

Embargoed until 10:45am – 16 June 2010

Local Authority Statistics: March 2010 quarter

Highlights

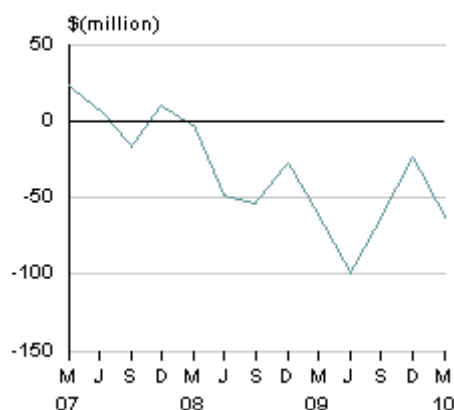
Seasonally adjusted local authority statistics for the March 2010 quarter compared with the December 2009 quarter show that:

- Local authorities recorded an operating deficit of \$63 million.
- Operating revenue decreased 2.3 percent to \$1.7 billion, driven by falls in investment income and sales of goods and services.
- Operating expenditure remained unchanged at \$1.8 billion, driven by a fall in employee costs and a rise in depreciation.

The actual (not seasonally adjusted) deficit is \$24 million.

Operating result

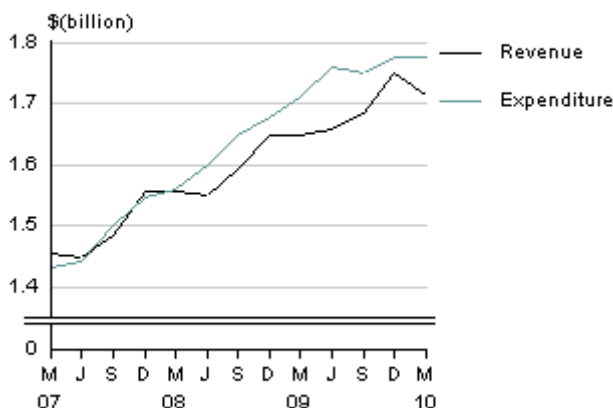
Seasonally adjusted, quarterly



Source: Statistics New Zealand

Operating revenue and expenditure

Seasonally adjusted, quarterly



Source: Statistics New Zealand

Commentary

The information in this Hot Off the Press is compiled from data collected in the quarterly Local Authority Survey. All series have been seasonally adjusted with the exception of rates, dividends, and depreciation. For more information on seasonal adjustment, see the 'Technical notes' section.

Quarterly operating results

Local authorities recorded a \$63.2 million deficit in the March 2010 quarter. This deficit excludes non-operating items, such as extraordinary gains or losses and asset revaluations, which are included in the annual local authority results.

The deficit in the March 2010 quarter was the result of total operating revenue of \$1,711.8 million and total operating expenditure of \$1,775.0 million. The operating deficit in the March 2010 quarter was \$39.5 million larger than in the December 2009 quarter, when the deficit was \$23.7 million.

The actual (not seasonally adjusted) deficit in the March 2010 quarter is \$23.5 million. This is \$43.1 million smaller than in the December 2009 quarter, when the deficit was \$66.6 million.

Operating revenue

Total operating revenue for the March 2010 quarter was \$1,711.8 million, down \$39.6 million (2.3 percent) compared with the December 2009 quarter. Contributions to the fall in operating revenue came from decreases in:

- investment income, down \$36.1 million (37.5 percent)
- sales of goods and services, down \$9.5 million (3.3 percent)
- government grants and subsidies, down \$5.9 million (2.4 percent)
- regulatory income and petrol tax, down \$3.7 million (3.2 percent).

The fall in investment income was driven by a decrease in revenue from dividends (down \$35.5 million).

Partly offsetting these falls was a rise in rates, up \$15.7 million.

Total operating revenue increased by \$63.3 million (3.8 percent) from the March 2009 quarter to the March 2010 quarter.

Investment income

Investment income for the March 2010 quarter was \$60.3 million, down \$36.1 million (37.5 percent) compared with the December 2009 quarter.

The fall in investment income was driven by a decrease in revenue from dividends (down \$35.5 million). Revenue from dividends, which is not seasonally adjusted, has peaked in the December quarter of each of the last four years due to the timing of payments of dividends to local authorities from Council Controlled Organisations such as airports and water providers.

Interest revenue fell (down \$0.6 million) from the December 2009 quarter to the March 2010 quarter.

Sales of goods and services

Income from sales of goods and services in the March 2010 quarter was \$274.4 million, down \$9.5 million (3.3 percent) compared with the December 2009 quarter.

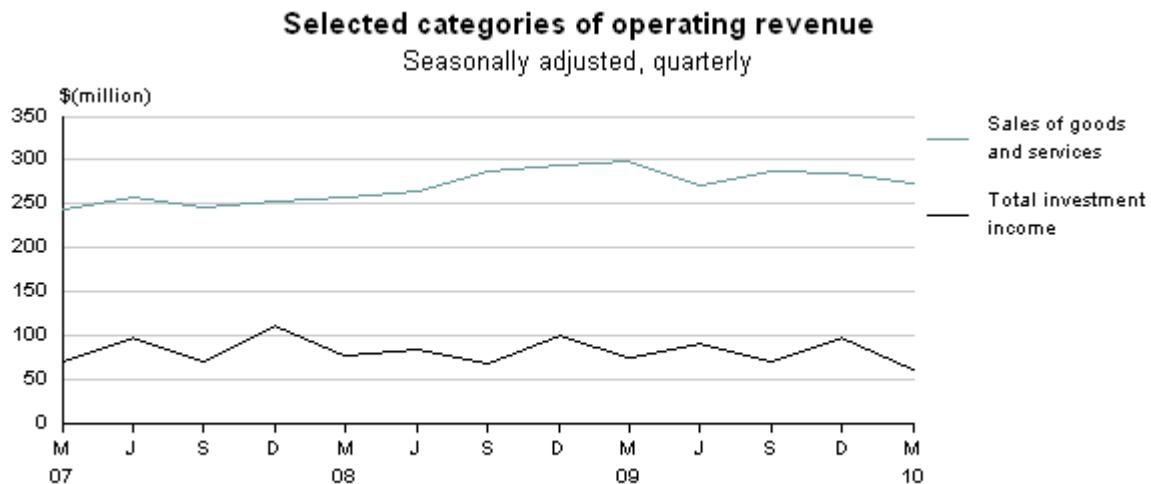
Revenue from sales of goods and services includes income from metered water, refuse collection and disposal, commercial and social housing rentals, parking fees, and other sources.

Sales of goods and services decreased \$24.4 million (8.2 percent) from the March 2009 quarter to the March 2010 quarter.

Rates

Rates income for the March 2010 quarter was \$1,020.8 million, up \$15.7 million (1.6 percent) compared with the December 2009 quarter.

Rates are now \$64.4 million (6.7 percent) higher than in the March 2009 quarter. Revenue from rates is not seasonally adjusted.



Source: Statistics New Zealand

Operating expenditure

Total operating expenditure for the March 2010 quarter was \$1,775.0 million and remains unchanged from the December 2009 quarter.

Downward contributions to the operating expenditure for the March 2010 quarter came from falls in:

- employee costs, down \$9.9 million (2.4 percent)
- interest paid, down \$0.2 million (0.2 percent).

Upward contributions to the operating expenditure for the March 2010 quarter came from rises in:

- depreciation, up \$7.1 million (1.8 percent)
- purchases of goods and services, up \$3.1 million (0.3 percent).

Total operating expenditure increased by \$64.5 million (3.8 percent) from the March 2009 quarter to the March 2010 quarter.

Employee costs

Employee costs for the March 2010 quarter fell \$9.9 million (2.4 percent) to \$401.7 million, compared with the December 2009 quarter. This is the first quarterly decrease since the December 2004 quarter when employee costs fell 1.6 percent.

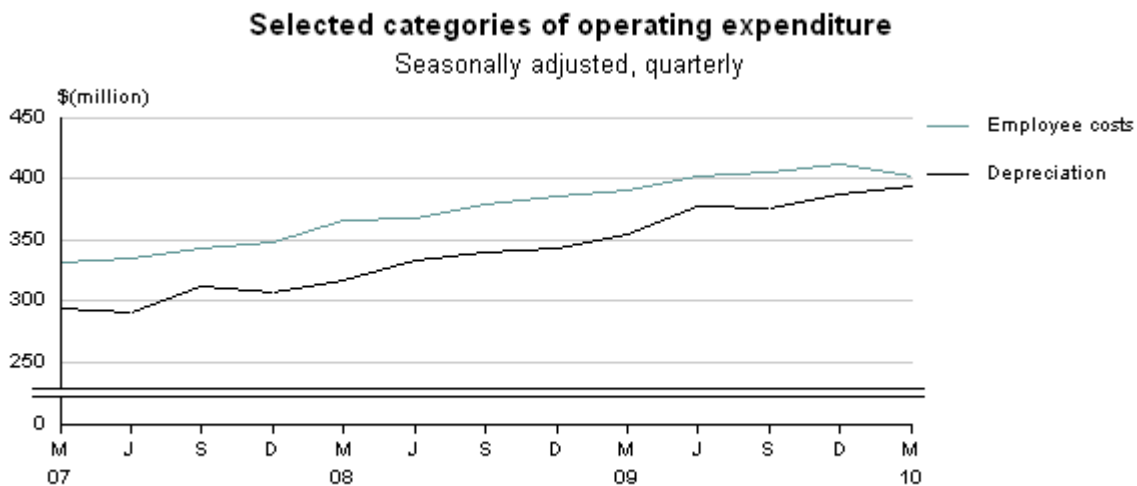
Fifty-seven of the 86 surveyed councils reported falls in employee costs in the March 2010 quarter.

In the March 2010 quarter, employee costs were \$11.6 million (3.0 percent) higher than in the March 2009 quarter.

Depreciation

Depreciation for the March 2010 quarter rose \$7.1 million (1.8 percent) to \$394.4 million, compared with the December 2009 quarter.

In the March 2010 quarter, depreciation was \$39.7 million (11.2 percent) higher than in the March 2009 quarter. Expenditure on depreciation is not seasonally adjusted.



Source: Statistics New Zealand

For technical information contact:
Lyall Payne or Gareesh Madhas
Wellington 04 931 4600
Email: info@stats.govt.nz

Next release ...

Local Authority Statistics: June 2010 quarter will be released on 15 September 2010.

Technical notes

The information in this Hot Off the Press is compiled from data collected in the quarterly Local Authority Survey. The series starts in the September 1992 quarter.

The quarterly Local Authority Survey includes New Zealand's 12 regional councils and 74 territorial authorities and provides full coverage of New Zealand's regional and local council responsibilities and functions. The survey measures non-trading activities of local authorities, such as local government administration, provision of water supply, roading, parks and reserves, and planning and regulation. Data relating to Council Controlled Organisations (formerly called Local Authority Trading Enterprises) is not included in this release.

Accounting treatments vary among the local authorities and it can be difficult to produce a set of comparable statistics. First published results are therefore provisional and subject to revision as more data become available.

Quarterly results are reconciled to annual values provided by the annual Local Authority Census and validated against annual reports. Results are provisional for recent quarters and the most recent annual result until these reconciliation and validation processes are complete.

All local authorities are included in the Local Authority Census. Local authorities comprise city councils, district councils, unitary authorities, and regional councils. Unitary authorities are city and district councils that also perform the functions of a regional council.

The quarterly operating result included in this release excludes non-operating items such as extraordinary gains or losses, and asset revaluations. These items are usually identified when annual results are released.

Revisions

Each quarter, revisions may be made to previously published series. Changes resulting from the inclusion of new and revised annual information are generally limited to once a year, and are usually released with March quarter statistics.

Seasonally adjusted estimates

Commentary provided in the media release and the Hot Off the Press is based on seasonally adjusted series with the exception of rates, dividend income, and depreciation, which are not seasonally adjusted. Seasonally adjusted series and actual (or unadjusted) series can be found in the 'Tables' section.

Seasonal adjustment is carried out by utilising the X-12-ARIMA seasonal adjustment package. This package has been used to produce the seasonally adjusted estimates in table 3 and table 4. The aim of seasonal adjustment is to eliminate the impact of regular seasonal events on the time series and make data for adjacent periods more comparable. All seasonally adjusted figures are subject to revision each quarter.

Further information about [seasonal adjustment](#) is available on the Statistics New Zealand website: www.stats.govt.nz

Tables

The tables attached to this release show long-term series of seasonally adjusted and actual data for local authority financial statistics.

Definitions

Depreciation

Depreciation on fixed assets includes infrastructural assets, restricted assets, buildings, mobile equipment, other plant, machinery, and office equipment. The value of depreciation increases over time as a result of increases in fixed asset values and legislative requirements for councils to fully fund depreciation (Local Government Amendment Act (No 3) 1996). This series is not seasonally adjusted.

Employee costs

These are gross earnings of all paid employees in the authority. It includes overtime, sick and holiday pay, benefit allowances, value of free supplies, severance and redundancy payments, levies paid to the Accident Compensation Corporation and employer contributions to superannuation schemes.

Government grants and subsidies

Includes grants, subsidies, and levies from central government, and other local authorities and organisations. Grants treated as equity contributions are excluded.

Interest paid

Interest paid on public debt and other liabilities.

Investment income

This category predominantly consists of income from interest and dividends. From the beginning of the series until March 1996, both interest revenue and dividends were seasonally adjusted. After March 1996, dividends became volatile due to large and irregular payments of dividends to local authorities from Council Controlled Organisations, and seasonal patterns were no longer apparent. Interest revenue continues to be seasonally adjusted and combined with actual dividends in the investment income category.

Purchases and all other expenditure

Includes rent, insurance, fuel, postage, repairs, and maintenance. Contracts for services from separate council trading enterprises are also included. Purchases of goods and services charged within the authority (overheads) are excluded. Also excluded are loan repayments, purchases of fixed assets, and contract payments for the construction and development of fixed or community assets. Other expenses include grants and donations to other organisations, bad debts, and income tax.

Rates

All forms of rates are included in this category. Water rates are included, but rates collected on behalf of other local authorities (such as regional councils) are excluded. Water sold by meter is excluded. This series is not seasonally adjusted.

Regulatory income and petrol tax

Regulatory income includes fees and fines. Examples of fees and fines include parking fines, building consents, and dog registration. Admission and parking charges are excluded from this category as they are treated as sales of goods and services.

Sales and other income

Includes trading receipts such as admission charges, water sold by meter, and other miscellaneous operating income. Excluded are any sales of goods and services charges within the authority (such as overheads).

More information

For more information, follow the [link](#) from the 'Technical notes' section of this release on the Statistics NZ website.

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Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

Tables

The following tables are printed with this Hot Off The Press and can also be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

1. Local authority quarterly financial statistics, seasonally adjusted revenue
2. Local authority quarterly financial statistics, seasonally adjusted revenue, percentage change from previous quarter
3. Local authority quarterly financial statistics, seasonally adjusted expenditure
4. Local authority quarterly financial statistics, seasonally adjusted expenditure, percentage change from previous quarter
5. Local authority quarterly financial statistics, seasonally adjusted revenue, percentage change from same quarter previous year
6. Local authority quarterly financial statistics, seasonally adjusted expenditure, percentage change from same quarter previous year
7. Local authority quarterly financial statistics, actual revenue
8. Local authority quarterly financial statistics, actual expenditure