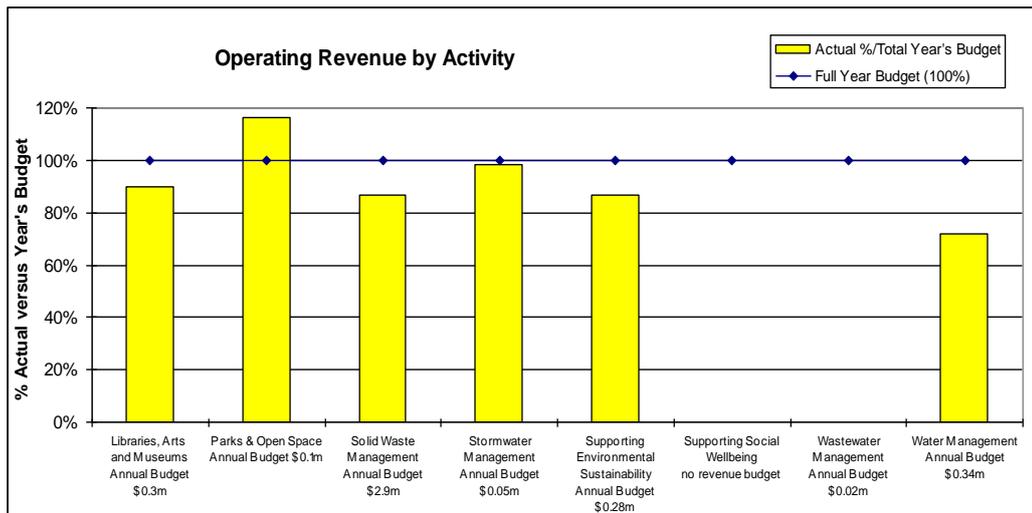
91 There was no operating revenue generated due to delays in the Clean Tech project. The operating expenditure is below the budget due to lower debt servicing costs associated with the Clean Tech project.

Environmental Protection

92 The higher level of operating revenue compared to budgets relates mainly to the additional dog registration fees, infringement fines, parking revenue and liquor licences in excess of budget as explained earlier in this report.

Governance and Tāngata Whenua

93 The operating expenditure exceeded the budget due to additional expenditure required for Regional Governance.



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

Libraries, Arts and Museums

94 The library operating revenue is lower as explained in note 50 earlier in this report.

Parks and Open Space

95 The operating revenue is higher as explained in notes 59 and 62 earlier in this report.

Solid Waste Management

96 The operating revenue was lower due to the lower level of Council refuse bag sales resulting from additional competition in the market. The operating expenditure was also lower as Council's share of the market and the associated costs reduced.

Supporting Environmental Sustainability

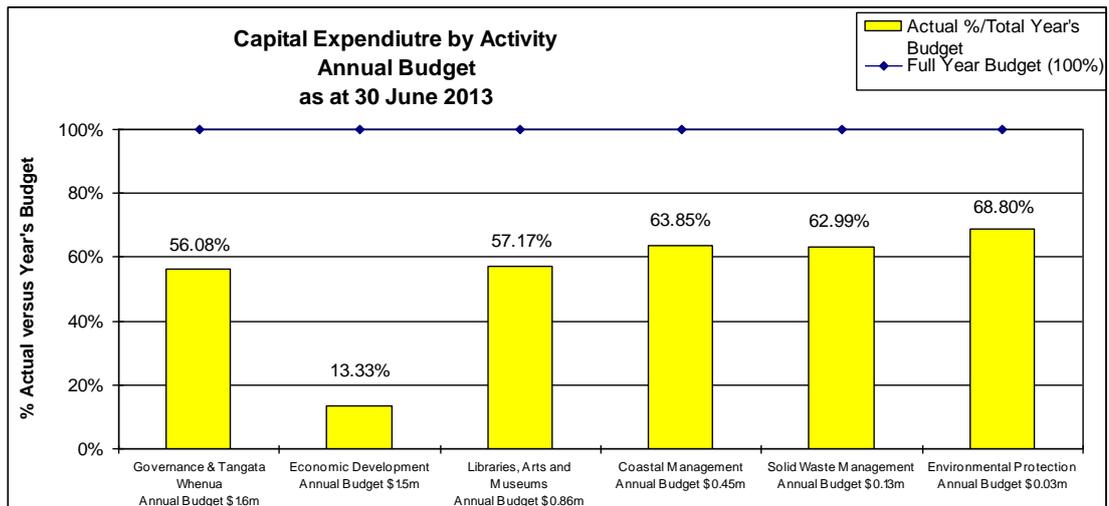
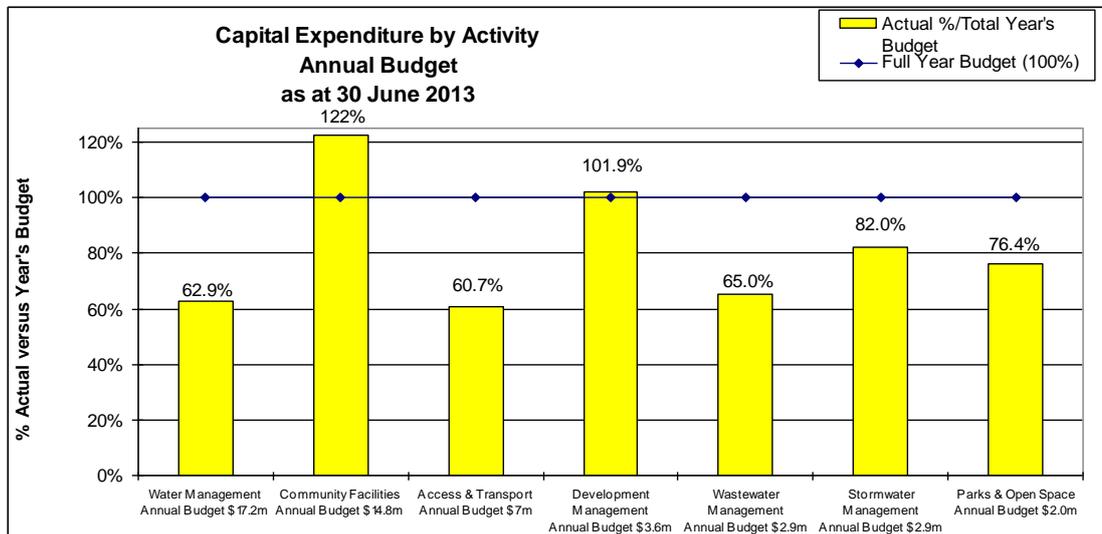
97 The operating revenue is lower as explained earlier in the report (note 49). The operating expenditure is lower due to a lower level of expenditure compared to the budget on the Sustainable Home and Garden Show.

Water Management

98 The operating revenue is lower as explained earlier in this report (note 53). The operating expenditure is lower due to the lower debt servicing costs resulting from changes to the timing of the capital works programme for the 2012/13 year.

Part E: Explanation of Capital Expenditure

99 A summary of the capital expenditure, set out below, shows the actual expenditure to 30 June 2013 against annual budgets.

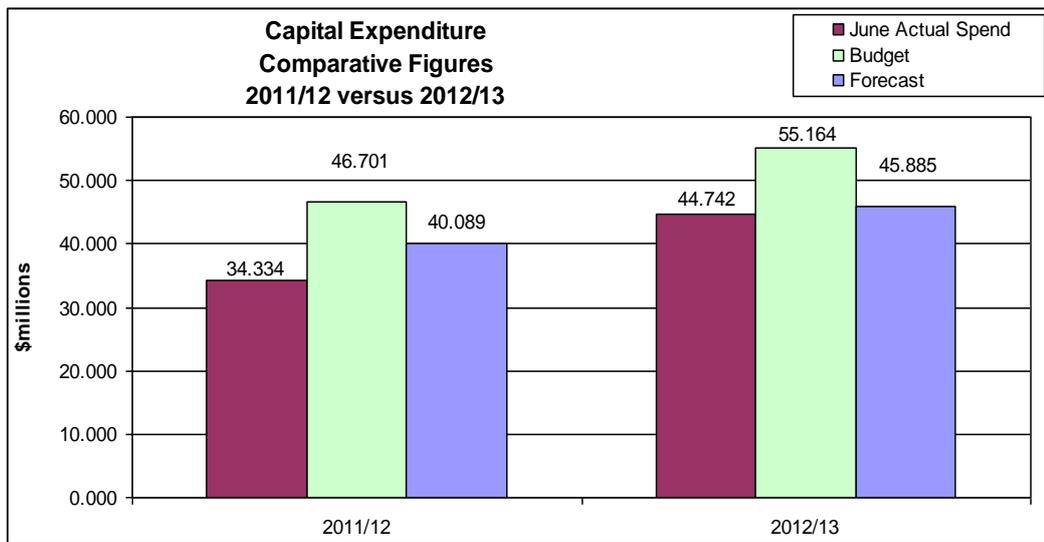


100 There are three activities which have no capital expenditure: Supporting Social Wellbeing, Supporting Environmental Sustainability and Building and Resource Consents.

101 Net capital expenditure for the year ended 30 June amounted to \$44.742 million compared to the capital expenditure budget for the year of \$55.164 million. The actual spend represents 81.11% of the total 12/13 capital expenditure budget. The capital budget was reforecast during the year with an expected spend of \$45.885 million. The final spend represents 97.5% of the total reforecast capital expenditure programme for the 2012/13 year.

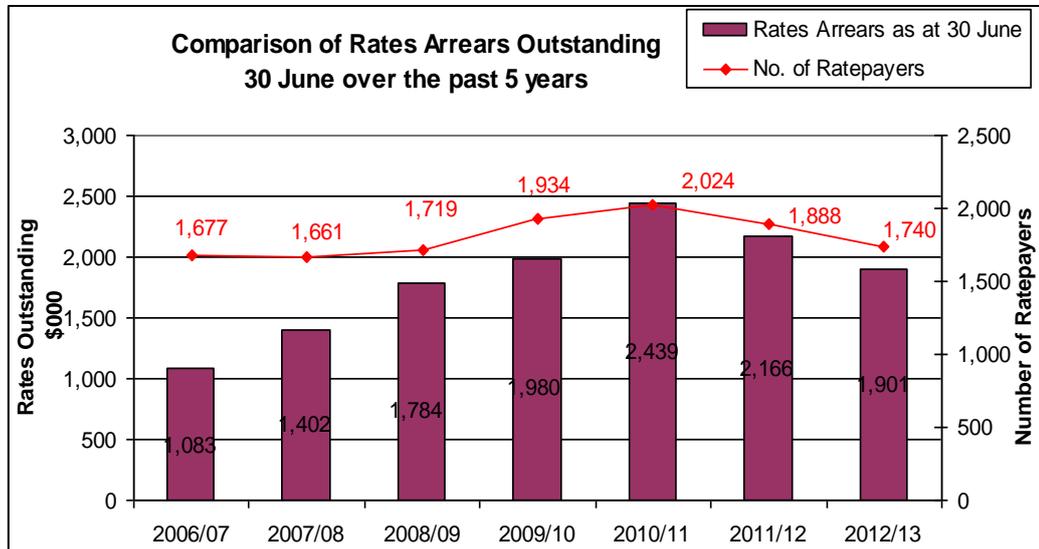
102 The explanation for the actual spend compared to the budgets for major project expenditure variances are included in the Activity Report for the fourth quarter to the Corporate Business Committee included in this agenda.

- 103 The higher level of community facilities capital expenditure relates mainly to the Civic Building and new Coastlands Aquatic Centre. Even though the total budgets for these two projects remain unchanged from the budgets approved by the Council on 5 December 2011, due to some timing changes there was less expenditure on both these projects in the 2011/12 year than forecast which meant that more expenditure was incurred in the 2012/13 year.
- 104 The Civic Building was completed within the total budget and the Coastlands Aquatic Centre construction costs are on target to be within the total project budget. Negotiations are underway with PricewaterhouseCoopers in regards to costs Council has incurred as part of the receivership.
- 105 Set out below is a comparison of the capital expenditure programme between the 2011/12 year and 2012/2013 year.



Part F: Outstanding Rates Debt as at 30 June 2013

106 The graph below shows the total rates debt as at 30 June and how the position as at 30 June 2013 compares to the position for the 30 June 2012 and the previous five years.



107 The total rates outstanding as at 30 June 2013 of \$1.901 million has reduced from the previous years level of \$2.166 million as at 30 June 2012 and the number of rate debtors with outstanding rates as at 30 June 2013 has reduced from 1,888 ratepayers to 1,740 ratepayers. This is a marked improvement on the rates collection from the 2011/12 year.

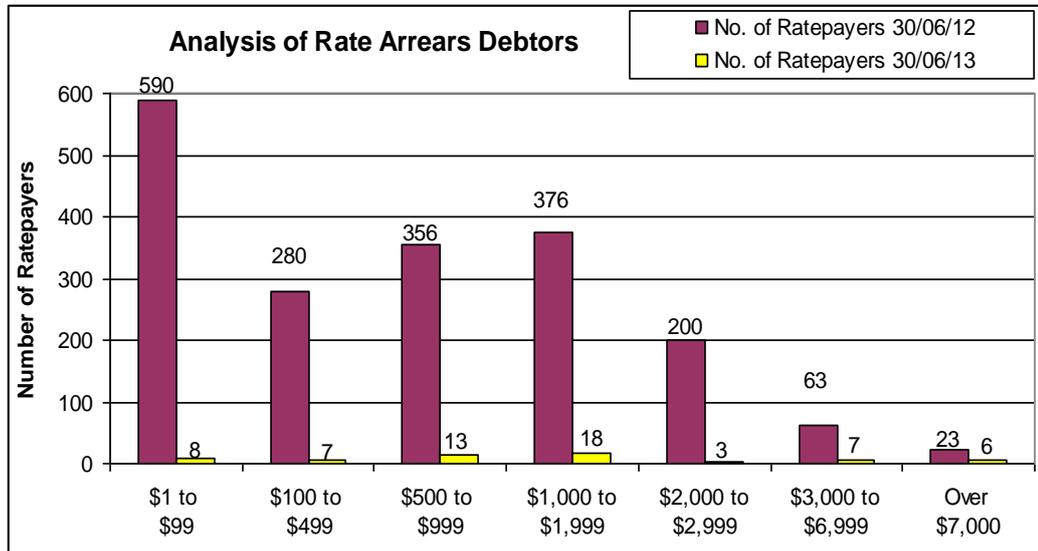
108 More time and effort has been spent working with ratepayers to establish weekly/ fortnightly payment arrangements to assist with reducing any outstanding rates. Also there has been increased reminder letters and follow-up of any current rates outstanding to lessen the opportunity for ratepayers falling behind in their rates payments.

109 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 30 June 2013 is as follows:

	\$000	\$000
Kāpiti Coast District Council rates	1,234	
Kāpiti Coast District Council penalties	415	
Total Kāpiti Coast District Council outstanding rates	1,649	1,649
Greater Wellington Regional Council rates	186	
Greater Wellington Regional Council penalties	66	
Total Greater Wellington Regional Council outstanding rates	252	252
Total rates outstanding as at 30 June 2013	1,901	1,901

Analysis of Rate Arrears Debtors

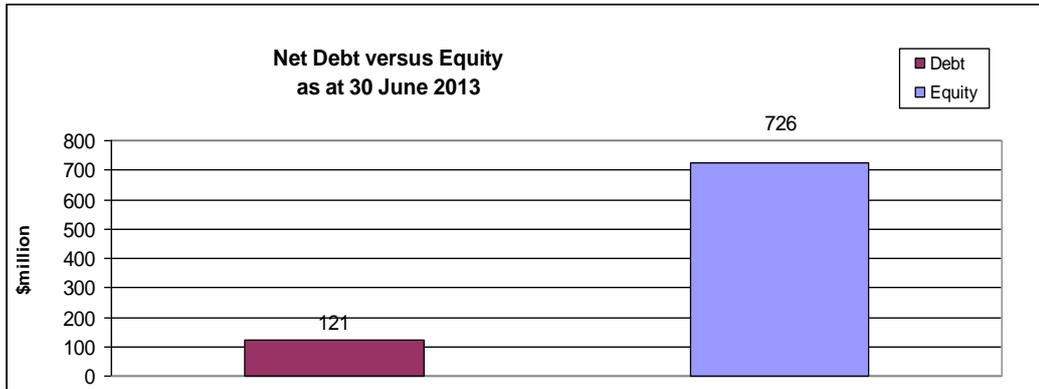
110 The definition of “rate arrears debtors” is where the ratepayers has outstanding rates at the beginning of the 2012/13 year and still has outstanding rates as at 30 June 2013.



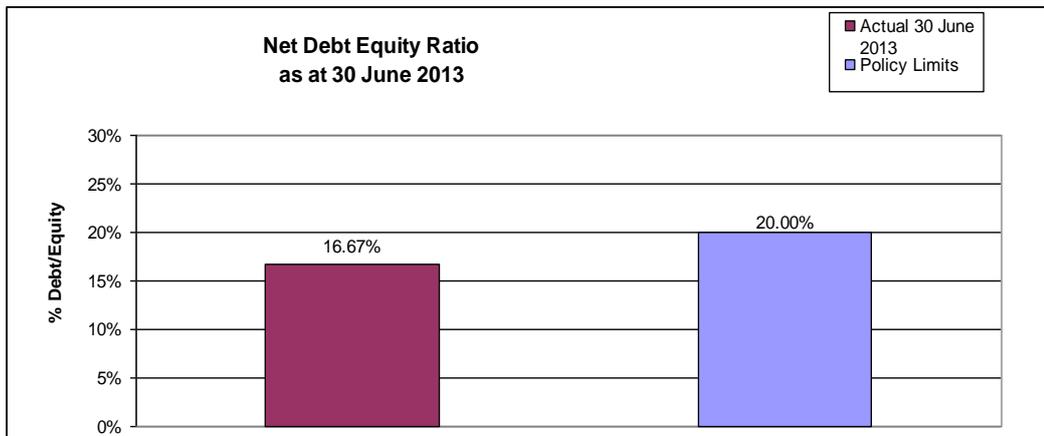
111 The maroon column shows the number of “rate arrears debtors” grouped by their level of rates debt as at 30 June 2012. The yellow column shows the number of those rate arrears debtors with rates still outstanding as at 30 June 2013 for each range of rates debt. It shows a good decrease in rates debt for the financial year in the number of rate arrears debtors.

Part G: Statement of Performance against Treasury Management Policy Limits

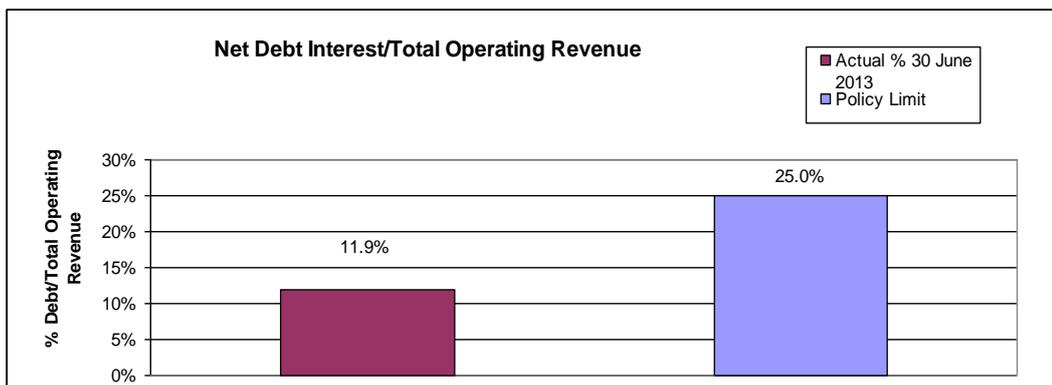
112 The graphs below show that Council is well within its debt/equity policy limits as at 30 June 2013, as set in its Treasury Management Policy. Net debt as at 30 June 2013 equals \$121 million. Public equity as at 30 June 2013 equals \$726 million. The net debt equity ratio is shown below in the second graph.



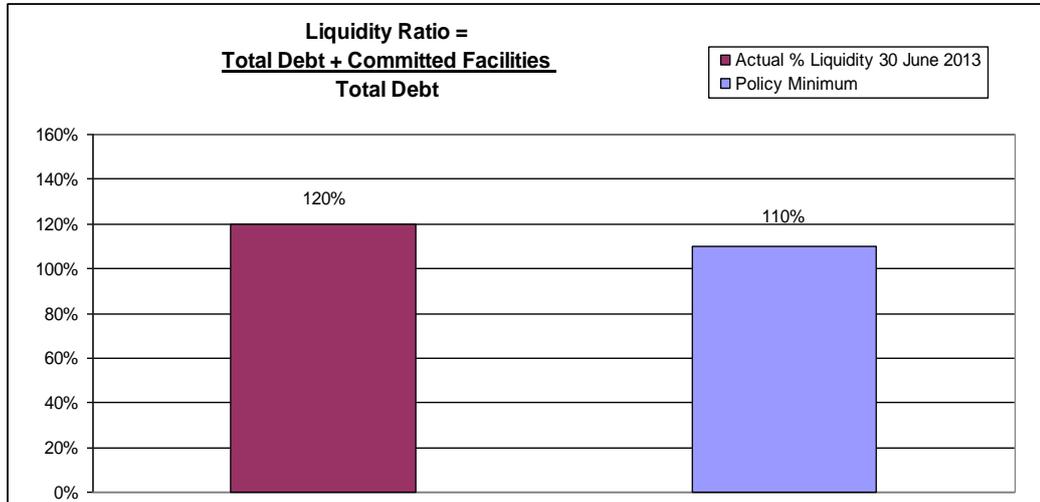
113 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 16.67% which is within the 20% limit.



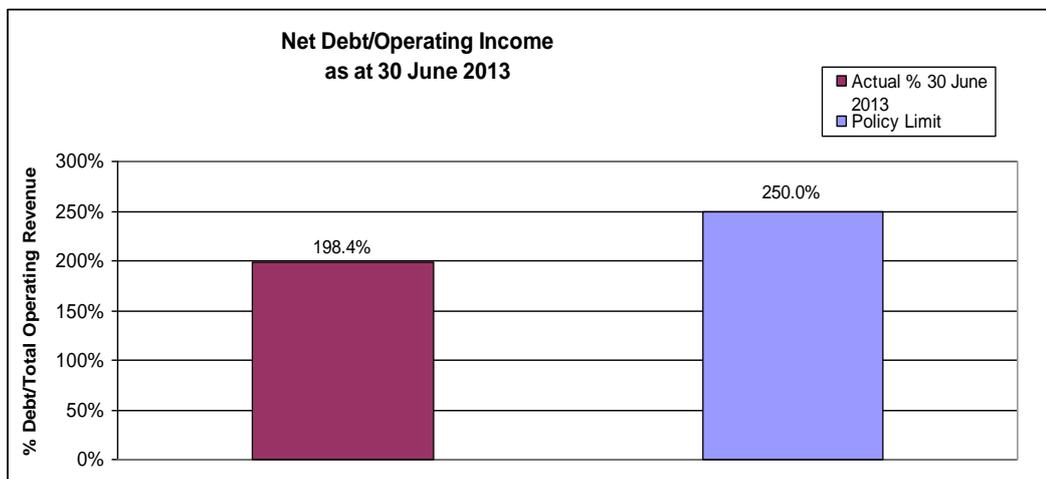
114 The Treasury Management Policy sets a limit of 25% for the ratio of net debt interest to total operating revenue. The current ratio as at 30 June 2013 is 11.9% which is well within the limit.

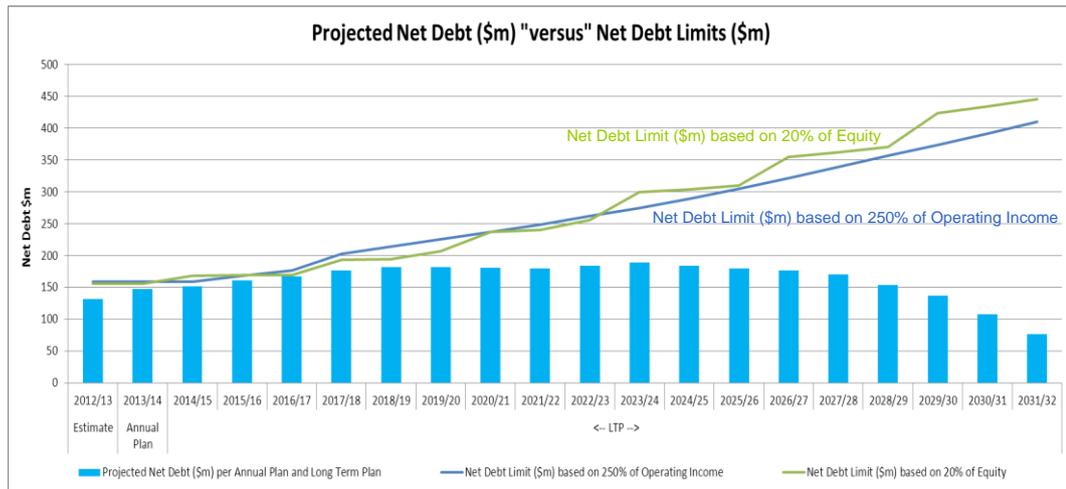


115 The liquidity ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 120% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



116 The net debt to operating income (excluding vested assets and development contributions) measures the ability of an organisation to repay its debt from operating income. The Treasury Management Policy sets a limit of 250% for the ratio of Net debt to Operating Income. The ratio to the 30th June 2013 is 198.4% which is well within the limit.





- 117 The graph sets out the net debt versus the net debt limits set by the net debt/equity and net debt/operating income ratios for the 20 year period to 2032.
- 118 The net debt/equity limit line in the graph for the 2013/14 year is as per the 2013/14 Annual Plan. For the 2014/15 year onwards the net debt/equity limit line is based on the debt and equity projections as per the current LTP.
- 119 The net debt/operating income limit line in the graph for the 2013/14 year is as per the 2013/14 Annual Plan. For the 2014/15 year to 2016/17 the net debt/operating income limit is based on updated income forecasts for those three years and for the remaining years is based on the current LTP.
- 120 Over the longer term the net debt limit based on 250% of operating income is more restrictive than the net debt limit based on 20% of equity. The net debt/operating income ratio is more meaningful to the financial markets and the credit rating agencies than the net debt/equity ratio.

Other Considerations

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

Delegation

- 122 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

- 123 That the Corporate Business Committee notes the financial results contained in this report Fin-13-949.
- 124 That the Corporate Business Committee notes that the net rates surplus is \$722,000 for the year ended to 30 June 2013. Of this surplus \$341,000 was allocated to offset the 2013/14 rates increases and the balance of \$381,000 is available to be used to offset the 2014/15 year rate increases.
- 125 That the Corporate Business Committee notes that the net capital expenditure for the year ended 30 June 2013 amounted to \$44.742 million compared to the capital expenditure budget for the year of \$55.164 million and a reforecast amount of \$45.885 million.
- 126 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:

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Warwick Read
Group Manager Finance