FIN-11-211

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

12 MAY 2011

Meeting Status: Public

Purpose of Report: For Information

FINANCIAL REPORTS TO 31 MARCH 2011

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 31 March 2011. 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 2011 shows the Council's financial performance against budgets and highlights any financial exceptions and includes 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)**

  This allows Council to review at a high level **operating expenditure** and **revenue** against budgets, to identify and understand any emerging risks that may be impacting on Council's overall **operating surplus or deficit**.

  Explanations of variances in revenue which are driven by external agencies – e.g. NZTA subsidies are given in this section. More detailed explanations of variances in expenditure/ revenue are provided in Parts D and E.

- **Part B: Statement of Financial Position**

  This provides Council with information on its position in relation to **current and non-current assets** and **current and non-current liabilities**. It then provides Council with information on its position in relation to overall **public equity** when these assets and liabilities are considered together. Public Equity, which is the Council's net worth, is the net value of total assets less total liabilities. It shows the (ratepayers) public level of financial interest in the assets of the District.

- **Part C: Statement of Rating Position**

  Each quarter projections are made of the rates position, (either a rates surplus or deficit) for the end of the financial year. This is based on revenue and expenditure trends based on actual results to the end of the current quarter. The purpose of establishing the projected rates surplus/deficit is to forecast rates financial position for the end of the financial year. This allows Council to assess what action, if any, it would need to take as part of its Draft Annual Plan process in terms of the impacts of the following years' rates. Any projected rates surplus can be used to offset future years' rates while projected rates deficits would need to be funded from future years' rates.

- **Part D: Expenditure by Activity with Explanations on Variances and Trends.**

  This provides Council with further information on emerging risks (if any) and more detail on key factors affecting the Statement of Comprehensive Income.

- **Part E: Explanation of Capital Works Programme Performance**

  This is at a summary level and further information on key projects is provided in the detailed Activity Reports. Information is provided separately on capital programmes as performance in the area is a significant factor in Council's finance costs. It also affects the level of debt which is relevant to Council's Statement of Financial Position.

- **Part F: Statement of Performance Against Treasury Policy Limits**

  These graphs show Council's position at the end of each quarter in relation to Council's Treasury Policy Limits.

5 Financial Management Reports are scheduled to be presented to the Corporate Business Committee no more than 6 weeks following the end of each quarter.

Part A: Statement of Comprehensive Income (Financial Performance)

6 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 due to be undertaken as at 30 June 2011. Table 1 below summarises Council's Statement of Comprehensive Income as at 31 March 2011.

Table 1: Statement of Comprehensive Income

2009/10 Actual $000		31/3/2011 Actual $000	2010/11 Budget $000
39,638	Total Rates	31,961	42,004
11,862	Other Revenue	5,861	10,123
4,667	NZTA Operating Funding	1,655	2,350
241	NZTA Capital Funding	-	5,580
56,408	**TOTAL OPERATING REVENUE**	**39,477**	**60,057**
33,900	Operating Costs	22,712	36,291
723	Loss on Disposal	2,404	-
8,200	Impaired Asset	265	-
4,333	Finance Costs	3,294	6,710
1,649	Gain/(loss) on Revaluation of Financial Instruments	-	-
11,653	Depreciation/Amortisation	8,714	11,578
60,458	**TOTAL OPERATING EXPENDITURE**	**37,389**	**54,579**
(4,050)	**NET SURPLUS**	**2,088**	**5,478**
	Other Comprehensive Income		
(817)	Revaluation – Fair Value Movement on Property, Plant, and Equipment	-	42,482
(4,867)	**TOTAL COMPREHENSIVE INCOME**	**2,088**	**47,960**

Rates Revenue

7 The rates levied in the first nine months reflect 75% of the total annual rates.

8 The rates budget is the total Council rates levied of $42.391 million less Council's rates on its own properties of $387,000 to give a net rates budget of $42.004 million.

Other Operating Revenue

9 The key components of Other Revenue are fees and charges, financial contributions/development contributions and vested assets. The main reason for other revenue being below the budget as at 31 March 2011 is the low level of vested assets received in the first nine months of the year. (Refer to paragraph 14 for the explanation.)

Fees and Charges

10 Overall fees and charges are below the budget for the first nine months but some of the lower revenue projections are offset by related lower expenditure items. However, there are some variances which require further explanation which are provided in Part D.

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. 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.

12 Although the current level of subdivisional activity is lower this year, the financial contributions/development contributions received relate to subdivisions applied for in the last 2-3 years.

13 The financial contributions/development contributions are generally paid at the time of applying for the Section 224 certificate at the end of the Resource Consent process. The level of financial contributions/development contributions received is generally in line with budget.

Vested Assets:

14 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 recognized as revenue in the Statement of Comprehensive Income. There was a low level of subdivisional activity in the first nine months which means a lower level of assets vested in Council by land developers.

New Zealand Transport Agency (NZTA) Operating Funding

15 This is the NZTA subsidy on Council's annual roading maintenance and renewal programme which needs to be pre-approved by NZTA for up to three years in advance. The lower level of subsidy for the first nine months reflects the level of subsidised roading expenditure incurred by Council in the first nine months. The forecast for NZTA subsidy for the year is lower than the budget and this is covered under paragraphs 47 and 48 of this report. The NZTA subsidy rates for this Council are currently:

Roading Maintenance and Renewal	43%
New Construction Work	53%

NZTA Capital Funding

16 This was the 90% NZTA subsidy of the Western Link road and the budget of $5.58 million relates to 90% subsidy on some land purchases relating to the Western Link committed to by the Council prior to the initial Expressway announcement by the Minister of Transport and NZTA. To date these purchases have not proceeded.

Other Operating Revenue by Activity

17 Other operating revenue levied by activity is shown in Part D with a summary explanation on trends and variances. More detailed analysis of fees and charges compared to budget is also shown in Part D.

Operating Costs

18 The operating costs are below budget for the first nine months and there is projected savings in operating costs for the full year. More details are included in the analysis of the rates position.

Finance Costs

19 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 2010/11 programme is set out in summary form in Part E.

Depreciation

20 The depreciation expense is the allocation of the cost of Council's assets over their useful lives. Each month the Council's assets value reduces by the monthly depreciation charge and the depreciation expense is a key component of Council's operating expenditure.

Operating Net Surplus

21 Even though the total operating revenue is below the budgeted revenue for the first nine months, the operating expenditure is even lower than the budget for the same period, resulting in an operating surplus of $2.088 million as at 31 March 2011. This is not the rates surplus which will be much smaller. The latter is discussed in Part C Statement of Rates Position.

Revaluation of Assets Movement

22 The revaluation of assets budgeted increase of $42 million is the projected increase of approximately 5% (over a three year period) in the value of the Council’s infrastructure assets anticipated as a result of the revaluation of all of Council assets as at 30 June 2011.

Part B: Statement of Financial Position as at 31 March 2011

23 The Statement of Financial Position as at 31 March 2011 is set out below, followed by an overview of the key components.

2009/10 Actual $000		31/3/2011 Actual $000	2010/11 Budget $000
	Current Assets		
11,473	Cash & Cash Equivalents	11,197	5,655
5,118	Trade and Other Receivables	7,677	5,046
225	Inventories	236	311
135	Derivative Financial Instruments	135	-
-	Other Financial Assets	-	1,274
16,951	**Total Current Assets**	**19,245**	**12,286**
	Non-Current Assets		
753,163	Property, Plant and Equipment	754,406	874,088
351	Forestry Assets	351	250
324	Intangible Assets	258	45
328	Derivative Financial Instruments	328	1,417
66	Other Financial Assets	66	1,500
105	Trade and Other Receivables	105	-
754,337	**Total Non-Current Assets**	**755,514**	**877,300**
771,288	**TOTAL ASSETS**	**774,759**	**889,586**
	Liabilities & Public Equity		
	Current Liabilities		
9,517	Trade and Other Payables	8,337	10,812
880	Derivative Financial Instruments	880	142
1,429	Employee Benefit Liabilities	1,221	976
1,135	Deposits	1,163	1,498
	Overdraft	1,050	-
40,770	Public Debt	42,232	10,839
5,341	Development Contributions	5,479	5,225
59,072	**Total Current Liabilities**	**60,362**	**29,492**
	Non-Current Liabilities		
30,749	Public Debt	30,749	97,553
2,774	Derivative Financial Instruments	2,774	1,275
362	Employee Benefit Liabilities	362	369
38	Provisions	38	37
33,923	**Total Non-Current Liabilities**	**33,923**	**99,234**
92,995	**TOTAL LIABILITIES**	**94,285**	**128,726**
573,006	Retained Earnings	576,348	613,370
100,192	Revaluation Reserve	100,158	143,491
3,549	Reserves & Special Funds	1,833	2,705
1,546	Sinking Funds	2,135	1,294
678,293	**TOTAL PUBLIC EQUITY**	**680,473**	**760,860**
771,288	**TOTAL LIABILITIES & PUBLIC EQUITY**	**774,759**	**889,586**

24 The budgets for the 2010/11 year are the budgets for the end-of-year position i.e. as at 30 June 2011 (the last day of the financial year). These budgets were established as part of the 2010/11 Annual Plan process and set before the end of the 2009/10 financial year (as at 30 June 2010). The budgets were set fifteen months in advance projecting the Council's financial position as at 30 June 2011. It is more realistic to compare Council's financial position as at 31 March 2011 with the position as at 30 June 2010, as it reflects nine months of financial activity since 30 June 2010.

Current Assets

25 The higher level of current assets since 30 June 2010 reflects the higher level of debtors and other receivables owing at 31 March 2011, compared to 30 June 2010.

Non-Current Assets

26 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 2011, compared to 30 June 2010, reflects the capital additions less depreciation of the first nine months of the financial year.

Current Liabilities

27 The higher level of current liabilities since 30 June 2010 reflects the higher level of short term public debt as at 31 March 2011.

Non Current Liabilities

28 There has been no change since 30 June 2010 for the Council’s long term debt. The other items have not been updated since 30 June 2010 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

29 Public (Ratepayers) Equity is Council's total financial interest in its Assets, (Total Assets less Total Liabilities = Council's net worth). The total public equity has increased by the net surplus for the first nine months.

Part C: Statement of Rates Position

30 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 affects the rates required for next year.

31 The overall rates position to 31 March 2011 and the forecast position to year end are detailed in the following table.

Table 3: Overall rates position to 31 March 2011 and the forecast position to year end

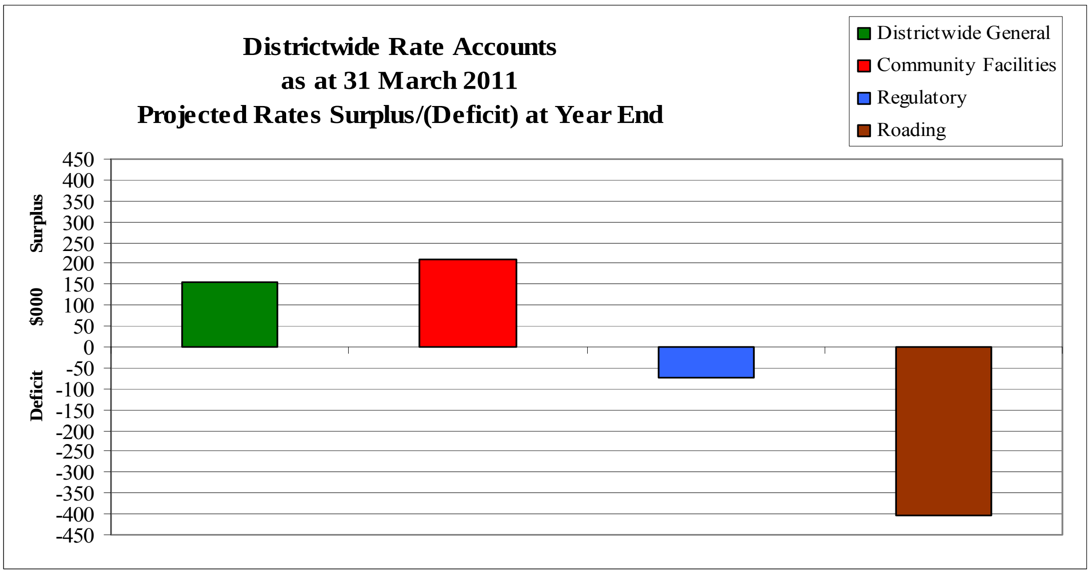
	Net Rate Requirement Actual to 31 March 2011 $000	Net Rate Requirement 2010/11 Annual Budget $000	Actual/ Annual Budget %	Net Rate Requirement Financial Projections to 30 June 2011 $000	End of Year Forecast Rates Surplus/ (Deficit) $000
Districtwide					
Districtwide General[1]	5,436	7,728	70	7,573	155
Community Facilities[2]	5,931	8,896	66	8,687	209
Regulatory[3]	2,632	3,977	66	4,052	(75)
Roading[4]	3,555	5,092	70	5,495	(403)
Total Districtwide	**17,554**	**25,693**	**68**	**25,807**	**(114)**
Community					
Paekākāriki	291	381	76	379	2
Paraparaumu/Raumati	4,232	6,341	67	6,177	164
Waikanae	1,028	2,580	40	2,546	34
Joint Water	2,514	4,900	51	4,691	209
Ōtaki	1,192	2,495	48	2,469	26
TOTAL	**26,811**	**42,390**	**63**	**42,069**	**321**

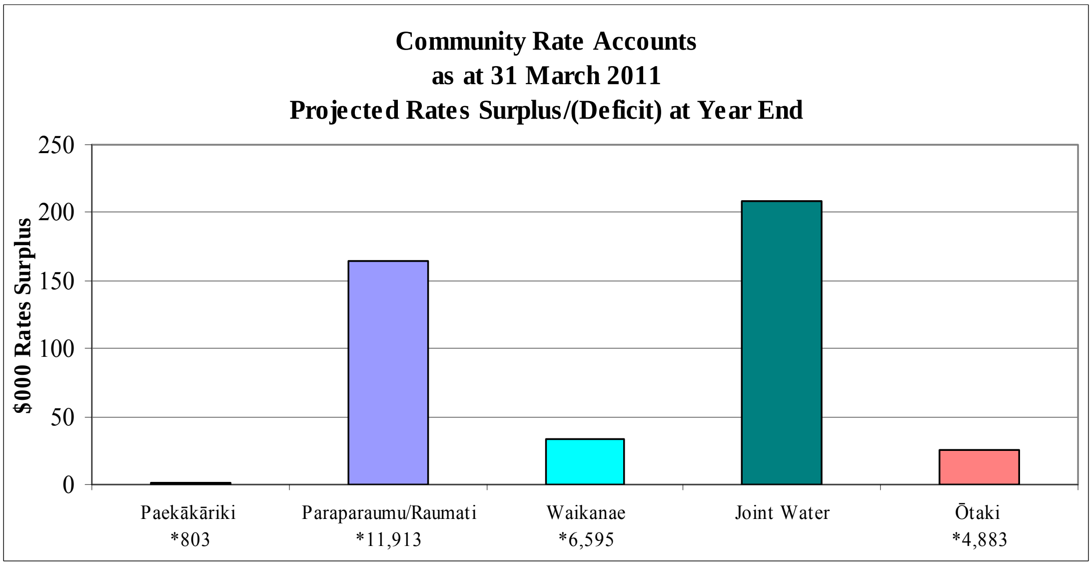
[1] Districtwide General Expenses: including emergency management, civil defence, public toilets and cemeteries. Supporting Social Wellbeing, Supporting Environmental Sustainability, District Strategic Development Projects, Districtwide Coastal Protection of the Council's Infrastructure and Districtwide 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 Roading Expenditure except for historic debt servicing costs





**Number of rateable properties Urban/Rural*

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

32 At the 31 March 2011 there would be a general expectation that the net rate requirement would be around 75% of the annual rate requirement.

33 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 2011 is 63% of the annual rate requirement and the explanations of revenue and expenditure trends and exceptions are further explained in the following pages.

34 Based on Council's rates position to 31 March 2011 and the revenue and expenditure trends from the first nine months of the financial year it is forecast that the Council could have a rates surplus of $321,000 at year end.

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

Analysis of Projected Surplus/(Deficit)		**Projected Year End Surplus/(Deficit) $000**
Projected Revenue Shortfalls		
Cemeteries	(35)	
Resource Consents	(58)	
Building Consents	(262)	
NZTA Subsidy	(618)	(973)
Projected Revenue Surpluses		
Subdivisional/Engineering Fees	25	25
Projected Expenditure Savings		
Information Technology Salaries	20	
Council Building – Rental Maple Building	70	
Customer Services – Salaries	50	
Libraries – Outreach Librarian (Partially duplicated budget)	101	
Insurance Premiums	120	
Councillors Travel Expenses	20	
Parks & Open Space		
Ferndale Maintenance	20	
Waikanae Heights Maintenance	7	
Water – Joint water		
Energy – Bores Contingency	84	
Ōtaki Water - Energy – Bores	14	506
Debt Servicing Savings		
Civic Building Upgrade	40	
Roading	103	
Coastal Protection	43	
Districtwide Stormwater	20	
Strategic Land Purchases	38	
Parks & Reserves	72	
Aquatic Centre	26	
Paekākāriki Water and Stormwater	25	
Paraparaumu/Raumati Stormwater and Wastewater	69	
Waikanae Stormwater and Wastewater	16	
Paraparaumu/Waikanae Joint Water	98	
Ōtaki Stormwater, Wastewater and Water	117	667
Depreciation – forecast lower than budget		
Access & Transport	40	
Coastal Management	24	
Stormwater Management	18	
Wastewater	14	96
Net Projected Surplus		**321**

Explanations of Projected Shortfalls in Revenue

Cemeteries

36 During the 2009 LTCCP process the Revenue and Finance Policy for Cemeteries was changed to reflect Council's direction to move from a 60% Public/40% Private Benefit to a 20% Public/80% Private Benefit over a 4 year period. This is the second year of the transition and despite the fee structure reflecting the 40% Public/60% Private Benefit impact, the total fee revenue based on the current trends at year end is predicted to be $35,000 below budget.

Resource Consents

Analysis of Resource Consents		Projected Year End Surplus/(Deficit) $000
Revenue Shortfalls		(182)
Expenditure Savings		
Staff Costs	95	
Other costs	29	124
Projected Net Deficit for Resource Consents		**(58)**

37 The Resource Consents revenue has achieved 42% of its total annual budget compared to an expected level of 75% by 31 March 2011. If this trend continues the projected revenue at year end will be $238,000 compared with the annual budget of $420,000 resulting in a projected shortfall in revenue of $182,000.

38 Although there are a reasonable number of land use consents applications the subdivision consents volumes are significantly lower.

39 Although the Resource Consents team has been busy on land use consents the current fee structure is not recovering the level of work involved in processing those consents. This fee structure will be reviewed including comparisons with other Councils and reported back to Council as part of the LTP review process.

40 Resource Consents expenditure is projected to be $124,000 lower than the budget due to the following factors:

- projected savings in staff costs of $95,000; and
- the projected savings of $29,000 on other costs such as legal costs/court appeals based on the current trends.

This translates to a projected net deficit of $58,000 in the Resource Consent activity.

Building Consents

Analysis of Building Consents		Projected Year End Surplus/(Deficit) $000
Revenue Shortfalls		
Building Consents	(325)	
Outsourcing – Porirua City Council	(71)	(396)
Revenue Surplus		
LIM Fees/Recoveries		55
Expenditure Savings		
Salaries and other Costs		79
Projected Net Deficit for Building Consents		**(262)**

41 Building Consents revenue is tracking below the budget as at 31 March 2011 with only 58% of its annual budget being achieved by 31 March 2011 compared to an expected level of 75%.

42 The revenue trend has continued to be lower than budget and if this continues there will be a projected shortfall in Building Consent revenue of $325,000 as at year end.

43 In addition, the outsourcing of building control work with Porirua City Council has finished and the budgeted outsourcing revenue will have a shortfall in revenue of $71,000 by year end.

44 LIM fees and other recoveries are ahead of the budget and are projected to be $55,000 above budget at year end.

45 The current work pressure relating to meeting the building accreditation requirements and the key performance measures contributed to the decision to not continue with outsourcing work for Porirua City Council.

46 There are projected expenditure savings of $79,000 in salaries and other costs such as the transport costs and the accreditation programme. The net deficit in building consents at year end is projected to be $262,000.

NZTA Subsidy

47 The NZTA Subsidy shortfall of $618,000 relates mainly to subsidy on roading capital projects which are underspent or no longer required or are proposed to be carried forward.

48 The key components are Major Bridge Repairs, Kapiti Road/Rimu Road Intersection, School Travel Plans and Minor Improvements.

<u>Explanations of Expenditure Savings</u>

Council Building – Rental of the Maple Building

49 Due to the Maple Building not being completed and available for rent until late December 2010 there is a savings in the rental budget of $70,000.

Customer Services

50 Salary saving of $50,000. The salary savings have been made through recoveries from staff being charged out to other areas such as planning hearings and the local authority elections.

Libraries

51 A component of the Outreach Library project had been included in the budgets twice in error resulting in a reduction in projected expenditure of $48,000.

52 The balance of the budget is for operating costs associated with the set up and ongoing operating costs of the Outreach Librarian and the set up costs of the Paekākāriki Library. Due to the timing of appointment of the Outreach Librarian in the second half of the financial year the budgeted costs will not be fully required.

Insurance Premiums

53 Insurance premium savings were achieved with other Wellington local authorities and the competitive market at the time resulting in savings of approximately $120,000. This occurred after the budgets were set for the 2010/11 year.

54 Insurance premiums are predicted to increase substantially for the 2011/12 year following the two Christchurch earthquakes.

Councillors' Travel Expenses

55 As a result of the threshold being set at 30 kilometres the Councillors' travel expense claims have been reduced by $20,000 compared to the budget.

Parks & Open Space

56 Ferndale and Waikanae Heights Reserves – The maintenance expenditure is significantly below budget due to delays in the handover of these reserves to the Council.

Joint Paraparaumu/Waikanae Water

Energy Bores Contingency

57 The favourable summer has meant that the bores were not required to be used this year.

Ōtaki Water – Energy Bores

58 Based on the expenditure to date there is forecast savings of $14,000 by year end.

Debt Servicing Savings

59 These debt servicing savings relate to the lower level of capital expenditure in the first nine months for the 2010/11 year and also to the lower average interest rates achieved on existing debt due to the management of Council's interest rate swaps.

Depreciation - forecast lower than budget

60 The forecast depreciation is lower than budgeted for the activities where the capital expenditure has been lower than budgeted over the past year.

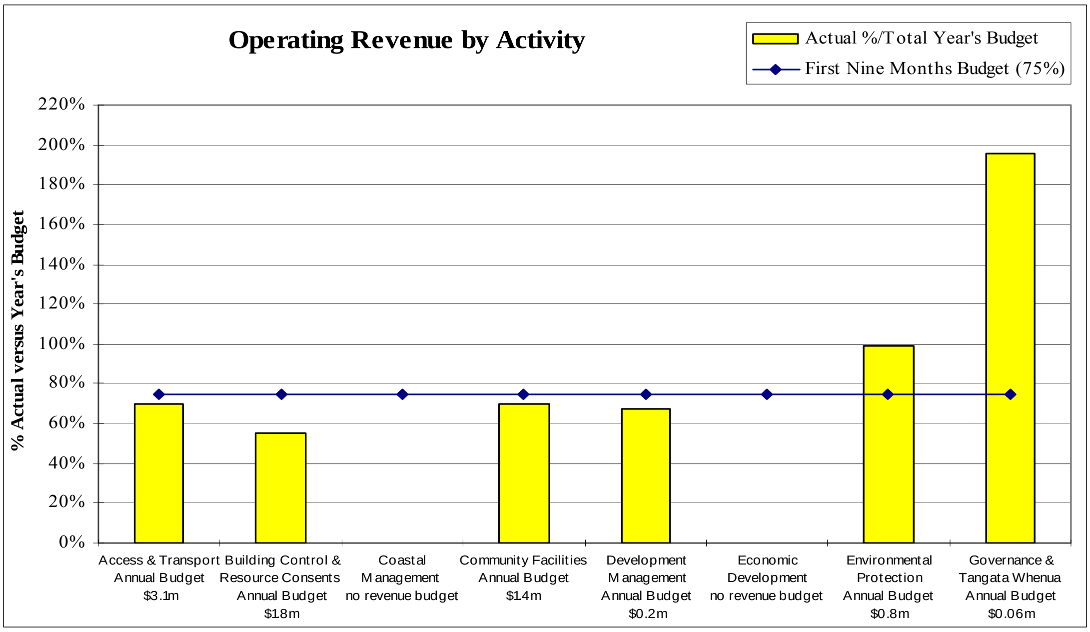
Net Projected Surplus

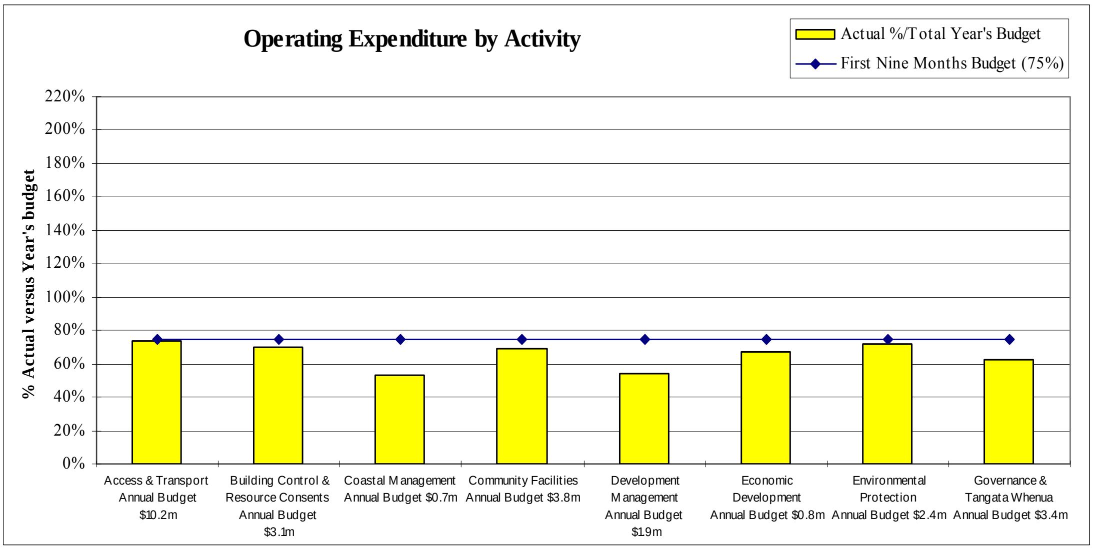
61 The net and projected rates surplus at the end of the financial year is $321,000. It is proposed that this surplus be spread over a three year period to smooth the impact on its application and avoid major rate increases in the subsequent years. On that basis it is proposed that $107,000 be applied to the proposed rates increase for the 2011/12 year and to the following two years and this will be included in the Chief Executive's report to the Draft Annual Plan.

Part D: Operating Revenue and 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 2011 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>

63 Operating Revenue is lower than budget as at 31 March 2011 due to the lower level of expenditure incurred that was eligible from NZTA subsidy as at 31 March 2011. The operating revenue is also projected to be lower at year end which is due to a lower projected level of NZTA subsidy claimable at year end. This projection is based on the lower forecast levels of subsidisable roading capital and operating expenditure at year end.

Building Control and Resource Consents

64 The explanation is covered under paragraphs 37 to 46 of this report.

Coastal Management

65 The operating expenditure is lower due to the lower level of debt servicing costs resulting from lower capital expenditure than budgeted.

Community Facilities

66 The operating revenue is lower due to the lower level of fees and charges received for the Raumati and Ōtaki Pool and cemeteries across the District compared to the budget.

67 The operating expenditure is lower due to the lower debt servicing costs resulting from the timing of the major capital projects under this Activity including the Aquatic Centre.

Development Management

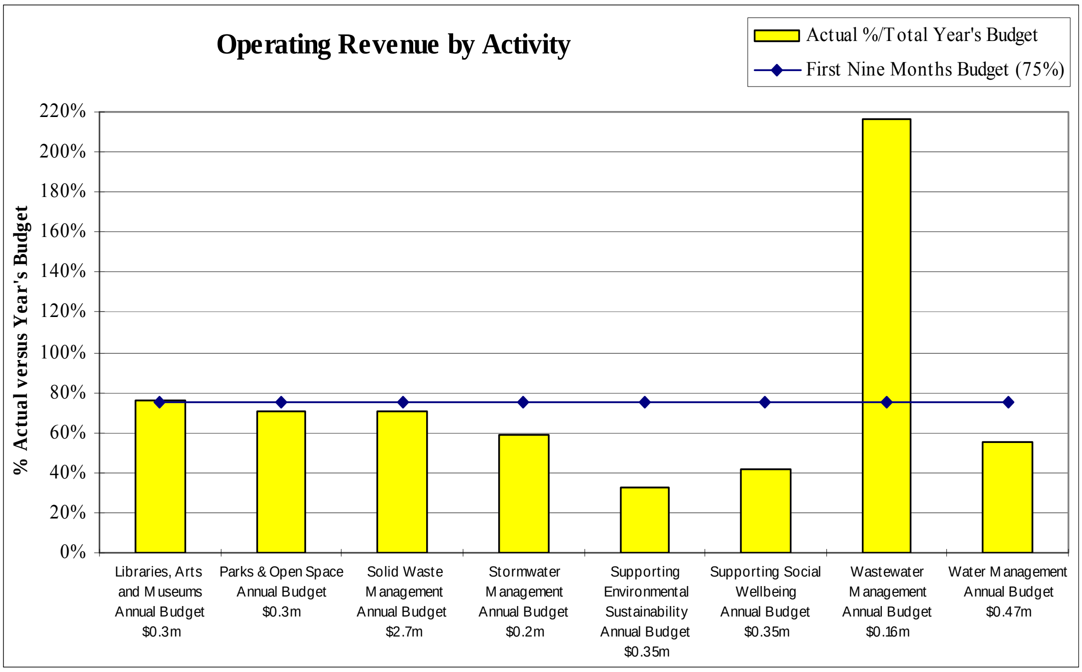
68 The lower level of revenue and expenditure reflects the lower level of private plan changes being applied for and processed.

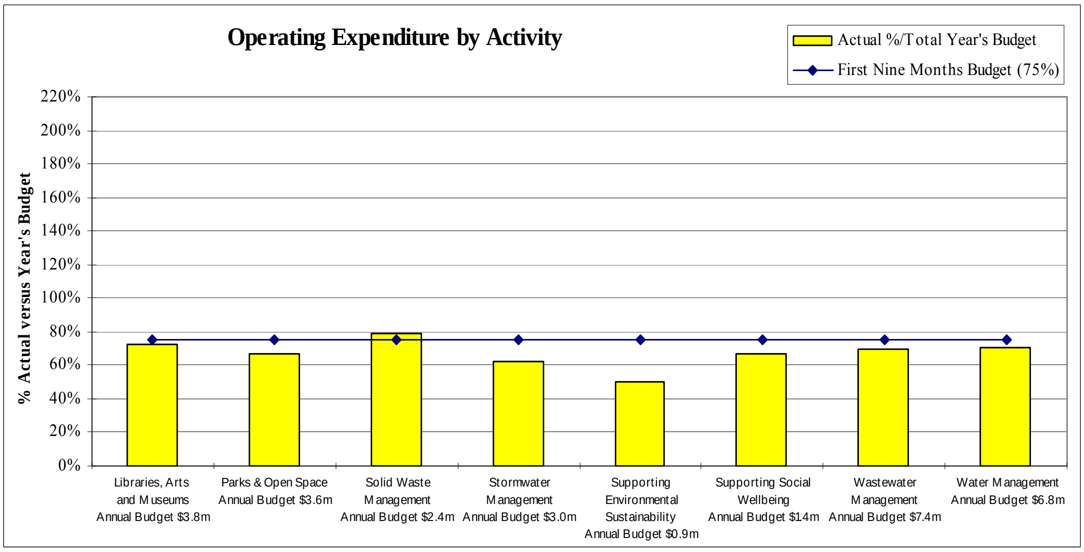
Environmental Protection

69 The higher level of operating revenue received compared to the budgets reflects the timing of the annual fees such as the annual Dog Registration fees which are due in August each year.

Governance & Tangata Whenua

70 The higher level of Governance revenue reflects the higher level of interest received on the Council's general investments.





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

<u>Parks and Open Space</u>

71 Operating expenditure is lower mainly due to lower debt servicing costs resulting from the timing of some of the capital projects.

<u>Stormwater</u>

72 The lower level of revenue reflects the lower level of Development Contributions received.

73 There has been less demand for reactive maintenance of stormwater drains that has lead to lower operating costs.

Wastewater

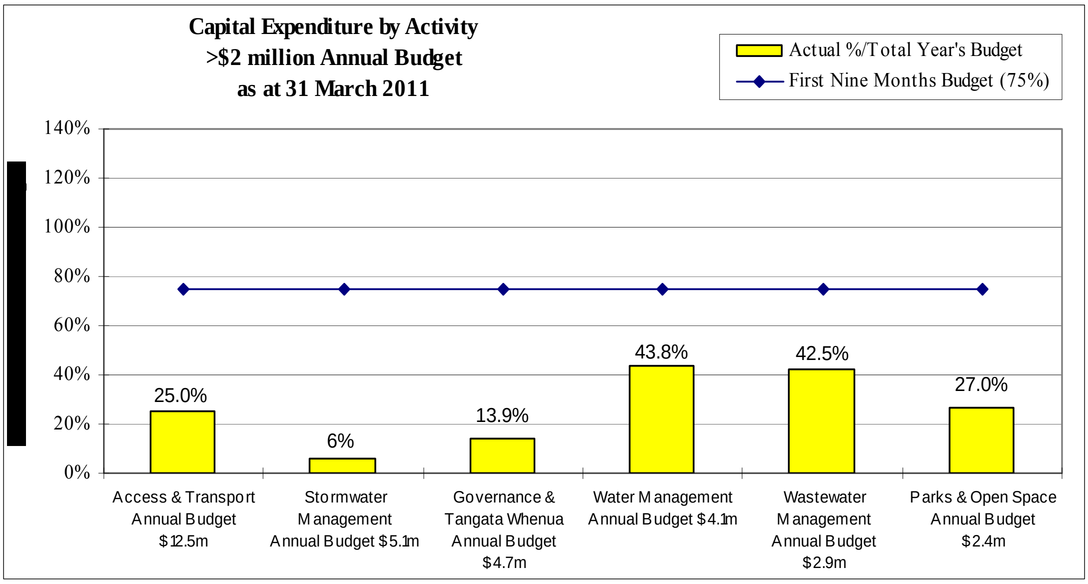
74 The reason for the higher level of revenue is the EECA grant of $200,000 for the wood fired burner. Even though the capital grant is to assist with the funding of a capital project, under the Accounting Standards, a capital grant needs to be recognised as operating revenue.

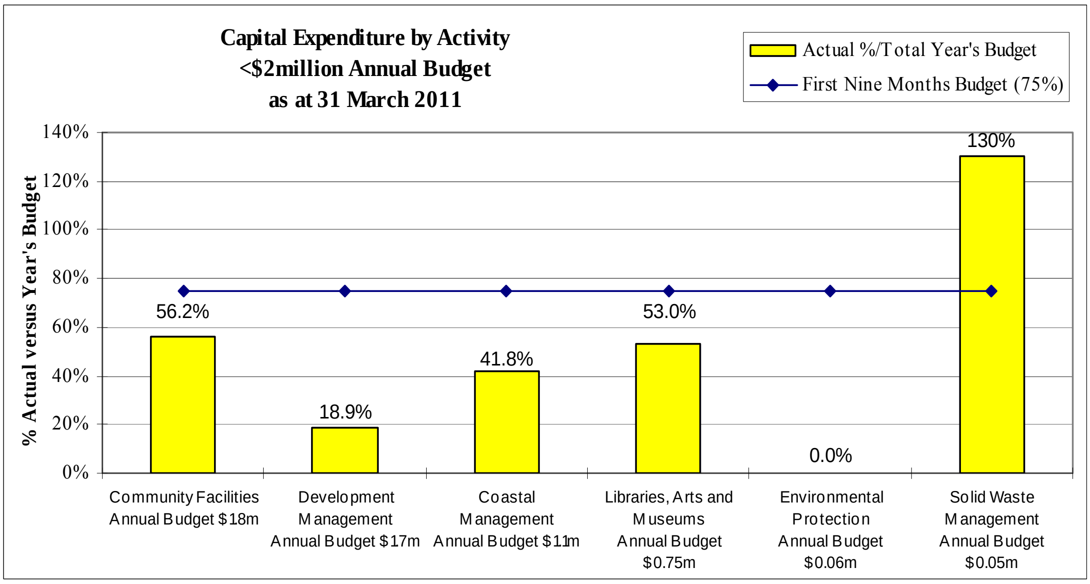
Water Management

75 The lower level of revenue reflects the lower level of extraordinary water use for the first nine months.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

76 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 March 2011 against annual budgets and forecasts. It shows a low level of capital expenditure for the first nine months of the year.





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

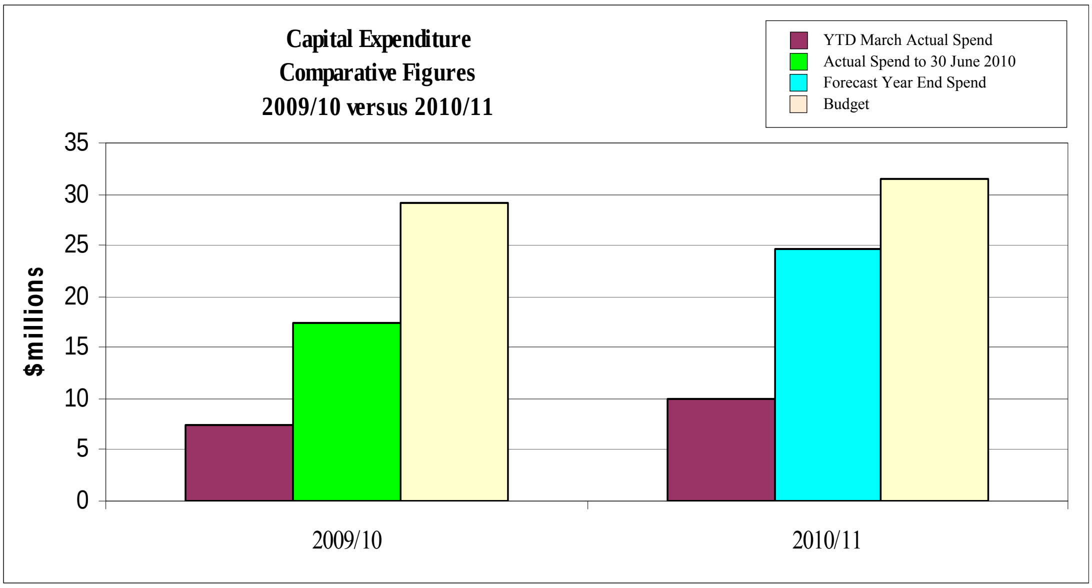
78 Net capital expenditure for the nine months amounted to $9.981 million compared to the capital expenditure budget for the year of $31.470 million. This represents only 31.7% of the total annual capital expenditure budget spent in the first nine months of the year. Some major contracts have been let and are underway. The forecast total capital expenditure for year end is $24.920 million which is a net reduction of $6.658 million from the budget.

79 A summary of the activities where the forecast expenditure varies from the budget is attached as Appendix 1. Of the $6.658 million reduction in projected capital spend, $3.802 million relates to capital projects proposed to be carried forward and the balance of $2.748 million is for capital expenditure where the projects are to be 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.

80 A full listing of the proposed capital projects to be carried over into the 2011/12 year is attached as Appendix 2. The list shows the capital carryover projects currently included in the Draft Annual Plan totalling $2.207 million and the proposed additional capital carryovers totalling $1.595 million to 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.

81 The estimated savings in interest costs for the 2011/12 year of the changes to 2010/11 capital works forecast (from what was forecast at the time of the adoption of the Draft Annual Plan) for the inclusion in the final 2011/12 Annual Plan is $127,000 per annum.

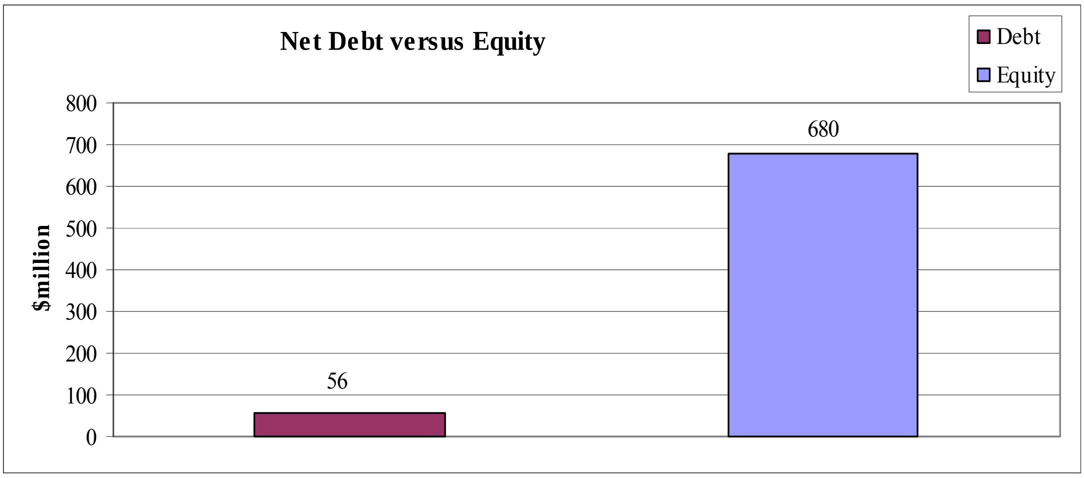
82 Set out below is a comparison of the capital expenditure programme between the 2009/10 year and 2010/11 as at 31 March 2011 and the actual spend. The 2009/10 capital budget included the Council's share of Western Link Road which is now on hold.



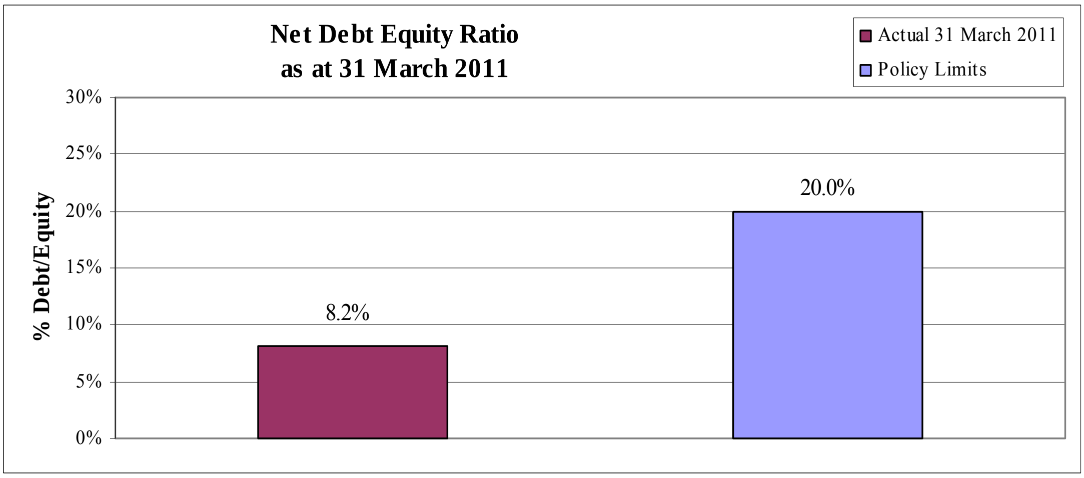
83 The progress on the Capital Works Programme is continuing to be monitored closely and updated monthly.

Part F: Performance against Treasury Management Policy Limits

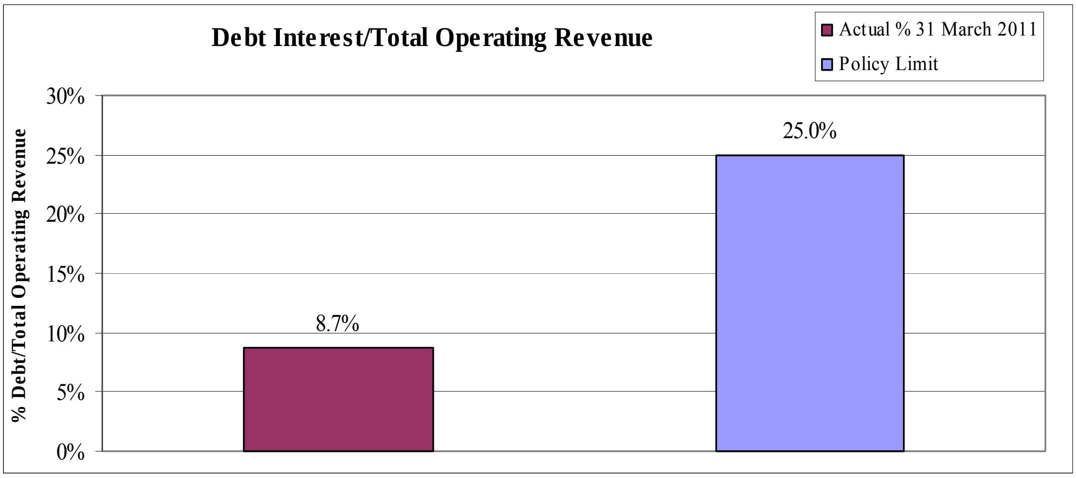
84 The graph below shows that Council is well within its debt/equity policy limits as at 31 March 2011, as set in its Treasury Management Policy. Net Debt as at 31 March 2011 equals $56 million. Public Equity as at 31 March 2011 equals $680 million.



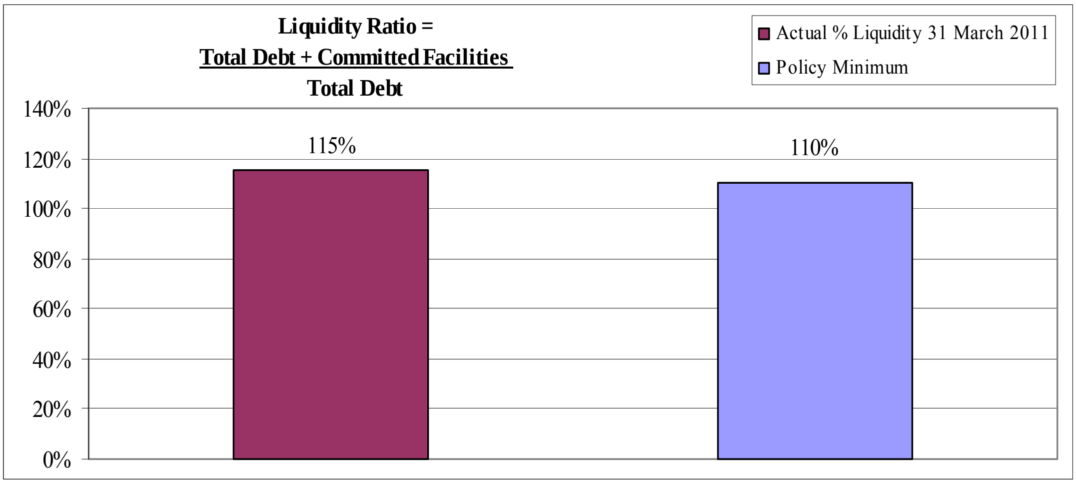
85 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 8.2% which is well within the 20% limit.



86 The Treasury Management Policy sets a limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The current ratio is 8.7% which is well within the limit.



87 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has sufficient facilities to cover its debt requirements but will undertake negotiations to extend facilities due to expire in the following calendar year.



Delegation

88 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

89 That the Corporate Business Committee notes the nine monthly financial results contained in this report FIN-11-211.

90 That the Corporate Business Committee notes the Council's operating surplus for the first nine months ended 31 March 2011 was $2.088 million which covers all operating revenue and expenditure from all funding sources including non cash revenue from assets vested in Council at the time of subdivision.

91 That the Corporate Business Committee notes that based on the operating results for the first nine months ended to 31 March 2011 the forecast net rates surplus is $321,000 for the year end. It is proposed that this forecast net rates surplus of $321,000 be spread and applied equally over the next three years to smooth the rates impact and this will be considered by the Council as part of the Chief Executive’s report to the Draft Annual Plan.

92 That the Corporate Business Committee notes that the net capital expenditure for the nine months amounted to $9.981 million and the forecast total capital expenditure for year end is $24.920 million compared to the capital expenditure budget for the year of $31.470 million. It is proposed that an additional $1.595 million of capital projects (in addition to the $2.207 million of capital carryover projects already included on the Draft Annual Plan) be carried forward into the 2011/12 year and this be considered by the Council as part of the Chief Executive’s report to the Draft Annual Plan.

Report prepared by:

Warwick Read
Group Manager Finance

Appendix 1 – Capital Forecast Changes 2010/11
Appendix 2 – Carry Over Summary