

**Chairperson and Committee Members**  
CORPORATE BUSINESS COMMITTEE

11 AUGUST 2016

Meeting Status: **Public**

Purpose of Report: For Information

## **FINANCIAL REPORT TO 30 JUNE 2016**

### **PURPOSE OF REPORT**

- 1 This report sets out Kāpiti Coast District Council's (Council's) financial performance and financial position for the year ended 30 June 2016, with explanations of key results and variances.

### **DELEGATION**

- 2 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.7.

*Without limiting the generality of this delegation, the committee has the following functions, duties and powers.*

*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.*

### **BACKGROUND**

- 3 The Committee is provided with information on eight broad areas of financial performance each quarter.

- Part A: Statement of Comprehensive Revenue and Expense
- Part B: Statement of Financial Position
- Part C: Statement of Cash Flows
- Part D: Statement of Rates Funding
- Part E: Water Account Statement
- Part F: Capital Spending Programme
- Part G: Outstanding Rates Debt as at 30 June 2016
- Part H: Treasury Management

## Part A: Statement of Comprehensive Revenue and Expense

- 4 The Statement of Comprehensive Revenue and Expense covers all of Council's revenue and expenditure for the reporting period.
- 5 The net position of revenue less expenditure provides the operating surplus or deficit for the reporting period.
- 6 The Statement of Comprehensive Revenue and Expense for the year ended 30 June 2016 is set out in Table 1, followed by an overview of the key variances to budget.

Table 1	2015/16		
	Actual \$000	Budget \$000	Variance \$000
Rates	53,780	53,989	(209)
Fees and Charges	8,292	7,558	734
Grants and Subsidies	3,305	4,277	(972)
Development and Financial Contributions Revenue	1,449	1,055	394
Other Operating Revenue	3,231	261	2,970
Interest Income	472	216	256
<b>Total Income</b>	<b>70,529</b>	<b>67,356</b>	<b>3,173</b>
Other Operating Expense	47,926	46,124	(1,802)
Depreciation and Amortisation	17,248	16,637	(611)
Finance Expense	8,332	8,116	(216)
<b>Total Expenditure</b>	<b>73,506</b>	<b>70,877</b>	<b>(2,629)</b>
<b>Operating Surplus/ (Deficit)</b>	<b>(2,977)</b>	<b>(3,521)</b>	<b>544</b>
Revaluation of Property Plant and Equipment	29,894	20,328	9,566
Unrealised Gain/(Loss) on Revaluation of Financial Derivatives	(9,693)	(488)	(9,205)
<b>Total Other Comprehensive Income and Expenditure</b>	<b>20,201</b>	<b>19,840</b>	<b>361</b>
<b>Net Operating (Deficit)/Surplus</b>	<b>17,224</b>	<b>16,319</b>	<b>905</b>

### Financial Performance Summary

- 7 Council's net operating expenditure was \$544,000 favourable to budget for the year ended 30 June 2016. This was a positive result which has outperformed Council's earlier expectations. The forecast as at March 2016 was to finish the year \$254,000 favourable to budget.
- 8 Total revenue was \$12.74 million favourable to budget mainly due to unbudgeted assets of \$2.60 million vested to the Council from subdivision activity (mainly the Waikanae North Development) and the revaluation of Council's water, wastewater, stormwater and flood protection assets was \$9.57 million higher than expected due to a significant increase in the cost of pipe construction (\$ per meter) and more detailed valuations of Council's water and wastewater treatment plants.
- 9 This additional revenue mitigated several planned operating project overspends, unbudgeted additional depreciation of \$611,000 and \$9.21 million of unbudgeted unrealised losses on financial derivatives.

- 10 An unrealised loss on revaluation of financial derivatives of \$9.69 million was due to significant interest rate reductions during the year. There is no intention to realise these fair value changes (whether gains or losses). This is recognised for accounting purposes only and does not represent a cash loss.
- 11 The total rates funding deficit for the year ended 30 June 2016 was \$880,000. This was marginally better than Council's earlier expectations (as reported in May 2016), to finish the year with a rates funding deficit of \$910,000 and was mainly due to unbudgeted additional depreciation charges.

### **Explanation of Key Revenue Variances**

#### 12 **Rates**

Brief Description:	Rates include all rates earned by the Council, including metered water rates. Rates remissions and rates billed to Council owned properties are excluded.
Full Year Variance:	\$209,000 unfavourable to budget mainly due to less water rates revenue received during the year than expected. (See Part E: Water Account Statement).

#### 13 **Fees and Charges**

Brief Description:	Fees and charges include all non-rates revenue earned by the Council for providing services to the Community. This also includes fines and penalties charged.
Full Year Variance:	\$734,000 favourable to budget mainly due to additional building and resource consents fees of \$545,000.

#### 14 **Grants and Subsidies**

Brief Description:	Includes grants received by the Council for operating and capital spending. The majority of grants revenue is received from New Zealand Transport Agency (NZTA) for their share of our roading maintenance and capital spending programmes.
Full Year Variance:	\$972,000 unfavourable to budget. This is mainly due to erroneously budgeting a subsidy of \$767,000 from NZTA for the planned \$1.50 million road extension (200 metres) between Nga Manu Nature Reserve and the link road running over the expressway through to Nga Manu.

#### 15 **Development and Financial Contributions**

Brief Description:	<ol style="list-style-type: none"> <li>1. Financial Contributions are levied under the Resource Management Act and cover Reserves Contributions levied on developers at the time of subdivision.</li> <li>2. 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.</li> </ol>
Full Year Variance:	\$394,000 favourable to budget due to increased subdivision and building activity during the year.

16 **Other Operating Revenue**

Brief Description:	Includes assets vested to Council, Local government petrol tax, donations and/or sponsorship and realised gains on asset disposals.
Full Year Variance:	\$2.97 million favourable to budget mainly due to \$2.60 million of unbudgeted infrastructure and land assets vested to Council as part of subdivision activity. (Mainly the Waikanae North Development).

17 **Interest Income**

Brief Description:	Interest income represents the Council's earnings on its term deposits, overnight cash deposits and Borrower Notes held by the Local Government Funding Agency.
Full Year Variance:	\$256,000 favourable to budget. This is due to earnings from \$20 million of pre-funding debt issued in November and December 2015. (See Part H: Treasury Management).

**Explanation of Key Expenditure Variances**18 **Other Operating Expense**

Brief Description:	Includes direct operating costs except for internal rates, finance charges and asset depreciation/amortisation.
Full Year Variance:	\$1.80 million unfavourable to budget. This is mainly due to the following: <ol style="list-style-type: none"> <li>1. Several planned project overspends. (See Activity Report – 1 April to 30 June 2016 (SP-16-1956).</li> <li>2. \$300,000 of unbudgeted personnel costs due to a combination of a higher uptake of staff superannuation during the year and less staff costs were capitalised than expected.</li> <li>3. \$666,000 of unbudgeted year-end accounting expense adjustments to best reflect Council's estimate of future liability provisions.</li> </ol>

19 **Depreciation**

Brief Description:	Includes depreciation costs associated with ownership of the Council's assets
Full Year Variance:	\$611,000 unfavourable to budget. This is mainly due to: <ol style="list-style-type: none"> <li>1. More assets were vested to Council in 2014/15 than expected. These assets were depreciated from 1 July 2015.</li> <li>2. Actual useful lives for the Waikanae Water Treatment Plant and the River Re-charge Scheme are less than that used in the budget assumptions.</li> <li>3. \$1.10 million of assets have been capitalised earlier than planned following detailed Council-wide asset reviews, as required by Council's auditors.</li> </ol>

20 **Finance Expense**

Brief Description:	Council's debt servicing costs on its total borrowings, including interest rate swap margins and call facility utilisation.
Full Year Variance:	\$216,000 unfavourable to budget. This is due to unbudgeted interest expense from \$20 million of pre-funding debt issued in November and December 2015. (See Part H: Treasury Management).

**Explanation of Other Comprehensive Revenue and Expense Variances**21 **Revaluation of Property, Plant and Equipment**

Brief Description:	Council records its significant assets at fair value. Amongst other aspects, fair value also considers asset obsolescence and impairment. To ensure fair value is best achieved, Council transitioned to an annual asset revaluation programme on a rolling basis as follows: <ol style="list-style-type: none"> <li>1. Three Waters Systems (Water, Wastewater, Stormwater, Flood Protection) every two years starting 30 June 2016;</li> <li>2. Roading (including land under roads), every two years starting 30 June 2017; and</li> <li>3. Land and Buildings (including Parks and Open Spaces), every three years, starting 30 June 2017.</li> </ol>
Full Year Variance:	\$9.57 million favourable to budget mainly due to a significant increase in the cost of pipe construction (\$ per meter) and more detailed valuations of Council's water and wastewater treatment plants.

22 **Unrealised Loss on Revaluation of Derivatives**

Brief Description:	<ol style="list-style-type: none"> <li>1. Council recognises its interest rate swaps at fair value on a monthly basis.</li> <li>2. The change in fair value between 30 June 2015 and 30 June 2016 is treated as either an unrealised gain (fair value has decreased) or an unrealised loss (fair value has increased).</li> </ol>
Full Year Variance:	\$9.21 million unfavourable to budget because the majority of Council's committed fixed swap rates are higher than fixed swap rates currently available on the open market. (See Part H: Treasury Management).

## Part B: Statement of Financial Position

- 23 The Statement of Financial Position as at 30 June 2016 and the full year budget are set out in Table 2, followed by summary of the key variances.

Table 2	2015/16 YTD Actual \$000	2015/16 Year End Budget \$000	2015/16 Year End Variance \$000
<b>Assets</b>			
Cash and Cash Equivalents	442	200	242
Trade and Other Receivables	7,800	6,617	1,183
Inventories	99	142	(43)
Non-Current Assets Held for Sale	6	-	6
Property Plant and Equipment	1,477,794	1,470,772	7,022
Forestry Assets	378	77	301
Intangible Assets	664	923	(259)
Other Financial Assets	17,536	2,278	15,258
Loans	620	756	(136)
<b>TOTAL ASSETS</b>	<b>1,505,339</b>	<b>1,481,765</b>	<b>23,574</b>
<b>Liabilities</b>			
Trade and Other Payables	16,790	15,661	1,129
Employee Benefit Liabilities	2,106	2,478	(372)
Deposits	747	900	(153)
Borrowings	160,022	148,848	11,174
Provisions	4,280	4,133	147
Derivative Financial Instruments	18,952	6,455	12,497
<b>TOTAL LIABILITIES</b>	<b>202,897</b>	<b>178,475</b>	<b>24,422</b>
<b>Public Equity</b>			
Accumulated Funds	561,414	570,883	(9,469)
Reserves and Special Funds	2,526	3,389	(863)
Revaluation Reserve	738,502	729,018	9,484
<b>TOTAL EQUITY</b>	<b>1,302,442</b>	<b>1,303,290</b>	<b>(848)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,505,339</b>	<b>1,481,765</b>	<b>23,574</b>

### Total Asset Summary

- 24 Council's assets are \$23.57 million favourable to budget. This is mainly due to the revaluation of the water, stormwater, wastewater and flood protection assets being \$9.21 million higher than expected and an unbudgeted fixed term deposit of \$15 million to pre-fund \$10 million of debt maturing in December 2016 and \$5 million of planned 2015/16 capital works now being carried over to 2016/17.

### Total Liability Summary

- 25 Council's liabilities are \$24.42 million unfavourable to budget. This is mainly due to \$10 million of unbudgeted debt pre-funding and a \$12.5 million unfavourable valuation of Council's derivative financial instruments at balance date due to both short and long term interest rate reductions during the year.

## Part C: Statement of Cash Flows

- 26 The Statement of Cash Flows for the year ended 30 June 2016 and the full year budget are set out in Table 3, followed by an overview of the key variances.

### Overall Summary

- 27 Council finished the financial year with \$242,000 more cash than planned due to an unbudgeted receipt of \$200,000 from NZTA to accelerate planned works on the Waikanae duplicate rising main in 2016/17, as previously reported to and approved by Council.

Table 3	2015/16 YTD Actual \$000	2015/16 Full Year Budget \$000	2015/16 Full Year Variance \$000
<i>Cash was provided from:</i>			
Kapiti Coast District Council Rates	52,947	45,976	6,971
Greater Wellington Regional Council Rates	9,752	-	9,752
Grants and Subsidies - Operating	1,700	2,862	(1,162)
Interest Received	136	216	(80)
Charges and Fees	11,104	16,637	(5,533)
GST (net)	1,456	299	1,157
	<b>77,095</b>	<b>65,990</b>	<b>11,105</b>
<i>Cash was applied to:</i>			
Payments to Employees and Suppliers	48,017	45,377	(2,640)
Rates Paid to Greater Wellington Regional Council	9,752	-	(9,752)
	<b>57,769</b>	<b>45,377</b>	<b>(12,392)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>19,326</b>	<b>20,613</b>	<b>(1,287)</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i>			
Proceeds from Sale of Property, Plant and Equipment	145	-	145
Proceeds from capital grants	1,605	1,415	190
	<b>1,750</b>	<b>1,415</b>	<b>335</b>
<i>Cash was applied to:</i>			
Construction and Purchase of Property, Plant and Equipment	18,295	22,427	4,132
Purchase of Investments	15,059	287	(14,772)
	<b>33,354</b>	<b>22,714</b>	<b>(10,640)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(31,604)</b>	<b>(21,299)</b>	<b>(10,305)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from:</i>			
Short-term borrowings	36,365	-	36,365
Long-term borrowings	19,680	8,832	10,848
	<b>56,045</b>	<b>8,832</b>	<b>47,213</b>
<i>Cash was applied to:</i>			
Interest on Borrowings	8,357	8,164	(193)
Short-term borrowings	36,365	-	(36,365)
Long-term borrowings	43	-	(43)
	<b>44,765</b>	<b>8,164</b>	<b>(36,601)</b>
<b>Net Cash Flows from Financing Activities</b>	<b>11,280</b>	<b>668</b>	<b>10,612</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	(998)	(18)	(980)
Add Total Cash and Cash Equivalents at 1 July	1,440	218	1,222
<b>TOTAL CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>442</b>	<b>200</b>	<b>242</b>

28 **Cash Flow from Operating Activities**

Brief Description:	Net cash flow generated from total operating revenue less total operating expenditure.
Full Year Variance:	\$2.08 million unfavourable to budget mainly due to less operating grants received and more payments were processed prior to the end of the financial year than planned.

29 **Cash Flows from Investing Activities**

Brief Description:	Net cash flow generated from the sale and purchase of Council assets.
Full Year Variance:	\$9.50 million unfavourable to budget mainly due to the following: <ol style="list-style-type: none"> <li>1. Council retained \$15 million of unbudgeted fixed term deposit investments.</li> <li>2. Council spent \$4.13 million less on planned capital works now being carried over to 2016/17.</li> </ol>

30 **Cash Flows from Financing Activities**

Brief Description:	Net cash flow from borrowings.
Full Year Variance:	\$10.61 million favourable to budget due to unbudgeted debt of \$10 million issued to pre-fund debt maturing in December 2016.

**General Note**

- 31 Parts A to C includes minor corrections to the 2015/16 budget as reported in the 2015-35 Long Term Plan.



## Part D: Statement of Rates Funding

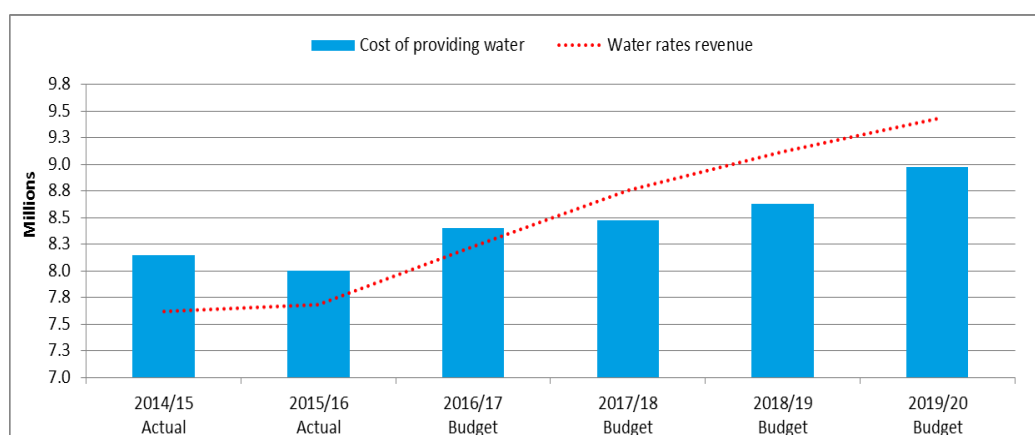
- 32 The rates surplus/(deficit) is different to the operating surplus/(deficit) per the Statement of Comprehensive Revenue and Expense as shown on page 2, due to the following:
- Operating surplus/ (deficit) covers all of Council's operating revenue and expense from all funding sources, including vested assets.
  - The rates surplus/ (deficit) only covers Council's revenue and expenses that are rates funded.
- 33 Table 4 below details the actual rates funding deficit for the year ended 30 June 2016.

<b>Table 4 Rates Revenue Requirement</b>	<b>2015/16 Actual \$000's</b>
<b>Net Operating (Deficit)/Surplus</b>	<b>17,224</b>
<b>Adjusted by income and expenditure variances not funded by rates:</b>	
Add:	
Fair value movement in interest rate swaps	9,205
Increased Capital Funding and vesting of assets	(1,725)
Movement in net expenditure funded by reserves and special funds	462
Revaluation of Council's assets	(9,727)
Movement in provisions	-
<b>Underlying net rates surplus/(deficit)</b>	<b>15,439</b>
<b>Less: budgeted net surplus/(Deficit)</b>	<b>16,319</b>
<b>Rates Deficit</b>	<b>(880)</b>
Represented by:	
Water account deficit	(115)
Depreciation (excluding water)	(740)
Net unbudgeted deficit	(25)
<b>Total Rates Deficit</b>	<b>(880)</b>

- 34 The total rates funding deficit for the year ended 30 June 2016 was \$880,000. This is mainly due to additional unbudgeted depreciation charges (as already noted) and an additional water account deficit of \$115,000 (See Part F: Water Account Deficit).

## Part E: Water Account Statement

- 35 A water account is a mechanism that captures the total cost of supplying potable water. This includes reticulation and treatment. Ideally the total cost of supplying potable water is fully recovered by fixed and metered water supply rates each year. The water account is a closed account. This means that any surpluses will be held within the account to fund future costs of providing water. Conversely any deficits will need to be recovered from future water charges.
- 36 Water usage is expected to take a number of years to normalise as Districtwide water meter charging for all residential properties commenced from July 2014. Therefore, Council needs to carefully monitor usage trends to best determine what charges are necessary to fully recover the total costs of providing a treated water supply.
- 37 The water account is currently in deficit. Council will gradually increase the annual water supply rates over the next five years, to a level that recovers the full cost of providing this service across the District. This gradual increase has been planned to smooth the rate of change for the community within an acceptable time frame.



- 38 Water volumes continue to track lower than expected. The Long-Term Plan assumed a total usage of 4.33 million cubic metres and 24,585 water connections for 2015/16. Only 3.88 million cubic metres of water was consumed in 2015/16.
- 39 The 2015/16 budget assumed a water account deficit of \$204,000. The actual water account deficit for the year ended 30 June 2016 was \$318,000 and the cumulative water account deficit for the two years ended 30 June 2016 was \$846,000. (Previously forecast to be \$1.17 million).
- 40 The table below outlines the current water account position. From 2014/15 to 2016/17, Council will not recover the full cost of providing water. From 2017/18 to 2019/20, the anticipated surpluses will help to ensure that the full cost of water is recovered from water rates.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Summary of Water Account	Actual	Actual	Budget	Budget	Budget	Budget
Cost of providing water	8,143	8,003	8,399	8,471	8,626	8,976
Water rates	7,615	7,685	8,230	8,757	9,122	9,429
Annual surplus/(deficit)	(528)	(318)	(169)	286	496	453
Balance of water account	(528)	(846)	(1,015)	(729)	(233)	220

## Part F: Capital Spending Programme

- 41 A summary of the 2015/16 capital works programme by Activity and the full year budget are set out in Table 5.

<b>Table 5</b>	<b>Actuals</b>	<b>Budget</b>	<b>TOTAL</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>Variance</b>
Access and Transport	6,019	6,507	488
Coastal Management	498	524	26
Community Facilities and Community Support	341	734	392
Corporate	786	1,031	245
Districtwide Planning	-	-	-
Economic Development	789	3,169	2,380
Governance and Tāngata Whenua	402	546	144
Parks and Open Spaces	1,644	1,998	354
Recreation and Leisure	1,085	1,284	200
Regulatory Services	54	50	(4)
Solid Waste	-	511	511
Stormwater Management	4,028	4,813	785
Wastewater Management	2,776	3,221	445
Water Management	1,204	1,330	126
<b>Grand Total</b>	<b>19,627</b>	<b>25,718</b>	<b>6,091</b>

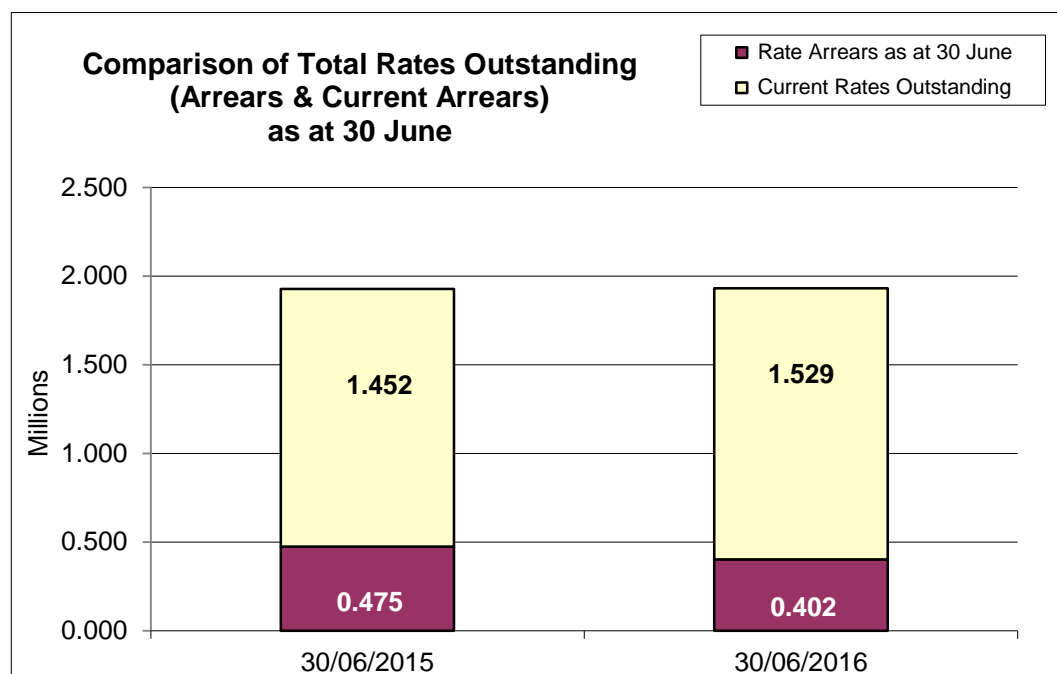
- 42 Please refer to the CBC Activity Report – 1 April to 30 June 2016 (SP-16-1956) for more detailed information.
- 43 Table 6 below details changes between the final 2015/16 carry forwards compared to the 2016/17 budget. Approval is being sought to execute these changes in 2016/17.

<b>Table 6</b>	<b>2016.17 AP</b>	<b>Final</b>	<b>Change</b>
	<b>Approved</b>	<b>Carryover</b>	
	<b>Carry Over</b>	<b>\$000's</b>	
	<b>\$000's</b>		
Major Connectors-Nga Manu	549	432	(117)
Local area connectors-Raumait Road/Arawhata Road	266	233	(33)
CWB	603	456	(147)
<b>Total Access and Transport</b>	<b>1,418</b>	<b>1,121</b>	<b>(297)</b>
Strategic Land purchase	1,400	1,781	381
<b>Total Council Wide</b>	<b>1,400</b>	<b>1,781</b>	<b>381</b>
Otaki Beach Pumps	550	527	(23)
Waikakariki Gravel Extraction	309	299	(10)
<b>Total Stormwater</b>	<b>859</b>	<b>826</b>	<b>(33)</b>
<b>Total Other Carryforwards approved in AP 2016.17</b>	<b>1,133</b>	<b>1,133</b>	<b>-</b>
<b>Total Capital Carryover to 2016/17</b>	<b>4,810</b>	<b>4,861</b>	<b>51</b>

## Part G: Outstanding Rates Debt as at 30 June 2016

### Property Rates Outstanding (Excluding Water Rates)

- 44 \$1.93 million of property rates are outstanding as at 30 June 2016 (\$1.92 million: 30 June 2015).

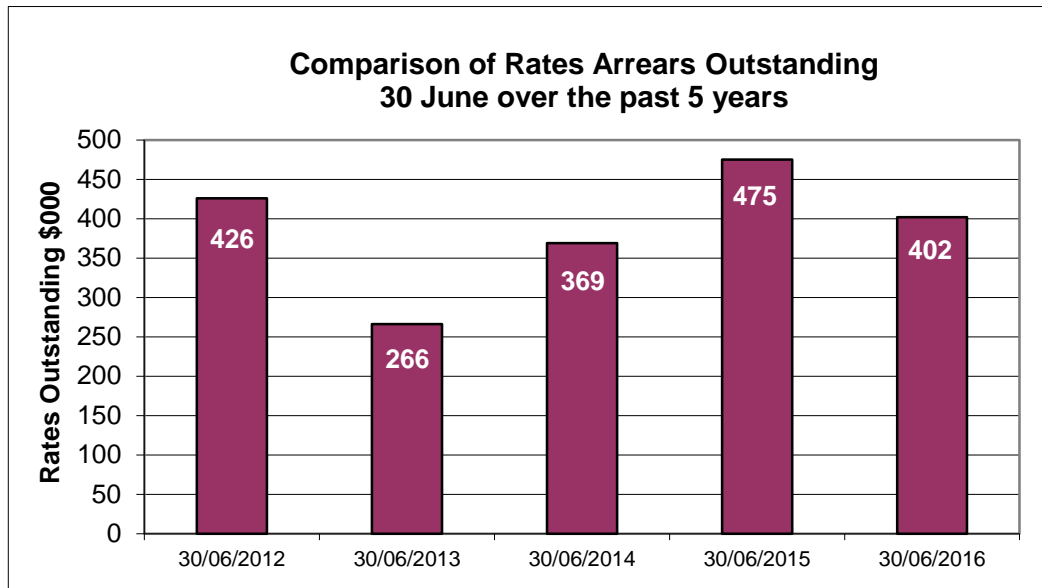


- 45 Council collects current year rates on behalf of the Greater Wellington Regional Council. \$1.53 million of current rates outstanding as at 30 June 2016 is split as follows:

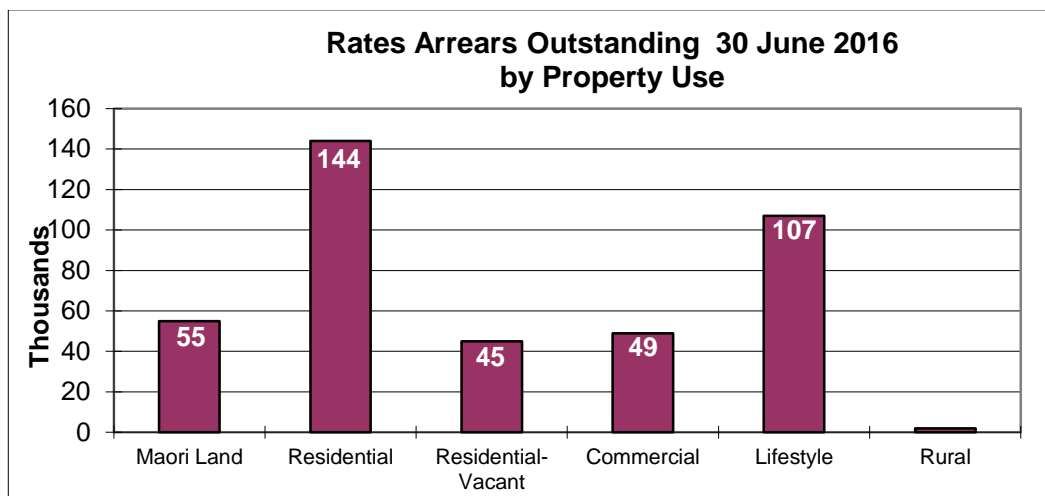
	\$000	\$000
Kāpiti Coast District Council rates	1,147	
Kāpiti Coast District Council penalties	259	
<b>Total Kāpiti Coast District Council outstanding rates</b>		<b>1,306</b>
Greater Wellington Regional Council rates	178	
Greater Wellington Regional Council penalties	45	
<b>Total Greater Wellington Regional Council outstanding rates</b>		<b>223</b>
<b>Total 2015/16 rates outstanding as at 30 July 2016</b>		<b>1,529</b>

- 46 Rate payments received are first applied to rates arrears. Council's rates collection process involves follow up with outstanding debtors and payment arrangements to ensure debts are settled over a reasonable time period.

- 47 The graph below shows a comparison of the rates arrears outstanding as at 30 June 2016 and for the previous 4 years.



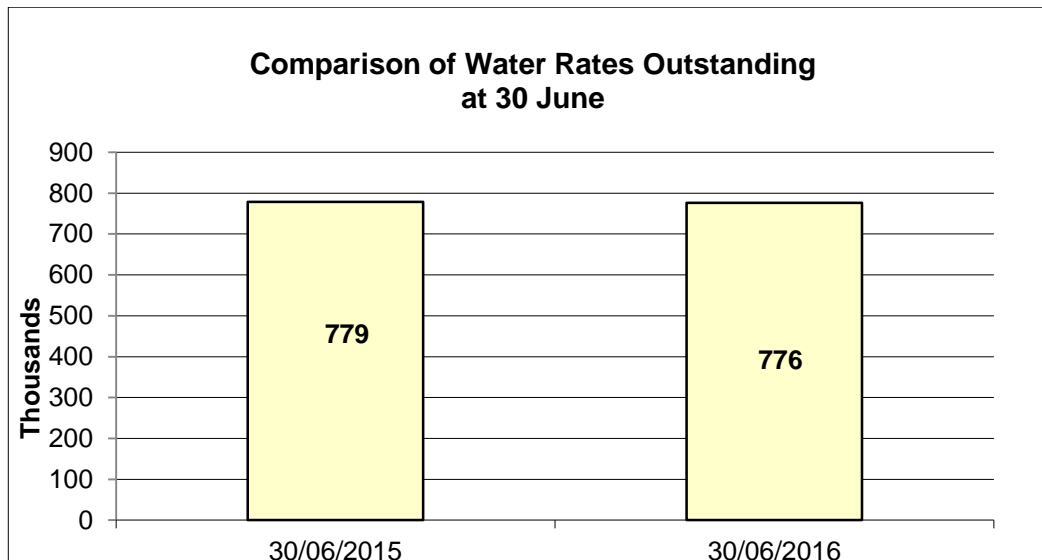
- 48 The graph below details the total rates arrears of \$402,006 by Property Use Category. The majority of the total rates arrears are from residential properties.



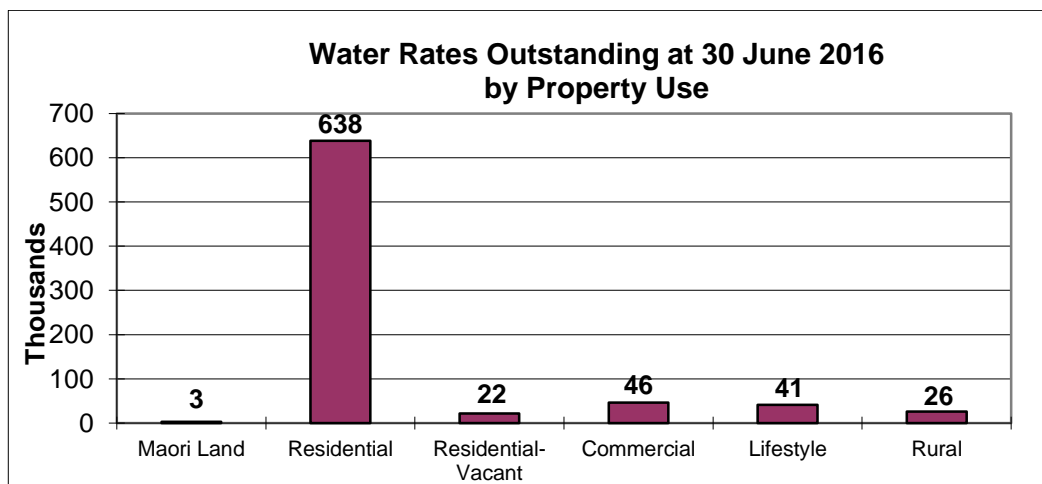
- 49 The rates arrears from Māori Freehold Land are rate arrears owed to Greater Wellington Regional Council. Their policy is to remit such rates that are six years old.

**Water Rates Outstanding**

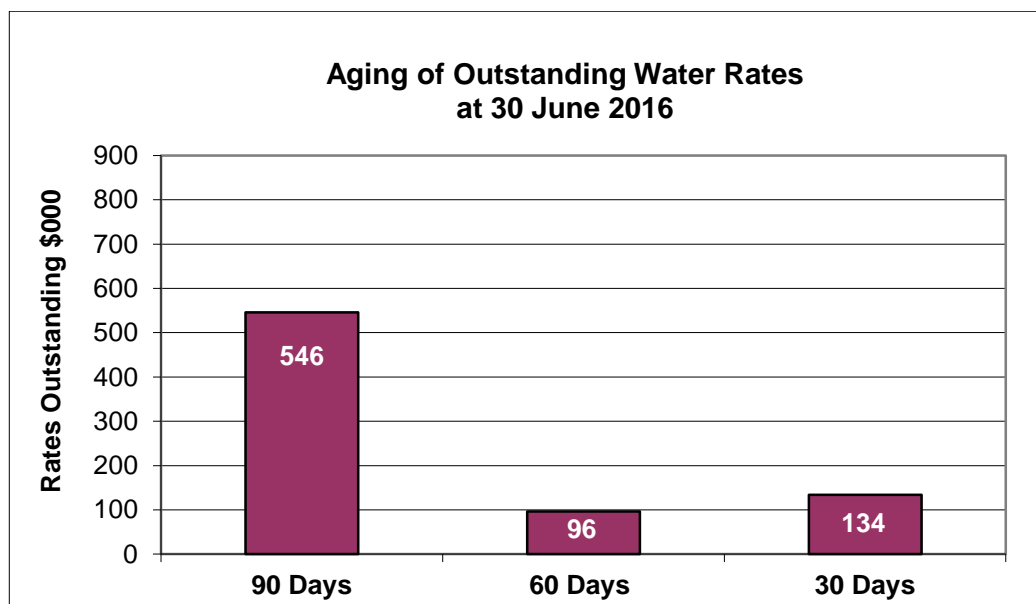
- 50 A total of \$776,070 of water rates is outstanding as at 30 June 2016.
- 51 Similarly, water rate payments received are first applied to water rate arrears. The chart below reflects the overall water rates debt as at 30 June 2016 compared to 30 June 2015. The current rate of collection is tracking at 86 per cent.



- 52 The graph below details the total water rates outstanding by Property Use Category. The majority of the outstanding water rates are from residential properties.



- 53 The graph below details the ageing of the total water rates outstanding. \$545,632 or 70% of the Council's outstanding water rates are older than 90 days.



- 54 Work is underway to address the outstanding water rates, with more debt collection effort as a starting point.
- 55 Table 7 below details the total rate remissions (including Central Government Rates Rebates) granted for the year ended 30 June 2016.

<b>Table 7</b>	<b>YTD Actual \$000</b>	<b>Full Year Budget \$000</b>	<b>Full Year Variance \$000</b>
Community properties (Council and Private ownership), sporting, recreational and other community organisations	39	87	(44)
Residential rating units containing two separately habitable units	92		
Māori freehold land for 2015/16	29	-	(29)
Financial Hardship	131	125	(6)
One off expenditure relating to the repairs to water leaks, serious health issue or essential housing maintenance	4	25	21
High water consumption for larger families	1	50	49
<b>Total Council Rates Remissions</b>	<b>296</b>	<b>287</b>	<b>(9)</b>

<b>Central Government Rebates</b>	<b>1.210</b>	<b>N/A</b>	<b>N/A</b>
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- 56 Central Government rate rebates of \$1.21 million were granted for the year ended 30 June 2016. Council provides the approved rates remission (up to \$610 per rateable property) to the successful applicants and recovers the costs directly from the Department of Internal Affairs.

## Part H: Treasury Management

### Summary

- 57 New debt of \$20 million was issued during November and December 2015 to secure lower borrowing costs. \$10 million of new debt was issued to prefund \$10 million of debt maturing in December 2016 and a further \$10 million of new debt was issued to prefund Council's 2015/16 Capital Works Programme. All pre-funding was invested on fixed term deposits at the most favourable rate of return.
- 58 The Reserve Bank of New Zealand (RBNZ) delivered an unexpected fifth cut of 25 basis points (bps) to the Official Cash Rate (OCR) in March 2016, bringing it down to 2.25%.
- 59 Council's weighted average cost of funds has improved slowly as the Council takes advantage of lower interest rates. The weighted average costs of borrowing for the year ended 30 June 2016 was 5.42% compared to the budget of 5.80%.

### Net Debt

- 60 Net debt is the measure of Council's total borrowings less cash on hand and cash investments (including Local Government Funding Agency (LGFA) Borrower Notes). Net debt is used to calculate three of Council's four Treasury Policy Limits.
- 61 Table 8 below shows the Council's actual net debt for the year ended 30 June 2016 against full year budget.

<b>Table 8</b>	<b>June YTD Actual \$000's</b>	<b>Full Year Budget \$000's</b>	<b>Full Year Variance \$000's</b>
External debt	160,022	148,848	(11,174)
/less borrower notes	(2,400)	(2,080)	320
/less cash investments	(15,442)	(200)	15,242
<b>Net debt</b>	<b>142,180</b>	<b>146,568</b>	<b>4,388</b>

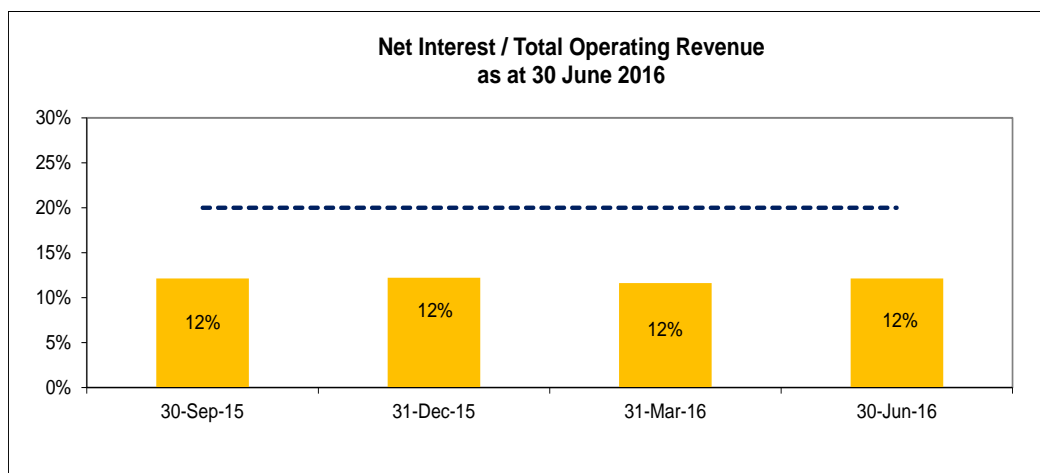
- 62 Council's net debt at 30 June 2016 is \$4.39 million favourable to full year budget mainly due to \$4.80 million of planned 2015/16 capital works being carried over to 2016/17.



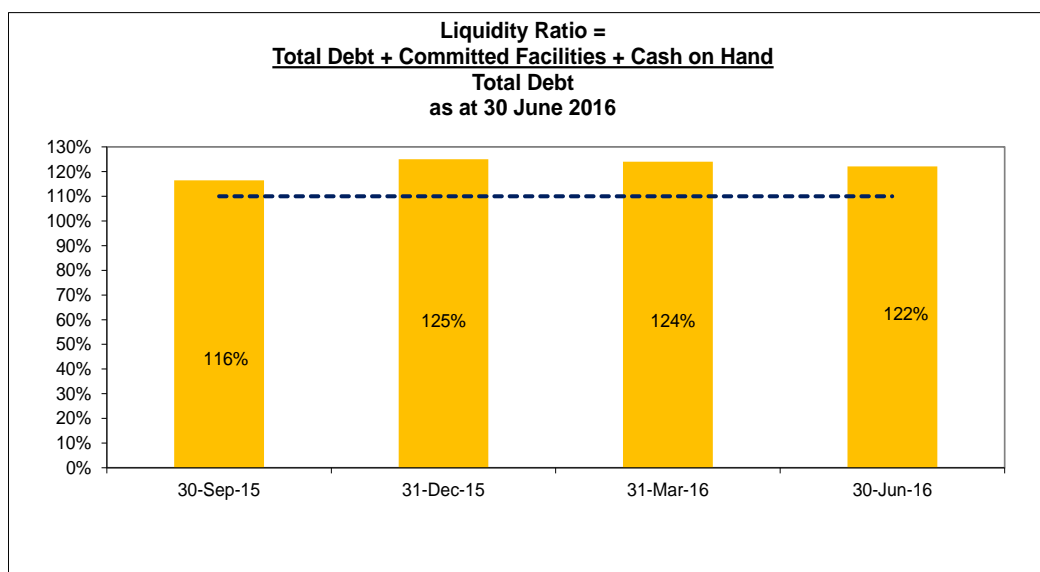
### Treasury Policy Limits

63 The Treasury Management Policy (Policy) contains four financial ratios with either a maximum or minimum policy limit.

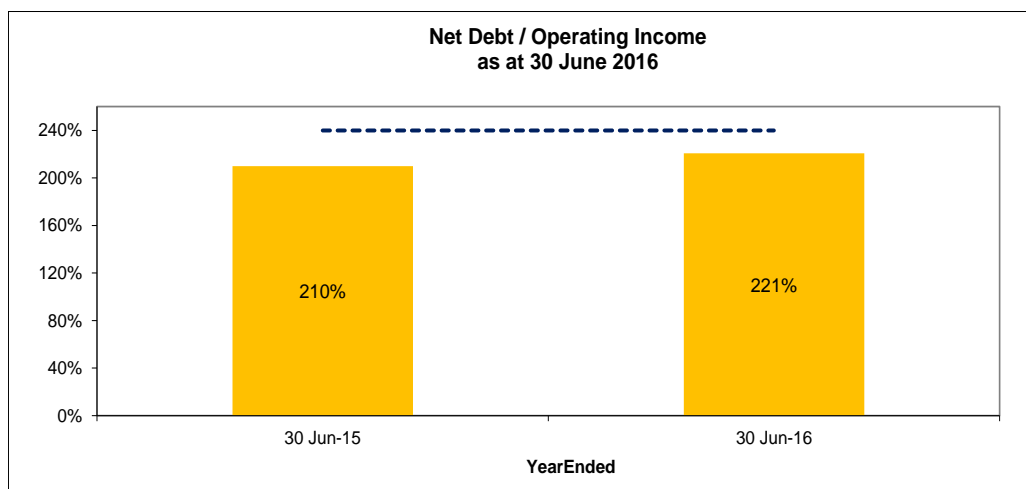
64 The Policy sets the maximum limit for the ratio of net interest expense to total operating revenue of 20%. The chart below shows actual limits achieved for each quarter.



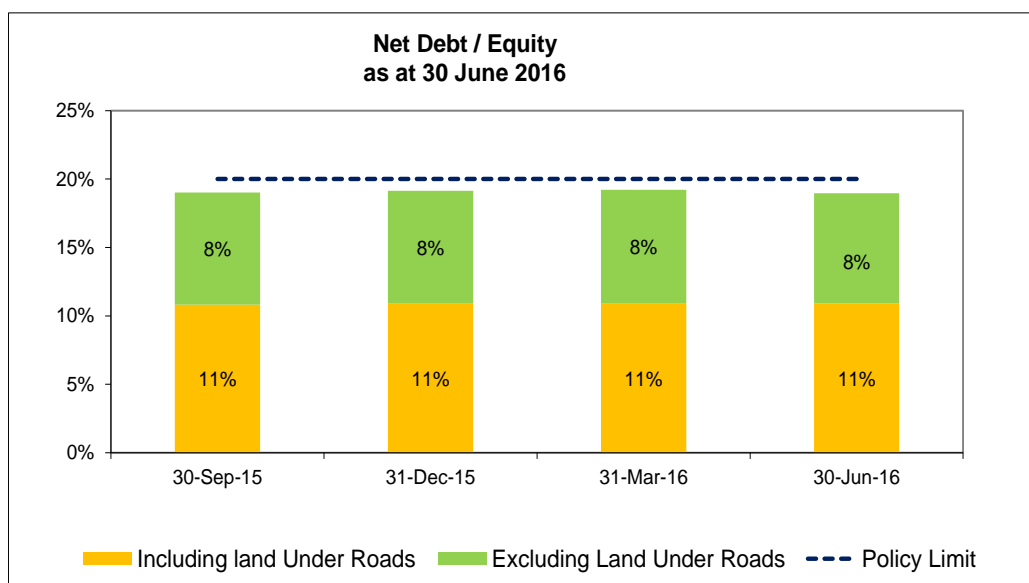
65 The Policy sets the minimum limit for the liquidity ratio of 110%. This is a measure of Council's available financial facilities compared to its current debt levels. The chart below shows actual limits achieved for each quarter.



- 66 The Policy sets the maximum limit for net debt to operating income of 240%. This is a measure of Council’s ability to repay its debt from the operating revenue it receives during a given financial year.



- 67 The Policy sets the maximum limit for net debt to equity ratio of 20%. The chart below shows actual limits achieved for each quarter and also includes the uplift to the treasury ratio when excluding land under roads.



## CONSIDERATIONS

### Financial Consideration

- 68 The financial information as detailed in Parts A to H of this report (Corp-16-1951) is unaudited. Best endeavours have been made by all Council Officers to ensure the accuracy, completeness and robustness of the financial information contained herein as at the time of issuance of this report.

### Legal Considerations

- 69 There are no legal considerations.

### Consultation

- 70 There is no requirement to consult on the issues discussed in this report.

## Policy Implications

71 There are no policy implications.

## Tāngata Whenua

72 There are no tāngata whenua considerations.

## **SIGNIFICANCE AND ENGAGEMENT**

73 This matter has a low level of significance under the Council Policy.

## Publicity Considerations

74 There are no publicity considerations at this stage.

## **RECOMMENDATIONS**

75 That the Corporate Business Committee notes the actual financial performance and position of Council for the year ended 30 June 2016 as contained in this report (Corp-16-1951).

76 That the Corporate Business Committee approves all of the changes to the 2016/17 carry-over budgets as detailed in Table 6 as contained in this report (Corp-16-1951).

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