

Our Financial Highlights... *at a Glance*

Council has recorded a net surplus of \$3.0 million

The net surplus is calculated using the formula:

$$\text{Total income} - \text{total expenses} = \text{net surplus}$$

The main factors contributing to the variance against budget of \$6.2million are detailed in note 33 of the Annual Report.

Council budgeted for a surplus of \$9.2 million in the 2011/12 Annual Plan. The majority of the reported surplus represents funding received from third parties for capital purposes. As this income is received for specific capital projects, it cannot be used to offset rates.

Understanding the Council's result for the year ended 30 June 2012

The underlying financial performance outlined below shows an adjusted surplus of \$7.9 million versus the budgeted surplus for the year after the exclusion of fair value movements and other items that are not cash expenditure. There were 4 items which have had an impact on the adjusted surplus for the year:

The first item was in line with the reduction in valuations identified within 2010/11 Annual Report which saw a significant reduction of \$6.6m. This was passed through the accounts as an expense in line with accounting standard requirements. A revaluation of some of the same assets in 2011/12 has resulted in a small revaluation gain that has also been passed through the accounts as a reversal of the prior year expense in line with accounting standards.

The second item was a loss on disposal of property, plant & equipment of \$6,576k. This item is not a cash item and is therefore added back to the recorded surplus.

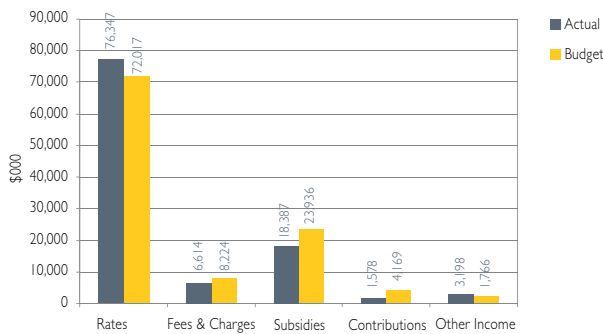
The third item was that Council has decreased its provision for bad and doubtful debts by \$1.049 million during the year.

Lastly, a reduction in the provisioning for weather-tight home claims has also arisen totaling \$0.4 million. Council does not have a significant exposure to weather-tight home claims but is making suitable provisions to offset potential future costs.

	2012 \$000'S
Reported council surplus	2,997
1. Gain on valuation through P&L	(208)
2. Loss on disposal on property, plant & equipment	6,576
3. Decrease in provision bad debt	(1,049)
4. Decrease in weather tight home costs	(386)
Adjusted surplus	7,930
Budgeted surplus	9,170
Movement in surplus	1,240



Where our funds come from



Council receives income from a range of sources. These can be broken down into 5 main categories as shown in the graph above.

Rates

Rates income is the cumulative total that is charged to the ratepayers of the district. It encompasses the general rate, uniform annual general charges as well as targeted rates.

Fees & charges

Fees & charges cover a range of activities within Council. Building consent fees, resource consent fees, hire charges, bulk water purchases and rents.

Subsidies

These are payments that Council receives largely from NZTA towards both operational and capital costs associated with the district's roading network. Other subsidies can be received in relation to water and wastewater schemes as well as contributions towards replacement of rural fire equipment. These are much smaller in value and variable in nature.

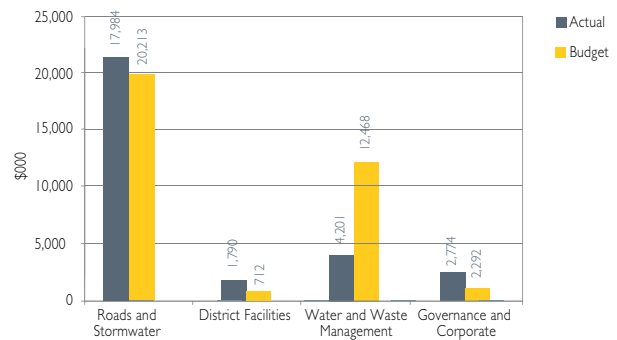
Contributions

These are mainly development contributions but also include vested assets and other minor contributions. Vested assets are items of infrastructure that are vested in Council by a developer and are unbudgeted in any year.

Other income

Other income relates mainly to recoveries and includes income received in relation to rural fire events. Dividends and petrol tax are also included in this group.

Building our assets (capital expenditure)



We spent \$8,936k less on capital projects than was budgeted. Our total expenditure for the year ended 30 June was \$26,749k compared to a budget of \$35,685k.

Groups under spent in capital expenditure were:

- Roading capital expenditure down by \$2,229k. This was mainly due to a reduction in the programme of work approved by NZTA;
- District facilities capital expenditure above budget by \$1,078k. Projects were completed during the year that had been brought forward from the prior year;
- Water, wastewater and refuse capital expenditure down by \$8,267k. This is mainly due to the delay on commencing major projects around Hihi and Paihia wastewater schemes and the Rawene water scheme; and
- Governance and corporate capital expenditure above budget by \$482k. Projects were completed during the year that had been brought forward from the prior year.

More information is provided in the appropriate Statement of Service Performance on pages 74-175 of this report.

