

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

9 DECEMBER 2010

Meeting Status: Public

Purpose of Report: For Information

FINANCIAL REPORTS TO 30 SEPTEMBER 2010

PURPOSE OF REPORT

- 1 This report sets out Council's financial results and financial position at 30 September 2010. 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 30 September 2010 show the Council's financial performance against budgets and highlight any financial exceptions and includes some financial performance and analysis indicators including
- 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 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 which affect overall Operating Expenditure, in turn affecting the Statement of Comprehensive Income. 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 scheduled to be presented to the Corporate Business Committee no more than 6 weeks following the end of each quarter. The timing of the recent elections resulted in a delay in the presentation of this report. Future reports will be presented as per the schedule.

Part A: Statement of Comprehensive Income (Financial Performance)
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- 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 30 September 2010. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2009/10	Notes	30/9/2010	2010/11
Actual		Actual	Budget
\$000		\$000	\$000
39,638	Total Rates	10,745	42,004
11,862	Other Revenue	2,031	9,371
4,667	NZTA Operating Funding	191	2,350
241	NZTA Capital Funding	17	5,580
56,408	TOTAL OPERATING REVENUE	12,967	60,057
33,900	Operating Costs	8,110	36,291
723	Loss on Disposal	-	-
8,200	Impaired Asset	-	-
4,333	Finance Costs	1,124	6,710
1,649	Gain/(loss) on Revaluation of Financial Instruments	-	-
11,653	Depreciation/Amortisation	2,918	11,578
60,458	TOTAL OPERATING EXPENDITURE	12,152	54,579
(4,050)	NET SURPLUS	815	5,478
	Other Comprehensive Income		
(817)	Revaluation – Fair Value Movement on Property, Plant, and Equipment	-	42,482
(4,867)	TOTAL COMPREHENSIVE INCOME	815	47,960

Explanation of Operating Revenue

- 7 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

- 8 The rates levied in the first quarter reflect the 25% of the total annual rates.
- 9 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

- 10 The key components of other operating revenue include fees and charges, Financial Contributions/Developments Contributions and Vested Assets and the high level overview is explained below.

Fees and Charges

- 11 Overall fees and charges are ahead of budget for the quarter due to the timing of some annual charges such as dog registration and health licences which are levied in the first quarter. However, there are some variances which require further explanation which are provided in Part D.

Financial Contributions/Development Contributions

- 12 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 2022 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. These are lower than budget for the first quarter reflecting the lower level of subdivision activity. Subdivision activity and revenue implications will continue to be monitored.

Vested Assets:

- 13 These are the roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision. These are non-cash assets but the value of these vested assets needs to be recognized as revenue in the Statement of Comprehensive Income. There was a low level of subdivisional activity in the first quarter which means a lower level of assets vested in Council by land developers.

New Zealand Transport Agency (NZTA) Operating Funding

- 14 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 quarter reflects the level of subsidised roading expenditure incurred by Council in the first quarter. Major items of subsidised roading expenditure such as the annual resealing programme (\$1.3 million) occur from the second quarter onwards. The NZTA subsidy rates for this Council are currently:

Roading Maintenance and Renewal	43%
New Construction Work	53%

It is important to note that there is growing local government sector concern that NZTA road maintenance subsidy budgets continue to be squeezed as the

government refocus expenditure on national roading capital projects, particularly the Roads of National Significance Programme.

NZTA Capital Funding

15 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

16 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.

Explanation of Operating Expenditure

17 Total Operating Expenditure consists of operating costs, depreciation and finance costs. Overall Operating Expenditure is below the budget for the first quarter. 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 variance.

Operating Costs

18 The operating costs both direct and indirect are below budget for the first quarter. This partially reflects the seasonal nature of some of Council's operating costs in some areas such as roading, coastal management (e.g. beach patrols) and parks and reserves. In stormwater, there has been less demand for reactive maintenance to date although this may change by year end.

Finance Costs

19 Council's finance costs or debt servicing costs are below budget for the first quarter. This reflects the lower level of capital expenditure in the first quarter 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 quarter, the operating expenditure is even lower than the budget for the same period, resulting in an operating surplus of \$815,000 as at 30 September 2010. This is not the rates surplus which will be much smaller. The latter is discussed in Part D Statement of Rates Position.

Revaluation of Assets Movement

- 22 The revaluation of assets budgetted increase of \$42 million is the estimated increase of approximately 5% (over a three year period) in the value of the Council's infrastructure assets as a result of the revaluation of all of Council assets as at 30 June 2011.

Part B: Statement of Financial Position as at 30 September 2010
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- 23 The Statement of Financial Position as at 30 September 2010 is set out below, followed by an overview of the key components.

2009/10	Notes	30/9/2010	2010/11
Actual		Actual	Budget
\$000		\$000	\$000
	Current Assets		
11,473	Cash & Cash Equivalents	11,551	5,655
5,118	Trade and Other Receivables	2,995	5,046
225	Inventories	223	311
135	Derivative Financial Instruments	135	-
-	Other Financial Assets	-	1,274
16,952	Total Current Assets	14,904	12,286
	Non-Current Assets		
753,163	Property, Plant and Equipment	752,092	874,088
351	Forestry Assets	351	250
324	Intangible Assets	302	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	753,244	877,300
771,289	TOTAL ASSETS	768,148	889,586
	Liabilities & Public Equity		
	Current Liabilities		
9,741	Trade and Other Payables	5,786	10,812
880	Derivative Financial Instruments	880	142
1,205	Employee Benefit Liabilities	1,221	976
1,135	Deposits	1,175	1,498
40,770	Public Debt	40,169	10,839
5,344	Development Contributions	5,683	5,225
59,074	Total Current Liabilities	54,914	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
33,922	Total Non-Current Liabilities	33,923	99,234
92,996	TOTAL LIABILITIES	88,837	128,726
573,006	Retained Earnings	574,201	613,370
100,191	Revaluation Reserve	100,191	143,491
3,549	Reserves & Special Funds	3,118	2,705
1,547	Sinking Funds	1,801	1,294
678,293	TOTAL PUBLIC EQUITY	679,311	760,860
771,289	TOTAL LIABILITIES & PUBLIC EQUITY	768,148	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 30 September 2010 with the position as at 30 June 2010, as it reflects three months of financial activity since 30 June 2010.

Current Assets

- 25 The lower level of current assets since 30 June 2010 reflects the lower level of Debtors and other receivables owing at 30 September 2010, compared to 30 June 2010. This mainly relates to NZTA operating subsidy which is generally higher at 30 June due to the need to maximise NZTA subsidy by the end of the financial year than at any other stage of the financial year.

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 lower value of Council's assets as at 30 September 2010 compared to 30 June 2010 reflects three months of depreciation of Council's Assets.

Current Liabilities

- 27 The lower level of current liabilities since 30 June 2010 reflects the lower level of trade creditors and other payables as at 30 September 2010.

Non Current Liabilities

- 28 There has been no change since 30 June 2010 for the 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 quarter.

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 effects the rates required for next year.
- 31 The overall rates position to 30 September 2010 and the forecast position to year end are detailed in the following table. Note: this is the minimum level of forecast because of the continuing low trend in capital expenditure. The Council's rates position is also illustrated in Figures 7 and 8.

Table 3: Overall rates position to 30 September 2010 and the forecast position to year end

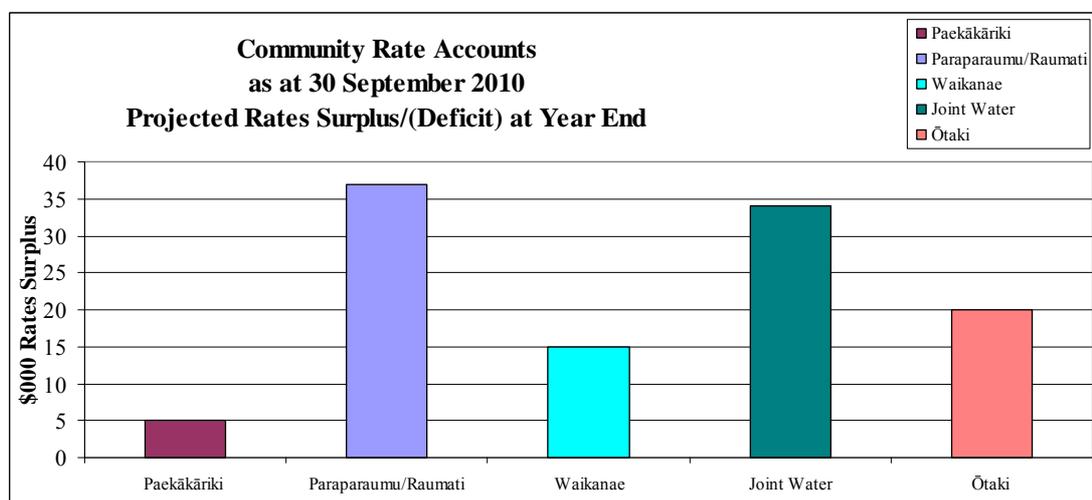
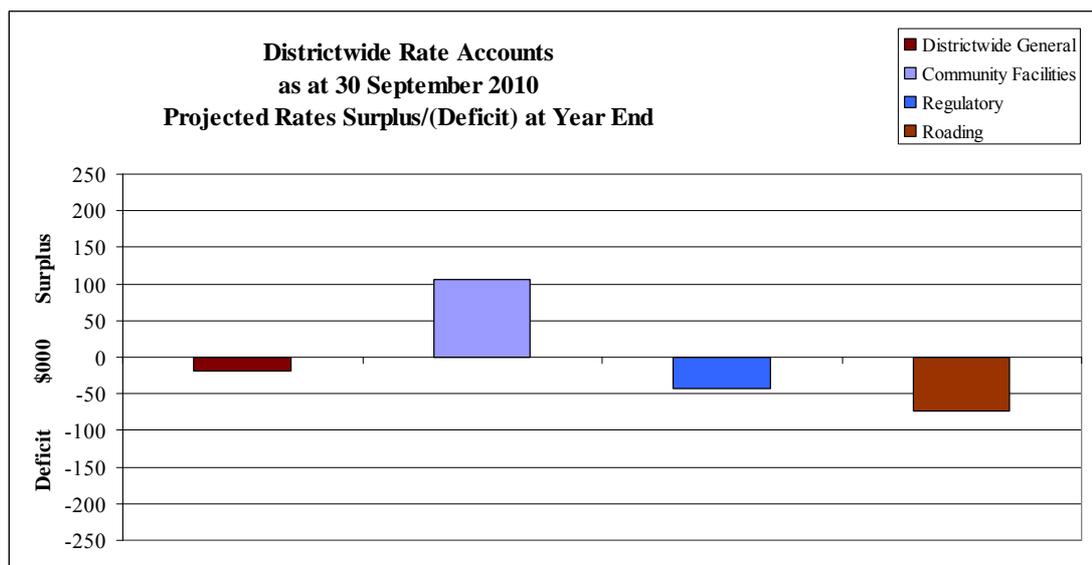
	\$000	\$000	%	\$000	\$000
	Net Rate Requirement Actual to 30 September 2010	Net Rate Requirement 2010/11 Annual Budget	Actual/ Annual Budget	Net Rate Requirement Financial Projections to 30 June 2011	End of Year Forecast Rates Surplus/ (Deficit)
<u>Districtwide</u>					
Districtwide General ¹	1,751	7,728	24	7,736	(18)
Community Facilities ²	1,889	8,896	21	8,790	106
Regulatory ³	389	3,977	10	4,019	(42)
Roading ⁴	1,542	5,092	30	5,166	(74)
Total Districtwide	5,571	25,693	22	25,711	(18)
<u>Community</u>					
Paekākāriki	83	381	22	376	5
Paraparaumu/Raumati	1,439	6,341	23	6304	37
Waikanae	592	2,580	23	2565	15
Joint Water	1,205	4,900	25	4866	34
Ōtaki	575	2,495	23	2475	20
TOTAL	9,465	42,390	22	42,297	93

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 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.

³ Libraries, Parks and Reserves, Swimming Pools, Public halls and Community Centres

⁴ All Roothing Expenditure except for historic debt service costs.



Explanation of Table 3

32 The Council levied total annual rates of \$42.390 million for the 2010/11 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 2010/11 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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33 As at the 30 September 2010 the end of the first quarter there would be a general expectation that the net rate requirement would be around 25% of the annual rate requirement.

34 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 30 September is 22% of the annual rate requirement. In terms of projecting the rates surplus/deficit at year end based on the first quarters results.

- 35 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 offset by the other shortfalls in Council's operating revenue or above expenditure is forecast to exceed the budget as explained in Parts D and E that follow.
- 36 The Council rates position to 30 September 2010 shows that the net rate trends from the first three months of the financial year indicate that it is likely that the Council may have a rates surplus of around \$93,000 at year end. Further detail around this forecast rates surplus (size and drivers) will be available in the six month report. However at the three month stage, it is primarily due to savings in debt servicing costs (interest) relating to the low level of capital expenditure incurred in the first quarter compared to the budget and the consequential savings in interest costs compared to the budget. Although this is an initial projection based on trends during the first quarter this projected surplus of \$93,000 is likely to increase unless there is a major increase in capital expenditure over the next three months.
- 37 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 Revenue Shortfalls		
Cemeteries	(62)	
Resource Consents	(42)	
Cycleway/Walkway Subsidy Reduction	<u>(74)</u>	(178)
Projected Expenditure Savings		
Duplicated Budget		
Libraries	<u>48</u>	48
Debt Servicing Savings		
Town Centre	27	
Coastal Protection	15	
Districtwide Stormwater	12	
Strategic Land Purchases	44	
Aquatic Centre	14	
Paekākāriki Water and Stormwater	5	
Paraparaumu/Raumati Stormwater	37	
Waikanae Stormwater and Wastewater	15	
Paraparaumu/Waikanae Joint Water	34	
Ōtaki Stormwater and Wastewater	<u>20</u>	<u>223</u>
Net Projected Surplus		93

Explanations of Projected Shortfalls in Revenue

Cemeteries

38 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 \$62,000 below budget

Resource Consents

39 The Resource Consents revenue has achieved 16% of its total annual budget compared to an expected level of 25% of its annual budget by 30 September 2010. If this trend continues the projected revenue at year end is \$250,000 compared with the annual budget of \$420,000 due to the low level of subdivision activity.

40 There is a projected shortfall in revenue of \$170,000 in resource consents revenue for the year end 30 June 2011 compared to the budget based on current trends. Although there is a reasonable number of land use consents the subdivision consents volume is significantly lower.

41 The Resource Consent expenditure is projected to be \$128,00 lower due to the following factors:

- Projected savings in staff costs of \$80,000.
- Projected to be less expenditure on legal costs on Environment Court Appeals and less expenditure on Independent Commissioners and other legal costs. The projected savings of \$48,000 are based on the current trends which are not expected to improve where there have been low levels of subdivision activity.

This translates to a projected net deficit of \$42,000 in the Resource Consent activity.

Cycleway/Walkway Subsidy

42 NZTA have changed the focus for subsidy on Cycleway/Walkway projects. The focus is now on projects that enhance the road network as opposed to projects that target leisure and open spaces.

Explanations of Expenditure Savings

Duplicated Budget

43 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.

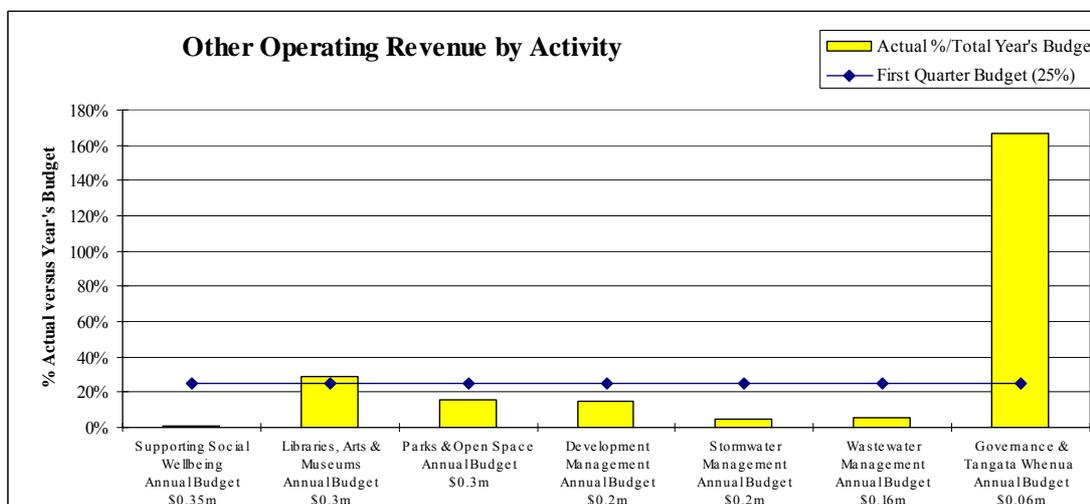
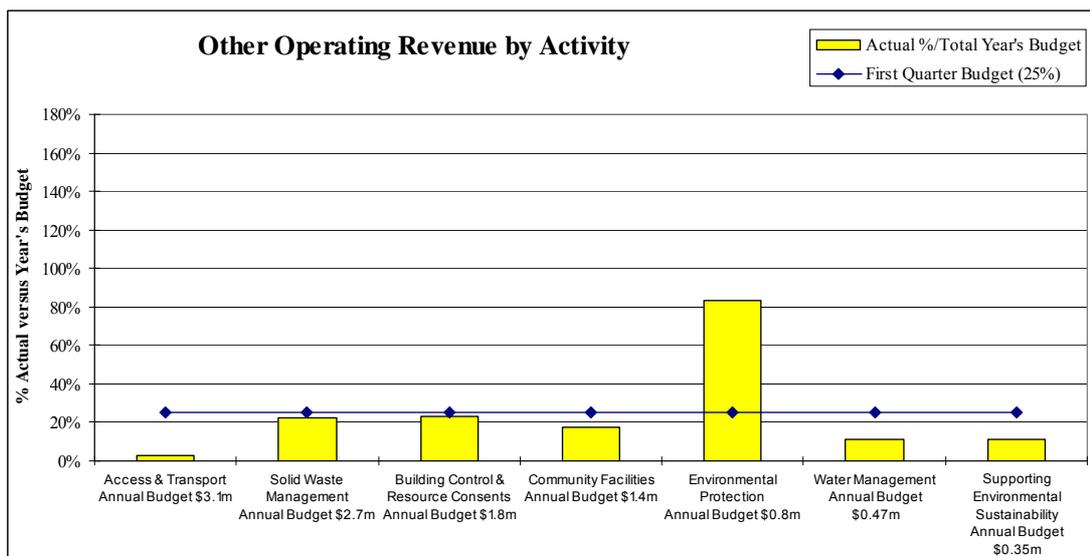
Debt Servicing Savings

44 These debt servicing savings relate to the low level of capital expenditure in the first quarter 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.

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

Other Operating Revenue

45 The graphs below show actual other operating revenue as at 30 September as a percentage of the Annual Budget and summarise other operating revenue by Activity. Comments on general trends and exceptions are provided below.



Explanations on Trends and Exceptions

Access and Transport

46 The main reason for the lower level of operating revenue is the lower amount of NZTA subsidy claimable as at 30 September due to the lower level of subsidised roading expenditure in the first quarter.

Solid Waste

47 The lower level is due to the lower volume of greenwaste to be shredded in the first quarter.

Building Control and Resource Consents

48 The resource consents revenue is well below budget and is projected to be about \$170,000 below budget at year end due to the economic climate.

Community Facilities Revenue

49 The Waikanae Swimming Pool is not open until the summer months and this is the main reason for lower Community Facilities revenue in the first quarter.

Environmental Protection

50 This includes the annual Dog Registration fees which are due in early August each year.

Water Management

51 The lower level of revenue reflects the seasonal nature of the extraordinary water charges.

Supporting Environmental Sustainability

52 The revenue from the Energy Efficiency projects has not materialised in the first quarter because of the timing of the woodburner sludge drying project. Although fully operational in the first quarter the delay has meant that there are more costs such as loan repayments to be recovered before the savings flow through.

Supporting Wellbeing

53 The revenue budgetted for relates to the Community Programmes for the Road Safety and as at 30 September claims were yet to be made.

Parks and Open Space

54 The lower revenue, at this stage, reflects the lower level of reserves contributions received in the first quarter.

Development Management

55 The lower level of revenue for the first quarter reflects the lower level of private plan change fees received because of the lower level of activity

Stormwater and Wastewater

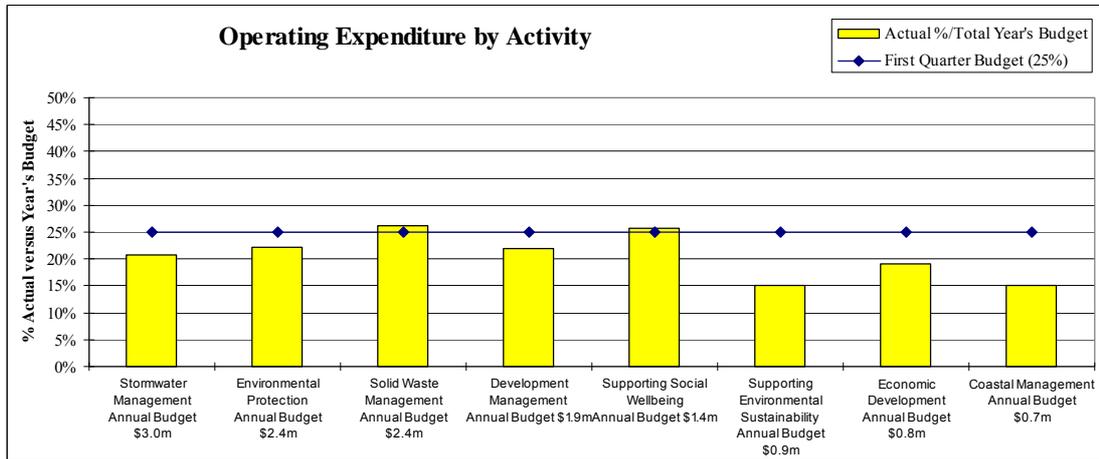
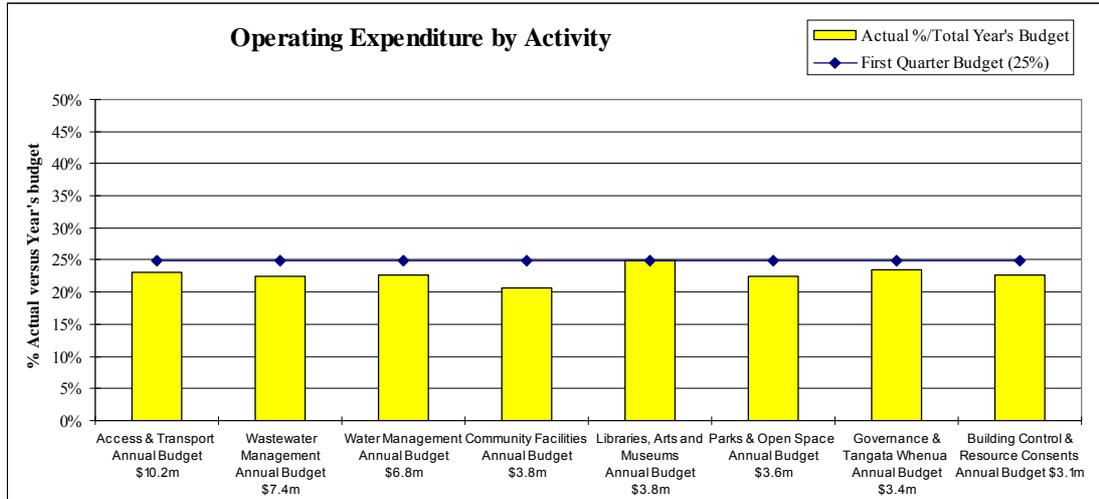
56 The lower level of revenue reflects the lower level of Development Contributions levied in the first quarter due to the lower level of subdivisional activity.

Governance & Tangata Whenua

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

Operating Expenditure

58 Operating Expenditure against the annual budget for all of Council's sixteen activities is shown below with the relevant explanations.



Explanations of Trends and Exceptions

Access and Transport, Wastewater, Community Facilities, Parks and Open Space, Governance and Tangata Whenua, Building Control and Resource Consents

59 The operating costs for these activities has been below the budget for the first quarter due to some of the operating projects no proceeding until later in the financial year. Also lower debt servicing costs is contributing to the lower total operating expenditure in these activities.

Stormwater Management

60 There has been less demand for reactive maintenance of stormwater drains that has lead to lower operating costs in the first quarter.

Development Management

61 Operating expenditure is lower mainly due to the fact of the less activity in relation to the District Plan changes.

Environmental Protection

62 Some of the operating expenditure is seasonal such as Beach Patrols and water testing which means that operating expenditure is lower in the first quarter.

Supporting Environmental Sustainability

63 The lower level of operating expenditure reflects that the energy efficiency projects will not happen until the savings flow through from the woodburner sludge drying project.

Economic Development

64 Some of the Economic Development projects are programmed for later in the year and that is the reason for the lower level of operating expenditure in the first quarter.

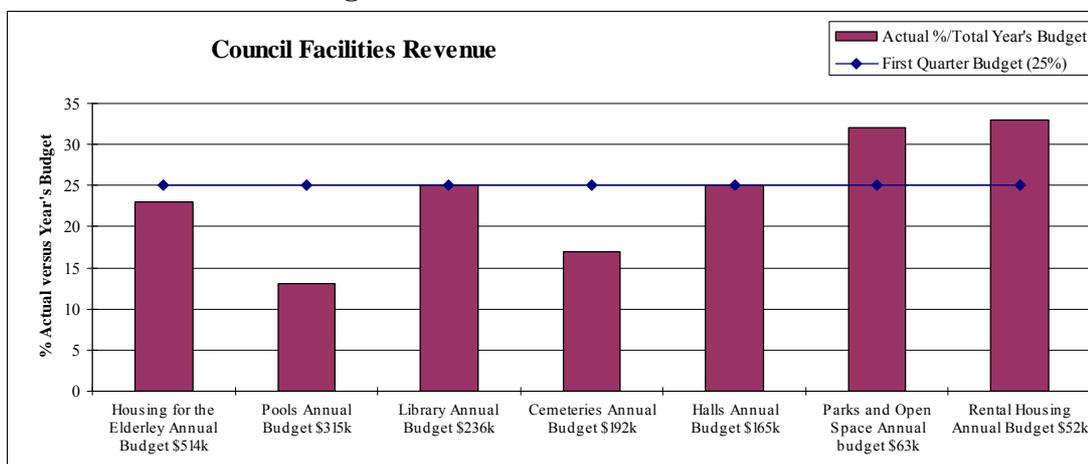
Coastal Management

65 Some of the Coastal Management projects are programmed for later in the financial year and that is the reason for the lower level of operating expenditure in the first quarter.

Further Analysis of other Operating Revenue Trends and Exceptions

66 The graph revenue from Fees and Charges. More detailed explanations are shown below.

Revenue Fees and Charges from Council's Facilities



Housing for the Elderly

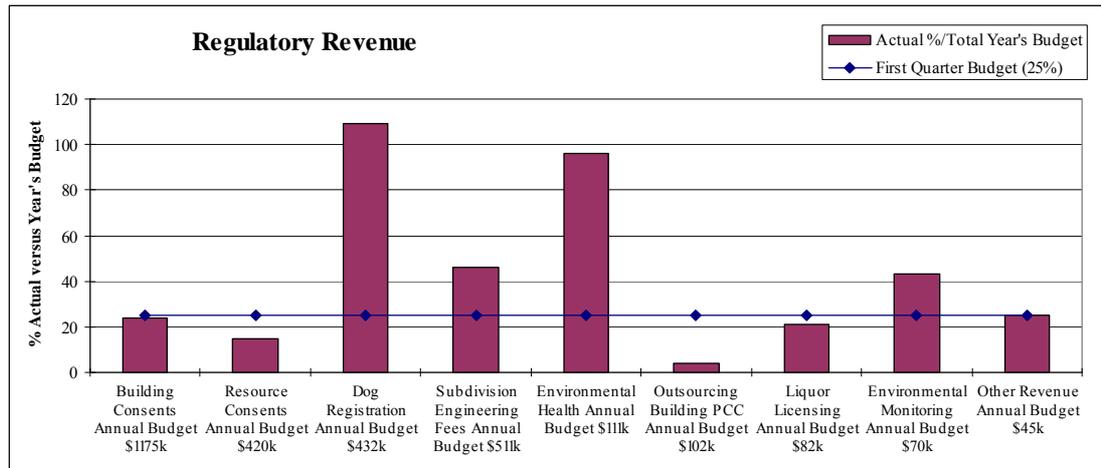
67 Although just below budget for this time of the year is expected to reach the annual budget by year end.

Swimming Pools

68 The revenue is lower at this time of the year because it includes all three pools, Raumati, Waikanae and Ōtaki; Waikanae Pool being an outdoor pool is only open in the summer months. The lower revenue for the first quarter is consistent with previous years.

Cemeteries

69 Explanation provided under Section 38.



Resource Consents

70 Explanation provided under Section 39.

Subdivision Engineering Fees Consents Revenue

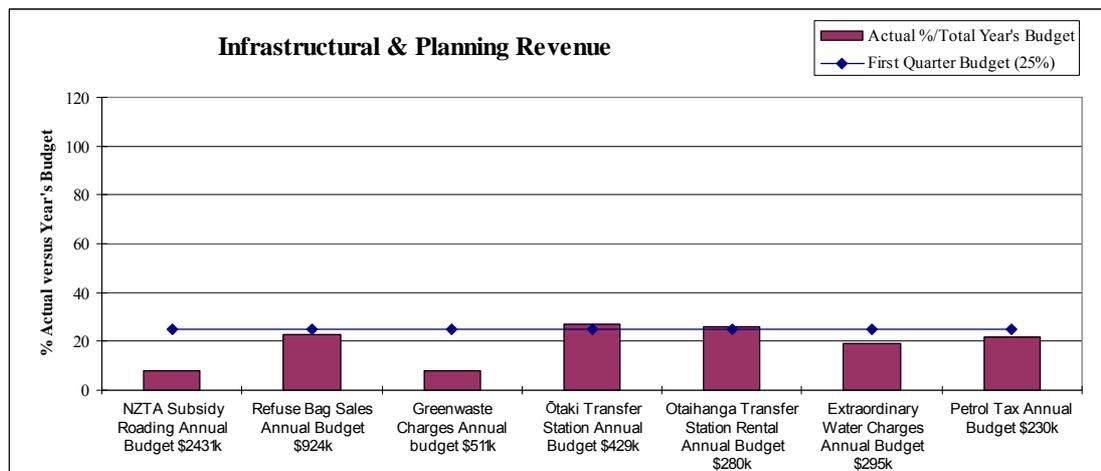
71 The revenue achieved in the first quarter is higher than budgeted. This is mainly due to developers timing the finalisation of their subdivisions so that the final sign off of the Section 224 Completion Certificate and occurs after 1 July, to mitigate their rating impacts. Final revenue is not expected to continue at the same level as the first quarter but projected to exceed the annual budget at year end.

Building Outsourcing Revenue

72 Council currently only has a contract with Porirua City Council which is currently being reviewed.

Liquor Licensing

73 The revenue is just below budget for the first quarter of the year and is projected to be close to the annual budget at year end.



74 Variances in the following areas are due to seasonal variations (e.g. greenwaste) or the time at which charges for licensing is undertaken (e.g. annual dog registration fees are charged in the first quarter):

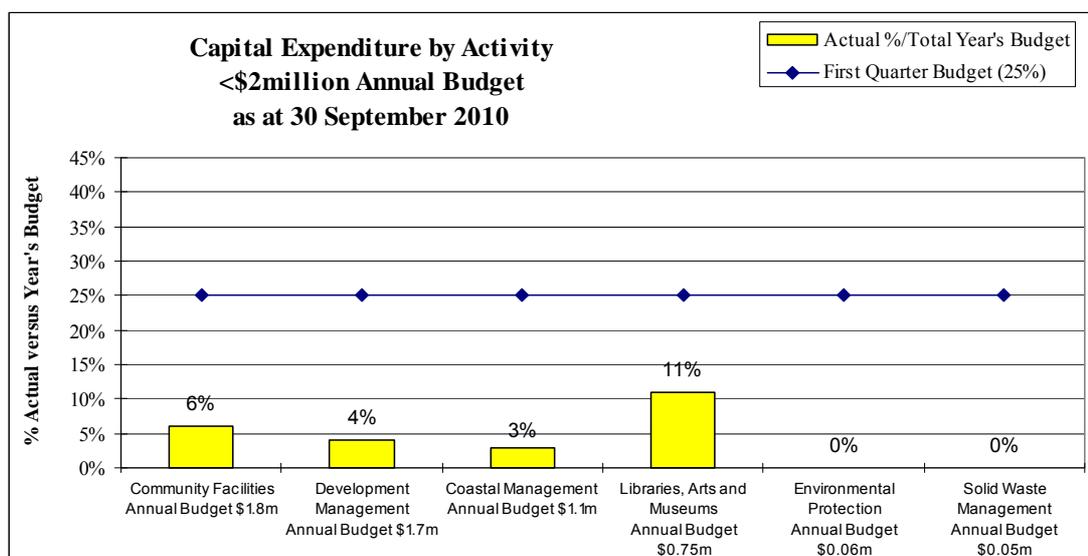
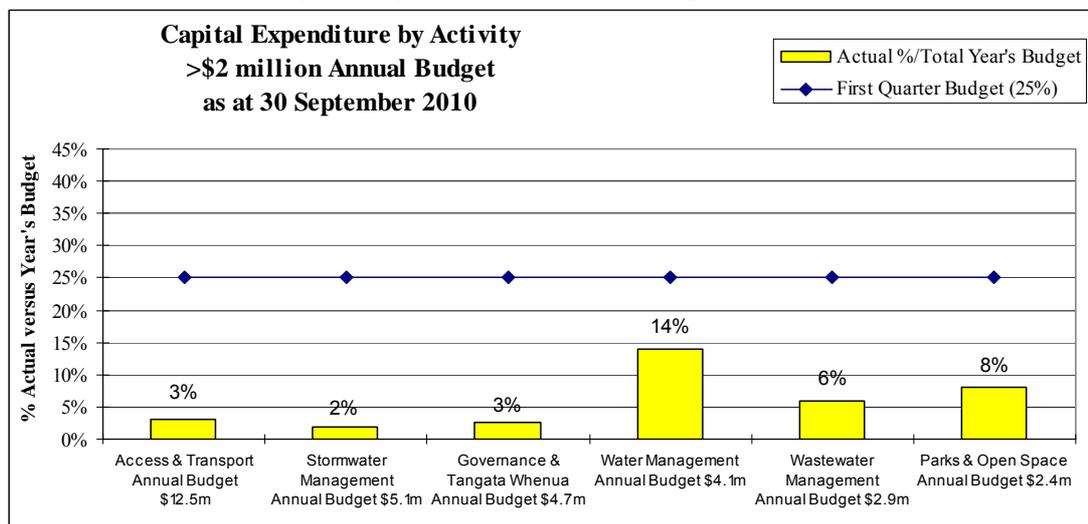
- Refuse bag sales and greenwaste;
- Extraordinary water charges
- Petrol tax revenue

Cycleway/Walkway Subsidy

75 Explanation provided under Section 42.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

76 A summary of the capital expenditure, set out below, shows the actual expenditure to 30 September 2010 against annual budgets and forecasts. It shows a low level of capital expenditure for the first quarter 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

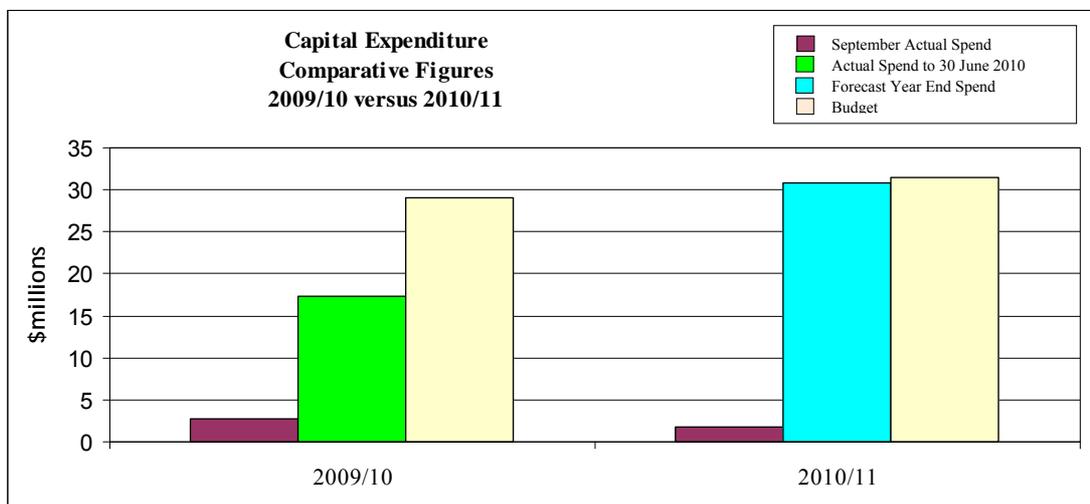
78 Net capital expenditure for the three months amounted to \$1.847 million compared to the capital expenditure budget for the year of \$31.470 million. This represents only 6% of the total annual capital expenditure budget spent in the first quarter of the year. Some major contracts have been let since the 30 September 2010 and work is committed for the annual reseal contract, the Paraparaumu/Raumati/Waikanae water options and Aquatic Centre design process. The forecast total capital expenditure for year end is \$30.870 million which is a net reduction of \$600,000 from the budget. These charges relate to the Paraparaumu/ Raumati/Waikanae water supply option project and the Civic

Centre building refurbishment. The items where forecast expenditure has changed include the following:

Summary of Capital Projects where forecast capital expenditure has changed

Project Description	YTD Actual	\$000 Budget	\$000 Forecast	\$000 Variance	Reason
Water Supply Option Projects	497	1,275	1,725	450	Updated programme approved by the Council at its meeting of 30 September 2010
Civic Centre Building Refurbishment	59	1,550	500	-1,050	Proposed refurbishment project to be reported to the Council in December
Forecast net reduction in 2010/11 total capital expenditure				-600	

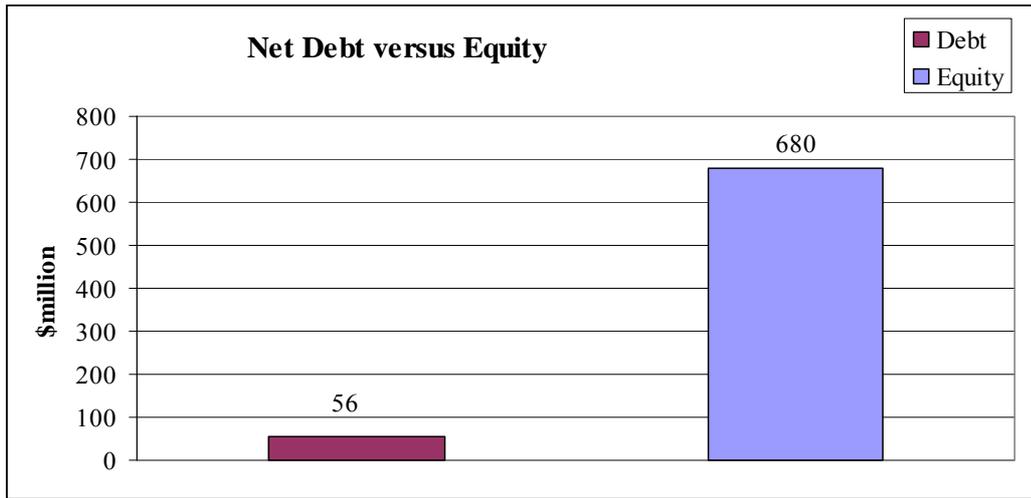
79 Set out below is a comparison of the capital expenditure programme between the 2009/10 year and 2010/11 as at 30 September and the actual spend. The 2009/10 capital budget included the Council's share of Western Link Road which is now on hold.



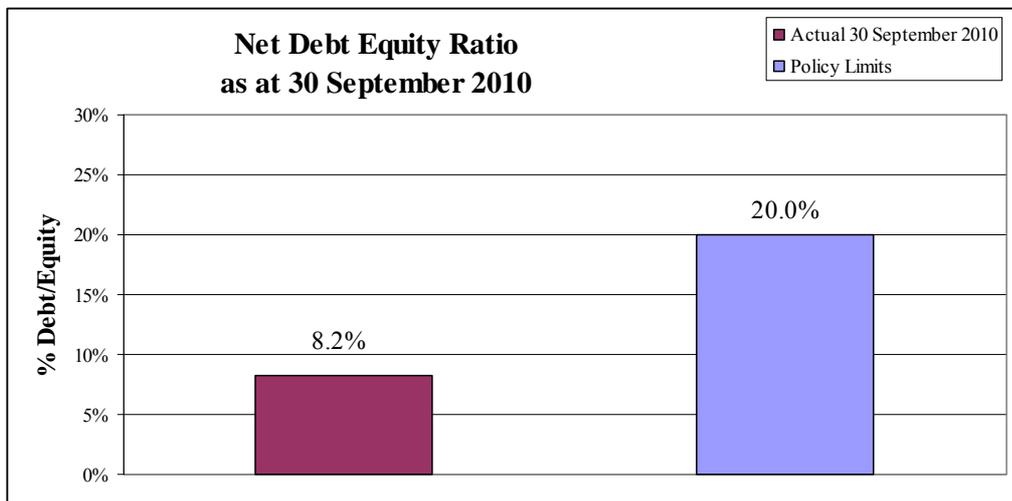
The progress on the Capital Works Programme is continuing to be monitored and updated monthly as it has an impact on the 2011/12 Annual Plan process.

Part F: Performance against Treasury Management Policy Limits

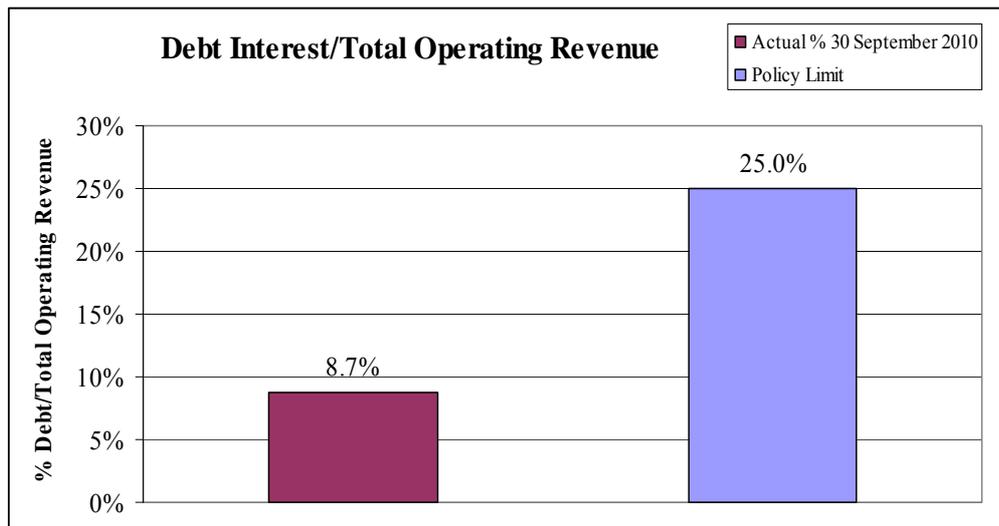
80 The graphs below shows that Council is well within its debt/equity policy limits as at 30 September 2010, as set in its Treasury Management Policy. Net Debt as at 30 September 2010 equals \$56 million. Public Equity as at 30 September 2010 equals \$680 million.



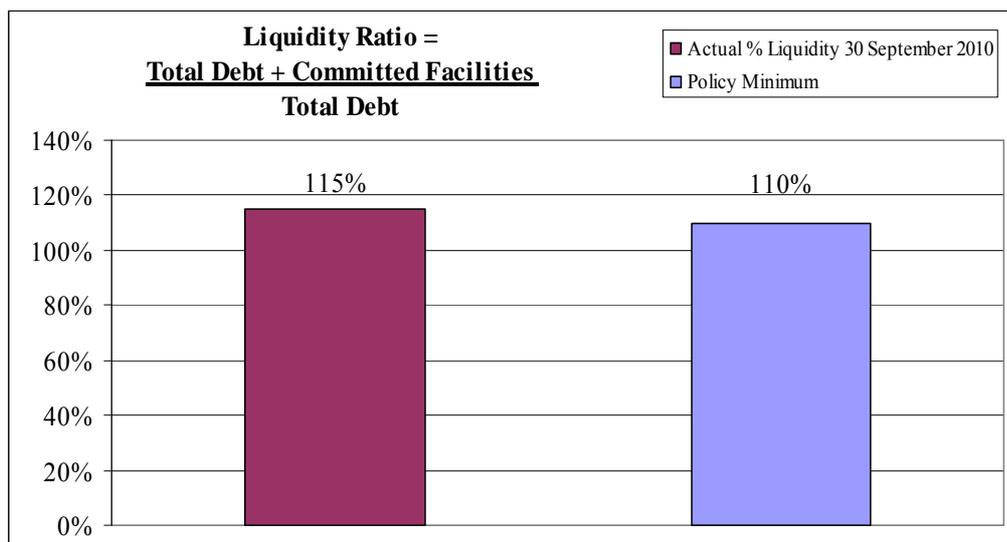
81 The net debt equity ratio is shown below.



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.



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.



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.

Other Considerations

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

Delegation

83 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

84 That the Corporate Business Committee notes the quarterly financial results contained in this report FIN-10-069.

85 That the Corporate Business Committee notes the Council's operating surplus for the quarter ended 30 September 2010 was \$815,000 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.

86 That the Corporate Business Committee notes that based on the operating results for the first quarter ended to 30 September 2010 the forecast net rates surplus is \$93,000 for the year end.

87 That the Corporate Business Committee notes that the net capital expenditure for the three months amounted to \$1.847 million compared to the capital expenditure budget for the year of \$31.470 million. This represents 6% of the total annual capital expenditure budget spent in the first quarter of the year.

88 The forecast total capital expenditure for year end is \$30.870 million a net reduction of \$600,000 from the budget which relates to the Paraparaumu/Raumati/Waikanae water supply option project and the Civic Centre building refurbishment project.

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

Report prepared by:



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