Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

10 NOVEMBER 2011

Meeting Status: Public

Purpose of Report: For Information

FINANCIAL REPORTS TO 30 SEPTEMBER 2011

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 30 September 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 30 September 2011 show the Council's financial performance against budgets and highlight any financial exceptions and includes some financial performance and analysis indicators.

4 The Council is provided with information on five 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 projected rates surplus at year end based on the first three months revenue and expenditure and current trends is $177,000.

- **Part D: Revenue/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 as 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: Outstanding Rates Debt as at 30 September 2011**

  This shows the analysis of rates debt and how the position as at 30 September 2011 compares to the previous four years. It also analyses the new rate debt and the debt owed by prior year debtors.

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

  This shows Council's position at the end of each quarter in relation to Council's Treasury Policy Limits.

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 revaluations undertaken as at 30 June 2011. Table 1 below summarises Council's Statement of Comprehensive Income as at 30 September 2011. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2010/11 Actual $000		30/9/2011 Actual $000	2011/12 Budget $000
42,504	Total Rates	11,575	44,987
9,496	Other Revenue	2,218	12,102
2,379	NZTA Operating Funding	266	2,739
736	NZTA Expressway Project	0	-
3	NZTA Capital Funding	0	0
55,118	**TOTAL OPERATING REVENUE**	**14,059**	**59,828**
36,029	Operating Costs	9,240	37,727
736	NZTA Expressway Project	0	
265	Loss on Disposal	0	-
0	Impaired Asset	0	-
4,473	Finance Costs	1,034	7,721
1,252	Gain/(loss) on Revaluation of Financial Instruments	0	-
12,036	Depreciation/Amortisation	3,171	12,805
54,791	**TOTAL OPERATING EXPENDITURE**	**13,445**	**58,253**
327	**NET SURPLUS**	**614**	**1,575**
	Other Comprehensive Income		
59,147	Revaluation – Fair Value Movement on Property, Plant, and Equipment	0	0
59,474	**TOTAL COMPREHENSIVE INCOME**	**614**	**1,575**

Explanation of 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 levied in the first quarter reflect the 25% of the total annual rates.

8 The rates budget is the total Council rates levied of $45.447 million less Council's rates on its own properties to give a net rates budget of $44.987 million.

Other Operating Revenue

9 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.

<u>Fees and Charges</u>

10 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.

<u>Financial Contributions/Development Contributions</u>

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. 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.

<u>Vested Assets</u>

12 These are the roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision. These are non-cash assets but the value of these vested assets needs to be recognised as revenue in the Statement of Comprehensive Income. 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

13 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%

14 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.

Explanation of Operating Expenditure

15 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

16 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

17 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 2011/12 programme is set out in summary form in Part E.

Depreciation

18 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

19 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 $614,000 as at 30 September 2011. 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

20 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 30 September 2011

21 The Statement of Financial Position as at 30 September 2011 is set out below, followed by an overview of the key components.

2010/11 Actual $000			30/9/2011 Actual $000	2011/12 Budget $000
	Current Assets			
313	Cash & Cash Equivalents		4,319	9,922
5,086	Trade and Other Receivables		4,157	5,300
137	Inventories		146	240
48	Derivative Financial Instruments		48	-
-	Other Financial Assets		-	-
5,584	**Total Current Assets**		**8,670**	**15,462**
	Non-Current Assets			
822,528	Property, Plant and Equipment		822,755	845,432
467	Forestry Assets		467	350
454	Intangible Assets		418	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**		**824,214**	**846,632**
829,607		**TOTAL ASSETS**	**832,884**	**862,094**
	Liabilities & Public Equity			
	Current Liabilities			
12,849	Trade and Other Payables		5,841	10,400
889	Derivative Financial Instruments		889	-
1,467	Employee Benefit Liabilities		1,221	1,500
1,083	Deposits		1,265	1,100
35,909	Public Debt		45,768	12,011
4,802	Development Contributions		4,562	682
56,999	**Total Current Liabilities**		**59,546**	**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**	**94,388**	**134,270**
576,366	Retained Earnings		577,468	580,733
159,338	Revaluation Reserve		159,338	143,491
2,062	Reserves & Special Funds		1,690	3,600
0	Sinking Funds		0	-
737,766		**TOTAL PUBLIC EQUITY**	**738,496**	**727,824**
829,607		**TOTAL LIABILITIES & PUBLIC EQUITY**	**832,884**	**862,094**

22 The budgets for the 2011/12 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 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 2011. It is more realistic to compare Council's financial position as at 30 September 2011 with the position as at 30 June 2011, as it reflects three months of financial activity since 30 June 2011.

Current Assets

23 The higher level of current assets since 30 June 2011 reflects the increase in cash and investment as at 30 September 2011 compared to 30 June 2011. The increase in cash and investments reflects the lower level of operating expenditure in the first quarter compared to the rates and other revenue. 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

24 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 2011 compared to 30 June 2011 reflects three months of depreciation of Council's Assets.

Current Liabilities

25 The higher level of current liabilities since 30 June 2011 reflects the higher level of short term public debt as at 30 September 2011. 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.

Non Current Liabilities

26 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

27 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

28 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.

29 The overall rates position to 30 September 2011 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 2011 and the forecast position to year end

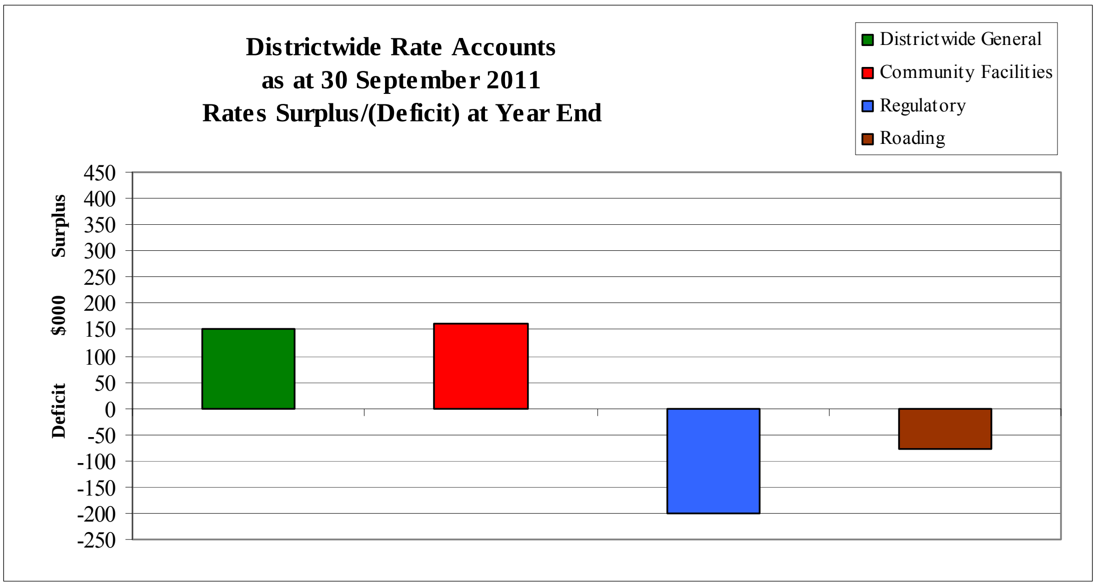
	$000 Net Rate Requirement Actual to 30 September 2011	$000 Net Rate Requirement 2011/12 Annual Budget	% Actual/ Annual Budget	$000 Net Rate Requirement Financial Projections to 30 June 2012	$000 End of Year Forecast Rates Surplus/ (Deficit)
Districtwide					
Districtwide General[1]	1,908	9,210	20	9,060	150
Community Facilities[2]	2,266	9,949	23	9,789	160
Regulatory[3]	356	3,805	9	4,005	(200)
Roading[4]	1,666	5,335	31	5,412	(77)
Total Districtwide	**6,196**	**28,299**	**22**	**28,266**	**33**
Community					
Paekākāriki	78	404	19	393	11
Paraparaumu/Raumati	1,484	6,514	23	6,459	55
Waikanae	582	2,541	23	2,528	13
Joint Water	1,188	5,088	23	5,048	40
Ōtaki	653	2,601	25	2,576	25
TOTAL	**10,181**	**45,447**	**22**	**45,270**	**177**

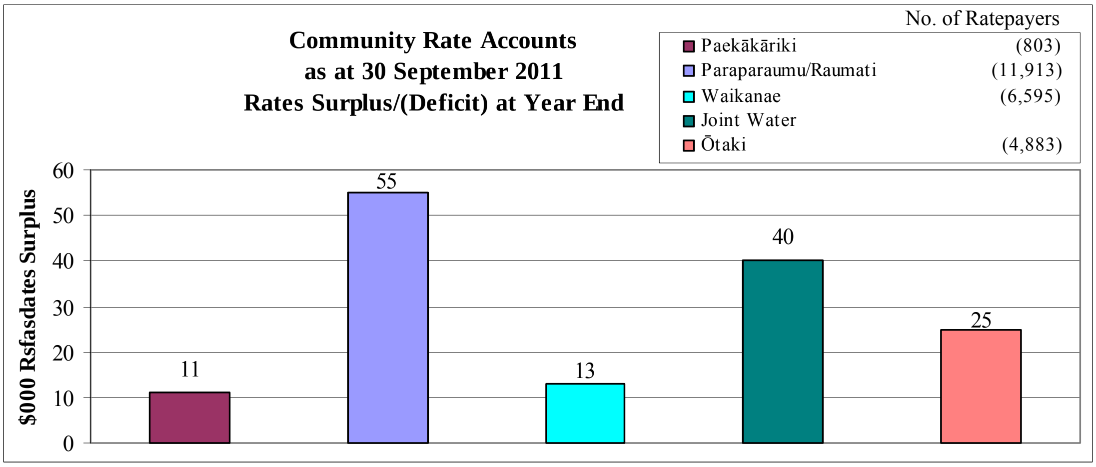
[1] Districtwide General Expenses: including emergency management, civil defence, public toilets and cemeteries. Supporting Social Wellbeing, Supporting Environmental Sustainability, District Strategic Development Projects, Districtwide Coastal Protection of the Council's Infrastructure and Districtwide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





Explanation of Table 3

30 The Council 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 2011/12 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

31 As at the 30 September 2011 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.

32 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. The projected rates surplus/deficit at year end based on the first quarter's results and trends is shown in the last column in Table 3 on page 8.

33 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 where expenditure is forecast to exceed the budget as explained in Parts D and E that follow.

34 The Council rate's position to 30 September 2011 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 $177,000 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 $177,000 is likely to increase unless there is a major increase in capital expenditure over the next three months.

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 Surplus/(Deficit) $000**
Projected Revenue Shortfalls		
Building Consents	(200)	
Cycleway/Walkway Subsidy Reduction	(140)	(340)
Projected Expenditure Savings		
Local Authority Protection Programme Premium	24	24
Debt Servicing Savings		
Civic Building Upgrade	40	
Libraries	22	
Town Centre	7	
Coastal Protection	7	
Districtwide Stormwater	7	
Roading	63	
Strategic Land Purchases	50	
Parks & Reserves	51	
Aquatic Centre	102	
Paekākāriki Water and Stormwater	11	
Paraparaumu/Raumati Stormwater/Wastewater	55	
Waikanae Stormwater and Wastewater	13	
Paraparaumu/Waikanae Joint Water	40	
Ōtaki Water	25	493
Net Projected Surplus		**177**

Explanations of Projected Shortfalls in Revenue

Building Consents

36 The revenue of $290,000 in Building Consents revenue for the first three months ending 30 September 2011 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 19% of the annual budget compared to the actual level of 25%.

37 The Building Consents revenue for October 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 $200,000 below the budget at year end.

Cycleway/Walkway Subsidy

38 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.

Explanations of Expenditure Savings

Local Authority Protection Programme (LAPP) Fund Premiums

39 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.

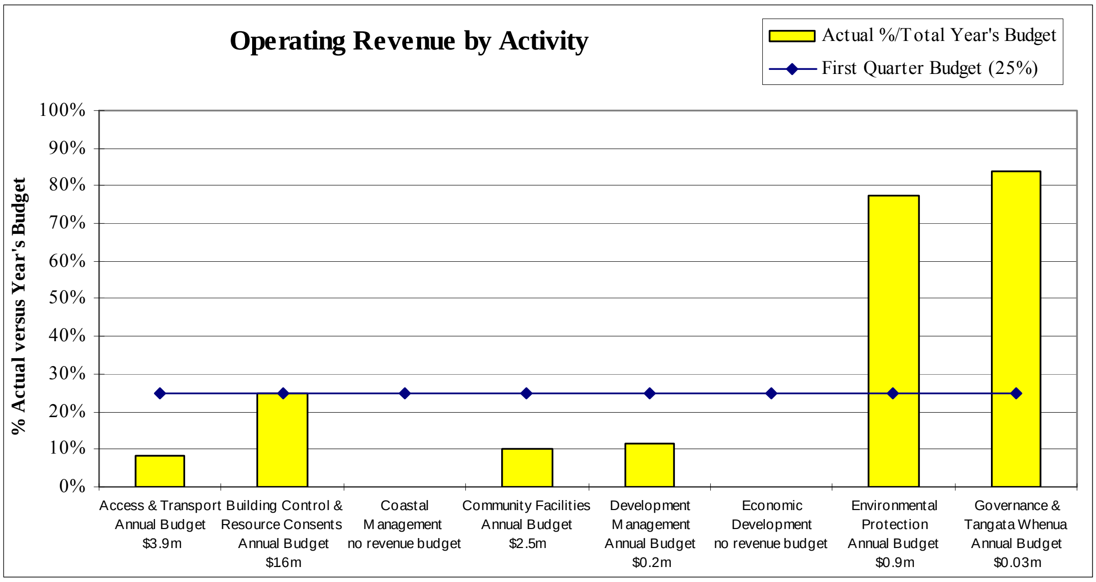
Debt Servicing Savings

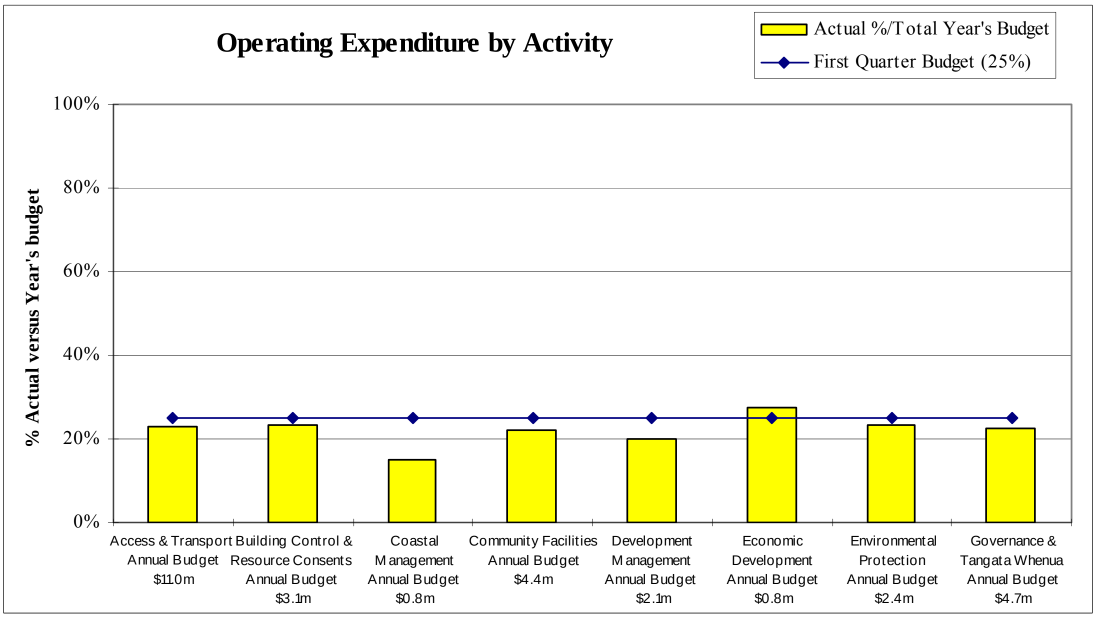
40 These debt servicing savings relate to the low level of capital expenditure in the first quarter for the 2011/12 year and also to the lower average interest rates achieved on existing debt due to the management of Council's interest rate swaps.

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

Operating Revenue/Operating Expenditure

41 The graphs below show actual other operating revenue and operating expenditure as at 30 September 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

Access and Transport

42 Operating Revenue is lower than budget as at 30 September 2011 due to the lower level of expenditure incurred that was eligible for NZTA subsidy as at 30 September 2011.

Coastal Management

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

Community Facilities

44 The operating revenue is lower at this stage because no development contributions have been received or allocated in the first three months of the year.

Development Management

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

Economic Development

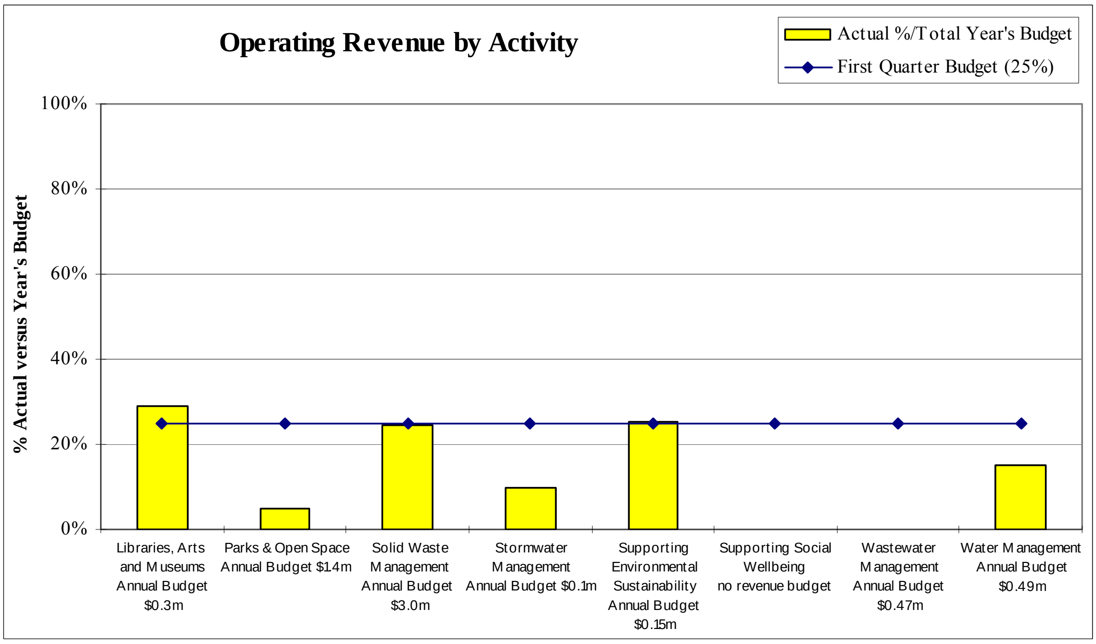
46 The operating expenditure is marginally above the 25% budget for this time of year due to the allocation of the full District Events fund in the first three months of the year as planned.

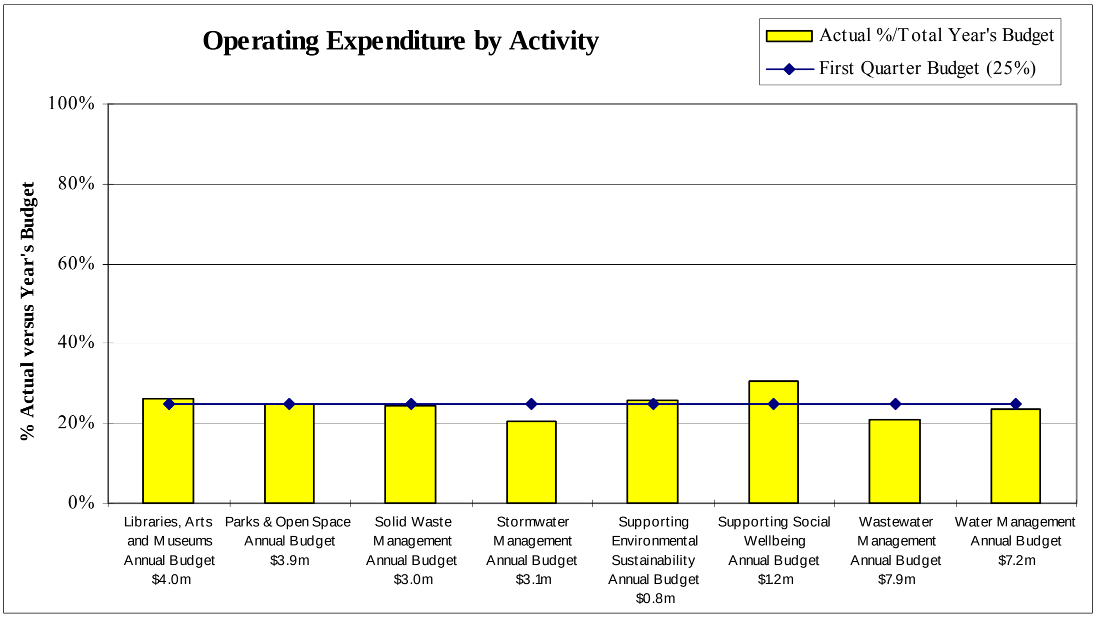
Environmental Protection

47 The higher level of operating revenue compared to the budgets mainly relates to the timing of the annual Dog Registration fees which are due in the first week of August each year.

Governance & Tangata Whenua

48 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

Libraries, Arts and Museums

49 The revenue is higher than budgeted for this time of year due to the receipt of the Creative Communities funding and the Arts Trail revenue for the first three months to 30 September 2011.

Parks and Open Space

50 The operating revenue is lower for the first three months due to the lower level of reserves contributions/development contributions received.

Stormwater Management

51 The operating revenue is lower due to no development contributions for stormwater being received and allocated for the first three months of the financial year.

Supporting Social Wellbeing

52 The operating expenditure is higher than budgeted for this time of year due to the payment out of the first six months of some of the annual contract payments to community groups which occur during the first three months of the financial year.

Wastewater Management

53 There was no operating revenue received during the first three months of the financial year which related no development contributions being received or allocated in the first three months of the year.

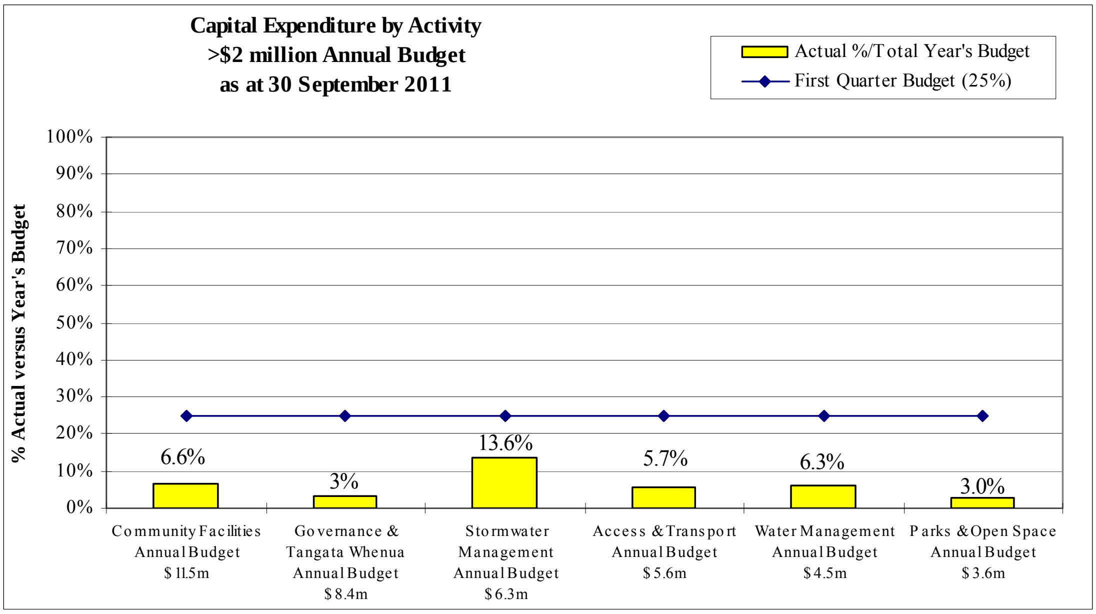
54 Operating expenditure was lower mainly due to the lower debt servicing costs due to the lower level of capital expenditure in the first three months of the year.

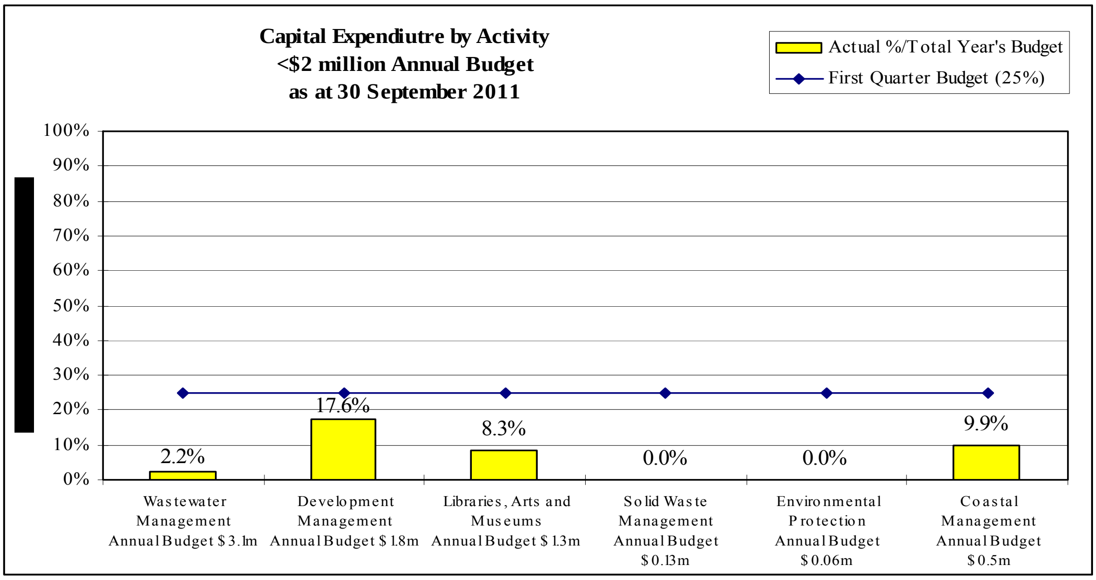
Water Management

55 The operating revenue was lower compared to the expected level of 25% due to the lower level of water consumption relating to extraordinary water charges during the first three months of the financial year.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

56 A summary of the capital expenditure, set out below, shows the actual expenditure to 30 September 2011 against annual budgets and forecasts.





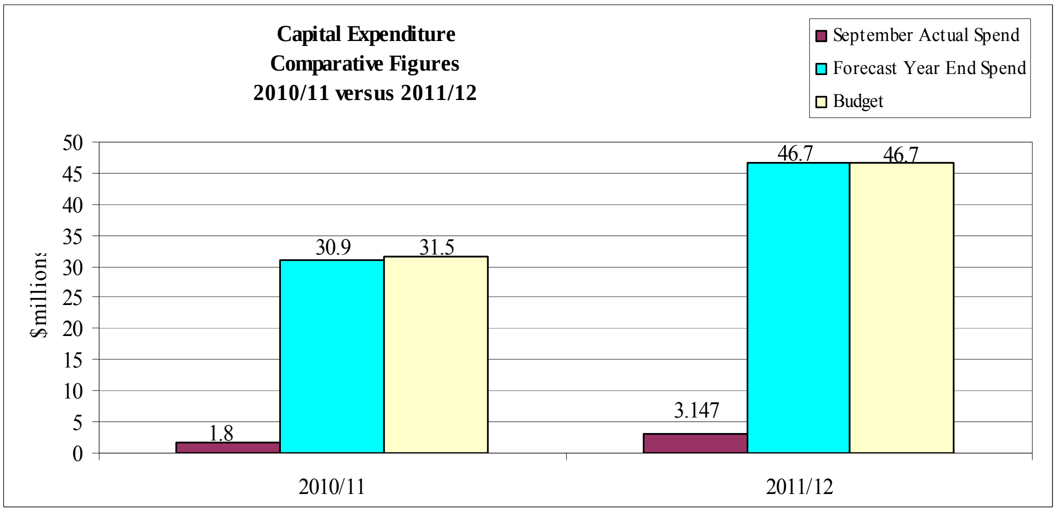
57 There are four activities which have no capital expenditure: Economic Development, Supporting Social Wellbeing, Supporting Environmental Sustainability and Building and Resource Consents.

58 Net capital expenditure for the three months amounted to $3.147 million compared to the capital expenditure budget for the year of $46.701 million. This represents 6.74% 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 2011 and work is committed for the annual reseal contract and the Kāpiti/Rimu Road Intersection and the tenders for the Aquatic Centre and the Civic Building Upgrade are soon to be considered.

59 The level of capital expenditure for the first three months of the 2011/12 year is in line with expectations as anticipated given the tendering work is undertaken in the first three to six months and the physical works take place in the second six months.

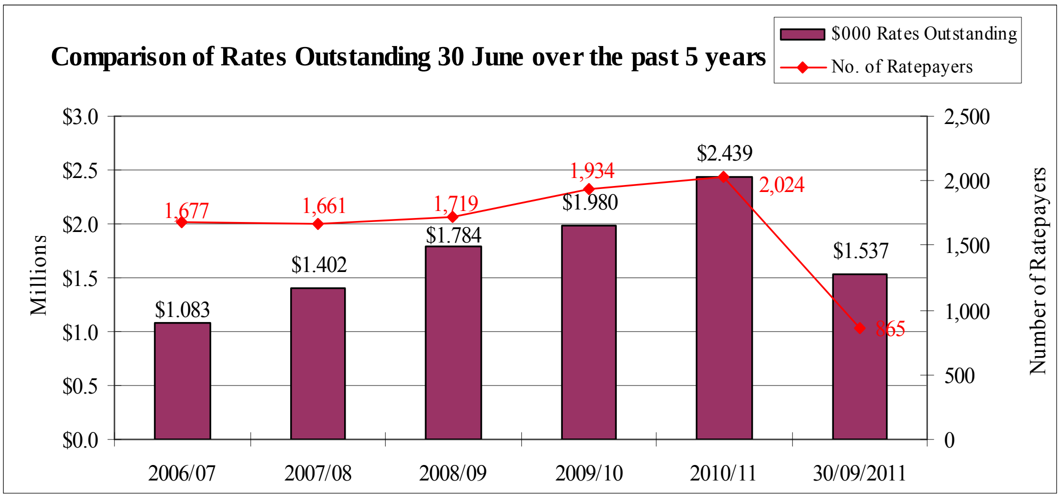
60 These are no changes to the total forecast capital expenditure for the year at this stage.

61 Set out below is a comparison of the capital expenditure programme between the 2010/11 year and 2011/12 and the actual spend as at 30 September.



Part F: Outstanding Rates Debt as at 30 September 2011

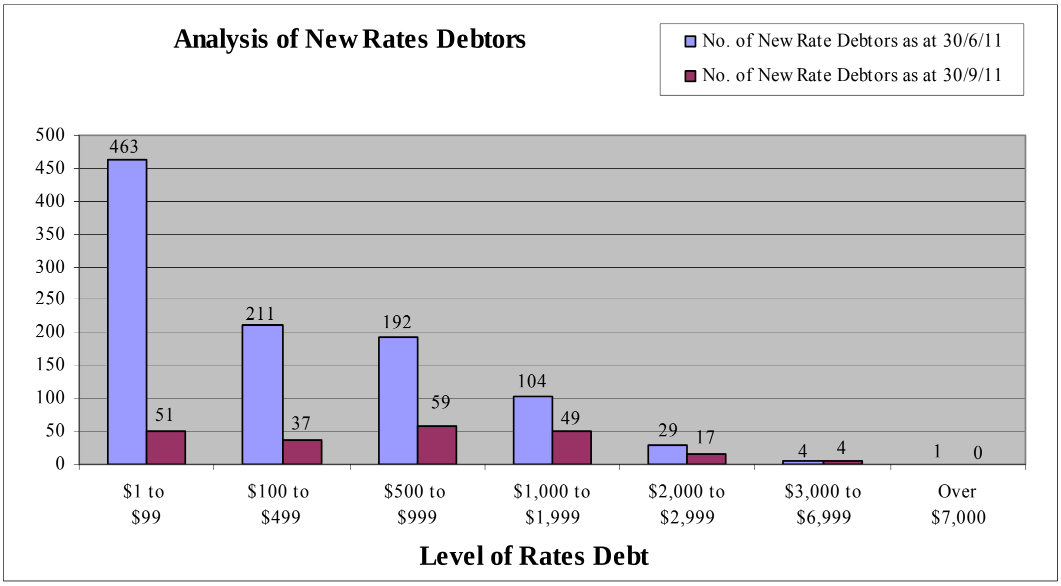
62 The first graph below shows the analysis of rates debt and how the position as at 30 September 2011 compares to the position for the 30 June 2011 and the previous four years.



63 The rates outstanding as at 30 June 2011 of $2.439 million has been reduced to $1.537 million as at 30 September 2011 and the number of rate debtors with outstanding rate arrears as at 30 June 2011 has reduced from 2,024 ratepayers to 865 ratepayers.

Analysis of New Rates Debtors

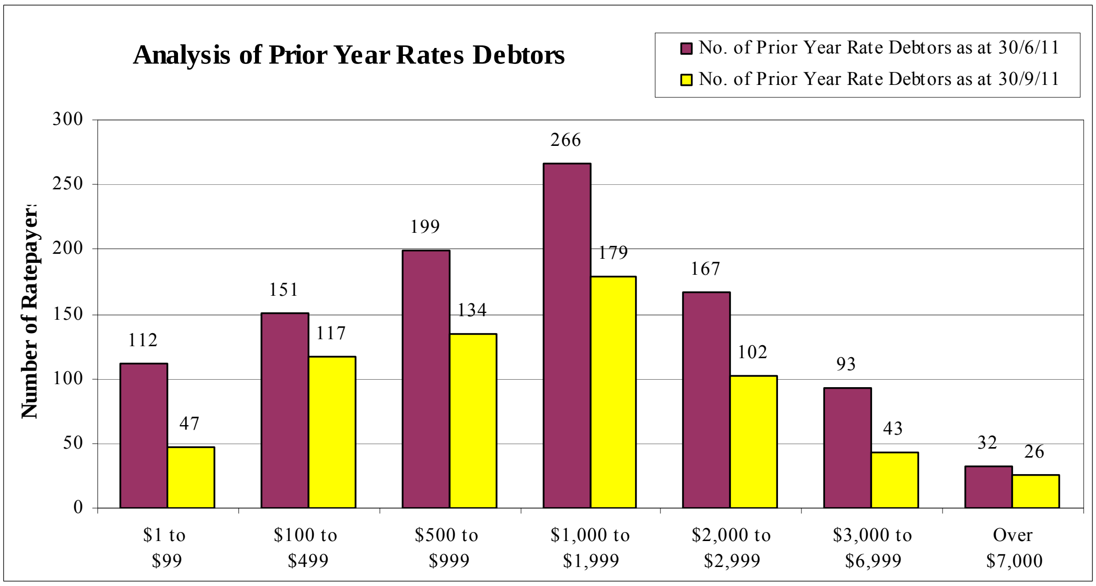
64 The definition of "New Rates Debtors" is where the ratepayer had no outstanding rates at the beginning of the 2010/11 year but had outstanding rates at 30 June 2011.



65 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 30 September 2011 for each range of rates debt. It shows a substantial decrease in the number of new rates debtors with rate debt after the first three months especially for those ratepayers owing less than $2,000.

Analysis of Prior Year Rates Debtors

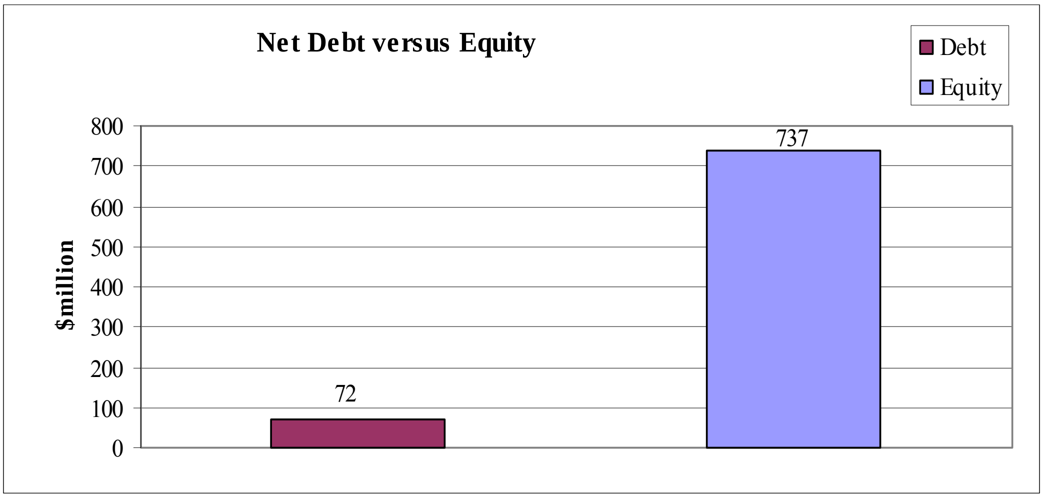
66 The definition of "Prior Year Rates Debtors" is where the ratepayers has outstanding rates at the beginning of the 2010/11 year and still has outstanding rates as at 30 June 2011.



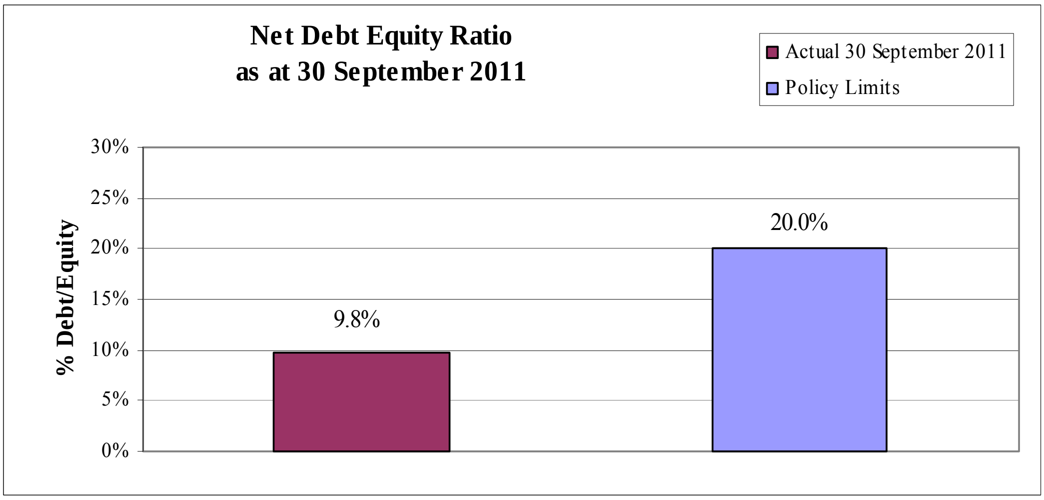
67 The maroon column shows the number of "prior year rate debtors" grouped by their level of rates debt as at 30 June 2011. The yellow column shows the number of those prior year rate debtors with rates still outstanding as at 30 September 2011 for each range of rates debt. It shows a reasonable decrease in rates debt after the first three months in the number of prior year rate debtors with rate debt after the first three months especially for those ratepayers owing less than $2,000.

Part G: Performance against Treasury Management Policy Limits

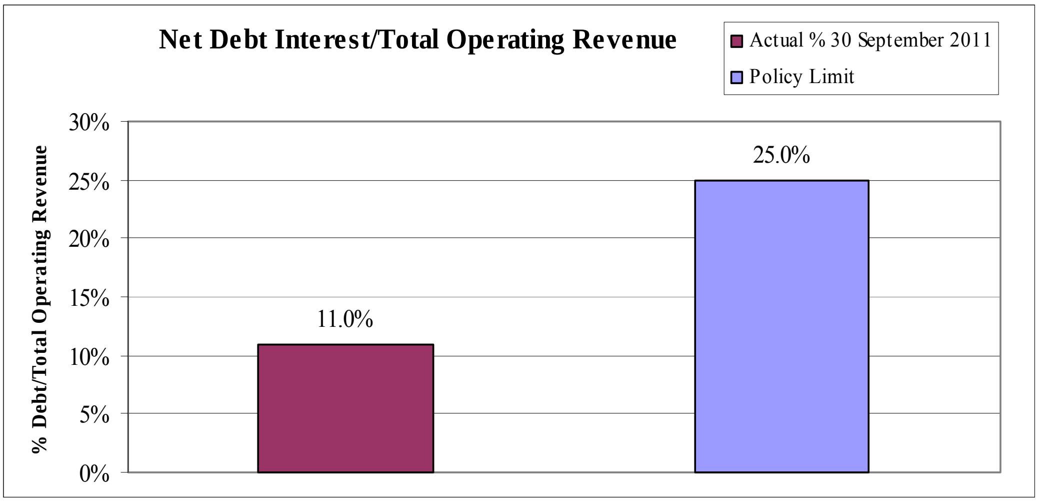
68 The graphs below shows that Council is well within its debt/equity policy limits as at 30 September 2011, as set in its Treasury Management Policy. Net Debt as at 30 September 2011 equals $72 million. Public Equity as at 30 September 2011 equals $737 million.



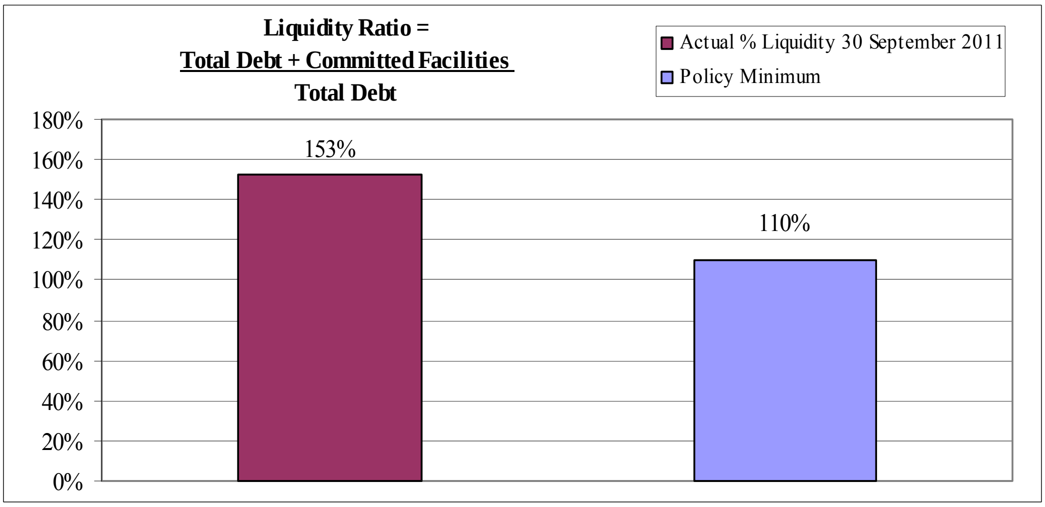
69 The net debt equity ratio is shown below.



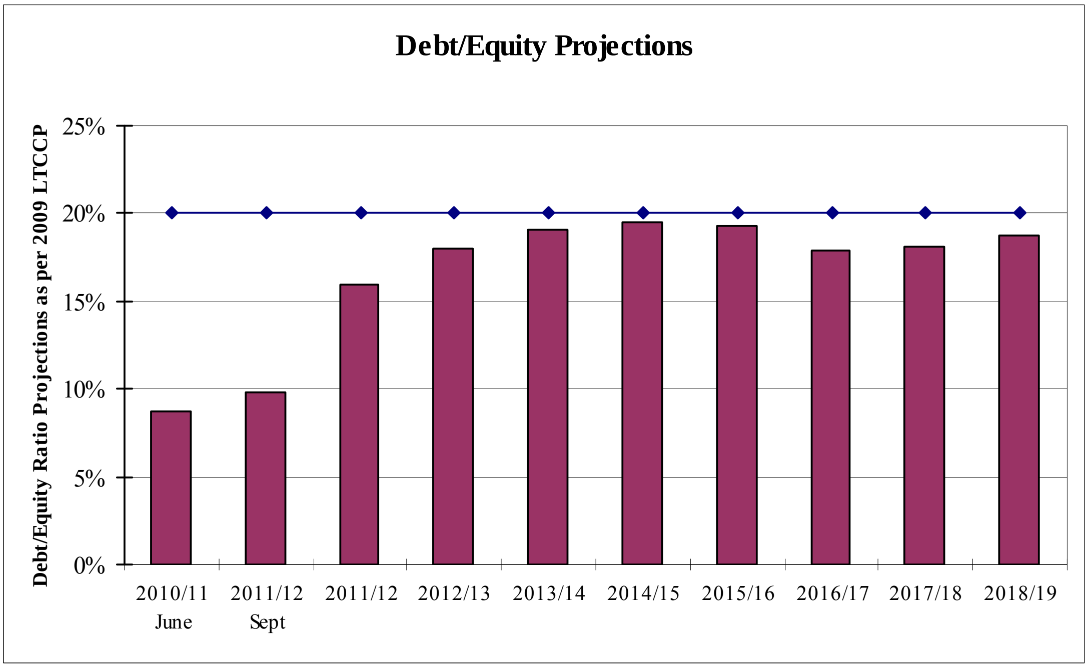
70 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 9.8% which is well within the 20% limit.



71 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.



72 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 153% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



The debt equity graph shows the actual debt/equity ratio as at 30 September 2011 and for the following years the projected debt/equity ratios as per the 2009 LTCCP.

Other Considerations

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

Delegation

74 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

75 That the Corporate Business Committee notes the quarterly financial results contained in this report FIN-10-394.

76 That the Corporate Business Committee notes the Council's operating surplus for the quarter ended 30 September 2011 was $614,000 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.

77 That the Corporate Business Committee notes that based on the operating results for the first quarter ended to 30 September 2011 the forecast net rates surplus is $177,000 for the year end.

78 That the Corporate Business Committee notes that the net capital expenditure for the three months amounted to $3.147 million compared to the capital expenditure budget for the year of $46.701 million. This represents 6.74% of the total annual capital expenditure budget spent in the first quarter of the year.

79 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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