Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

14 FEBRUARY 2013

Meeting Status: **Public**

Purpose of Report: For Decision

FINANCIAL REPORTS TO 31 DECEMBER 2012

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 31 December 2012. 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 31 December 2012 show the Council's financial performance against budgets and highlights any financial exceptions and include some financial performance and analysis indicators.

4 The Council is provided with information on seven broad areas at each quarter end. These are:

Part A: Statement of Comprehensive Income (Financial Performance)

Part B: Statement of Financial Position

Part C: Statement of Rating Position

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

Part E: Explanation of Capital Works Programme Performance

Part F: Outstanding Rates Debt

Part G: Statement of Performance against Treasury Policy Limits

Full explanations are provided under each part.

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 revaluation which took place as at 30 June 2011. Table 1 below summarises Council's Statement of Comprehensive Income as at 31 December 2012. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2011/12 Actual $000		31/12/2012 Actual $000	2012/13 Budget $000
45,621	Total Rates	24,130	47,180
7,614	Fees and Charges	4,060	8,782
3,468	Financial/Development Contributions	1,465	2,040
361	Trust Fund Revenue Aquatic Centre	39	900
880	Vested Assets	-	1,040
1,967	NZTA Operating Funding	171	1,577
612	NZTA Expressway Project	200	200
1,403	NZTA Capital Funding	227	1,493
61,926	**TOTAL OPERATING REVENUE**	**30,292**	**63,212**
39,314	Operating Costs	18,673	40,891
612	NZTA Expressway Project	200	200
975	Loss on Disposal	-	-
5,187	Finance Costs	3,209	8,474
5,936	Gain/(loss) on Revaluation of Financial Instruments	-	-
13,142	Depreciation/Amortisation	6,979	13,383
65,166	**TOTAL OPERATING EXPENDITURE**	**29,061**	**62,948**
(3,240)	**Operating Surplus (Deficit)**	**1,231**	**264**

Explanation of Operating Revenue

6 This consists of the following components:

- Rates Revenue
- Other Revenue:
  - Fees and Charges
  - Financial Contributions/Development Contributions
  - Vested Assets
- New Zealand Transport Agency Revenue
  - Operating Funding
  - Capital Projects Funding
  - Expressway Project

Rates Revenue

7 The rates budget is the total Council rates levied of $48.267 million less Council's rates on its own properties to give a net rates budget of $47.180 million.

8 The rates levied in the first six months reflect 50% of the total annual rates and also includes rates penalties which are in addition to the total rates levied.

Fees and Charges

9 Overall fees and charges are behind budget for the first six months. This mainly relates to the slow down of refuse bag revenue as a result of the increased competition in the solid waste disposal area. This will be further explained in the report under the solid waste area.

Financial Contributions/Development Contributions

10 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.

11 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 Long Term Plan. Accounting standards require that Development Contributions are not recognised as revenue until they are utilised to fund capital works. The reason for this is that until the development contributions are spent on the capital works for which they are collected they are required to be recognised as a current liability. As the Development Contributions are spent on capital works they are recognised as revenue. The Development Contributions recognised to date as revenue are on target to meet the budget at year end.

Vested Assets:

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. For the first six months there were no asset vested in Council by developers.

Explanation of Operating Expenditure

13 Total Operating Expenditure consists of operating costs, depreciation and finance costs. Overall Operating Expenditure is below the budget for the first six months. 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 variances.

Operating Costs

14 The operating costs both direct and indirect are marginally below the budget for the first six months. This is mainly due to slightly lower operating costs as at 31 December 2012 for Economic Development, Access & Roading, Coastal Management, Stormwater Management and Supporting Environmental Sustainability. These are explained under Part D.

Finance Costs

15 Council's finance costs or debt servicing costs are below budget for the first six months. This reflects the lower level of capital expenditure in the first six months 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 2012/13 programme is set out in summary form in Part E.

Operating Net Surplus

16 Even though the total operating revenue is below the budgeted revenue for the first six months, the operating expenditure is lower (by a greater margin) than the budget for the same period, resulting in an operating surplus of $1.231 million as at 31 December 2012.

17 The operating surplus relates predominantly to savings in debt servicing costs. This is not the rates surplus which will be much smaller. The latter is discussed in Part C Statement of Rates Position.

Part B: Statement of Financial Position as at 31 December 2012

18 The Statement of Financial Position as at 31 December 2012 is set out below, followed by an overview of the key components.

2011/12 Actual $000		31/12/2012 Actual $000	2012/13 Budget $000
	Current Assets		
2,662	Cash & Cash Equivalents	6,239	3,561
5,573	Trade and Other Receivables	5,535	2,667
132	Inventories	88	137
2	Derivative Financial Instruments	2	48
8,369	**Total Current Assets**	**11,864**	**6,413**
	Non-Current Assets		
844,339	Property, Plant and Equipment	859,977	894,912
263	Forestry Assets	263	350
343	Intangible Assets	266	350
3	Derivative Financial Instruments	3	228
66	Other Financial Assets	66	-
845,014	**Total Non-Current Assets**	**860,575**	**895,840**
853,383	**TOTAL ASSETS**	**872,439**	**902,253**
	Liabilities & Public Equity		
	Current Liabilities		
14,896	Trade and Other Payables	6,150	15,293
1,908	Derivative Financial Instruments	1,908	1,704
1,594	Employee Benefit Liabilities	1,328	1,499
1,110	Deposits	1,226	1,200
68,059	Public Debt	24,785	13,909
2,104	Development Contributions	1,972	562
89,671	**Total Current Liabilities**	**37,369**	**34,167**
	Non-Current Liabilities		
20,364	Public Debt	90,491	121,281
8,476	Derivative Financial Instruments	8,476	4,618
308	Employee Benefit Liabilities	308	445
38	Provisions	38	38
29,186	**Total Non-Current Liabilities**	**99,313**	**126,382**
118,857	**TOTAL LIABILITIES**	**136,682**	**160,549**
573,267	Retained Earnings	574,573	579,566
159,338	Revaluation Reserve	159,338	159,338
1,921	Reserves & Special Funds	1,846	2,800
734,526	**TOTAL PUBLIC EQUITY**	**735,757**	**741,704**
853,383	**TOTAL LIABILITIES & PUBLIC EQUITY**	**872,439**	**902,253**

19 The budgets for the 2012/13 year are the budgets for the end-of-year position i.e. as at 30 June 2013 (the last day of the financial year). These budgets were established as part of the 2012/13 Annual Plan process and set before the end of the 2011/12 financial year (as at 30 June 2012). It is more realistic to compare Council's financial position as at 31 December 2012 with the actual position as at 30 June 2012, as it reflects six months of financial activity since 30 June 2012.

Current Assets

20 The higher level of current assets since 30 June 2012 reflects the increase in cash and investment as at 31 December 2012 compared to 30 June 2012. The increase in cash and investments reflects that Council had borrowed funds to fund this year's capital expenditure funding requirements for January/February.

Non-Current Assets

21 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 higher value of Council's assets as at 31 December 2012 compared to 30 June 2012 reflects six months of capital expenditure less depreciation of Council's Assets.

Current Liabilities

22 The lower level of current liabilities since 30 June 2012 reflects the lower level of short term public debt as at 31 December 2012. Since 30 June 2012 Council has borrowed long term funds from the Local Government Funding Agency (LGFA) to refinance its short term bank funded debt once it was able to join the LGFA as a shareholder.

Non Current Liabilities

23 The higher level of non-current liabilities reflects the borrowing of the long term funds from the LGFA to replace its short term bank funded debt. The other items have not been updated since 30 June 2012 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

24 Public Equity = Total Assets minus total Liabilities. The total public equity has increased by the net surplus for the six months.

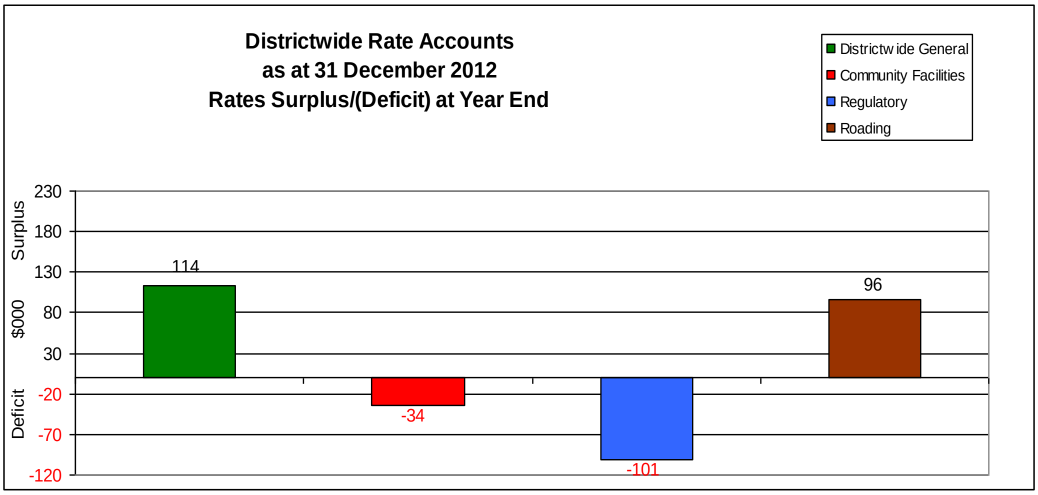
Part C: Statement of Rates Position

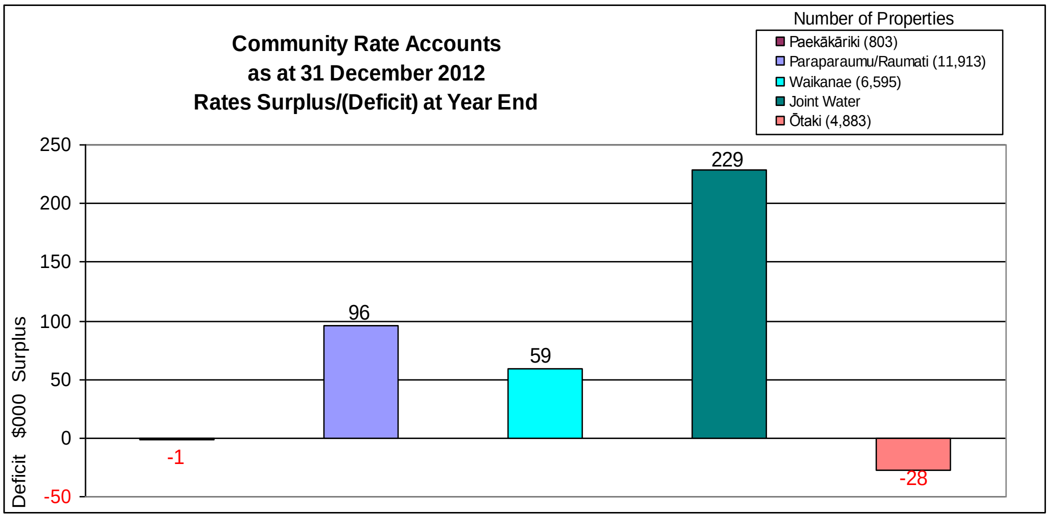
25 The Rates Surplus/(Deficit) is different to the Net Surplus (deficit) because Rates Surplus/(Deficit) only covers Council's revenue and expenditure that is rates funded. Any surplus/deficit effects the rates required for the next financial year.

26 The overall rates position to 31 December 2012 and the forecast position to year end are detailed in Table 3 below. The Council's rates position is also illustrated in Figures 7 and 8.

Table 3:

	Net Rate Requirement Actual to 31 December 2012 $000	Net Rate Requirement 2012/13 Annual Budget $000	Actual/ Annual Budget %	Net Rate Requirement Financial Projections to 30 June 2013 $000	End of Year Forecast Rates Surplus/ (Deficit) $000
Districtwide					
Districtwide General	4,193	9,344	45	9,230	114
Community Facilities	5,118	11,197	46	11,231	(34)
Regulatory	1,814	4,610	39	4,711	(101)
Roading	2,936	5,521	53	5,425	96
Total Districtwide	**14,061**	**30,672**	**46**	**30,597**	**75**
Community					
Paekakriki	190	387	49	388	(1)
Paraparaumu/Raumati	3,019	6,760	45	6,664	96
Waikanae	1,196	2,285	52	2,226	59
Joint Water	2,580	5,601	46	5,372	229
Ōtaki	1,278	2,563	50	2,591	(28)
Total	**22,324**	**48,268**	**46**	**47,838**	**430**





Explanation of Table 3

27 The Council will levy total annual rates of $48.267 million for the 2012/13 year. This is reflected in the 2nd column titled 'Net Rate Requirement 2012/13 Annual Budget' and shows how total rates are allocated across Districtwide and local Community rates.

The net rate requirement is as follows:

Total year to date operating expenditure (funded from Rates)	-	Total year to date operating revenue (associated with Rates funded expenditure)	=	Net Rate Requirement

28 As at the 31 December 2012 the end of the first six months there would be a general expectation that the net rate requirement would be around 50% of the annual rate requirement.

29 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 31 December 2012 is 46% of the annual rate requirement. The projected rates surplus based on the first six month's results and trends is $430,000 at year end. After allowing for the funding of a provision from 2012/13 rates surplus to fund the budgeted District Plan hearing costs for the 2013/14 year, the projected rates surplus at year end reduces to $226,000. This projected rates surplus is normally used to offset the projected rates increase over the next three years to smooth the rating impacts. This will be discussed during the Annual Plan Workshops.

30 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.

31 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 Additional Expenditure		
Turf Farm Maintenance	(15)	
District Plan Legal Expenses	(89)	
Animal Control – Legal Expenses	(53)	
Aquatic Centre	(158)	
Resource Consents – Legal Costs	(50)	(365)
Projected Revenue Shortfalls		
Economic Development	(20)	
Library Revenue	(48)	
Paraparaumu Waikanae Water	(6)	(74)
Projected Expenditure Savings		
Insurance Premium Savings	60	60
Projected Additional Revenue		
LIM Revenue	90	
Cemeteries Revenue	30	120
Debt Servicing Savings		
Libraries	(7)	
Town Centre	4	
Coastal Protection	25	
Community Facilities	62	
Districtwide Stormwater	(21)	
Environmental Protection	32	
Solid Waste	4	
Roading	364	
Parks & Reserves	31	
Paekākāriki Water and Stormwater	(5)	
Paraparaumu/Raumati Stormwater/Wastewater	111	
Solid Waste	4	
Waikanae Stormwater and Wastewater	14	
Paraparaumu/Waikanae Joint Water	248	
Ōtaki Water/Stormwater	54	916
Depreciation	(13)	(13)
Forecast Rates Surplus		644
Other Additional Expenditure items as agreed at Council Meeting 31st January 2013		
Regional Governance	(35)	
Pre Feasibility Study/VIC Centre	(30)	
Expressway Operational Costs	(149)	(214)
Net Projected Surplus		**430**
Less provision for District Plan hearing Costs (2013/14 Draft Annual Plan)		(204)
Net Projected Rates Surplus		**226**

Explanation of Additional Expenditure

Parks & Reserves - Turf Farm Maintenance

32 The Council's purchase of the Turf Farm will involve additional maintenance expenditure which was not budgeted for in the 2012/13 year.

District Plan Legal Costs

33 The District Plan legal costs are projected to exceed the budget by approximately $52,000 by year end, based on the level of expenditure to date.

Animal Control – Legal Expenses

34 Legal costs associated with dog prosecutions are forecast to be overspent by $53,000. Total spend for the year is expected to be $90,000. In 2011/12 there were five cases that were concluded with another eight cases spanning the 2011/12 and the 2012/13 year. There has been one additional case in this financial year with another two expected to be prosecuted shortly.

Aquatic Centre Facility

35 The combined Aquatic Centre facilities are forecasting an overspend of $158,000. This is the result of one-off costs associated with the transfer of Aquatic facilities back to KCDC management. Expenditure items include training, staff recruitment etc. Another factor was increased insurance costs for the new Coastlands Aquatic Centre. All of these costs are either one-off costs, which are not required at the same level for future years, or there have been changes made to 2012/13 draft budgets to cater for any increased costs.

Explanations of Projected Shortfalls in Revenue

Library Revenue

36 Library revenue is forecast to be below the budget by $48,000 at year end. One of the reasons is less revenue being recovered from the Extended Loans/fines for library books. A new practice has been implemented involving sending out reminder notices to lenders three days before due date resulting in lower revenue. Other reasons for the downturn include a lack of demand for items such as CD hire and the Best Seller collection.

Paraparaumu Waikanae Water – Dam Site Lease Revenue

37 The Dam site lease revenue negotiated is $6,000 below the budgeted amount of $18,000.

District Plan Revenue (Subdivision Fees)

38 The District Plan revenue for subdivision fees is $37,000 below budget due to the economic downturn.

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 reduced by $60,000 as certain types of asset have moved from commercial insurance to LAPP insurance. Assets include:

- Water Bores
- Water Reservoirs
- Wastewater Oxidation Ponds

Explanations of Additional Revenue

LIM Revenue

40 The LIM revenue is projected to exceed the budget by $90,000 at year end.

Cemeteries Revenue

41 The Cemeteries revenue is forecast to exceed the budget by $30,000 by year end.

Debt Servicing Savings

42 These debt servicing savings relate to the lower level of capital expenditure in the first six months for the 2012/13 year and also to the lower average interest rates achieved on existing debt due to the management of Council's interest rate swaps.

Depreciation

43 Depreciation in total is forecast to exceed the budget by $13,000 at year end. There are minor unders and overs relating to depreciation expense for various activities.

Additional Expenditure as agreed at Council Meeting 31st January 2013

Regional Governance

44 Council approved the allocation of a further $35,000 from the projected 2012/13 rates surplus to cover the forward work on regional governance for this year.

Pre-Feasibility Study/VIC Centre

45 Council approved additional funds of $15,000 from the projected 2012/13 rates surplus to fund a feasibility study for the proposed gateway or visitor centre for Kāpiti Island.

46 Council approved additional funds of $15,000 from the projected 2012/13 rates surplus to fund a review of the visitor information network in Kāpiti.

Expressway Operational Costs

47 Council approved further allocation of $149,000 from the projected 2012/13 rates surplus to the Expressway budget to ensure input into the NZTA Peka Peka to Ōtaki Expressway Project.

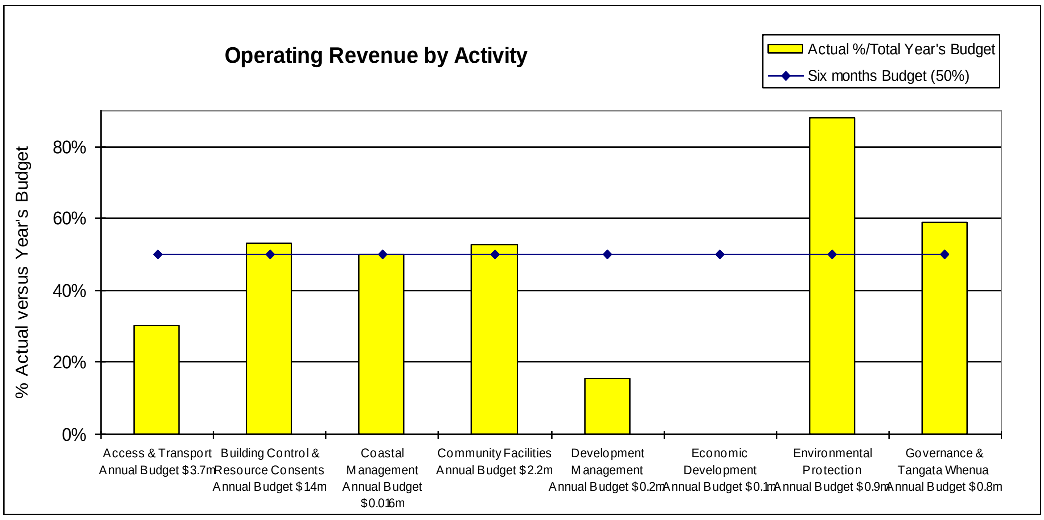
Provision for District Plan hearing Costs (2013/14 Draft Annual Plan)

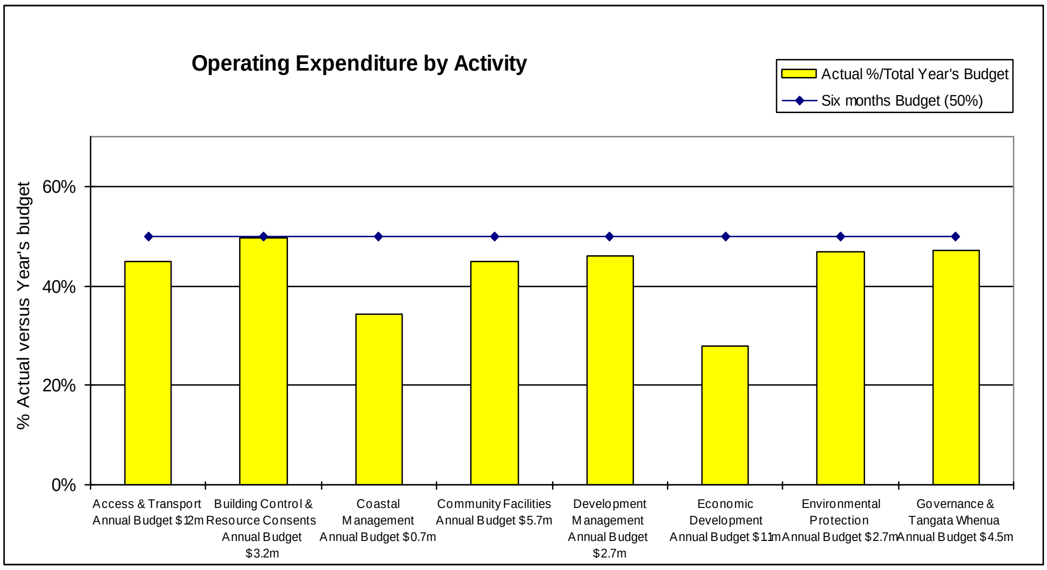
48 It is recommended that the provision for District Plan hearing costs for independent hearing commissioners to support the District Plan hearing process in the 2013/14 year be funded from the projected rates surplus for 2012/13 year.

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

Operating Revenue/Operating Expenditure

49 The graphs below show actual other operating revenue and operating expenditure as at 31 December 2012 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

<u>Access and Transport</u>

50 Operating Revenue is lower than budget as at 31 December 2012 due to the lower level of expenditure incurred that was eligible for NZTA subsidy as at 31 December 2012.

<u>Coastal Management</u>

51 The operating expenditure is lower due to the lower level of coastal management expenditure required in the first six months of the financial year.

Community Facilities

52 The lower level of operating expenditure compared to the budgets mainly relates to lower debt servicing costs due to the timing of the capital works programme.

Development Management

53 The operating revenue is lower compared to the budgets due to the low level of engineering subdivisional fees being received for the first six months of the year.

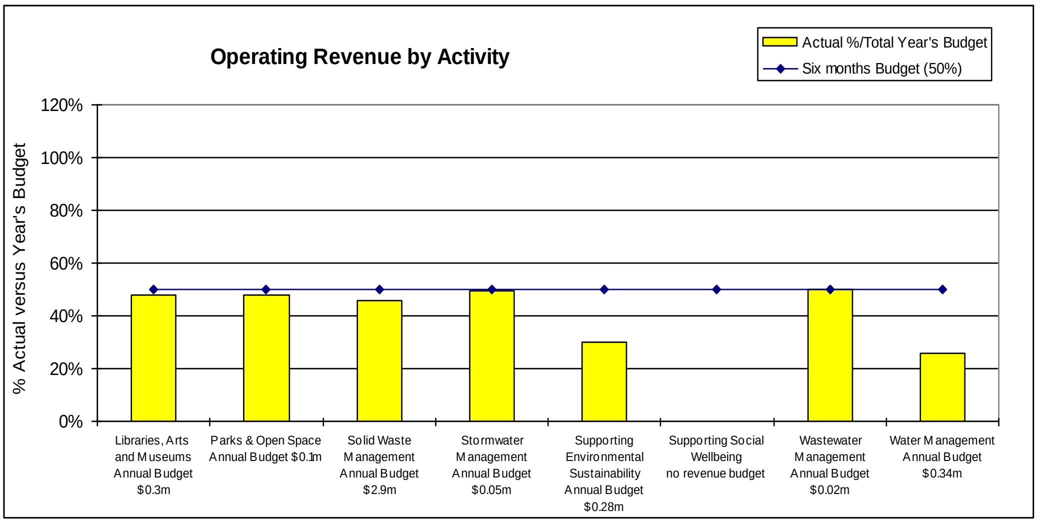
Economic Development

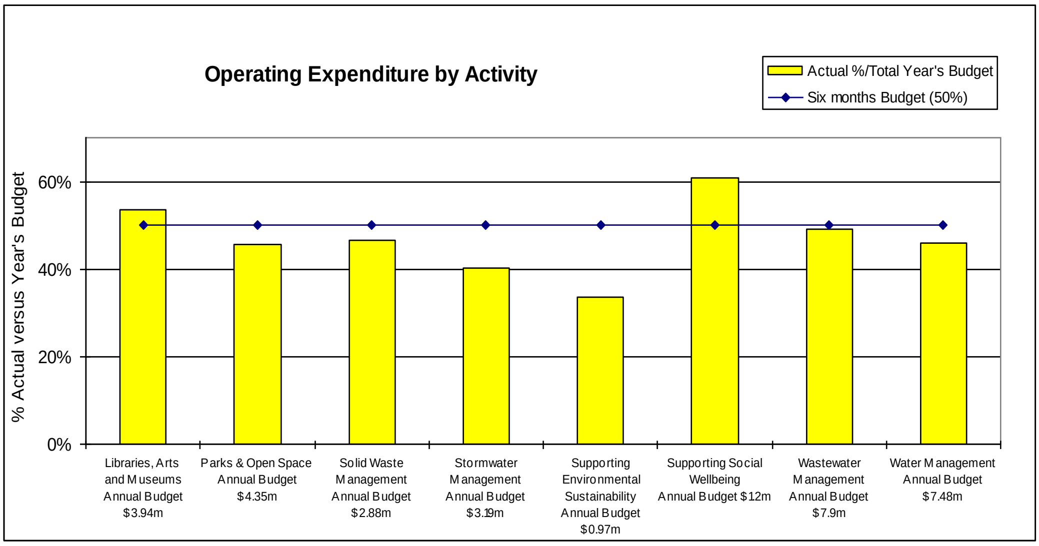
54 The lower level of operating expenditure relates mainly to the lower level of debt servicing associated with the Clean Tech capital expenditure for the 12/13 year.

55 There has been no revenue received in relation to the economic development activity this year due to the lower level of capital expenditure on the Clean Tech Centre in the first six months of the year.

Environmental Protection

56 The higher level of operating revenue compared to the budgets mainly relates to the levy and collection of the annual Dog Registration fees which were due in the first week of August and the annual Health Licenses which are levied and paid in the first six months of the year.





Explanations of key variances for operating revenue and expenditure for each activity

Solid Waste

57 The operating revenue is lower than 50% of the budget for this time of year due to the impacts of the reduced refuse bag sales.

Stormwater

58 The operating expenditure is lower than budgeted due to the lower level of stormwater maintenance expenditure required in the first six months of the financial year.

Supporting Environmental Sustainability

59 The operating expenditure and operating revenue are lower for the first six months than budgeted due to the Sustainable Home and Garden Show not occurring until the third quarter.

Supporting Social Wellbeing

60 Operating expenditure is higher for the first six months compared to the budget due to some of the annual community contract payments being made in the first six months of the year.

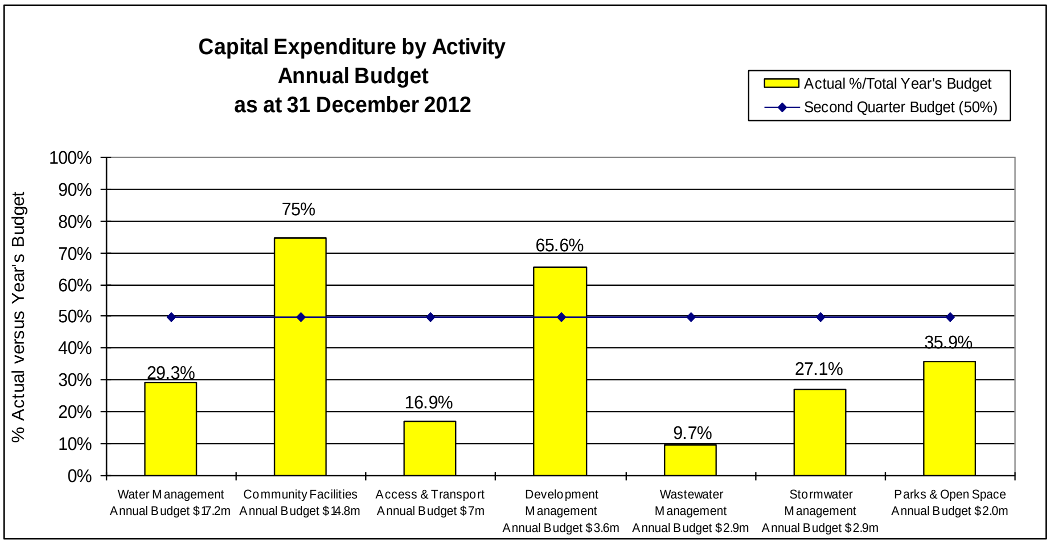
Water Management

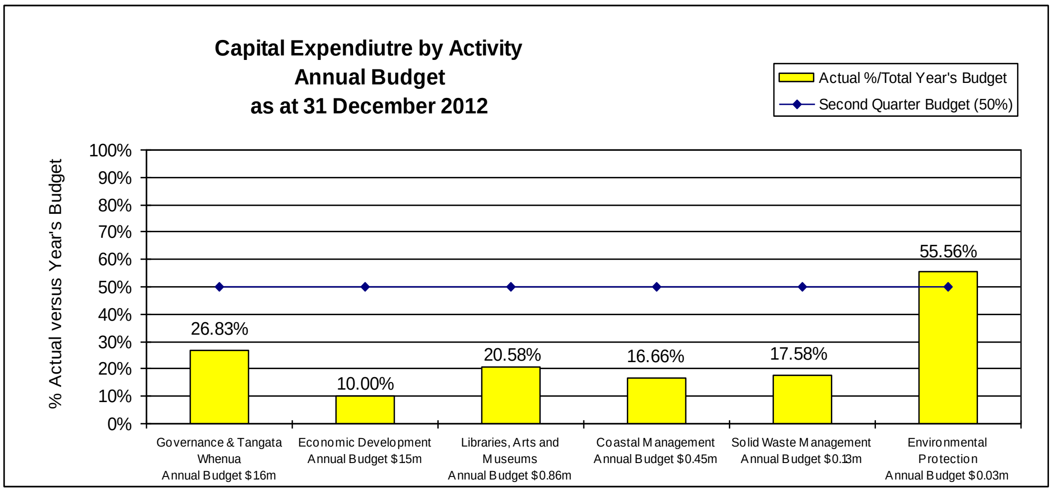
61 Operating revenue is lower for the first six months of the year due to the second quarter extraordinary water accounts as at 31 December not being sent out until January 2013.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

62 The total capital expenditure to date for Parks and Open Space and Coastal Management is low for the first six months.

63 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 December 2012 against annual budgets and forecasts.





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

65 The higher level of Community Facilities capital expenditure relates mainly to the new Coastlands Aquatic Centre and Civic Building. The higher level of Development Management capital expenditure covers the purchase of the Turf Farm at the beginning of the financial year.

66 Although the capital expenditure for some of the other activities is below the 50% target for the first six months, the level of capital expenditure is in line with expectations given that the tendering work and awarding of contracts occurs in the first six months with the physical works taking place in the last six months.

67 The forecast total project costs for both the Coastlands Aquatic Centre and Civic Building upgrade are unchanged from the total budgets approved on 15 December 2011. Due to some timing changes there was less expenditure in the 2011/12 year than forecast which means that more expenditure will be incurred in the 2012/13 year but the total expenditure will remain within the total budgets for each project.

68 The total 2012/13 capital expenditure programme of $55.164 million has been reforecasted to $51.922 million and reflects timing changes between years for projects such as the Coastlands Aquatic Centre and Civic Building upgrade.

69 Other capital projects where changes are forecast include the water supply land project where the sales of surplus land are forecast to occur in the 2013/14 year rather than the 2012/13 year.

70 Other key capital projects where forecasts have changed include:

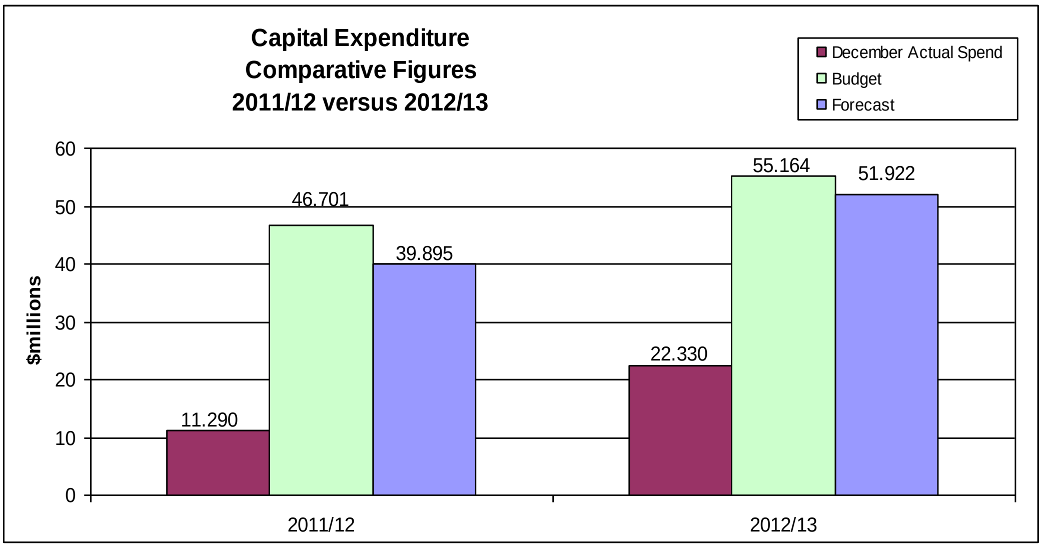
- Key water management projects covering the WPR water supply project and the WPC Treatment Plant Upgrade and Renewal work where $5.4 million will not be spent in the 2012/13 year. Delays in the resource consent process for the River Recharge project has meant that construction will not be able to be commenced until the 2013/14 year.
- The water metering project was budgeted to be spent over two financial years. Although the contracts are still on track to be completed by 31 December 2013, $2 million of the $6.669 million needs to be carried over into the 2013/14 year to match the funding cashflows of the work being undertaken.
- For the Clean Tech project a total of $1.5 million was budgeted to be advanced in the 2012/13 year. Only $550,000 is projected to be spent by year end with a carry over required for the balance of $950,000.

71 Adjustments are being made to debt servicing and loan repayment/depreciation budgets for the 2013/14 draft Annual Plan process.

72 The capital expenditure at 31 December 2012 of $22.330 million represents 43% of the total reforecast capital expenditure for the 2012/13 year.

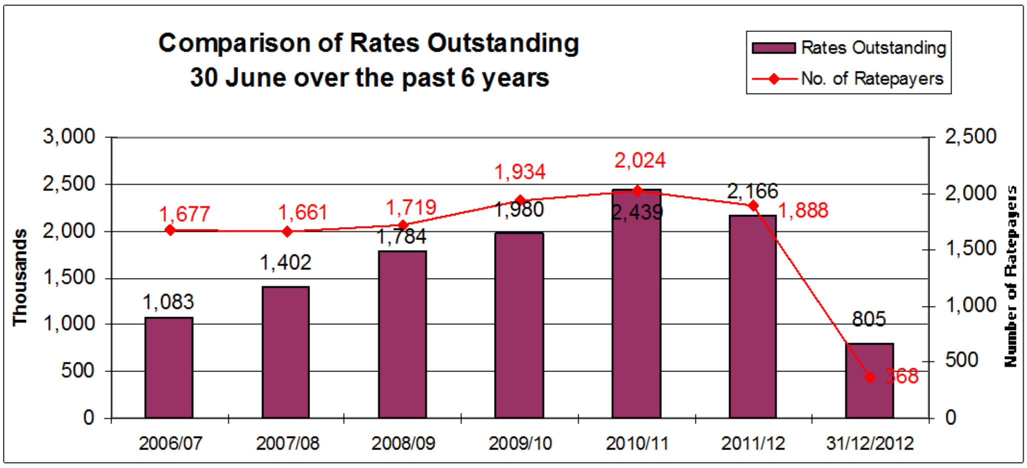
73 A summary of the capital projects where the forecast expenditure varies from the budget is attached as Appendix 1.

74 Set out below is a comparison of the capital expenditure programme between the 2011/12 year and 2012/13 and the actual spend as at 31 December 2012.



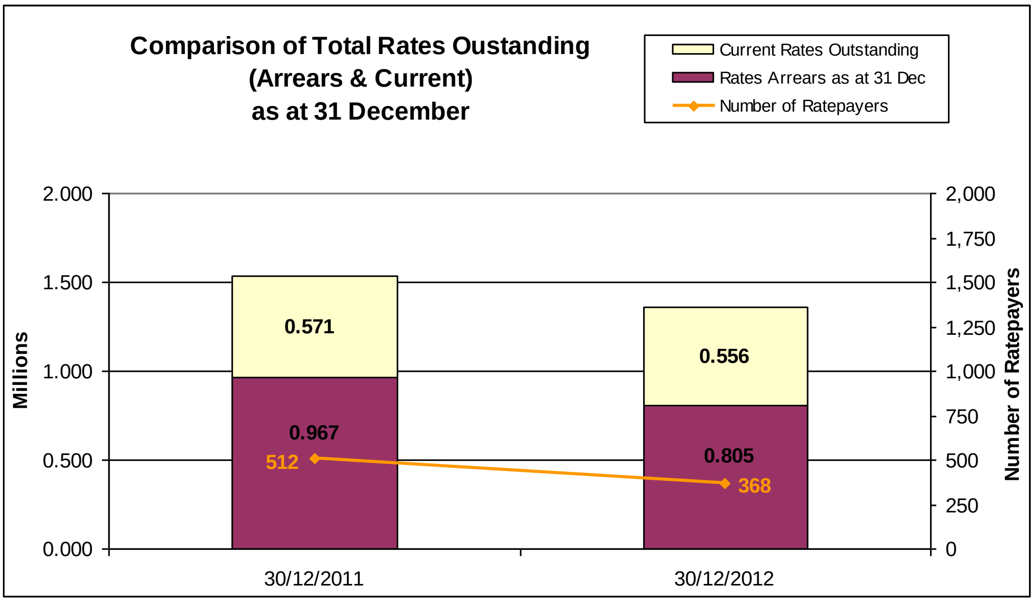
Part F: Outstanding Rates Debt as at 31 December 2012

75 The first graph below shows the analysis of rates debt and how the position as at 31 December 2012 compares to the position for the 30 June 2012 and the previous six years.



76 The rates outstanding as at 30 June 2012 of $2.166 million has been reduced to $805,000 as at 31 December 2012 and the number of rate debtors with outstanding rate arrears as at 31 December 2012 has reduced from 1,888 ratepayers as at 30 June 2012 to 368 ratepayers.

77 The following graph shows a comparison of the total rates outstanding (rate arrears from 30 June still outstanding plus the current year's rates outstanding as at 31 December 2012) between financial years.



78 The total rates outstanding as at 31 December 2012, covering both current rates and rate arrears, is $1.362 million which is lower than the total rates outstanding of $1.538 million at the same time last financial year i.e. 31 December 2011.

79 The current rates outstanding reduced from $0.571 million as at 31 December 2011 to $0.556 million as at 31 December 2012 which is an excellent result given that the average rates increase in the 2012/13 year was 5.9%.

80 The current rates for the first six months also include the rate arrears penalty which is levied on all rates outstanding as at 30 June on the 9 July each year. This year the rate arrears penalty levied amounted to $192,000.

81 The rate arrears outstanding reduced from $0.967 million as at 31 December 2011 to $0.8054 million as at 31 December 2012 reflecting the excellent follow up work on rates in arrears.

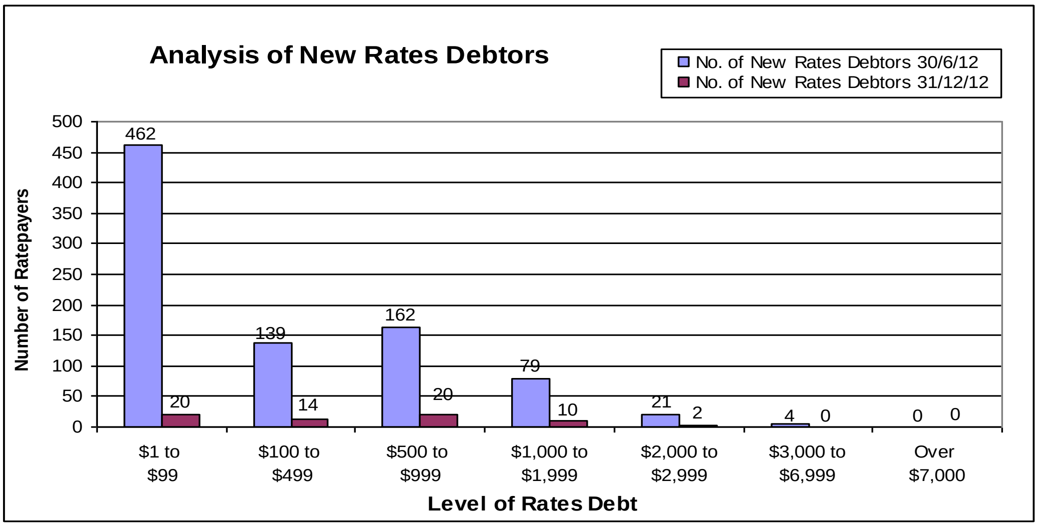
82 The rate arrears collection has improved from previous years and work is currently being carried out to reduce the current rates outstanding by follow up letters and telephone calls to set up payment arrangements.

83 As the Council collects rates on behalf of the Greater Wellington Regional Council the total rates outstanding includes both Council's rates. The analysis of the rates outstanding as at 31 December is as follows:

	$000	$000
Kāpiti Coast District Council rates	393	
Kāpiti Coast District Council penalties	302	
Total Kāpiti Coast District Council outstanding rates		695
Greater Wellington Regional Council rates	75	
Greater Wellington Regional Council penalties	35	
Total Greater Wellington Regional Council outstanding rates		110
Total rates outstanding as at 31 December 2012		805

Analysis of New Rates Debtors

84 The definition of "New Rates Debtors" is where the ratepayer had no outstanding rates at the beginning of the 2011/12 year but had outstanding rates at 30 June 2012**.**

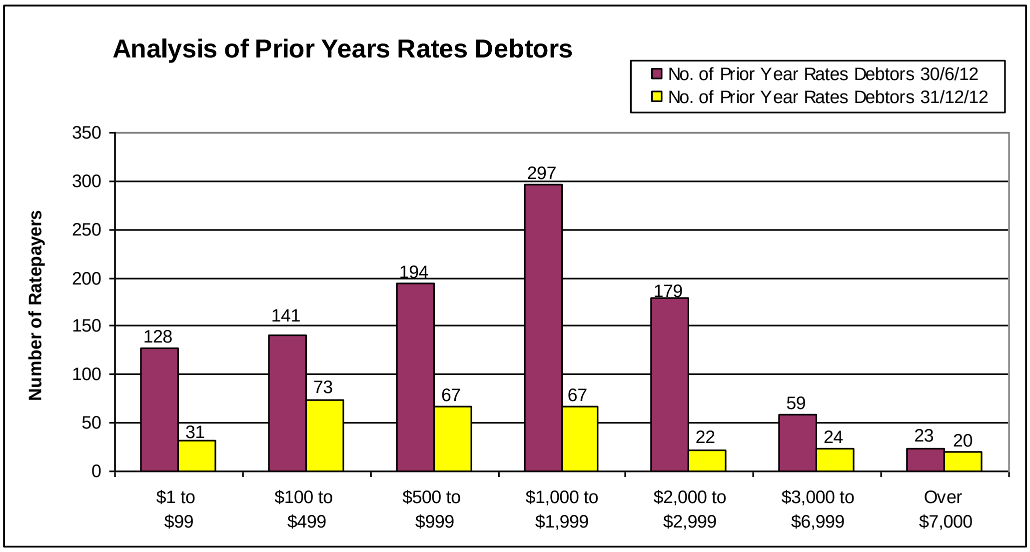


85 The blue column shows the number of "new rates debtors" grouped by their level of rates debt as at 30 June 2012. The maroon column shows the number of those new rates debtors with rates still outstanding as at 31 December 2012

for each range of rates debt. It shows a substantial decrease in the number of new rates debtors with rate debt after the first six months.

Analysis of Prior Year Rates Debtors

86 The definition of "prior year rates debtors" is where the ratepayers has outstanding rates at the beginning of the 2011/12 year and still has outstanding rates as at 30 June 2012.

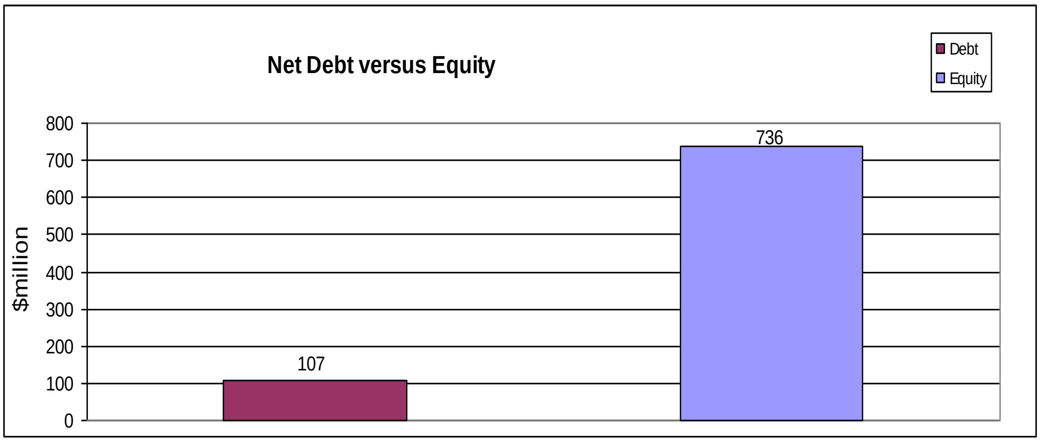


87 The maroon column shows the number of "prior year rates debtors" grouped by their level of rates debt as at 30 June 2012. The yellow column shows the number of those prior year rates debtors with rates still outstanding as at 31 December 2012 for each range of rates debt. It shows a reasonable decrease in rates debt after the first six months in the number of prior year rates debtors with rates debt after the first six months especially for those ratepayers owing less than $7,000.

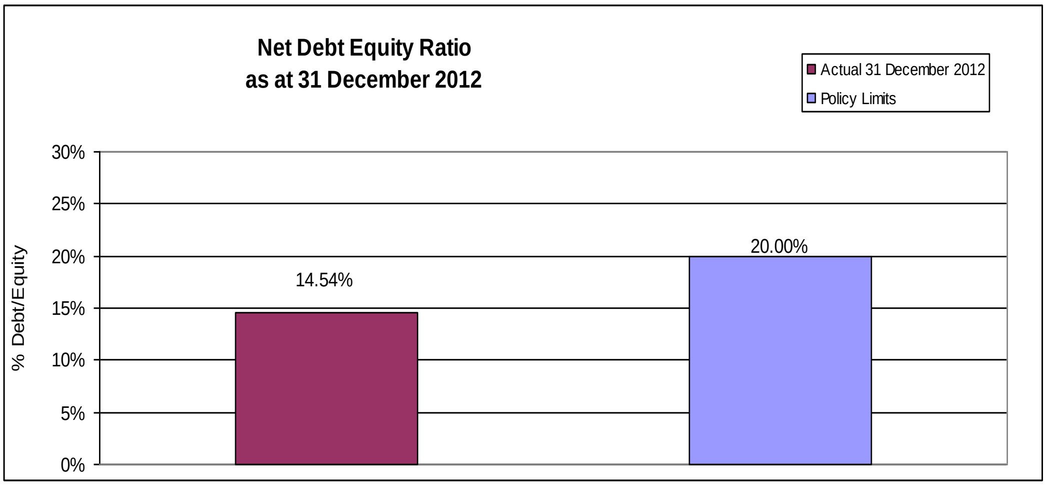
88 The rates collection process involves regular follow up with outstanding debtors and updates to payment arrangements to ensure debts are cleared over a reasonable time period.

Part G: Performance against Treasury Management Policy Limits

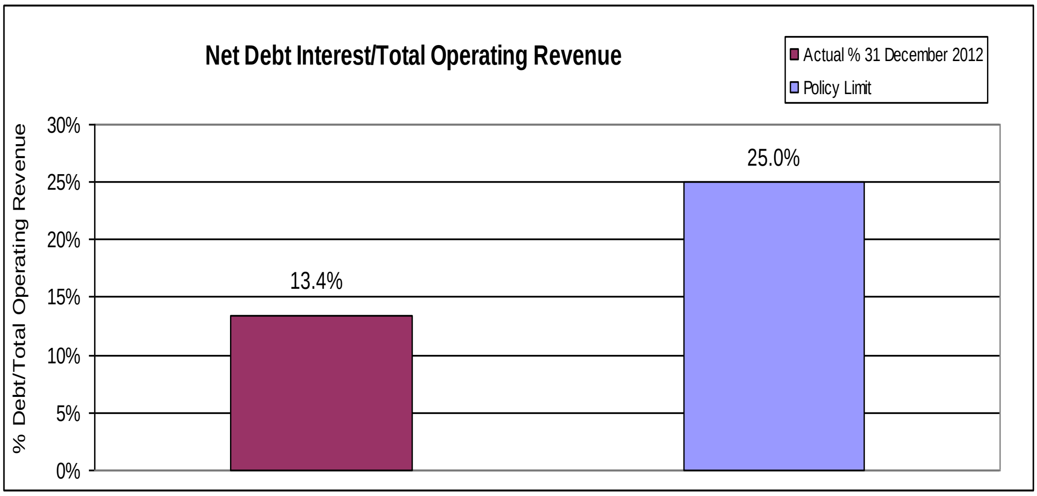
89 The graphs below shows that Council is well within its debt/equity policy limits as at 31 December 2012, as set in its Treasury Management Policy. Net Debt as at 31 December 2012 equals $107 million. Public Equity as at 31 December 2012 equals $736 million.



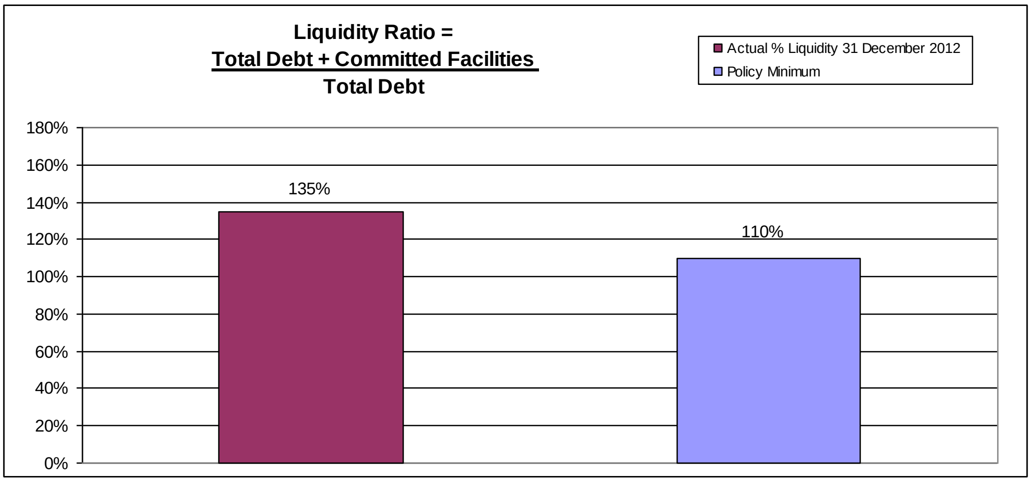
90 The net debt equity ratio is shown below.



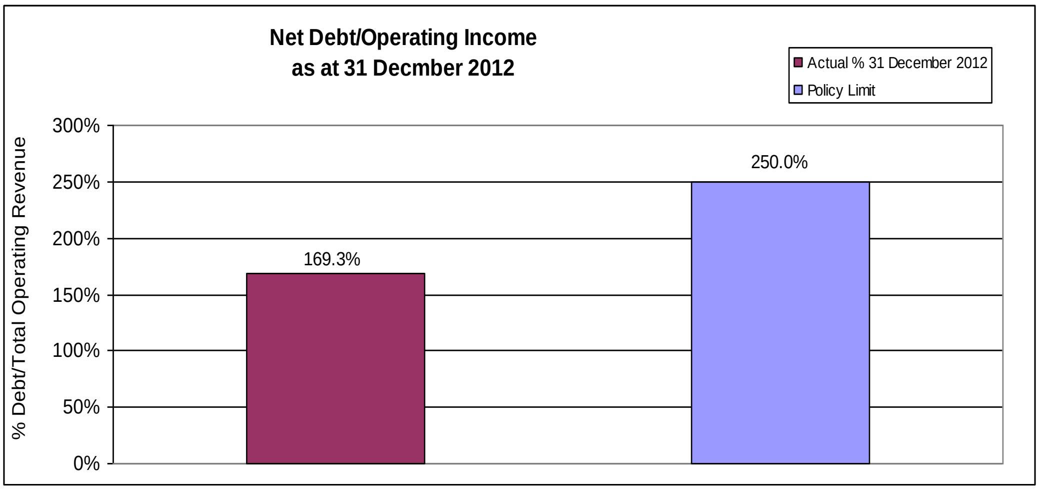
The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 14.54% which is well within the 20% limit.



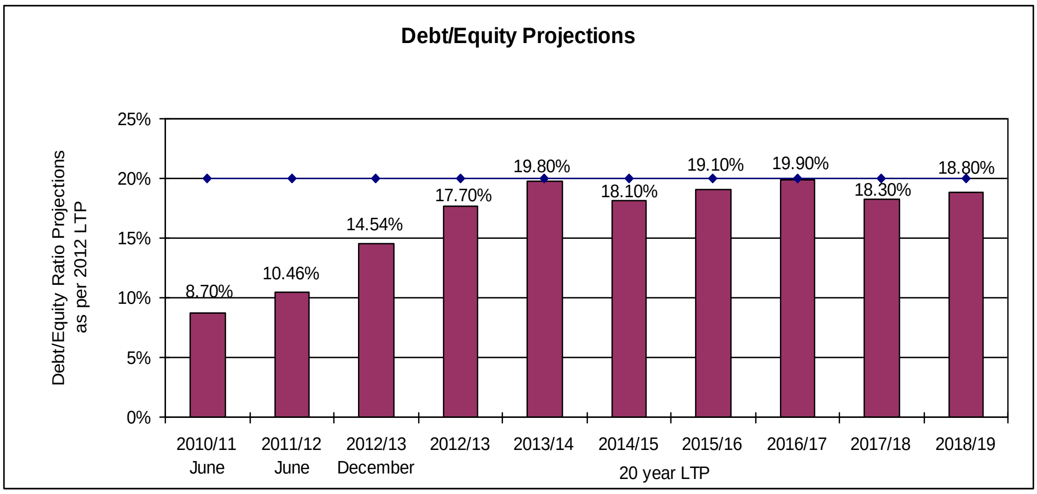
91 The Treasury Management Policy sets a limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The current ratio budgeted for the 2012/13 year is 13.4% which is well within the limit.



92 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 135% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



93 The net debt to operating income (excluding vested assets and development contributions) measures the ability of an organisation to repay its debt form operating income. The Treasury management Policy sets a limit of 250% for the ratio of Net Debt to Operating Income. The current ratio as at 31 December 2012 is 169.3% which is well within the limit.



94 The debt equity graph shows the actual debt/equity ratio as at 31 December 2012 and for the following years the projected debt/equity ratios as per the 2012 LTP.

Other Considerations

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

Delegation

96 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

97 That the Corporate Business Committee notes the six monthly financial results contained in this report FIN-13-789.

98 That the Corporate Business Committee notes the Council's operating surplus for the first six months ended 31 December 2012 was $1.231 million which mainly reflects the savings in debt servicing costs through lower interest costs and the management of the interest rate swaps.

99 That the Corporate Business Committee notes that based on the operating results for the first six months ended to 31 December 2012 the forecast net rates surplus is $226,000 for the year end.

100 That the Corporate Business Committee notes that the net capital expenditure for the six months amounted to $22.330 million compared to the capital expenditure budget for the year of $55.164 million. The Capital Expenditure programme has been reforecasted and now totals $51.922 million for the 2012/13 year. The expenditure to date represents 43.0% of the total reforecast capital expenditure budget for the 2012/13 year.

101 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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Approved for submission by:

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Group Manager Finance

Appendix 1 – Forecast Changes to Capital Programme in 2012/13