

TO: Finance and Strategy Committee

FROM: Financial Analyst Team Leader

MEETING DATE: 2 August 2010

SUBJECT: **FINANCIAL RESULT – 12 MONTHS TO 30 JUNE 2010**

SUMMARY

The summary of the operating result for the twelve months to 30 June 2010 is:

	Actual \$000	Year to Date Budget \$000	Variance \$000	Full Year Budget \$000
1. Operating Surplus (deficit)	60,498	40,529	19,969	40,529
Plus (less) effect of abnormal items:				
Vested Assets Revenue	(13,661)	0	(13,661)	0
Gains on Sale of Assets	(4,188)	0	(4,188)	0
Normalised surplus (deficit)	<u>\$42,649</u>	<u>\$40,529</u>	<u>\$2,120</u>	<u>\$40,529</u>
2. Capital Expenditure	\$188,971	103% of full year budget		<u>\$184,136</u>
3. Public Debt Balance	<u>\$242,301</u>			<u>\$272,151</u>

RECOMMENDATION

1. That the Committee note the interim net surplus of \$60,498,000 which is subject to final audit adjustments (if any) before being accepted at the Council meeting in September.

DISCUSSION

Operating Surplus

The surplus at the end of June is \$60,498,000, compared to a budgeted year to date surplus of \$40,529,000.

The explanations of the most significant favourable (F) and unfavourable (U) variances are:

Significant Variance	\$000	Activity	\$000	Reason Why
External revenue	3,858 F	Investment Account	854 U	Dividends revenue less than budgeted. Interest revenue greater than budgeted.
		Economic Development	166 F	Sponsorship revenue for the student entrepreneur program Audacious.
		Civil Defence and Rural Fires	295 F	Recovery of fire fighting costs.
		Stadium	387 F	Membership sales and interest revenue.
		Community Development	125 F	External Recoveries from Keep Dunedin Beautiful and employment schemes.
		Parks	480 F	Unbudgeted gains on asset disposals. User charges favourable.
		Transportation Operations	393 F	Railway footbridge insurance recovery \$249,000
		Transportation Planning	117 F	Revenue from the Park and Ride scheme.
		Dunedin Centre	103F	Commission revenue and auditorium rental ahead of budget.
		Development Services	114F	Dog registration fees/penalties, LIMS revenue and infringement revenue up on budget.
		Settlers Museum	299 F	Unbudgeted interest revenue.
		Chinese Garden	426 U	Admission fees and merchandise sales well down on budget.
		Visitor Centre	210 U	Commissions and merchandise sales currently below budget. Budgeted revenue from the Taieri Gorge offsite counter has not eventuated.
		Water/Waste Services	1,823 U	Water sales, refuse bag sales, trade waste revenue and landfill disposal fees below budget.
		Citipark/Parking Enforcement	142 U	Casual parking fees and infringement charges revenue down
		Property	3,425 F	Due to gains on sale of assets. Rental revenue is unfavourable.
		Waipori Fund	1,136 F	Fair value gains on investments favourable.
Grants and Subsidies	14,875 U	Stadium	1,154 F	Grants receipts ahead of budget.
		Parks	13,365 U	Vesting of Chinese Garden asset.
		Transportation Operations	144 U	Due to revised funding from NZTA.
		Settlers Museum	328 F	\$300,000 unbudgeted grant for OSM Development received.
		Property	123 U	Budgeted capital contributions not received.
Internal Revenue	1,626 F	Corporate	176 F	Unbudgeted internal recoveries for Hansen licence fees, Sustainability Project, and Digital Communications Strategy.
		Parks	159 F	Recovery of operating costs from Chinese Garden.

Significant Variance	\$000	Activity	\$000	Reason Why
		Transportation Operations	166 F	Mainly recovery of costs from the Traffic Safety capital program.
		Water/Waste Services	742 F	More work performed in house by Network Operations section. This is offset by the unfavourable variance in internal charges expenditure.
		Property	212 F	Recovery of outgoings, disbursements recoveries and internal rentals ahead of budget.
General Admin	582 U	Investment Account	174 U	Unbudgeted Bank Commissions
		Network Services	134 U	Telecommunications costs higher than budgeted.
		Property	165 U	Promotions costs for Wall St.
Internal Charges	1,344 U	Dunedin Centre	121 F	Internal rent charge less than budgeted.
		Art Gallery	112 F	Corporate charges greater than budgeted.
		Chinese Garden	164 U	Unbudgeted internal contractor costs ex Parks Operations.
		Water/Waste Services	1,190 U	More work performed in house by Network Operations section. This is somewhat offset by the favourable variance in internal revenue.
Depreciation	1,081 U	Network Services	223 U	Timing of transfer of capital work in progress to the fixed asset system.
		Parks	344 U	Due to asset revaluation, as well as the vesting of the Chinese Garden.
		Transportation Operations	169 U	Due to asset revaluation.
		Water/Waste Services	1,168 F	Due to asset revaluation.
		Property	1,183 U	Due to asset revaluation.
Interest	988 F	Transportation Operations	333 F	Timing of loan draw downs.
		Water/Waste Services	348 F	Timing of loan draw downs.
		Property	129 F	Timing of loan draw downs.

Capital Work in Progress (CWIP)

The balance of CWIP at 30 June is \$241,754,000. The summary of this is:

	June 09 \$000	YTD \$000	Total \$000	Less Capitalised \$000	June 10 \$000
CWIP	123,352	188,970	312,322	(70,568)	241,754

Financial Position and Cash Flow (refer to attachments)

Total capital expenditure to the end of June is \$188,971,000, which is 103% of the budget.

Loans to the value of \$85,601,000 have been raised to date, compared to the full year budget of \$97,928,000.

The ratios for Term Debt/Realisable Assets, Gross interest to rates revenue and operating revenue ratios are favourable. Operating funds flow to interest expense is favourable at 13.8 compared to the budget of 5.3 and policy of >2.5

Rates and Accounts Receivable Owing

The summary financial information and indicators 30 June 2010 are:

- Rates owing are \$1,818,997 or 1.6%, same as June 2009.
- Rates in arrears are \$104,916 or 0.1%, same as June 2009.
- Total Rates rebate applications processed to date are 3797 (\$1,851,554) compared to 3882 (\$1,839,731) as at June 2009. (The maximum rebate available for 2009/2010 is \$550.00 compared to \$530.00 for 2008/2009).
- There are still 145 Rates Rebates to be processed that arrived prior to 30 June 2010.
- Accounts Receivable money owing for two months or more was 13.6% (compared to 33% at June 2009).

Prepared by:

Approved for submission by:

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Approved by:

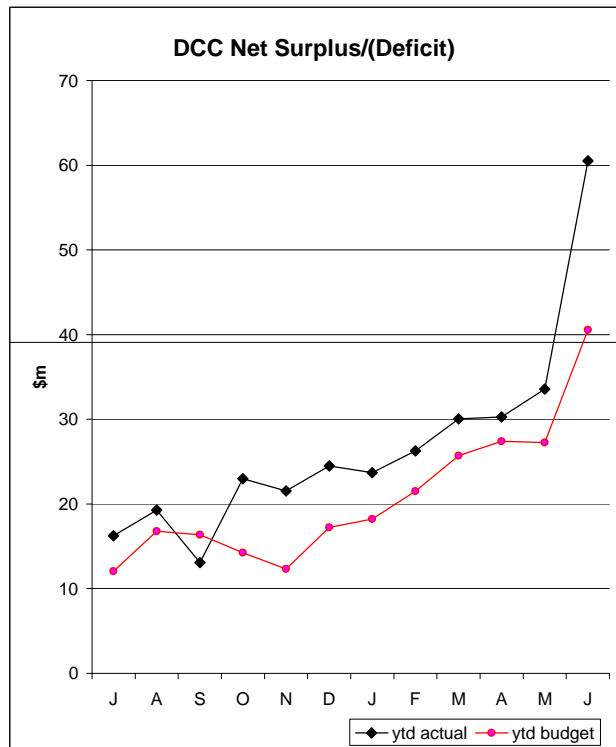
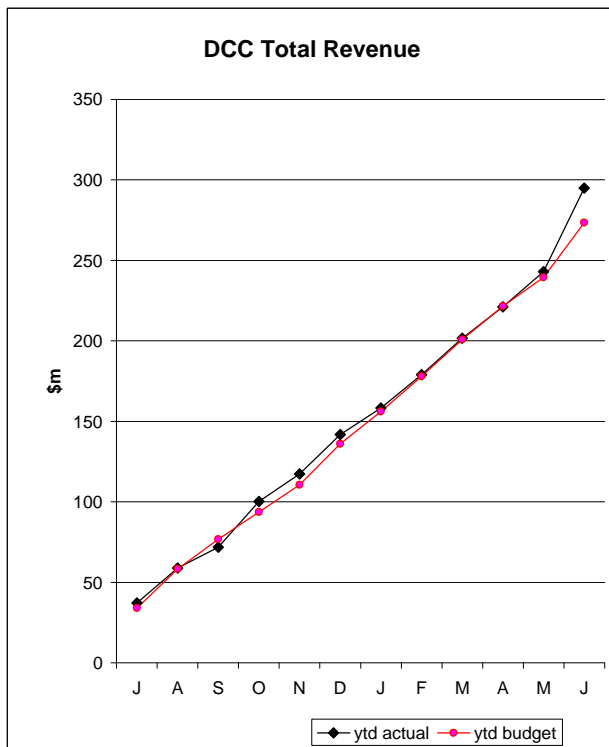
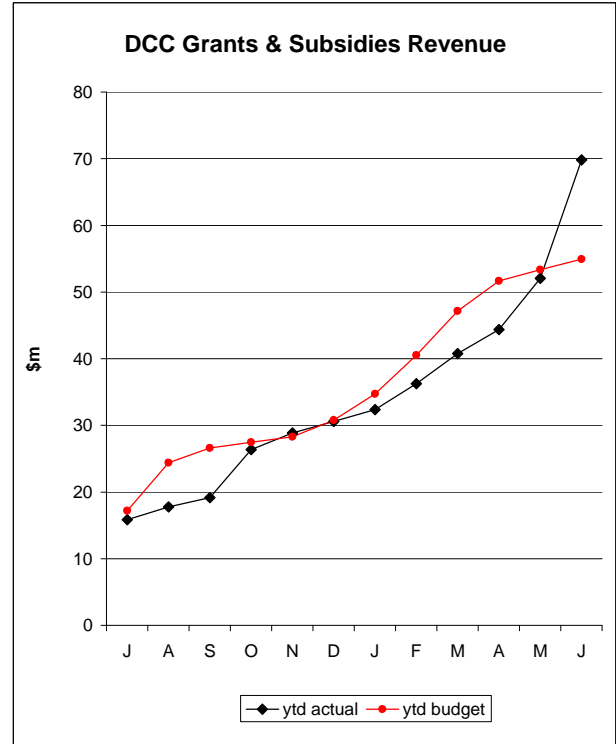
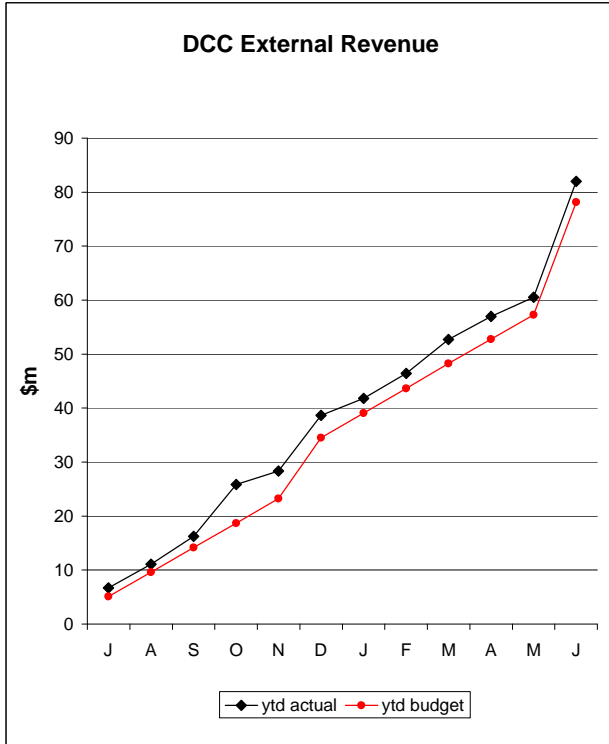
Athol Stephens
GENERAL MANAGER FINANCE AND CORPORATE SUPPORT

Date report prepared: 27 July 2010

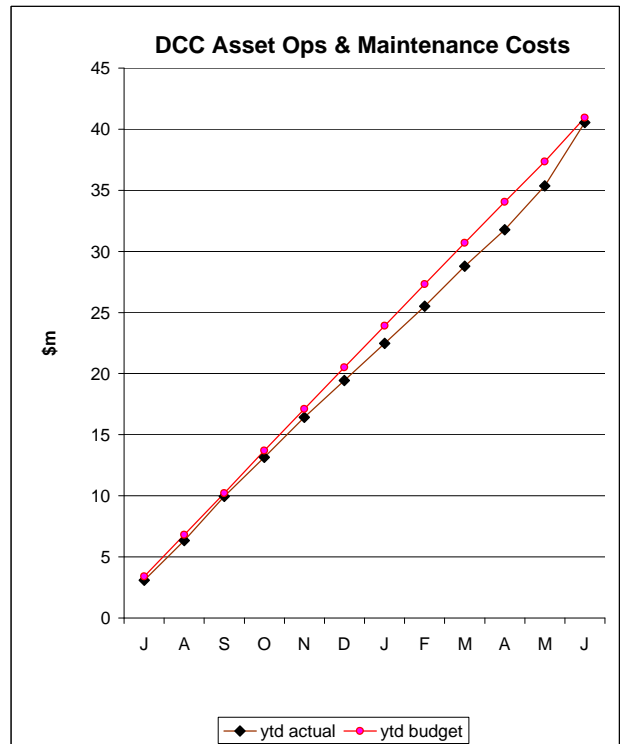
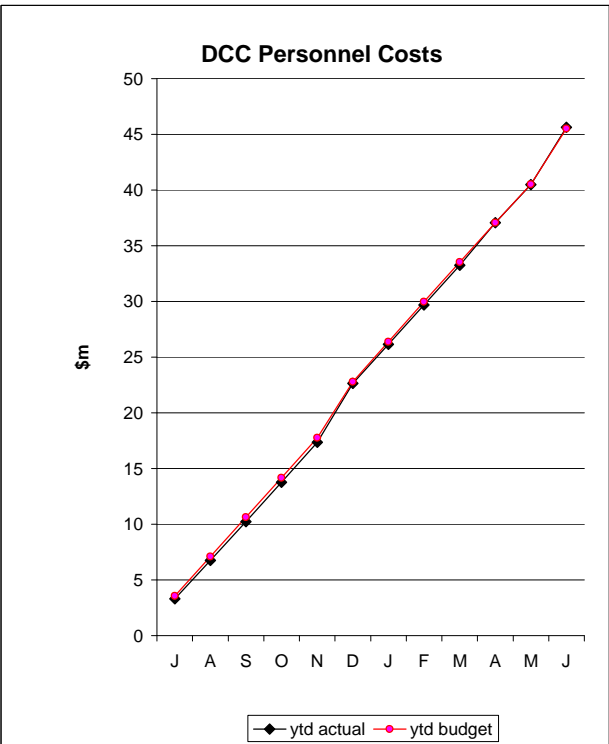
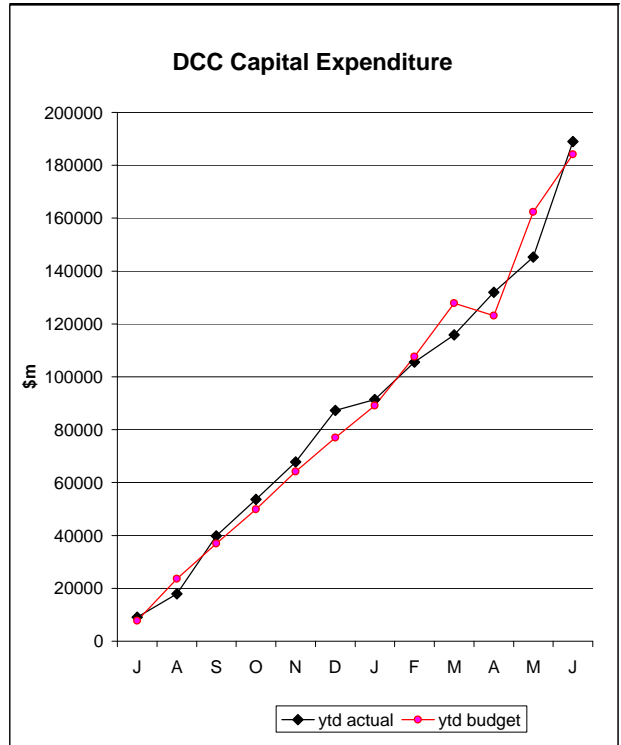
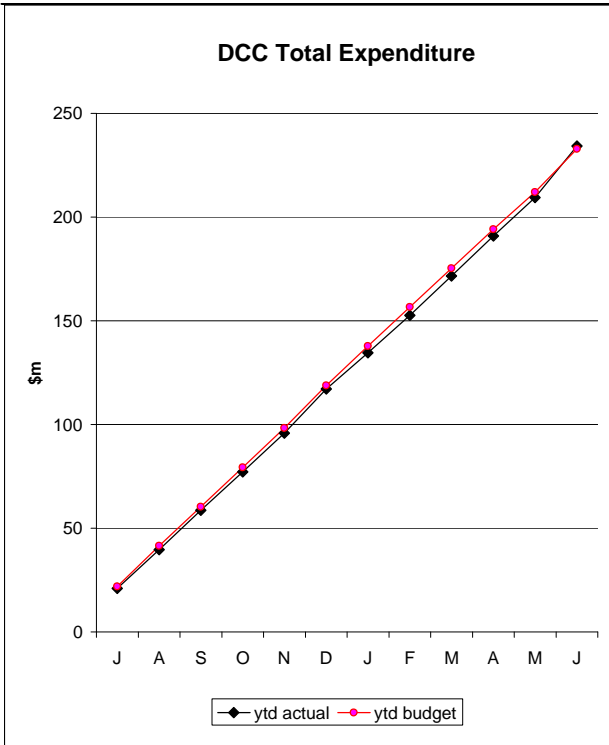
Attachments

1. Key Financial Indicators
2. Statement of Financial Performance
3. Management Operating Statement
4. Statement of Financial Position
5. Statement of Cashflows
6. Capital Expenditure Summary
7. Public Debt Statement
8. Borrowing and Investment Policy

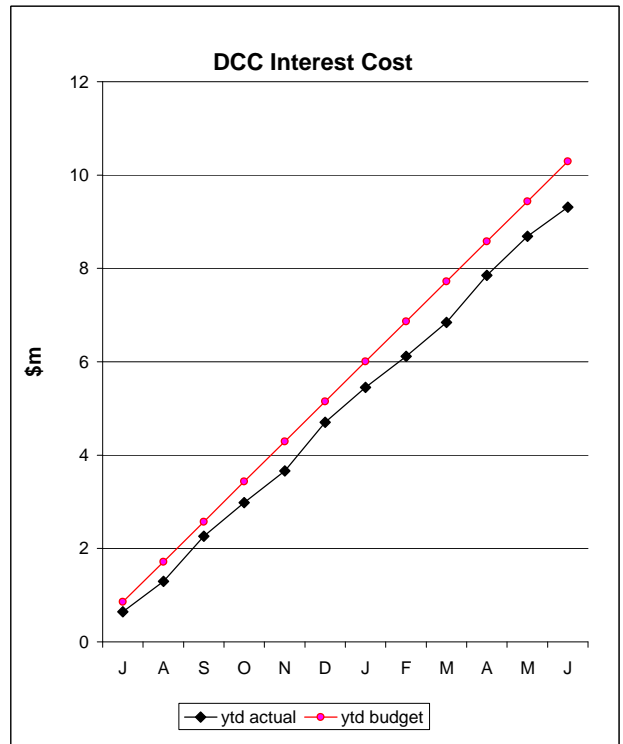
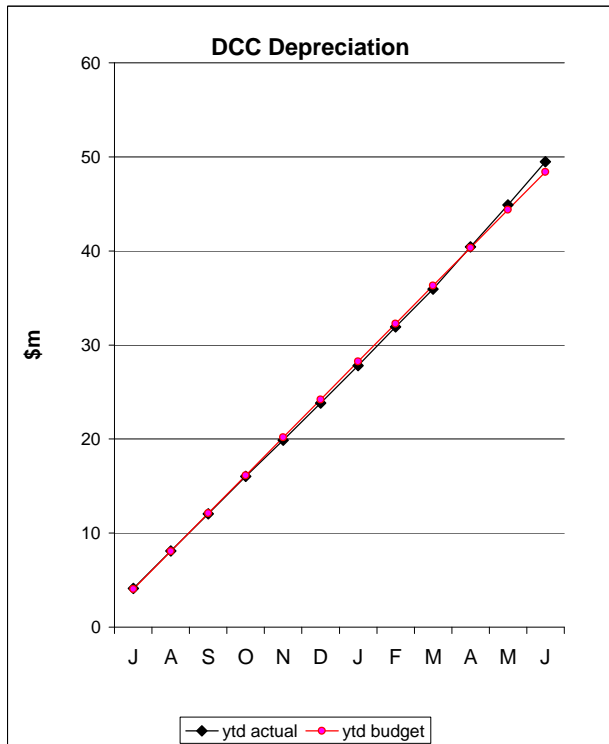
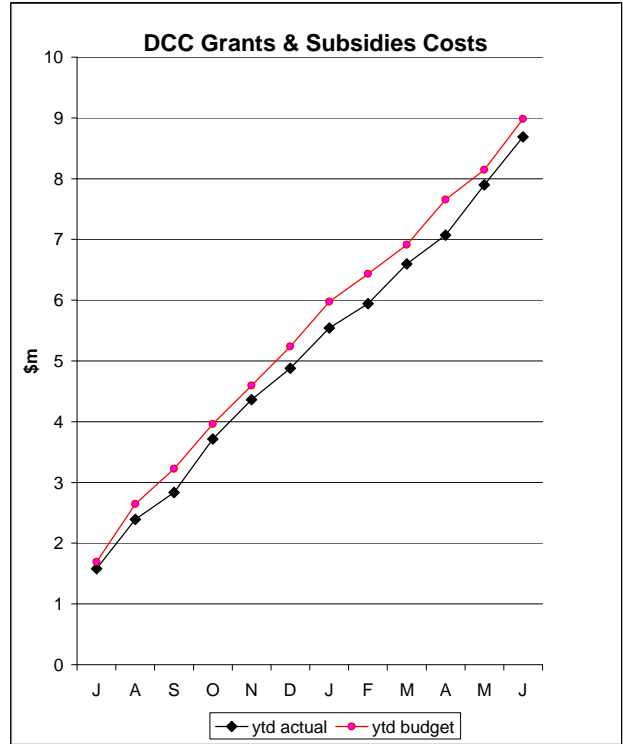
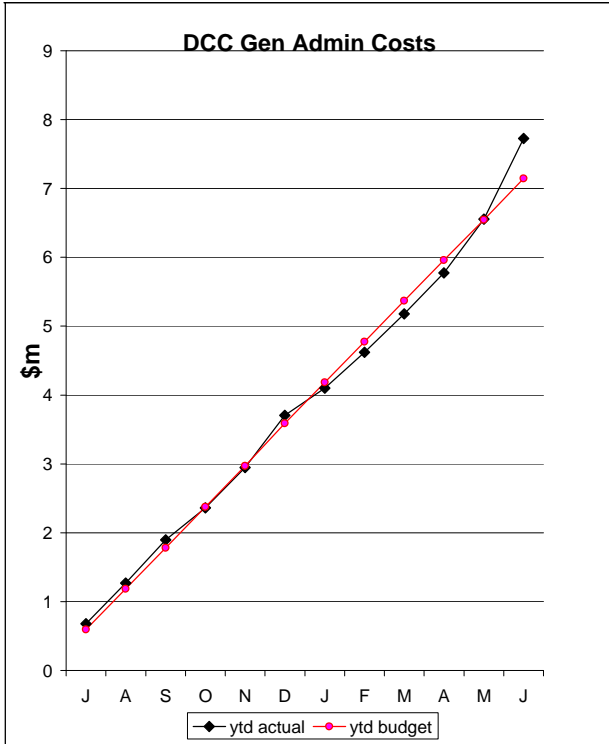
DUNEDIN CITY COUNCIL KEY FINANCIAL INDICATORS FOR THE TWELVE MONTHS ENDED 30 JUNE 2010



DUNEDIN CITY COUNCIL
KEY FINANCIAL INDICATORS
FOR THE TWELVE MONTHS ENDED 30 JUNE 2010



DUNEDIN CITY COUNCIL KEY FINANCIAL INDICATORS FOR THE TWELVE MONTHS ENDED 30 JUNE 2010



Dunedin City Council
Statement of Financial Performance
For the Period Ending June 30, 2010
Amounts : \$'000

Month Actual	Month Budget	Month Var	Description	YTD Actual	YTD Budget	YTD Var	LYTD Actual	LY Full Actual	Full Year Budget
Revenue									
8,239	8,153	86	Rates Revenue	98,406	97,837	569	92,249	92,249	97,837
21,478	20,889	589	External Revenue	81,997	78,139	3,858	65,886	65,886	78,139
17,767	1,571	16,196	Grants and Subsidies	69,816	54,941	14,875	20,733	20,733	54,941
4,100	3,448	652	Internal Revenue	44,109	42,483	1,626	40,750	40,750	42,483
186		186	Contributions	501		501	1,469	1,469	
51,770	34,061	17,709	Total Revenue	294,829	273,400	21,429	221,087	221,087	273,400
Expenditure									
5,139	4,997	(142)	Personnel Costs	45,619	45,507	(112)	43,827	43,827	45,507
5,169	3,579	(1,590)	Asset Operations and Mtce	40,542	40,935	393	40,063	40,063	40,935
978	627	(351)	Materials, Supplies, Services	7,217	7,129	(88)	7,261	7,261	7,129
619	432	(187)	Energy Costs	5,060	5,103	43	4,847	4,847	5,103
1,046	906	(140)	Premises Costs	10,874	10,879	5	10,086	10,086	10,879
(5)	33	38	Cost of Sales	421	498	77	548	548	498
9	5	(4)	Insurance	1,068	1,048	(20)	1,046	1,046	1,048
1,514	891	(623)	Fees and Levies	10,995	10,839	(156)	8,414	8,414	10,839
1,171	598	(573)	General Admin	7,725	7,143	(582)	7,962	7,962	7,143
792	841	49	Grants and Subsidies	8,689	8,984	295	7,185	7,185	8,984
151	94	(57)	Other (Income) Expense	983	1,121	138	2,135	2,135	1,121
3,065	2,855	(210)	Internal Charges	36,324	34,980	(1,344)	32,807	32,807	34,980
	33	33	Intra-Dept Charges	16		(16)	8	8	
4,587	4,034	(553)	Depreciation	49,490	48,409	(1,081)	44,778	44,778	48,409
618	858	240	Interest	9,308	10,296	988	8,092	8,092	10,296
24,853	20,783	(4,070)	Total Expenditure	234,331	232,871	(1,460)	219,059	219,059	232,871
26,917	13,278	13,639	Net Surplus (Deficit)	60,498	40,529	19,969	2,028	2,028	40,529

Dunedin City Council
Management Operating Statement
By Group Activity

For the Period Ending June 30, 2010

Description	YTD Actual	YTD Revised Budget	YTD Variance	Full Yr Revised Bud
Dunedin City Council				
Econ Deve & City Promotion				
Investment	(11,238)	(10,959)	(279)	(10,959)
Public Relations	39	0	39	0
Economic Development	600	210	390	210
Events and Festivals	(46)	0	(46)	0
Marketing & Communication	97	0	97	0
Stadium	33,810	32,346	1,464	32,346
Dunedin Centre	754	434	320	434
Visitor Centre	(118)	0	(118)	0
Printing Services	(98)	(13)	(85)	(13)
Property	6,462	4,647	1,816	4,647
Waipori	5,199	4,070	1,129	4,070
Econ Deve & City Promotion	35,461	30,735	4,726	30,735
Transport Network				
Transportation Operations	11,079	10,030	1,048	10,030
Transportation Planning	32	0	32	0
Citifleet	2,797	3,388	(591)	3,388
Transport Network	13,908	13,418	490	13,418
Personal Safety				
Civil Defence/Rural Fire	106	29	77	29
Development Services	(119)	(9)	(110)	(9)
Personal Safety	(13)	20	(33)	20
Public Health				
Water and Waste Services	(4,144)	(5,526)	1,382	(5,526)
Public Health	(4,144)	(5,526)	1,382	(5,526)

Dunedin City Council
Management Operating Statement
By Group Activity

For the Period Ending June 30, 2010

Description	YTD Actual	YTD Revised Budget	YTD Variance	Full Yr Revised Bud
City Planning & Urban Design				
Planning	(79)	24	(103)	24
City Planning & Urban Design	(79)	24	(103)	24
Community Deve & Support				
Community Development	45	(67)	112	(67)
Cemeteries & Crematorium	92	150	(58)	150
Chinese Garden	(412)	(7)	(405)	(7)
Property	(309)	(16)	(293)	(16)
Community Deve & Support	(584)	60	(644)	60
Community Leadership				
Civic	(9)	(63)	54	(63)
Community Leadership	(9)	(63)	54	(63)
Museums & Art Gallery				
Libraries	(326)	(101)	(225)	(101)
Art Gallery	34	186	(152)	186
Settlers Museum	2,396	1,829	568	1,829
Museums & Art Gallery	2,104	1,914	190	1,914
Sport, Recreation & Leisure				
Planning	84	35	49	35
Parks	13,138	(142)	13,280	(142)
Recreation Policy	212	50	162	50
Botanic Garden	(64)	(109)	45	(109)
Aquatic Services	(129)	(375)	246	(375)
Sport, Recreation & Leisure	13,241	(541)	13,782	(541)
Corporate Support				
Corporate Management	75	15	60	15

Dunedin City Council
Management Operating Statement
By Group Activity

For the Period Ending June 30, 2010

Description	YTD Actual	YTD Revised Budget	YTD Variance	Full Yr Revised Bud
Human Resources	7	0	7	0
Administration Services	86	(1)	87	(1)
Finance	175	(43)	217	(43)
Business Solutions	(9)	29	(38)	29
Network Services	208	387	(179)	387
Business Improvement	(5)	0	(5)	0
Citifleet	339	277	62	277
Corporate Support	876	664	212	664
Access to Info Services				
Information Solutions	(217)	(228)	11	(228)
Customer Services	(46)	50	(96)	50
Access to Info Services	(263)	(178)	(85)	(178)
Dunedin City Council	60,498	40,527	19,971	40,527

DUNEDIN CITY COUNCIL
CORE COUNCIL STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2010

As at 30-Jun-09 \$000s		Movement yr to date \$000s	As at 30-Jun-10 \$000s	Budget 30-Jun-10 \$000s
	Current Assets			
(713)	Cash and Deposits	(1,413)	(2,126)	14,119
14,038	Sundry Debtors	96,142	110,180	133,916
9,250	Short Term Investments	(7,300)	1,950	28,393
375	Derivative Financial Instruments	-	375	1,583
469	Inventories	(40)	429	6
<u>23,419</u>	Total Current Assets	<u>87,389</u>	<u>110,808</u>	<u>178,017</u>
	Non Current Assets			
178,114	Investments	3,532	181,646	43,393
2,519,248	Fixed Assets	127,589	2,646,837	2,716,241
<u>2,697,362</u>	Total Non Current Assets	<u>131,121</u>	<u>2,828,483</u>	<u>2,759,634</u>
<u><u>2,720,781</u></u>	TOTAL ASSETS	<u><u>218,510</u></u>	<u><u>2,939,291</u></u>	<u><u>2,937,651</u></u>
	Current Liabilities			
27,936	Sundry Creditors	3,872	31,808	24,266
8,148	Accrued Expenditure	249	8,397	10,208
-	Short Term Borrowings	-	-	0
-	Derivative Financial Instruments	-	-	0
-	Current Portion Term Debt	-	-	8,500
<u>36,084</u>	Total Current Liabilities	<u>4,121</u>	<u>40,205</u>	<u>42,974</u>
	Non Current Liabilities			
177,670	Term Loans	64,831	242,501	272,151
5,784	Other Non-Current Liabilities	316	6,100	6,551
<u>183,454</u>	Total Non Current Liabilities	<u>65,147</u>	<u>248,601</u>	<u>278,702</u>
<u>219,538</u>	TOTAL LIABILITIES	<u>69,268</u>	<u>288,806</u>	<u>321,676</u>
2,501,243	COUNCIL EQUITY	149,242	2,650,485	2,616,489
<u><u>2,720,781</u></u>		<u><u>218,510</u></u>	<u><u>2,939,291</u></u>	<u><u>2,938,165</u></u>

DUNEDIN CITY COUNCIL
Statement of Cashflows
For the period to 30 June 2010

	ACTUAL \$'000s	ANNUAL BUDGET \$'000s
Cash Flow from Operating Activities		
<i>Cash was provided from operating activities</i>		
Rates Received	98,406	97,837
Other Revenue	138,437	104,560
Interest Received	20,512	11,548
Dividend Received	6,557	16,973
<i>Cash was applied to</i>		
Suppliers and Employees	(135,321)	(132,052)
Interest Paid	(9,308)	(10,057)
Taxation Paid		
Net GST Paid		
Net Cash Inflow (Outflow) from Operations	119,283	88,809
Cash Flow from Investing Activities		
<i>Cash was provided from investing activities:</i>		
Sale of Assets	6,976	6,547
Reduction in Loans & Advances		2,413
Reduction in Investments	(3,532)	(318)
<i>Cash was applied to:</i>		
Increase in Loans & Advances		-
Capital Expenditure	(188,971)	(190,781)
Net Cash Inflow (Outflow) from Investment Activity	(185,527)	(182,139)
Cash Flow from Financing Activities		
<i>Cash was provided from investing activities:</i>		
Loans Raised	85,601	97,928
Increase in Short Term Borrowings	-	
<i>Cash was applied to:</i>		
Loans Repaid	(20,770)	(6,755)
Net Cash Inflow (Outflow) from Financing Activity	64,831	91,173
Total Increase/(Decrease) in Cash	(1,413)	(2,157)
Opening Cash Balance	(713)	14,788
Closing Cash Balance	(2,126)	12,631

Dunedin City Council
Capital Expenditure Summary
Capital Expenditure Summary

For the Period Ending June 30, 2010

Description	YTD Actual	Full Year Budget	YTD Variance	% of Budget
Dunedin City Council				
Corporate	17		(17)	0
Finance	124	158	35	78%
Information Solutions	229	220	(9)	104%
Business Solutions	216	208	(8)	104%
Network Services	792	833	41	95%
Civil Defence/Rural Fire	56	47	(9)	120%
Planning	66	64	(2)	102%
Marketing & Communication	6		(6)	0
Stadium	80,717	99,451	18,734	81%
Parks	16,564	4,710	(11,854)	352%
Transportation Operations	33,958	31,260	(2,699)	109%
Libraries	1,304	1,257	(47)	104%
Botanic Garden	540	324	(216)	167%
Dunedin Centre	2,218	2,504	285	89%
Cemeteries & Crematorium	189	155	(34)	122%
Art Gallery	794	693	(101)	115%
Otago Settlers Museum	6,140	7,100	960	86%
Customer Services	260	200	(60)	130%
Water and Waste Services	16,240	18,713	2,472	87%
Aquatic Services	324	377	53	86%
Citifleet	1,203	1,162	(41)	104%
Property	27,014	14,700	(12,314)	184%
Dunedin City Council	188,971	184,136	(4,835)	103%

STATEMENT OF PUBLIC DEBT AS AT
SUMMARY SHEET

30 June 2010

	Principal Paid to				INTEREST Paid to 30/06/2010 000's	BREAKDOWN OF PUBLIC DEBT BETWEEN INSTITUTIONS					
	BALANCE AT 30/06/2009	date 30/06/2010	Advanced 30/06/2010	BALANCE 30/06/2010		HOUSING NZ CORP 30/06/2010	NATIONAL BANK (CBANK) 30/06/2010	MINISTRY FOR THE ENVIRONMENT 30/06/2010	DUNEDIN CITY TREASURY LTD 30/06/2010	WAIPORI FUND 30/06/2010	BALANCE 30/06/2010
	000's	000's	000's	000's		000's	000's	000's	000's	000's	000's
ECONOMIC DEVELOPMENT & CITY PROMOTION											
STADIUM	50,025	9,950	59,988	100,063	5,406			100,063			100,063
DUNEDIN CENTRE	1,235	43	975	2,166	108			2,166			2,166
PROPERTY											
PROPERTY INVESTMENT											
GREAT KING STREET-CARPARK	4,246	388	-	3,858	251			3,858			3,858
BUNNINGS	1,442	63	-	1,379	89			1,379			1,379
INVESTMENT ACCOUNT	1,474	37	-	1,436	91			1,436			1,436
TIMARU STREET	-	18	850	832	28			832			832
YMCA	-	-	2,900	2,900	21			2,900			2,900
WALL STREET	3,706	4,962	4,241	2,984	130			2,984			2,984
PROPERTY MISCELLANEOUS											
DUNEDIN ICE STADIUM	783	30	-	753	48			753			753
EDGAR CENTRE	5,404	195	-	5,209	331			5,209			5,209
RAILWAY STATION	120	6	-	114	7			114			114
REGENT THEATRE	2,335	67	-	2,268	144			2,268			2,268
ATHENEUM	1,103	29	-	1,075	68			1,075			1,075
WAIKOUAITI HALL REPLACEMENT	1,200	33	382	1,548	87			1,548			1,548
CIVIC CENTRE	-	1	100	99	3			99			99
CARISBROOK	-	-	5,000	5,000	107			5,000			5,000
PROPERTY OPERATIONAL											
HEALTH	86	8	-	78	5			78			78
MUNICIPAL CHAMBERS	109	10	-	98	7			98			98
PORT CHALMERS HALL	274	9	-	266	17			266			266
TOILETS	-	1	60	59	2			59			59
HOUSING											
RENTAL PROPERTIES	364	51	-	313	17		312.96				313
86-92 PRINCE ALBERT ROAD COMPLEX	473	-	-	473	-	472.50					473
TRANSPORT NETWORK											
TRANSPORT OPERATIONS	6,972	278	2,483	9,177	510			9,177			9,177
CITIPARK	-	96	1,640	1,544	53			1,544			1,544
PUBLIC HEALTH											
WATER DEPARTMENT	27,406	1,100	1,223	27,529	1,712			27,529			27,529
WASTEWATER	43,637	956	-	10,628	2,729			7,699	2,929		10,628
WASTEWATER - TAHUNA	<i>Included in above</i>	989	2,000	33,065	<i>Included in above</i>			33,065			33,065
SOLID WASTE	2,405	150	508	2,762	162			2,762			2,762
CITY DEVELOPMENT											
CITY DEVELOPMENT	2,888	89	182	2,980	184			2,980			2,980
MUSEUMS, LIBRARIES & ART GALLERY											
CHINESE GARDENS	951	27	-	924	59			924			924
OTAGO SETTLERS MUSEUM	3,615	126	2,673	6,162	311			6,162			6,162
SPORT, RECREATION & LEISURE											
COMMUNITY & RECREATION PLANNING	5,813	339	257	5,732	362			5,732			5,732
AQUATIC SERVICES	6,068	424	-	5,643	346			5,413	230		5,643
BOTANIC GARDENS	-	2	140	138	5			138			138
CORPORATE SUPPORT											
BUSINESS SOLUTIONS	2,007	142	-	1,864	123			1,864			1,864
NETWORKS SERVICES	302	63	-	238	17			238			238
INFORMATION SOLUTIONS	1,029	89	-	941	62			941			941
TOTAL LOANS	177,470	20,770	85,601	242,301	13,600	473	313	230	238,356	2,929	242,301

**DUNEDIN CITY COUNCIL
BORROWING AND INVESTMENT POLICY
AS AT 30 June 2010**

	Policy	Budget	Actual
Term Debt/Realisable Assets	< 35%	9.9%	8.6%
Gross Interest Expense/Total Rates Revenue	< 20%	17.2%	9.5%
Gross Interest Expense/Total Operating Revenues	< 8%	7.2%	3.2%
Operating Funds Flow/Interest Expense	> 2.5	5.3	13.8

Coverage of Interest-rate-sensitive debt by hedges (thousands)

Source of Debt

Debt advanced from DCTL (excluding short term debt)	238,356
Debt ex Waipori Fund	2,929
Debt ex Other Institutions	1,016
Total DCC Debt	242,301

Less Interest Rate Protection

Waipori short term investments natural hedge	8,615
Fixed Rate Funding	180,000
Debt protected with derivatives	77,000
Fixed Rate debt from other institutions	1,016
Total Debt Protection	266,631

Interest-sensitive debt not covered

Non-covered debt/Total Debt	30% - 60%	(24,330)
		-10.0%

Annual Debt Servicing Costs

