

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

10 MAY 2012

Meeting Status: **Public**

Purpose of Report: For Decision

FINANCIAL REPORTS TO 31 MARCH 2012

PURPOSE OF REPORT

- 1 This report sets out Council's financial results and financial position at 31 March 2012. 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 2012 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 six 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 31 March 2012

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. In addition to the operating revenue, there are other comprehensive income items such as the revaluation increase on the value of Council's infrastructural assets resulting from the 3 yearly revaluation which took place as at 30 June 2011. Table 1 below summarises Council's Statement of Comprehensive Income as at 31 March 2012. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2010/11 Actual \$000		31/03/2012 Actual \$000	2011/12 Budget \$000
42,504	Total Rates	34,328	44,957
9,496	Other Revenue	8,873	12,102
2,379	NZTA Operating Funding	2,020	2,739
736	NZTA Expressway Project	482	-
3	NZTA Capital Funding	-	-
55,118	TOTAL OPERATING REVENUE	45,702	59,798
36,029	Operating Costs	28,617	37,697
736	NZTA Expressway Project	482	-
265	Loss on Disposal	-	-
-	Impaired Asset	-	-
4,473	Finance Costs	3,539	7,721
1,252	Gain/(loss) on Revaluation of Financial Instruments	-	-
12,036	Depreciation/Amortisation	8,777	12,805
54,791	TOTAL OPERATING EXPENDITURE	41,415	58,223
327	NET SURPLUS	4,287	1,575
	Other Comprehensive Income		
59,147	Revaluation – Fair Value Movement on Property, Plant, and Equipment	60	-
59,474	TOTAL COMPREHENSIVE INCOME	4,347	1,575

Operating Revenue

- 6 This consists of the following components:
- Rates Revenue
 - Other Revenue (key components):
 - Fees and Charges
 - Financial Contributions/Development Contributions
 - Vested Assets
 - New Zealand Transport Agency Revenue
 - Operating Funding
 - Capital Projects Funding

Rates Revenue

- 7 The rates budget is the total Council rates levied of \$45.447 million less Council's rates on its own properties of \$490,000 to give a net rates budget of \$44.957 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.

Other Revenue

- 9 The key components of Other Revenue are fees and charges, financial contributions/development contributions and vested assets, the high level overview is explained below.

Fees and Charges

- 10 Overall fees and charges are ahead of budget due to the timing of some annual charges such as dog registration and health licences which are levied in full during the first part of the financial year.

Financial Contributions/Development Contributions

- 11 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 policies.
- 12 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 LTCCP. Accounting standards require that Development Contributions are not recognised as revenue until they are utilised to fund capital works. The reason for this is that until the development contributions are spent on the capital works for which they are collected they are required to be recognised as a current liability. As the Development Contributions are spent on capital works they are recognised as revenue. The Development 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 amounting to \$572,000 for the first nine months. These are non-cash assets but the value of these vested assets needs to be recognised as revenue in the Statement of Comprehensive Income.

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 marginally above the budget for the first nine months. This is mainly due to slightly higher operating costs as at 31 March 2012 for Economic Development, Solid Waste and Supporting Social Well-being. 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 2011/12 programme is set out in summary form in Part E.

Operating Net Surplus

- 17 The total operating revenue is above the budgeted revenue for the first nine months and the operating expenditure is lower than the budget for the same period, resulting in an operating surplus of \$4.347 million as at 31 March 2012. The operating surplus is likely to be at similar levels as at year end because even though there are projected additional expenditure requirements and revenue shortfalls these are offset by the projected savings in debt servicing costs and other expenditure savings.
- 18 The operating surplus relates predominantly to development contributions which must be shown as operating revenue but can only be used for capital purposes and vested assets (non cash revenue). This is not the rates surplus which will be much smaller but the rates surplus does contribute to the overall operating surplus at year end. The latter is discussed in Part C Statement of Rates Position.

Revaluation of Assets Movement

- 19 This adjustment occurs every three years with the revaluation of all of Council's assets. This occurred last as at 30 June 2011.

Part B: Statement of Financial Position as at 31 March 2012

- 20 The Statement of Financial Position as at 31 March 2012 is set out below, followed by an overview of the key components.

2010/11 Actual \$000		31/03/12 Actual \$000	2011/12 Budget \$000
	Current Assets		
313	Cash & Cash Equivalents	170	9,922
5,086	Trade and Other Receivables	4,537	5,300
137	Inventories	138	240
48	Derivative Financial Instruments	48	-
-	Other Financial Assets	-	-
5,584	Total Current Assets	4,893	15,462
	Non-Current Assets		
822,528	Property, Plant and Equipment	831,142	845,432
467	Forestry Assets	467	350
454	Intangible Assets	345	350
228	Derivative Financial Instruments	228	400
66	Other Financial Assets	66	100
280	Trade and Other Receivables	280	-
824,023	Total Non-Current Assets	832,528	846,632
829,607	TOTAL ASSETS	837,421	862,094
	Liabilities & Public Equity		
	Current Liabilities		
12,849	Trade and Other Payables	5,963	10,400
889	Derivative Financial Instruments	889	-
1,467	Employee Benefit Liabilities	1,219	1,500
1,083	Deposits	1,062	1,100
-	Bank Credit Facility	2,900	-
35,909	Public Debt	45,716	12,011
4,802	Development Contributions	2,778	682
56,999	Total Current Liabilities	60,527	25,693
	Non-Current Liabilities		
30,638	Public Debt	30,638	108,094
3,830	Derivative Financial Instruments	3,830	-
336	Employee Benefit Liabilities	336	445
38	Provisions	38	38
34,842	Total Non-Current Liabilities	34,842	108,577
91,841	TOTAL LIABILITIES	95,369	134,270
576,366	Retained Earnings	581,335	580,733
159,338	Revaluation Reserve	159,278	143,491
2,062	Reserves & Special Funds	1,439	3,600
737,766	TOTAL PUBLIC EQUITY	742,052	727,824
829,607	TOTAL LIABILITIES & PUBLIC EQUITY	837,421	862,094

- 21 The budgets for the 2011/12 year are the budgets for the end-of-year position i.e. as at 30 June 2012 (the last day of the financial year). These budgets were established as part of the 2011/12 Annual Plan process and set before the end of the 2010/11 financial year (as at 30 June 2011). The budgets were set fifteen months in advance projecting the Council's financial position as at 30 June 2012. It is more realistic to compare Council's financial position as at 31 March 2012 with the position as at 30 June 2011, as it reflects nine months of financial activity since 30 June 2011.

Current Assets

- 22 The lower level of current assets since 30 June 2011 reflects the decrease in cash and investment as at 31 March 2012 compared to 30 June 2011. The decrease in cash and investments reflects that Council has not borrowed for this year's capital expenditure as yet. This is being covered by working capital and credit facilities to date but Council will be raising loan funds shortly to match the capex programme.

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 2012 compared to 30 June 2011 reflects nine months of capital expenditure less depreciation of Council's Assets.

Current Liabilities

- 24 The higher level of current liabilities since 30 June 2011 reflects the higher level of short term public debt as at 31 March 2012. Since 30 June 2011 \$10 million of debt has been raised to fund the capital expenditure incurred up until 30 June 2011 but paid out in July 2011. The Council is currently holding a higher level of short term debt instruments (rather than long term debt instruments) while it is waiting to join the Local Government Funding Agency as a shareholder in July 2011.

Non Current Liabilities

- 25 There has been no change since 30 June 2011 for the long term debt. The other items have not been updated since 30 June 2011 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.

Part C: Statement of Rates Position

- 27 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.
- 28 The overall rates position to 31 March 2012 and the forecast position to year end are detailed in the following table.

Table 3: Overall rates position to 31 March 2012 and the forecast position to year end

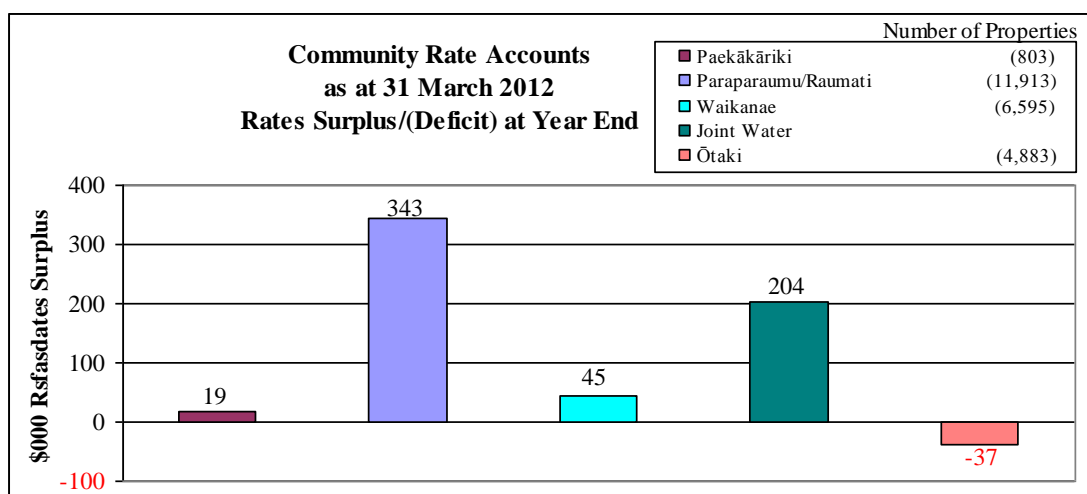
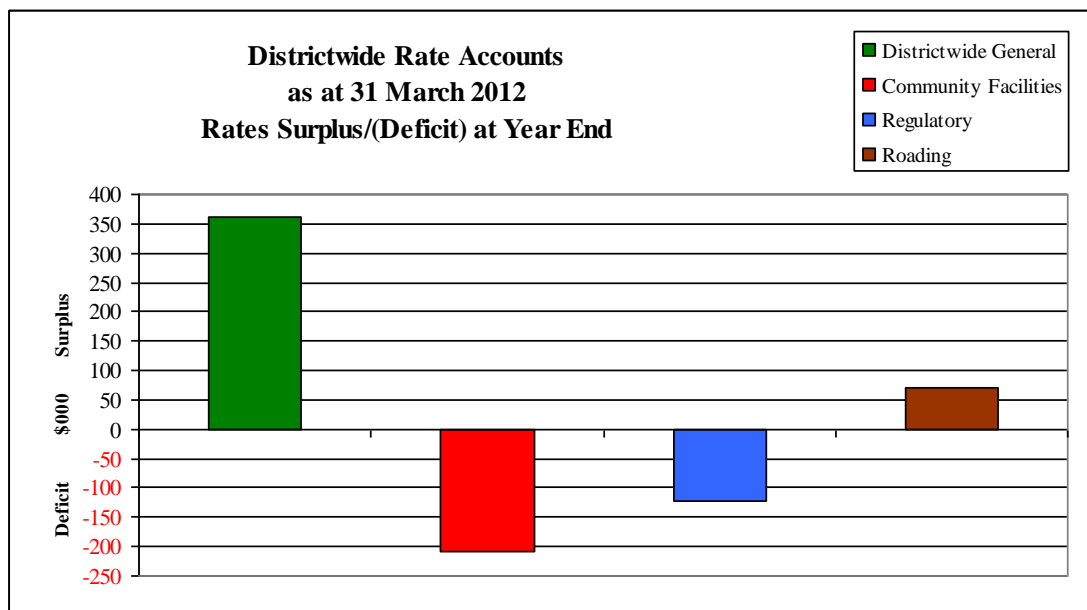
	Net Rate Requirement Actual to 31 March 2012 \$000	Net Rate Requirement 2010/11 Annual Budget \$000	Actual/ Annual Budget %	Net Rate Requirement Financial Projections to 30 June 2012 \$000	End of Year Forecast Rates Surplus/ (Deficit) \$000
<u>Districtwide</u>					
Districtwide General ¹	6,067	9,210	66	8,850	360
Community Facilities ²	7,037	9,949	71	10,157	(208)
Regulatory ³	2,558	3,805	67	3,926	(121)
Roading ⁴	4,023	5,335	75	5,264	71
Total Districtwide	19,685	28,299	70	28,197	102
<u>Community</u>					
Paekākāriki	231	404	57	385	19
Paraparaumu/Raumati	4,286	6,514	66	6,171	343
Waikanae	1,660	2,540	65	2,495	45
Joint Water	3,626	5,088	71	4,884	204
Ōtaki	1,947	2,601	75	2,638	(37)
TOTAL	31,435	45,446	69	44,770	676

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



Explanation of Table 3

29 The Council has levied total annual rates of \$45.447 million for the 2011/12 year and the analysis of the total rates allocated across Districtwide and local Community rates is included in the 2nd column titled 'Net Rate Requirement 2/011/12 Annual Budget'.

The net rate requirement is as follows:

Total operating expenditure (funded from Rates)	-	Total other operating revenue (associated with Rates funded expenditure)	=	Net Rate Requirement
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30 As at the 31 March 2012 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 if the capital expenditure programme had been spent evenly throughout the financial year.

- 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 2012 is 69% of the annual rate requirement. The projected rates surplus based on the first nine month's results and trends is \$676,000 at year end. This is a \$470,000 increase on the \$206,000 projected rates surplus per the December half year results. This means a further \$157,000 per year can be used to offset rates increases for the next three years. This will be reflected in the Chief Executive's submission to the Draft LTP.
- 32 The Council budgets for six months interest costs on the proportion of its 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 potentially offset by the other shortfalls in Council's operating revenue or where expenditure is forecast to exceed the budget.
- 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		
Emergency Management	(37)	
Regional Governance	(40)	
LGFA Shareholder Subscription	(100)	
Animal Control – Legal Expenses	(85)	
Expressway - Process additional costs	(190)	
Otaki – Water Bore Operations	(46)	
Otaki – Wastewater Treatment Plant Operations	(42)	
Legal Expenses - Resource Consents	(46)	
Planting Road Corridors	(30)	(616)
Projected Revenue Shortfalls		
Emergency Operations Centre Revenue	(21)	
Building Consents	(222)	
Library Revenue	(69)	
Cycleway/Walkway Subsidy Reduction	(100)	(412)
Projected Revenue Increases		
Animal Control – additional dog registrations	46	
LIM Revenue	46	
Matatua Road Rentals	42	134
Projected Expenditure Savings		
Resource Consents Discounts	9	
Outreach Librarian	12	
Beach Patrols	12	
Parking Enforcement	24	
Paraparaumu/Waikanae Supplementary Bore	83	
Local Authority Protection Programme Premium	24	
Cycleway/Walkway Expenditure reduction	100	264

Analysis of Projected Surplus/(Deficit)		Projected Surplus/ (Deficit) \$000
Debt Servicing Savings		
Access & Transport	33	
Coastal Management	26	
Development Management	(67)	
Governance	231	
Libraries, Arts and Museums	136	
Parks & Open Spaces	104	
Districtwide Stormwater	54	
Ōtaki Water/Waste/Stormwater	100	
Paekakariki Water/Wastewater/Stormwater	19	
Waikanae Wastewater	45	
Joint Water	210	
Paraparaumu Water/Wastewater/Stormwater	231	1,122
Depreciation Savings		
Access and Transport	265	
Coastal Management	143	
Otaki Water	(45)	
Parks and Open Spaces	(179)	184
Net Projected Surplus at year end		676

Explanation of Additional Expenditure

Emergency Management

34 The overspend is due to supporting research by GNS on liquefaction, the changes to the Wellington region CDEM structure and increased electricity and insurance costs for the Emergency Operations Centre (EOC).

Regional Governance

35 At the Council meeting of 29 April, Council approved expenditure to fund any work required to support Council's development of Governance models for the region for consultation by 30 June 2012. The work was estimated to be less than \$40,000.

Local Government Funding Agency Shareholder Subscription

36 Agreed by Council that the \$100,000 subscription should be funded from loan interest savings rather than be funded as a loan.

Animal Control – Legal Expenses

37 Dog prosecution legal expenses have exceeded the annual budget by \$61,000 and with the current level of commitments are expected to exceed the budget by \$85,000 at year end. This year there has been an increased number of serious dog attacks on people or stock compared to prior years and this has resulted in 11 prosecutions this year compared to 5 in prior years.

- 38 The legal costs associated with prosecuting owners of attacking dogs are being reviewed closely by our new Legal Counsel who is working towards reducing Councils overall legal costs.

Expressway Process – Additional Costs

- 39 Council approved \$190,000 for the additional costs associated with the Expressway process to be funded from projected rates surplus at its meeting on 29 November 2011.

Otaki Water Bores Operating Costs

- 40 Additional expenditure on the Otaki Bores operating costs compared to the budgets reflect the expenditure trend over the last two years. The budget has been adjusted in the draft LTP as part of the AMP process.

Otaki Waste Water Treatment Plant Operating Costs

- 41 Additional expenditure on the Otaki Treatment Plant operating costs compared to the budgets reflect the expenditure trend over the last two years. The budget has been adjusted in the draft LTP as part of the AMP process.

Legal Expenses – Resource Consents

- 42 Legal expenses associated with resource consent applications have been higher than budgeted.

Western Link Road Plant Supply Road Corridors

- 43 A contract for planting of road corridors relating to the Western Link Road has not been budgeted for in the 2011/12 year. This contract was entered into following approval of the Western Link Road project and prior to the Expressway announcement. The 2012/13 year is the last year of a 5 year contract and a budget provision has been included for the 2012/13 year in the draft LTP. The plants have been used on ecological restoration sites throughout the District and have been planted either by community care groups or council staff.

Explanations of Projected Shortfalls in Revenue

Emergency Operations Centre Revenue

- 44 The shortfall in revenue on the EOC is unlikely to improve. There is no internal charging for the use of the EOC for meetings held during the changes to the Civic Building.

Building Consents

- 45 The revenue of \$781,000 in Building Consents revenue for the first nine months ending 31 March 2012 included the Building Consents for two large Council projects being the Aquatic Centre and the Civic Building Upgrade. These amounted to \$60,000 in Building Consents revenue excluding GST. If these two items were excluded from the Building Consents revenue total, the percentage of Building Consents revenue achieved from external sources would only be 58% of the annual budget compared to the actual level of 75%.

- 46 The Building Consents revenue for April continues to follow a similar trend and if that continues for the remainder of the financial year then the actual Building Control revenue is likely to be \$222,000 below the budget at year end.

Library Revenue

- 47 The projected Library Revenue shortfall of \$69,000 relates mainly to the following revenue items:
- *No book reserves* are now generated following the library book resourcing project shared with other Council.
 - *DVD Loans* are substantially below the budgeted revenue due to less customer demand.
 - *Extended Loan Charges revenue* is below the budgeted level which is a result of the additional reminders which are sent out for overdue books.
 - *Donations/sponsorship* is substantially below the budgeted level due to current economic climate.

Cycleway/Walkway Subsidy

- 48 NZTA have issued a moratorium on funding for new projects, which indicates that there will be no subsidy for the Cycleway/Walkway capital projects for the 2011/12 year. As a consequence, the Cycleway/Walkway capital expenditure budget has been reduced by the level of subsidy (\$100,000) now not available.

Explanations of Projected Revenue increases

Animal Control

- 49 As at 31 March 2012 some 6,603 dogs have been registered. This was above the budget and is forecast to result in the collection of \$495,000 of revenue which is \$46,000 above the budget.

LIM Revenue

- 50 The improvement and interest in the housing market has resulted in an increase level of LIM reports from Council. This revenue item is forecast to be \$46,000 above the budget.

Matatua Road Rentals

- 51 No budget was provided for this line item which relates to the rental associated with houses purchased for Stormwater work carried out in 2009. While this has been rectified for the 2012 LTP it still means that Council will receive \$42,000 of unbudgeted rental revenue.

Explanations of Expenditure Savings

Resource Consent Discounts

- 52 Under new legislation Local Authorities are required to provide discounts where specified time limits are not met for resource consent processing. This meant a budget was created for customer discounts if the processing of resource consents took longer than a statutory nominated period. This Council has generally met these new timelines and therefore there are forecast savings of \$9,000 against the budget.

Outreach Librarian

53 This service is no longer going ahead with the resultant savings of \$12,000.

Beach Patrols

54 Savings against budget have occurred due to the lower frequency of beach patrols required due to an increased level of volunteer assistance and the poor summer season.

Parking Enforcement

55 Less time required to be spent on parking enforcement than budgeted.

Paraparaumu/Waikanae Supplementary Bore Energy Contingency

56 This contingency budget for energy use from the supplementary borefields was not required in 2011/12. The prevailing weather conditions in Kapiti over the summer months were a major factor.

Local Authority Protection Programme (LAPP) Fund Premiums

57 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 set at a lower level than was projected at the time of the budget approval.

Cycleway/Walkway

58 Programme reduced to match reduction in subsidy. The Roding Team has reviewed the subsidised work programme and is doing some of this work from the Minor Improvements NZTA funded budget.

Debt Servicing Savings

59 These debt servicing savings relate to the lower level of capital expenditure in the first nine months for the 2011/12 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

60 These savings have resulted for the revaluation of assets as at 30 June 2011. These changes have been reflected in the draft 2012 Long Term Plan.

Separate Account (User Charges)

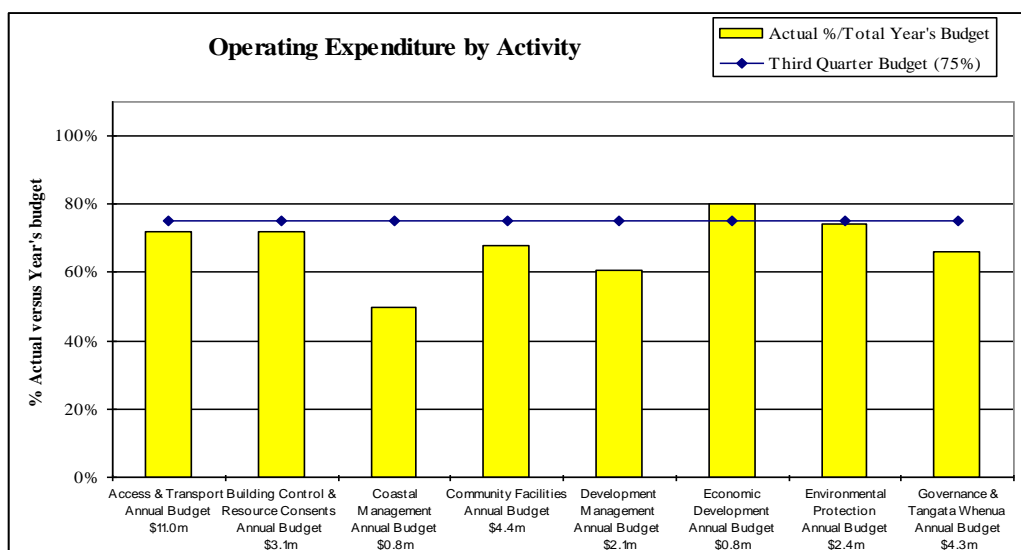
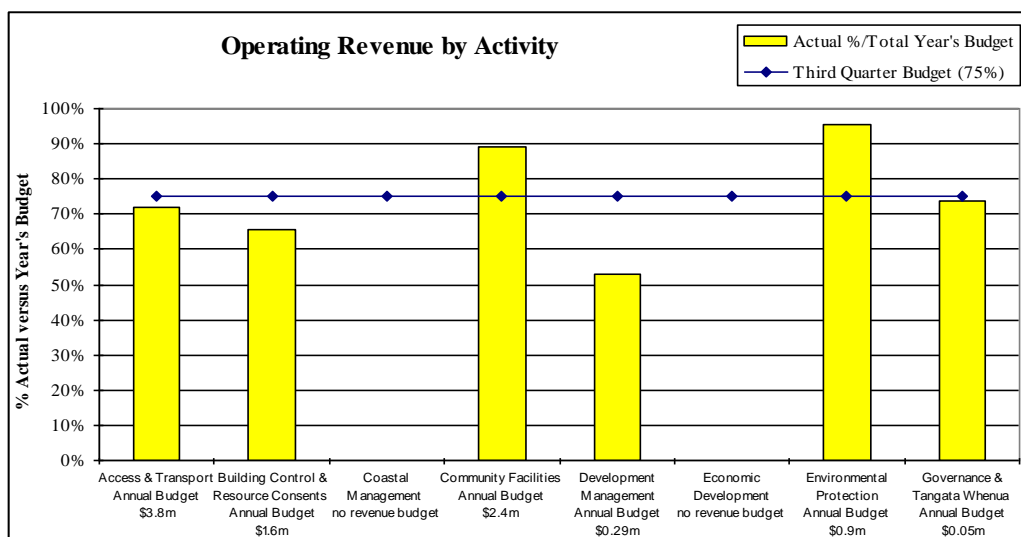
Solid Waste

61 The projected deficit at year end in the solid waste account is \$69,000 which has resulted mainly from the greenwaste revenue not matching the costs and the additional costs of the Waikanae Recycling Greenwaste Station operation. This deficit is budgeted to be recovered in the draft 2012 Long Term Plan.

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

Operating Revenue/Operating Expenditure

62 The graphs below show actual other operating revenue and operating expenditure as at 31 March 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

Building Control and Resource Consents

63 The revenue from Building consents is below the budgets as explained earlier in this report.

Coastal Management

64 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.

Community Facilities

65 The operating revenue includes development contributions utilised for capital works. The budgeted development contributions have been fully utilised for the 2011/12 financial year.

Development Management

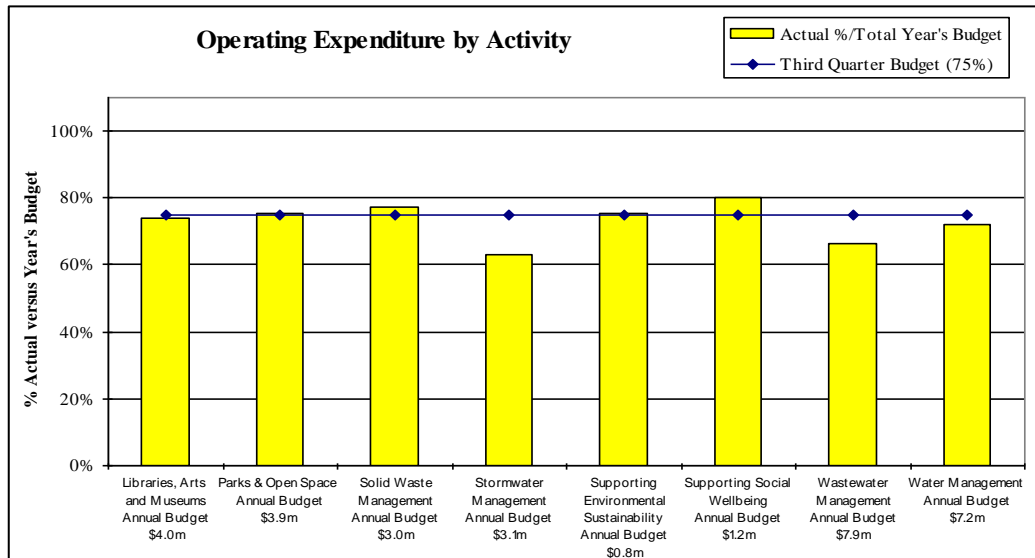
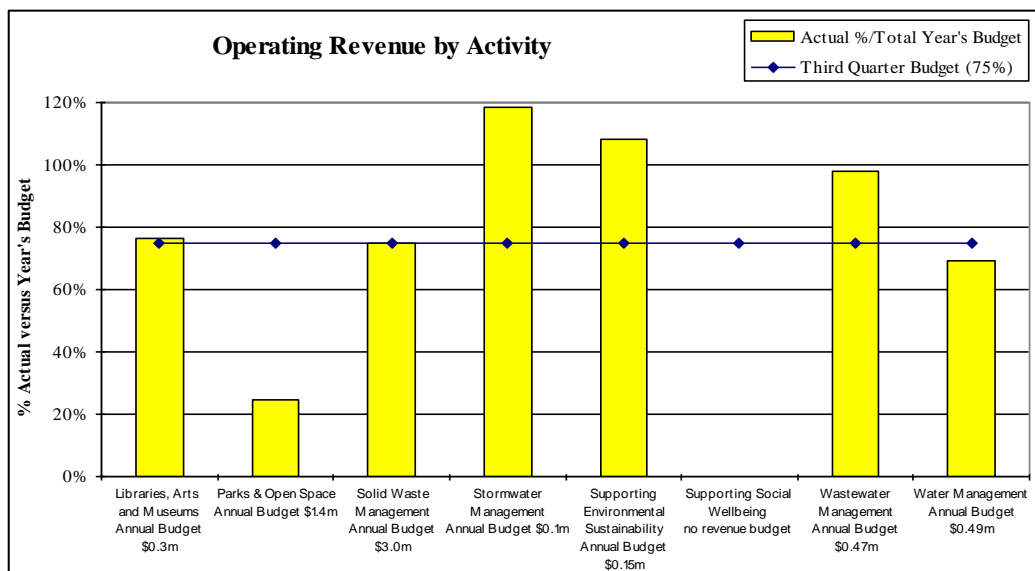
66 Both operating expenditure and revenue are lower due to the lower level of activity related to private plan changes.

Economic Development

67 The operating expenditure is marginally above the 75% budget for this time of year due to the allocation of the full District Events fund in the first nine months of the year as planned.

Environmental Protection

68 The higher level of operating revenue compared to the budgets mainly relates to the timing of the annual levying of regulatory fees and charges including Dog Registration and Health Licences and the increased level of Dog Registration above the budget.



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

Parks and Open Space

69 The operating revenue is lower for the first nine months due to the lower level of reserves contributions/development contributions utilised for capital works to date. This is due to the lower level of Parks and Reserves capital expenditure to date. The Parks' fees and charges, which only make up a small proportion of the operating revenue, are on target to match the budget for the 2011/12 year.

Supporting Environmental Sustainability

70 Revenue associated with the Sustainable Home and Garden show was not budgeted as only the net cost (after revenue) was budgeted.

Stormwater Management

71 The operating revenue is higher due to the higher level of development contributions for stormwater utilised for capital works to date. Operating revenue also includes rental revenue from Matatua Road properties purchased for future stormwater work.

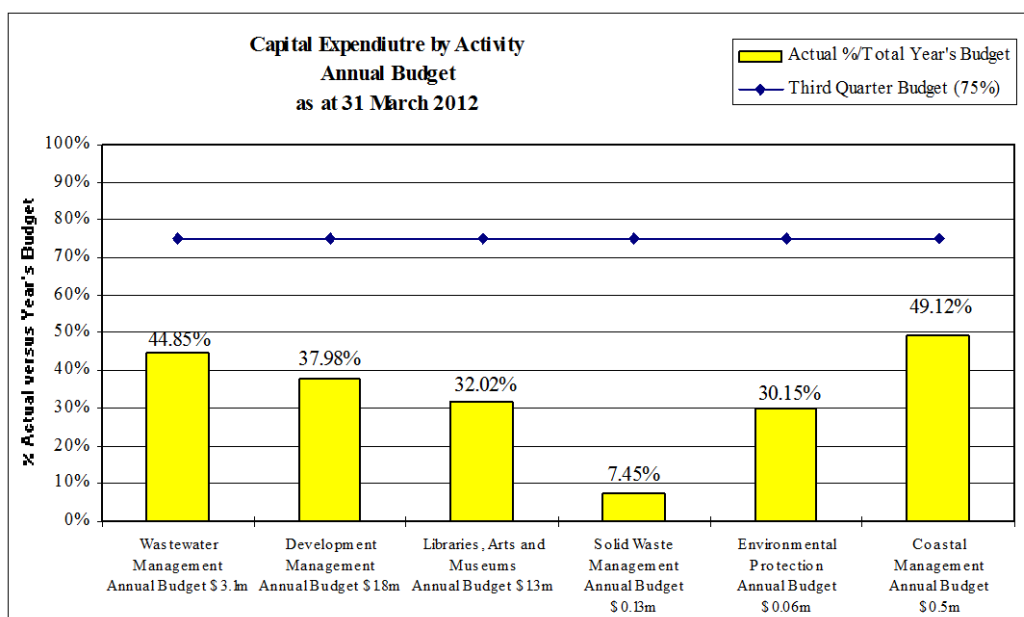
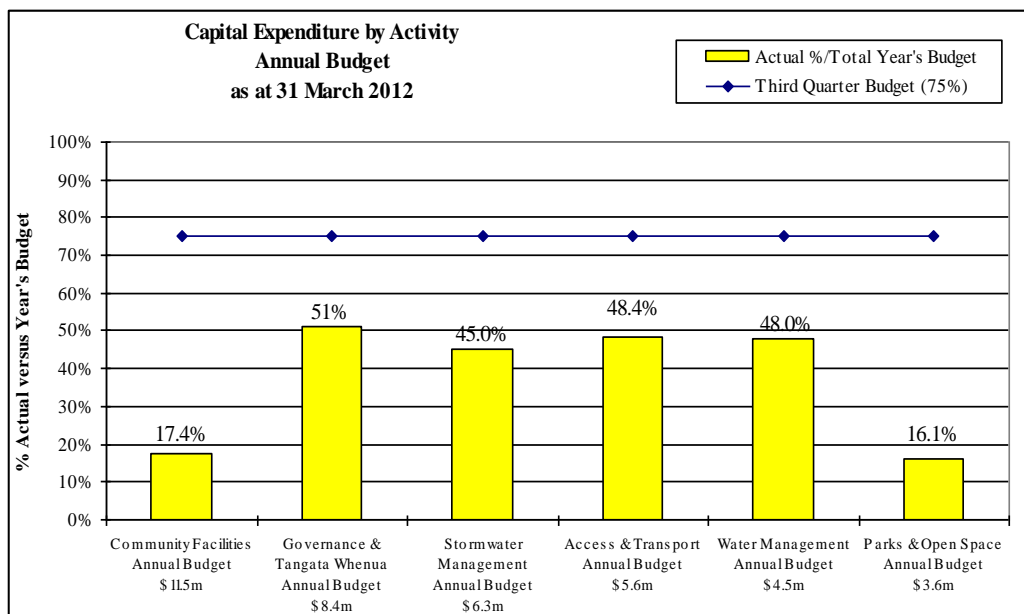
72 The operating expenditure is lower due to the lower level of maintenance required to date. Planned maintenance is not undertaken until the final quarter to see what portion of the budget is required to fund storm event damage. A lower level of expenditure has been required for reactive maintenance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

Wastewater Management

73 The operating revenue is higher due to the higher level of development contributions utilised for wastewater capital works to date.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

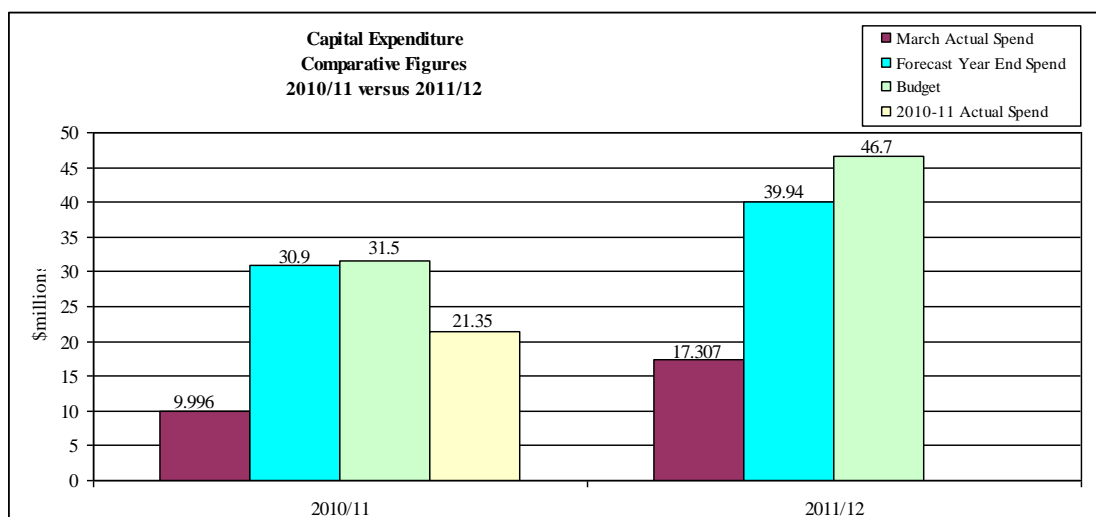
74 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 March 2012 against annual budgets and forecasts.



75 There are four activities which have no capital expenditure: Economic Development, Supporting Social Wellbeing, Supporting Environmental Sustainability and Building and Resource Consents.

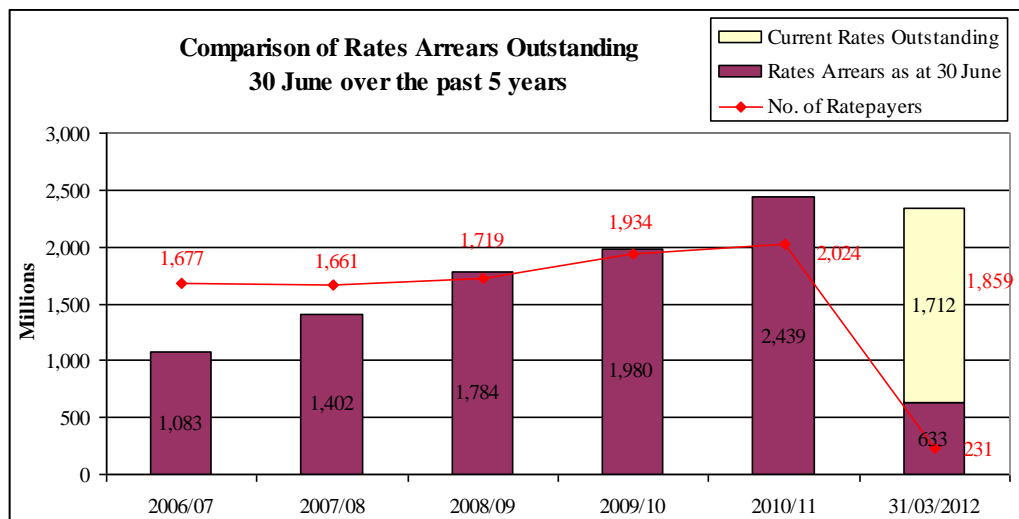
76 Net capital expenditure for the nine months amounted to \$17.312 million compared to the capital expenditure budget for the year of \$46.701 million. The Capital Expenditure programme has been reforecast and now totals \$39.945 million for the 2011/12 year. The expenditure to date represents 43.3% of the total reforecast capital expenditure budget for the 2011/12 year.

- 77 Most of the changes relate to timing changes to the Aquatic Centre, Civic Building upgrade and Waikanae Library Building Upgrade and these changes have been included in the draft 2012 LTP for the 2012/13 year.
- 78 There are also savings of over \$400,000 relating to the Raumati CBD Stormwater work.
- 79 The level of capital expenditure for the first nine months of the 2011/12 year is in line with expectations as anticipated given the tendering work and awarding of contracts in the first nine months and the physical works taking place in the last three months.
- 80 A summary of the activities where the forecast expenditure varies from the budget is attached as Appendix 1. Of the \$6.756 million reduction in projected capital spend, \$1.636 million relates to capital projects proposed to be carried forward and the balance of \$5.120 million is for capital expenditure where the projects are forecasted to be under budget or where the capital expenditure is no longer required. 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 2012/13 year is attached as Appendix 2. The proposed capital carryovers totalling \$1.636 million to be included in the Chief Executive's report to the Draft Long Term Plan for consideration by the Council for inclusion in the final Long Term Plan.
- 82 Set out below is a comparison of the capital expenditure programme between the 2010/11 year and 2011/12 year and the actual spend as at 31 March.



Part F: Outstanding Rates Debt as at 31 March 2012

83 The first graph below shows the analysis of rates debt between rates arrears (rates outstanding as at 30 June 2011, which is still unpaid) and the current rates debt (2011/12 rates that have not been paid as at 31 March 2012) and how the position as at 31 March 2012 compares to the position for the 30 June 2011 and the previous five years.



84 The rates arrears as at 30 June 2011 of \$2.439 million has been reduced to \$633,000 as at 31 March 2012 and the number of rate debtors with outstanding rate arrears as at 30 June 2011 has reduced from 2,024 ratepayers to 231 ratepayers.

85 The current rates debt relating to the 2011/12 rates as at 31 March 2012 is \$1.712 million which involves 1,859 ratepayers.

86 The total rates outstanding as at 31 March 2012 covering both current and rate arrears is \$2.345 million which is lower than the total rates outstanding of \$2.439 million as at 30 June 2011.

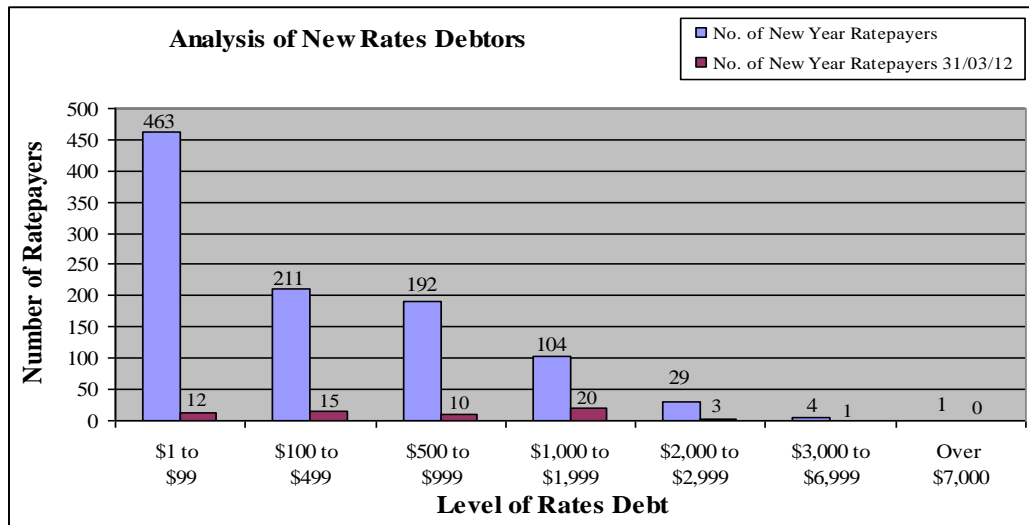
87 The rate arrears collection has improved from previous years and work is currently being carried out to reduce the current rates outstanding by follow up letters and telephone calls to set up payment arrangements.

88 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 2012 is as follows:

	\$000	\$000
Kāpiti Coast District Council rates	294	
Kāpiti Coast District Council penalties	271	
Total Kāpiti Coast District Council outstanding rates	565	
Greater Wellington Regional Council rates	46	
Greater Wellington Regional Council penalties	22	
Total Greater Wellington Regional Council outstanding rates	68	
Total rates outstanding as at 31 March 2012		633

Analysis of New Rates Debtors

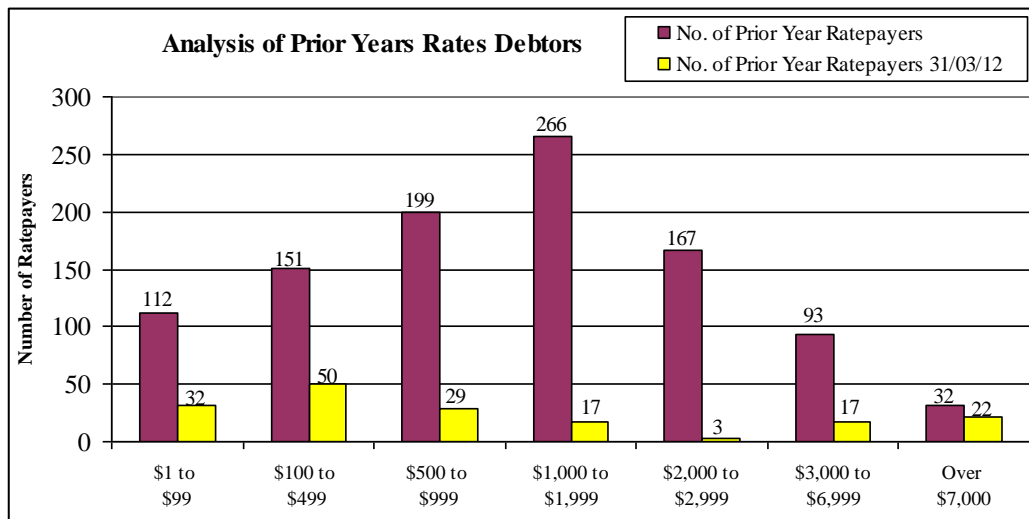
89 The definition of “New Rates Debtors” is where the ratepayer had no outstanding rates at the beginning of the 2010/11 year but had outstanding rates at 30 June 2011.



90 The blue column shows the number of “new rates debtors” grouped by their level of rates debt as at 30 June 2011. The maroon column shows the number of those new rates debtors with rates still outstanding as at 31 March 2012 for each range of rates debt. It shows a substantial decrease in the number of new rates debtors with rate debt after the first nine months.

Analysis of Prior Year Rates Debtors

91 The definition of “prior year rates debtors” is where the ratepayer has outstanding rates at the beginning of the 2010/11 year and still has outstanding rates as at 30 June 2011.

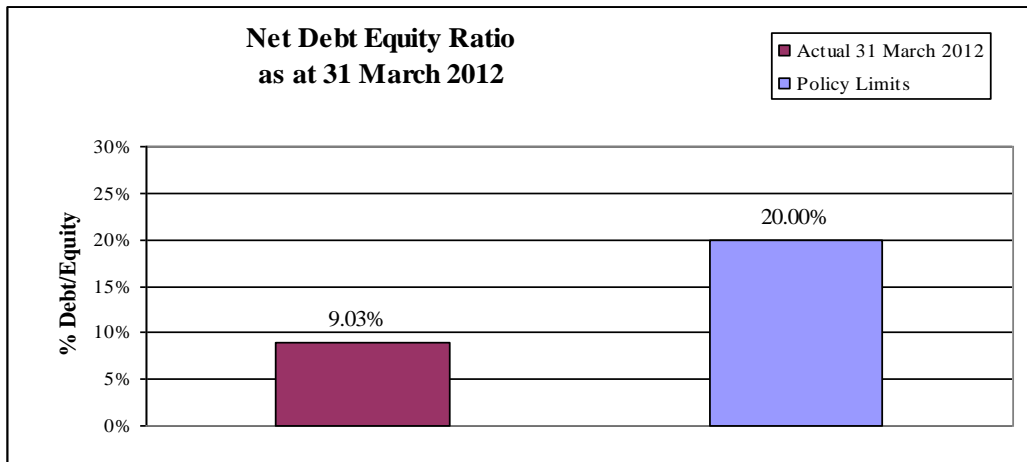
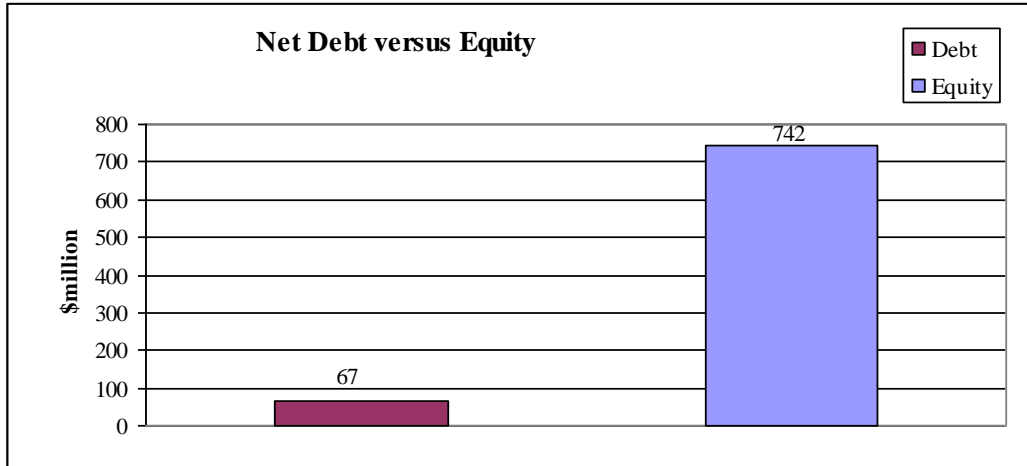


92 The maroon column shows the number of “prior year rates debtors” grouped by their level of rates debt as at 30 June 2011. The yellow column shows the number of those prior year rates debtors with rates still outstanding as at 31 March 2012 for each range of rates debt. It shows a reasonable decrease in rates debt after the first nine months in the number of prior year rates debtors with rates debt after the first nine months especially for those ratepayers owing less than \$7,000.

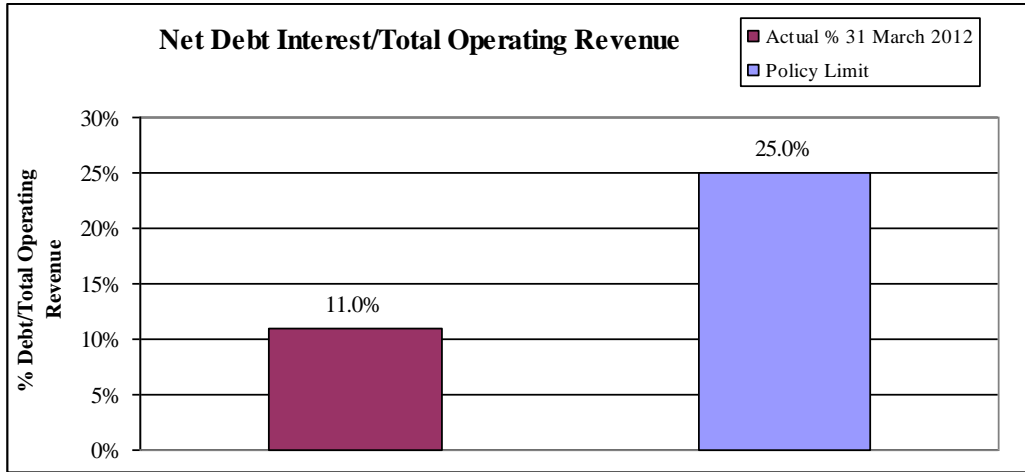
- 93 The rates collection process involves regular follow up with outstanding debtors and updates to payment arrangements to ensure debts are cleared over a reasonable time period.

Part G: Performance against Treasury Management Policy Limits

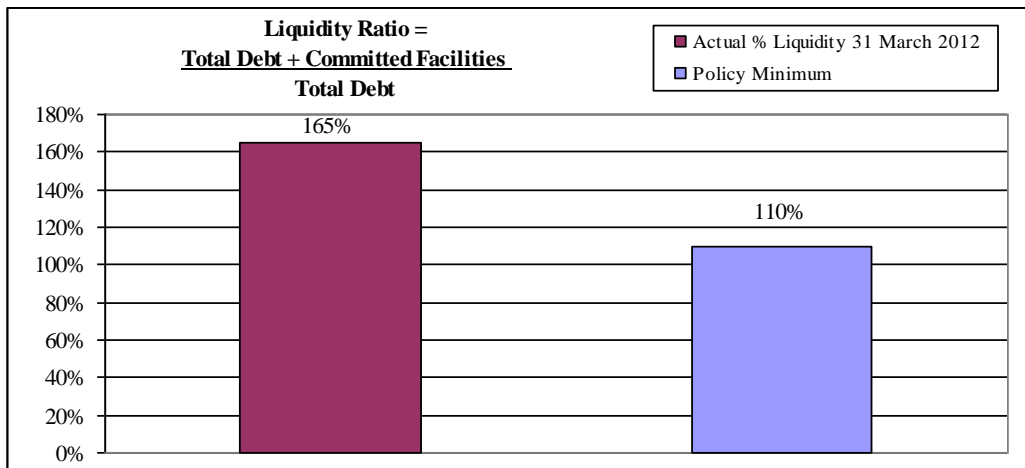
94 The graphs below show that Council is well within its debt/equity policy limits as at 31 March 2012, as set in its Treasury Management Policy. Net Debt as at 31 March 2012 equals \$67 million. Public Equity as at 31 March 2012 equals \$742 million. The net debt equity ratio is shown below in the second graph.



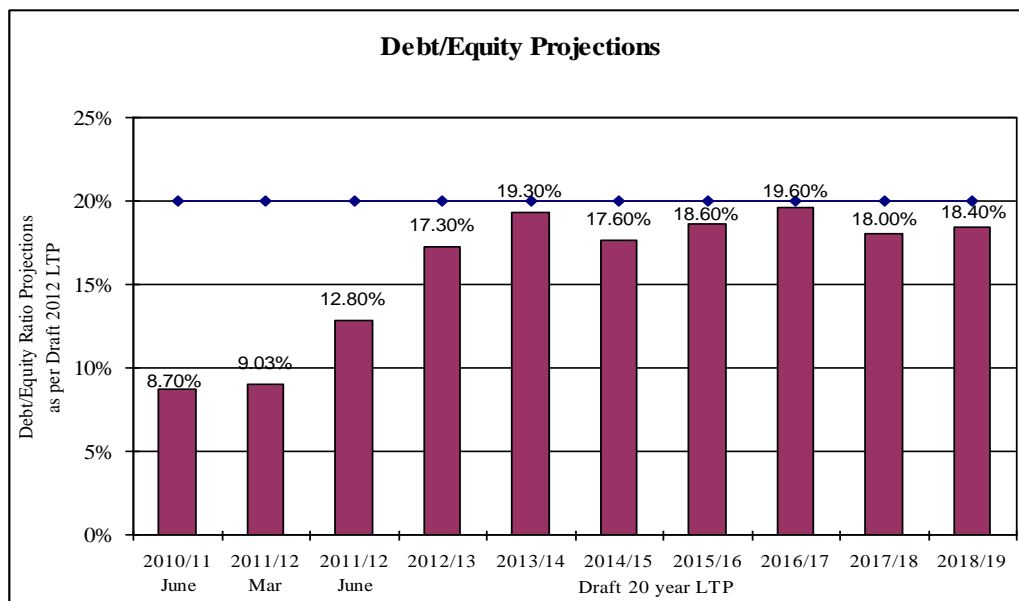
95 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 9.03% which is well within the 20% limit.



96 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 2011/12 year is 11% which is well within the limit.



97 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 165% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



- 98 The debt equity graph shows the actual debt/equity ratio as at 31 March 2012 and for the following years the projected debt/equity ratios as per the draft 2012 LTP.

Other Considerations

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

Delegation

- 100 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

- 101 That the Corporate Business Committee notes the nine monthly financial results contained in this report FIN-12-529.
- 102 That the Corporate Business Committee notes the Council's operating surplus for the first nine months ended 31 March 2012 was \$4.347 million which mainly reflects the development contributions (capital use only) and vested assets (non cash revenue) required to be recognised as operating revenue.
- 103 That the Corporate Business Committee notes that based on the operating results for the first nine months ended to 31 March 2012 the forecast net rates surplus is \$676,000 for the year end.

- 104 That the Corporate Business Committee notes that the net capital expenditure for the nine months amounted to \$17.312 million compared to the capital expenditure budget for the year of \$46.701 million. The Capital Expenditure programme has been reforecast and now totals \$39.450 million for the 2011/12 year. The expenditure to date represents 43.3% of the total reforecast capital expenditure budget for the 2011/12 year.
- 105 That the Corporate Business Committee notes the other key financial performance indicators including the performance against key Treasury Management Limits.

Report prepared by:

Warwick Read
Group Manager Finance

Appendix 1 – Forecast Change to Capital Programme in 2011/12
Appendix 2 – Proposed Capital Carry Overs to 2012/13