Mayor and Councillors
CORPORATE BUSINESS COMMITTEE

20 FEBRUARY 2014

Meeting Status: **Public**

Purpose of Report: For Information

FINANCIAL REPORTS TO 31 DECEMBER 2013

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 31 December 2013. 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 2013 show the Council's financial performance against budgets and highlight any financial exceptions and include some financial performance and analysis indicators.

4 The Council is provided with information on seven broad areas of financial performance at each quarter and 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 as at 31 December 2013

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. Table 1 summarises Council's Statement of Comprehensive Income as at 31 December 2013. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2012/13 Actual $000		31/12/2013 Actual $000	2013/14 Budget $000
	Operating Revenue		
9,345	General Rates	5,201	10,334
32,064	Targeted Rates (Excluding Water)	16,461	32,481
7,115	Targeted Water Rates	3,945	7,612
12,708	Other Revenue	4,239	9,527
1,344	Other Revenue - Capital Subsidy NZTA	-	1,526
-	Other Revenue – Ngahina Subsidy	5,629	-
2,032	Development Contributions	1,184	1,299
1,189	Trust Fund Revenue (Aquatic)	120	125
482	Vested Assets	514	1,082
66,279	**Total Operating Revenue**	**37,293**	**63,986**
	Operating Expenditure		
22,762	Other Expenditure	10,704	23,203
18,118	Payments to Employees	9,484	20,559
6,323	Finance Costs	3,546	8,696
13,847	Depreciation/Amortisation	7,127	14,150
61,050	**Total Operating Expenditure**	**30,861**	**66,608**
5,229	**Net Surplus / (Deficit)***	**6,432**	**(2,622)**
	Other Comprehensive Income		
(13,625)	Revaluation of Assets	-	60,831
(13,625)	**Total Other Comprehensive Income**	**-**	**60,831**
(8,396)	**Total Comprehensive Income**	**6,432**	**58,209**

Operating Revenue

6 This consists of the following components:

- Rates Revenue
- Other Revenue (key components):
  - Fees and Charges
  - Financial Contributions/Development Contributions
  - Vested Assets
  - New Zealand Transport Agency Revenue

Rates Revenue

7 The rates revenue is the total Council rates levied of $25.858 million less Council's rates on its own properties to give a net rates revenue of $25.607 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.

Other Revenue

9 The key component of Other Revenue is fees and charges.

<u>Fees and Charges</u>

10 Overall fees and charges are above the budget due to the levels of NZTA subsidies claimed in the first half year. When we exclude the Ngahina NZTA subsidy we expect to be in line with budget by year end.

<u>Financial Contributions/Development Contributions</u>

11 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 Development Contributions Policy in the Long Term Plan.

12 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.

13 Accounting Standards require that Development Contributions and Financial Contributions are not recognised as revenue until they are utilised to fund capital works. The reason for this is that until the contributions are spent on the capital works for which they are collected they are required to be recognised as a current liability. As the Contributions are spent on capital works they are recognised as revenue.

<u>Vested Assets</u>

14 These are the roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision. For the first six months there was $0.514 million in assets vested in Council by Developers. These vested assets related to prior year projects. These are non-cash assets but the value of these vested assets needs to be recognised as revenue in the Statement of Comprehensive Income.

<u>NZTA Capital Funding</u>

15 Low levels of subsidised roading expenditure have been incurred year to date which results in lower levels of subsidy being claimed. $5.629million was received from NZTA for the Ngahina Trust land acquisition.

Explanation of Operating Expenditure

16 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.

Operating Costs

17 Operating costs both direct and indirect are below the budget for the first six months. This is due to lower operating costs as at 31 December 2013 across a number of activities which are explained in Part D.

Finance Costs

18 Council's finance costs or debt servicing costs are below budget for the first six months. This reflects the lower average interest rates achieved for existing debt through the management of Council's interest rate swaps. It also reflects lower capital spend against budget in the first six months of the year. See Part E for a full explanation.

Operating Net Surplus

19 Total operating revenue (when NZTA Ngahina capital funding is excluded) is below the budgeted revenue for the first six months, although operating expenditure is even lower than the budget for the same period, resulting in an operating surplus of $6.432 million as at 31 December 2013 which is above budget.

Revaluation of Assets

20 This adjustment occurs every three years with the revaluation of all of Council’s assets. This occurred last as at 30 June 2011 and will occur at the end of the current financial year.

Part B: Statement of Financial Position as at 31 December 2013

21 The Statement of Financial Position as at 31 December 2013 is set out in Table 2, followed by an overview of the key components.

Table 2: Statement of Financial Position

2012/13 Actual $000		31/12/2013 Actual $000	2013/14 Budget $000
	Current Assets		
5,939	Cash and Cash Equivalents	7,056	2,154
5,882	Trade and Other Receivables	3,743	6,147
92	Inventories	57	139
39	Derivative Financial Instruments	39	2
24	Loan Receivables	24	-
3,650	Non-Current Assets Held for Sale	3,650	-
15,626	**Total Current Assets**	**14,569**	**8,442**
	Non-Current Assets		
858,754	Property, Plant and Equipment	866,148	950,518
525	Forestry Assets	525	268
431	Intangible Assets	337	350
232	Derivative Financial Instruments	232	228
1,766	Other Financial Assets	1,766	-
220	Loan Receivables	409	-
861,928	**Total Non-Current Assets**	**869,417**	**951,364**
877,554	**Total Assets**	**883,986**	**959,806**
	Liabilities and Public Equity		
	Current Liabilities		
14,693	Trade and Other Payables	5,331	15,897
1,809	Employee Benefit Liabilities	1,765	1,643
996	Deposits	995	1,218
1,342	Derivative Financial Instruments	1,342	1,668
10,077	Public Debt	19,931	20,059
1,463	Development Contributions	1,016	1,615
30,380	**Total Current Liabilities**	**30,380**	**42,100**
	Long Term Liabilities		
115,147	Public Debt	115,147	129,118
5,147	Derivative Financial Instruments	5,147	8,716
187	Employee Benefit Liabilities	187	460
563	Provisions	563	39
121,044	**Total Long Term Liabilities**	**121,044**	**138,333**
151,424	**Total Liabilities**	**151,424**	**180,433**

2012/13 Actual $000		31/12/2013 Actual $000	2013/14 Budget $000
	Public Equity		
577,171	Retained Earnings	583,603	557,299
145,713	Revaluation Reserve	145,713	220,169
3,246	Reserves & Special Funds	3,246	1,905
726,130	**Total Public Equity**	**732,562**	**779,373**
877,554	**Total Liabilities and Equity**	**883,986**	**959,806**

Explanation of Table 2

22 The budgets for the 2013/14 year are the budgets for the end-of-year position i.e. as at 30 June 2014. These budgets were established as part of the 2013/14 Annual Plan process and set on 27 June 2013. The budgets were set twelve months in advance projecting the Council's financial position as at 30 June 2014. It is more realistic to compare Council's financial position as at 31 December 2013 with the position as at 30 June 2013, as it reflects six months of financial activity since 30 June 2013.

Current Assets

23 The lower level of current assets since 30 June 2013 occurs due to the decrease in trade receivables as at 31 December 2013 compared to 30 June 2013.

Non-Current Assets

24 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 2013 compared to 30 June 2013 reflects six months of capital expenditure. The non-current assets held for resale are land held for roads of national significance.

Current Liabilities

25 The level of current liabilities since 30 June 2013 is unchanged but within this a lower level of trade payables as at 31 December 2013 is offset by increased public debt. As at 31 December 2013 a further $9.9 million of debt had been raised to fund the lower trade payables and capital expenditure incurred.

Long Term Liabilities

26 There has been no change since 30 June 2013 for the long term debt. The other items have not been updated since 30 June 2013 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

27 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

28 The Rates Surplus/(Deficit) is different to the operating surplus as follows.
- Operating Surplus/(Deficit) covers all of Council's operating revenue and expenditure from all funding sources, including vested assets.
- Rates Surplus/(Deficit) only covers Council's revenue and expenditure that is rates funded. Any Surplus/(Deficit) effects the rates required for the 2014/15 year.

29 The overall rates position to 31 December 2013 is shown in the following table.

Table 3: Overall Rates Position

	Net Rate Requirement Actual to 31 December 2013 $000	Net Rate Requirement 2013/14 Annual Budget $000	Actual/Annual Budget %
Districtwide			
Districtwide General[1]	4,857	10,400	47
Community Facilities[2]	5,439	11,375	48
Regulatory[3]	1,874	5,627	33
Roading[4]	3,334	5,318	63
Total Districtwide	**15,504**	**32,720**	**47**
Community			
Paekākāriki	232	444	52
Paraparaumu/Raumati	2,719	6,430	42
Waikanae	1,069	2,243	48
Joint Water	2,500	6,271	40
Ōtaki	1,304	2,696	48
TOTAL	**23,328**	**50,804**	**46**

[1] Districtwide General Expenses: including emergency management, civil defence, public toilets and cemeteries. Supporting Social Wellbeing, Supporting Environmental Sustainability, District Strategic Development Projects, Districtwide Coastal Protection of the Council's Infrastructure and Districtwide Strategic Flood Protection.
[2] Libraries, Parks and Reserves, Swimming Pools, Public Halls and Community Centres
[3] Public contribution towards the following Regulatory Services which are not met by user charges: Resource Consents, Building Consents, Development Management, Environmental Health, Liquor Licensing, Hazardous Substances, Environmental Monitoring and Animal Control. The year to date % to budget is low because full year dog licence fees and health licences have been recognised.
[4] All Roading Expenditure except for historic debt servicing costs. The % to budget is high because of the lower level of NZTA funded capital works. This is expected to be on budget by year end.

Explanation of Table 3

30 The Council has levied total annual rates of $50.804 million for the 2013/14 year and the analysis of the total rates allocated across Districtwide and local Community rates is included in the 2nd column titled 'Net Rate Requirement 2013/14 Annual Budget'.

The net rate requirement is as follows:

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

31 As at the 31 December 2013 there would be a general expectation that the net rate requirement would be around 50% of the annual rate requirement if the capital expenditure programme had been spent evenly throughout the financial year.

32 Due to seasonal patterns of revenue and expenditure and other trends and exceptions the average rate requirement as at 31 December 2013 is 46% of the annual rate requirement.

33 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		
Swimming Pools	(188)	
Salaries	(12)	
Building control	(40)	
Economic Development - Clean Tech	(74)	
Resource consents	(37)	
Heritage & environmental grants	(20)	
Wastewater - sludge disposal	(133)	(504)
Projected Revenue Shortfalls		
Library	(32)	
Trade waste fees	(9)	
Hall rentals	(5)	
House rentals	(2)	(48)
Projected Expenditure Savings		
NZTA	181	
Community facilities - public toilet maintenance	9	
Sustainable development consultants / legal / commissioners	292	
Governance	10	
Libraries	116	
Community grants	42	
Water management - energy - bores	60	
Water management - tech innovation	16	726

Analysis of Projected Surplus/(Deficit)		Projected Surplus/ (Deficit) $000
Projected Additional Revenue		
LIM	35	
Dog prosecution & registration fees	21	
Parking & traffic revenue	29	
Resource consents	44	
Cemeteries	10	
Clean Tech	67	206
Debt Servicing Savings		268
Depreciation		(232)
Net Projected Surplus		**416**

Explanation of Additional Expenditure

Swimming Pools

34 Day to day management of the pools was taken over by Council at short notice. Service levels have been raised and revenue has increased since then.

35 The net cost difference against budget is:

Increased revenue from admissions, fees, programmes and merchandise	142
Additional salary costs	-358
Expenditure savings	28
Net Additional Cost	-188

36 With greater numbers of swimmers than anticipated at the Coastlands Aquatic Centre revenue is up by $142,000.

37 The salary budget for the Coastlands Aquatic Centre was underestimated and costs are forecast at $222,000 above budget – this is largely in lifeguard expenses. Lifeguard expenses were underestimated at the other pools as well with their forecast now being $112,000 above budget. Expenditure savings relate to lower maintenance costs.

Salaries

38 No overtime was budgeted for animal control. Actual overtime will cause the salary budget to be overspent by $27,000.

Building Control

39 QAS system consultancy and the Building Consent Authority Accreditation fee have pushed consultant's fees and the accreditation programme above budget.

Economic Development – Clean Tech

40 As Council is now operating the Clean Tech building in Ōtaki there are additional costs, the main item being lease costs.

Resource Consents

41 The cost of external consultants in regard to processing resource consents is forecast at $37,000 above budget. The larger amounts of expenditure are in relation to Transpower and Transmission Gully which will be recoverable.

Heritage and Environmental Grants

42 The budget was reduced from previous levels however there were commitments to be met which exceed the reduced budget.

Wastewater Sludge Disposal

43 The transport cost for sludge disposal has increased since the closure of the Otaihanga land fill and the consequence upgrade of the Ōtaki plant sludge handling process. The most cost effective process is to ship thickened sludge to the Paraparaumu Waste Water Plant for processing to a dried A grade bio solid. The increased trucking cost was not factored into the budget as there was no accurate data at the time to enable an accurate calculation to be made.

Explanation of Projected Shortfalls in Revenue

Library

44 Income is down on extended loan charges, best seller collection, book sales and lost books. Revenue shortfall will be $32,000. A book sale has just taken place and we expect to meet budget for the year. Reduced income for the best seller collection is due to customers not having the discretionary income and since joining SMART customers can reserve items from 23 libraries free of charge. Lower lost book revenue is because customers aren't paying for lost books.

Trade Waste Fees

45 There is a lower level of trade waste consents and licences being issued and we are forecast revenue to be $9,000 below budget.

Explanation of Projected Expenditure Savings

NZTA

46 Budgets have been aligned to NZTA budgets resulting in an under spend this year.

District Plan

47 Costs associated with the District Plan have been spread into 2014/15 with savings of $303,000 in 2013/14. These include the costs of independent commissioners, consultants and legal fees for appeals.

Governance

48 Councillor general expenses have been reduced.

Libraries

49 Key savings are in library application subscriptions, book services, self service lease and materials opex.

Community Grants

50 Community grants in relation to youth development and several other recipients have been reduced by $42,000 (Sport Wellington, Council of Elders and Youth Development).

Water Management

51 Energy savings are due to favourable electricity prices.

Explanation of Projected Additional Revenue

LIM

52 Revenue from LIM applications is $35,000 above budget.

Dog Prosecution Fees

53 Fines from dog prosecutions are well above budget.

Parking and Traffic Revenue

54 Parking and traffic revenue is well above budget.

Resource Consents

55 Land use and subdivision application fees are forecast at $44,000 above budget. This offsets the additional costs above.

Cemeteries

56 Internment fee income in Ōtaki has risen.

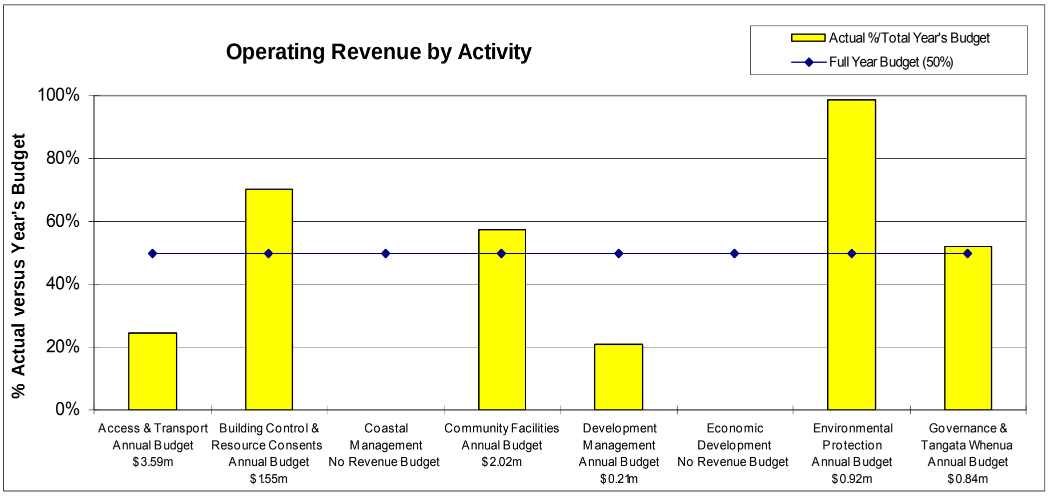
Clean Tech

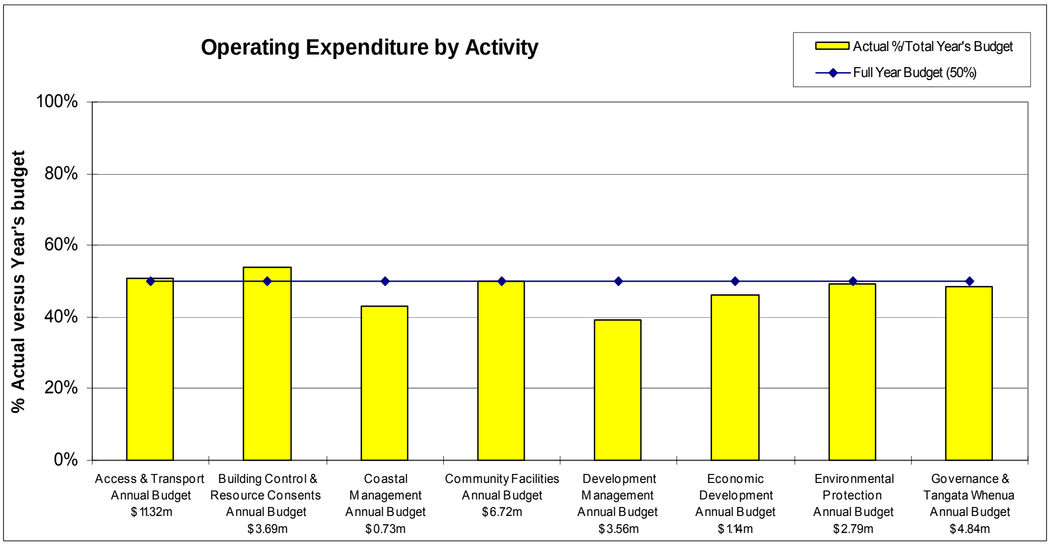
57 As Council is now operating the Clean Tech building in Ōtaki there will be rental income. This is forecast at $67,000 for the year.

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

Operating Revenue/Operating Expenditure

58 The graphs below show actual other operating revenue and operating expenditure as at 31 December 2013 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>

59 Operating revenue is lower than budget as at 31 December 2013 due to the lower level of expenditure incurred that was eligible for NZTA subsidy.

<u>Building Control and Resource Consents</u>

60 Revenue is higher than budget due to higher land use and subdivision application fees received. Expenses are higher due to related costs in respect of consultant fees and independent commissioner fees.

Coastal Management

61 The operating expenditure is lower due to the lower level of maintenance required to date. Planned maintenance is not undertaken until the final quarter to see what portion of the budget is required to fund storm event damage. A lower level of expenditure has been required for reactive maintenance to date.

Development Management

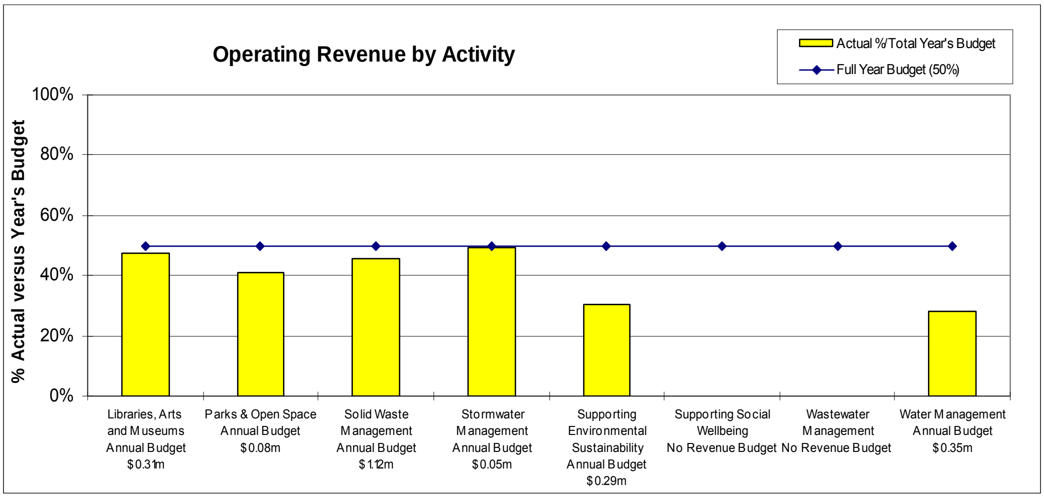
62 Both operating expenditure and revenue are lower due to the lower level of activity relating to private plan changes.

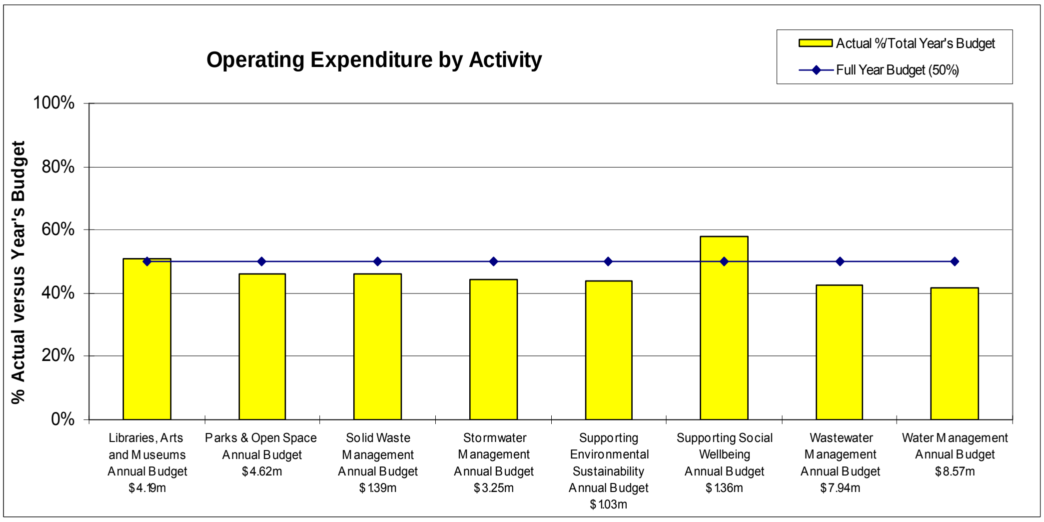
Environmental Protection

63 The higher level of operating revenue compared to the budgets mainly relates to the timing of the annual levying of regulatory fees and charges including Dog Registration and Health Licences.

Governance & Tāngata Whenua

64 Revenue in this area is high because of rates penalties. This is revenue over and above the rate take as there is a 10% charge levied on late payments on the first two instalments of 2013/14 rates levied. This revenue is used to fund the Contingency Fund.





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

Parks and Open Space

65 The operating revenue is lower for the first six months due to the seasonal nature of fees and charges for Parks and Open Spaces. The Parks fees and charges are projected to match the budget for the 2013/14 year. The operating expenditure is lower for the first six months due to lower maintenance costs and lower debt servicing costs compared to the budget.

Stormwater Management

66 The operating expenditure is lower due to the lower level of maintenance required to date. Planned maintenance is not undertaken until the final quarter to ensure that there is sufficient budget to fund storm event damage during the year.

Supporting Environmental Sustainability

67 Revenue and expenditure associated with the Sustainable Home and Garden show occurs in the second half of the year so revenue and expenditure levels will increase as the year progresses.

Supporting Social Wellbeing

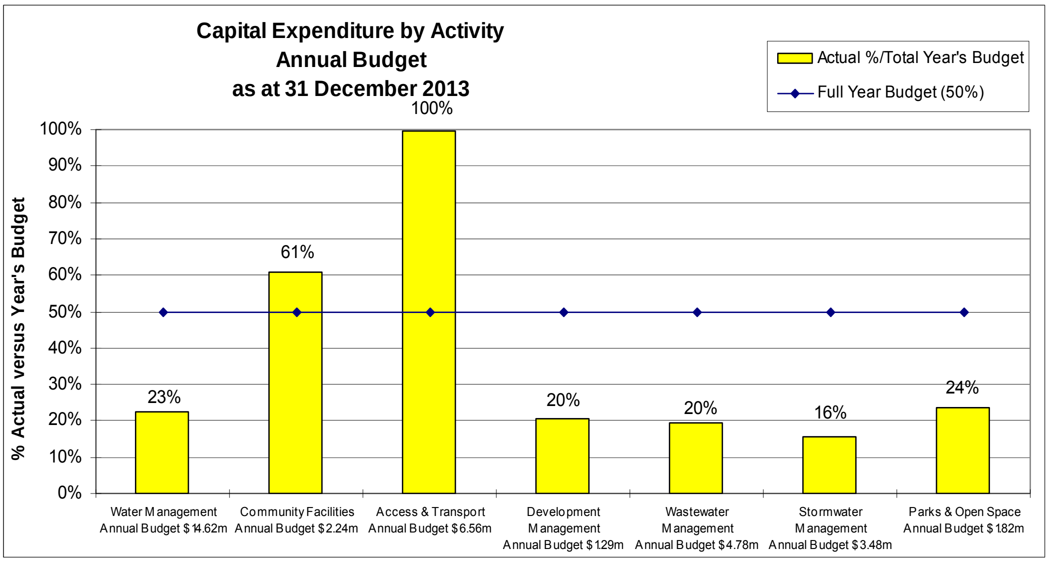
68 Grants in this area are generally paid out at the start of the financial year causing the perception of an overspend. An example is funds paid to the Citizens Advice Bureau.

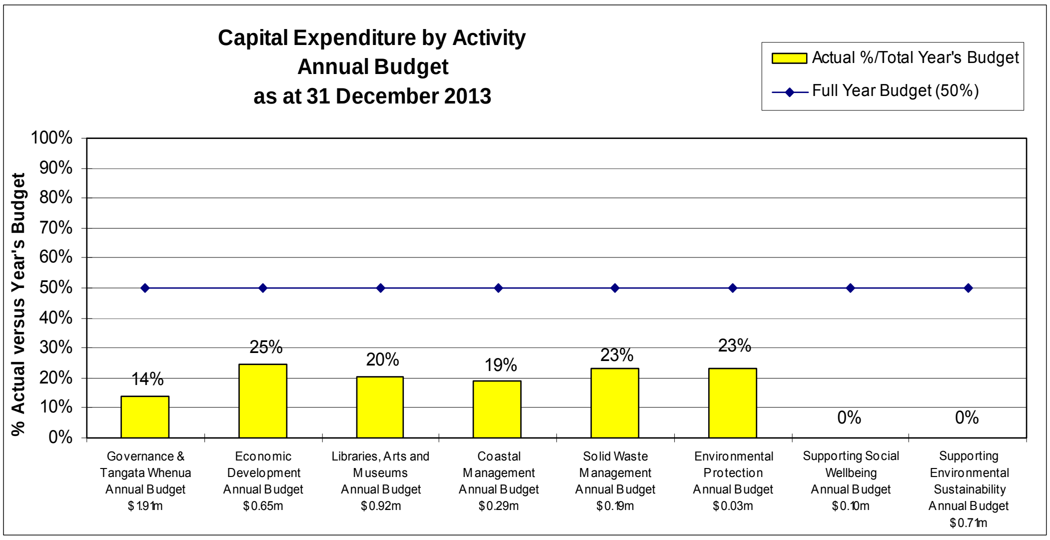
Water Management

69 The operating revenue was lower compared to the expected level of 50% due to the lower level of water consumption relating to extraordinary water charges during the first six months of the financial year. The reason is that Fonterra moved their cheese production out of the area last year and the budgets did not reflect the change.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

70 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 December 2013 against annual budgets.





71 There is one activity which has no capital budget expenditure: Building and Resource Consents.

72 Net capital expenditure for the six months amounted to $14.083 million compared to the capital expenditure forecast for the year of $29.905 million (budget $39.581m). The year to date capital expenditure includes $5.651m for the Ngahina Trust land acquisition. With that acquisition excluded, capital expenditure year to date is $8.432 million. The Ngahina Trust land acquisition is the reason for Access & Transport being 100% of budget.

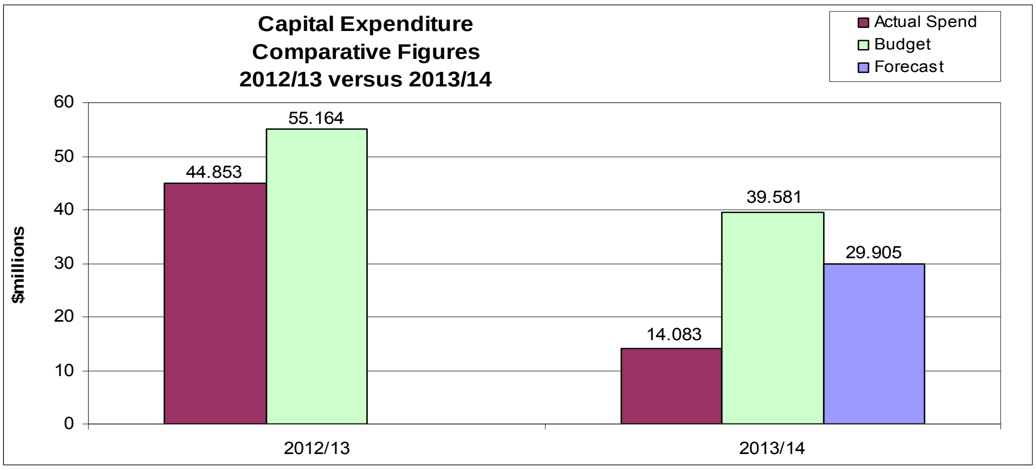
73 Although the capital expenditure for some of the other activities are low for the first six months, the level of capital expenditure is in line with expectations given that the tendering work and awarding of contracts occurs earlier in the year with the physical works taking place towards the end of the year.

74 The capital expenditure for the 2013/14 year has been reforecast to $29.905 million (excluding the Ngahina land purchase). The underspend relates to the following projects:

Project	Budget $000	Forecast $000	Variance $000
17950 - Major Community Connector Upgrades	607	157	450
11041 - Aquatic centre - second Hydroslide	431	0	431
15555 - Raumati Pool Closure	250	0	250
13170 - Strategic Land Purchase	977	500	477
1335A - Clean Technology Development	650	410	240
48138 - Kakariki SH1 and Awanui	807	51	756
58133 - Ōtaki Beach Pump Station	1,668	300	1,368
48409 - Waikanae Water Treatment Plant Renewals	4,292	1,626	2,666
48471 - Waikanae Water Treatment Plant Upgrade	736	216	520
484E8 - Water Metering Project	3,510	3,209	301
484E1 - WPR Water Supply Project	5,130	3,916	1,214
	19,058	**10,385**	**8,673**
Other Projects	20,523	19,520	1,003
Total	**39,581**	**29,905**	**9,676**

75 The capital expenditure at 31 December 2013 of $8.432 million (excluding the Ngahina land acquisition) represents 28.2% of the total reforecast capital expenditure for the 2013/14 year.

76 Set out below is a comparison of the capital expenditure programme between the 2012/13 year and 2013/14 year and the actual spend as at 31 December.



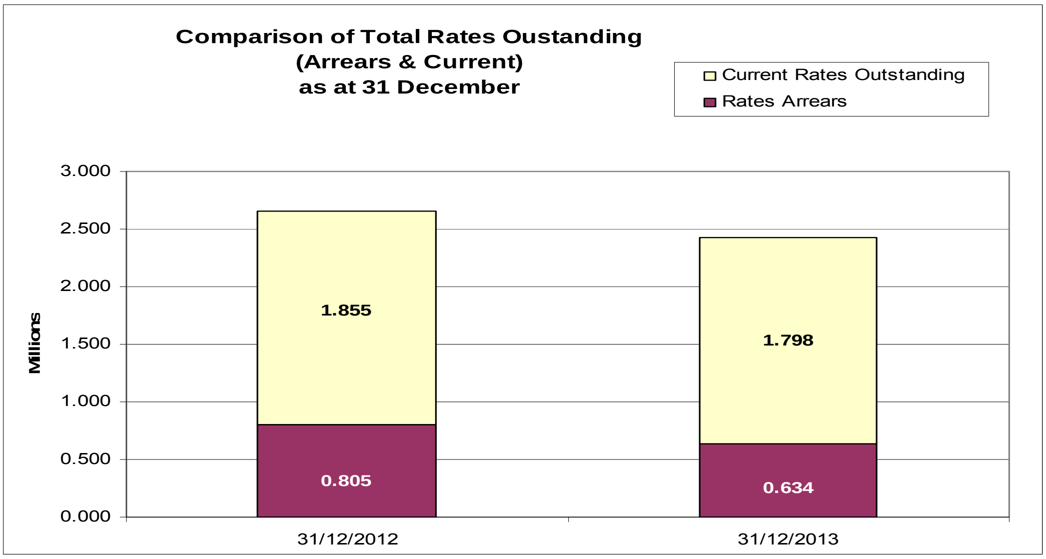
<u>Actual Spend 2013/14</u>	
Ngahina land acquisition	5.651
Other capital expenditure	<u>8.432</u>
Total capital expenditure	**<u>14.083</u>**

Part F: Outstanding Rates Debt as at 31 December 2013

Rates Outstanding

77 The rates outstanding as at 31 December 2013 covering both current rates and rate arrears is $2.432 million which is lower than the total rates of $2.661 million outstanding at the same time last financial year i.e. 31 December 2013.

78 The current rates outstanding reduced from $1.855 million as at 31 December 2012 to $1.798 million as at 31 December 2013.

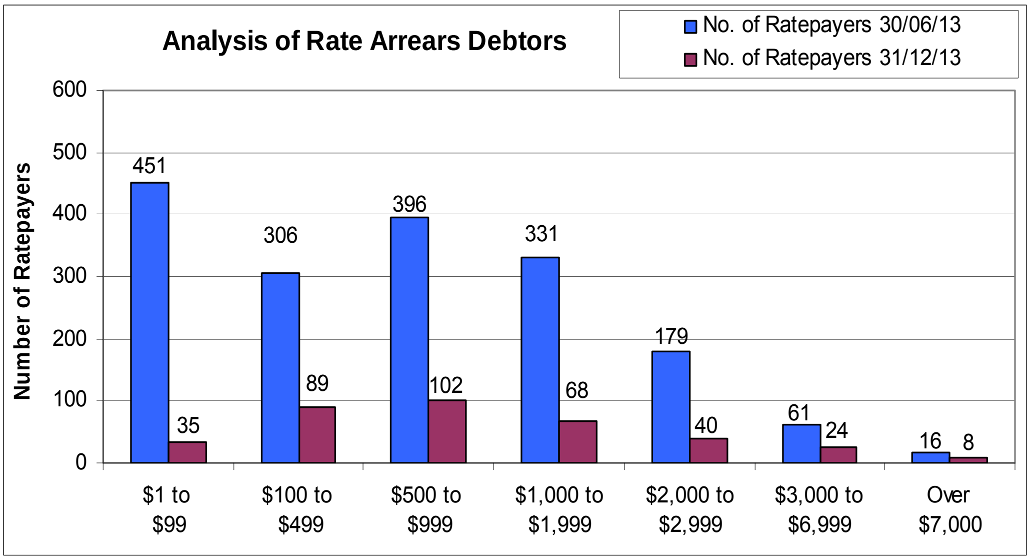


79 As the Council collects current year rates on behalf of the Greater Wellington Regional Council the total rates outstanding includes both Council's rates. The analysis of the 2013/14 year rates outstanding as at 31 December 2013 is as follows:

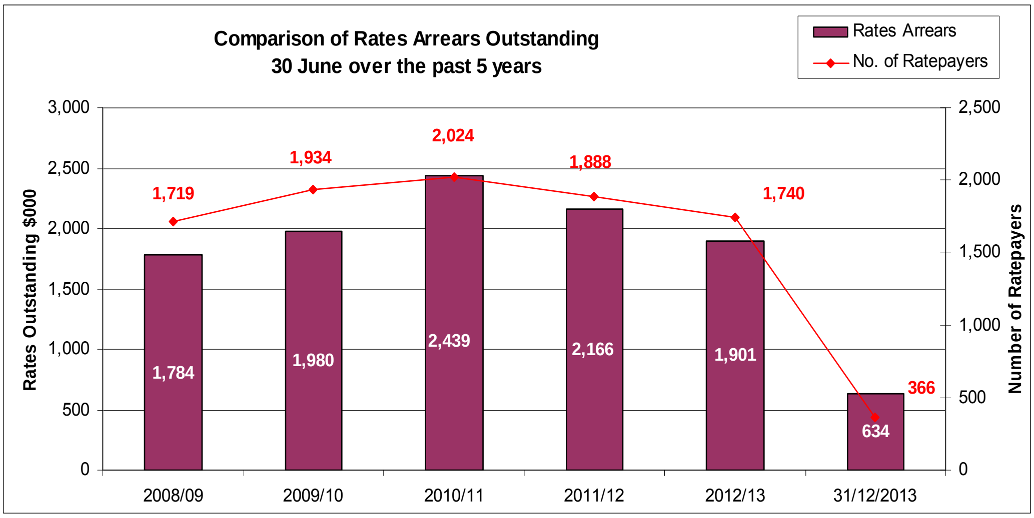
	$000	$000
Kāpiti Coast District Council rates	1,268	
Kāpiti Coast District Council penalties	257	
Total Kāpiti Coast District Council outstanding rates		1,525
Greater Wellington Regional Council rates	235	
Greater Wellington Regional Council penalties	38	
Total Greater Wellington Regional Council outstanding rates		273
Total 2013/14 rates outstanding as at 31 December 2013		1,798

80 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.

81 In the graph below the blue column shows the number of "rates debtors" grouped by their level of rates debt as at 30 June 2013. The maroon column shows the number of those rates debtors with rate arrears as at 31 December 2013 for each range of rates debt.



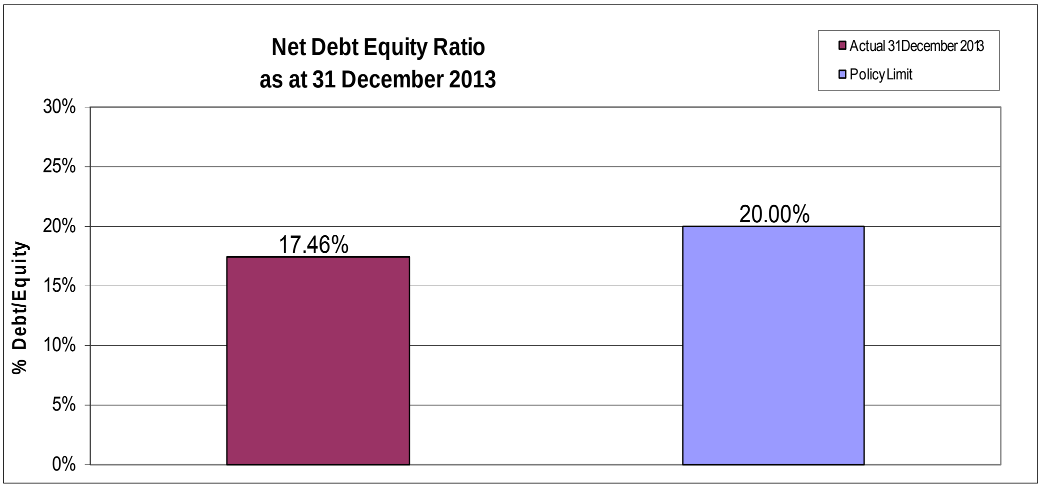
82 The graph below shows a comparison of the rate arrears outstanding at the end of June each year over the past five years and the rate arrears outstanding as at 30 June 2013 which are still outstanding as at 31 December 2013.



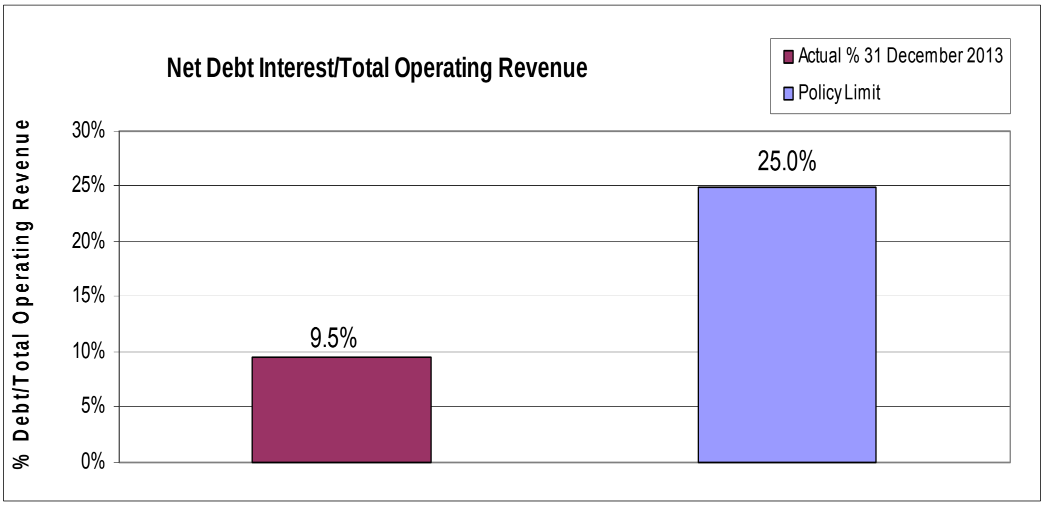
Part G: Performance against Treasury Management Policy Limits

83 Council is well within its debt/equity policy limits as at 31 December 2013, as set in its Treasury Management Policy. Net Debt as at 31 December 2013 equals $128 million. Public Equity as at 31 December 2013 equals $733 million.

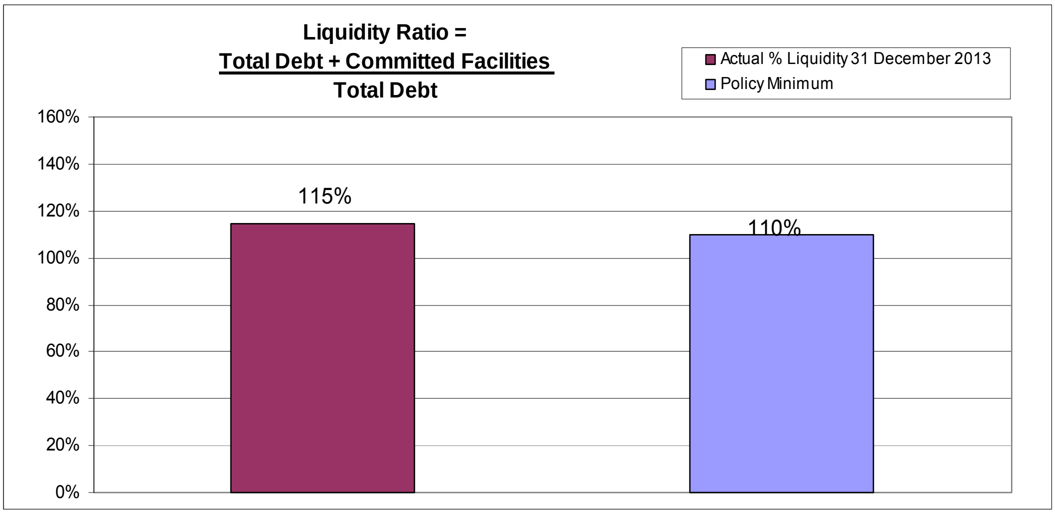
84 The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 17.46% which is within the 20% limit.



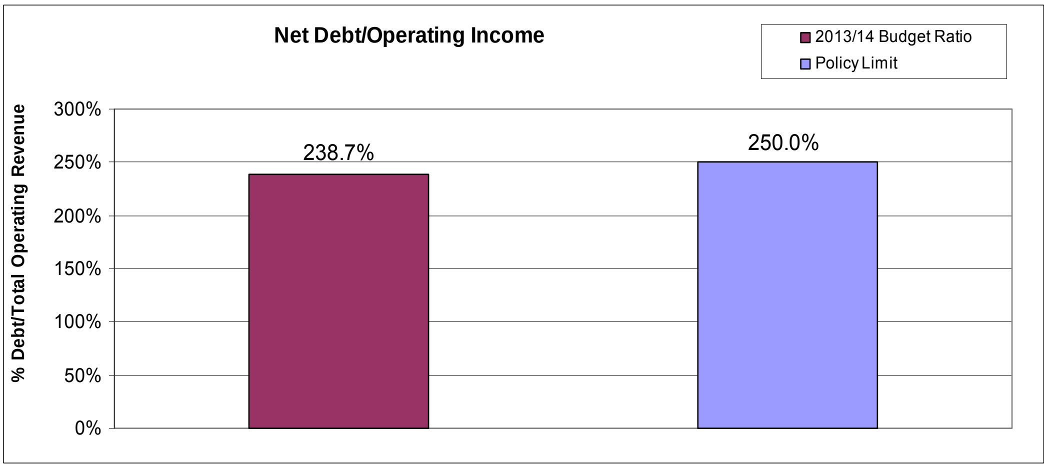
85 The Treasury Management Policy sets a limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The current ratio as at 31 December 2013 is 9.5% which is well within the limit.



86 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 115% coverage of its current debt requirements mainly through the bank facilities which it currently has in place which is above the minimum level of liquidity which is 110%.



87 The net debt to operating income (excluding vested assets and development contributions) measures the ability of an organisation to repay its debt from operating income. The Treasury Management Policy sets a limit of 250% for the ratio of Net Debt to Operating Income. The current budgeted ratio for the 2013/14 year is 238.7% which is within the limit.



Other Considerations

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

Delegation

89 The Corporate Business Committee has delegated authority to consider this report under Section B.3.7 of the Governance Structure.
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.

RECOMMENDATIONS

90 That the Corporate Business Committee notes the six monthly financial results contained in this report Fin-13-1019.

91 That the Corporate Business Committee notes that due to the seasonal nature of some of Council's operating expenditure and revenue, the Council's operating surplus for the first six months, ended 31 December 2013, was $6.432 million. Even though operating revenue is below the annualised budget levels, the operating expenditure is even lower than the annualised budget levels for the same period resulting in an operating surplus.

92 That the Corporate Business Committee notes that the net capital expenditure for the six months amounted to $8.432 million compared to the capital expenditure forecast for the year of $29.905 million which represents 28.2% of the capital expenditure forecast for the 2013/14 year.

93 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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