

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

14 AUGUST 2014

Meeting Status: **Public**

Purpose of Report: For Information

FINANCIAL REPORT TO 30 JUNE 2014

PURPOSE OF REPORT

- 1 This report sets out Council's financial performance and financial position as at 30 June 2014. 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 Council is provided with information on seven broad areas of financial performance each quarter. The seven broad areas of financial performance are:

Part A: Statement of Comprehensive Income

Part B: Statement of Financial Position

Part C: Statement of Cash Flow

Part D: Statement of Rating Position

Part E: Capital Works Programme Performance

Part F: Outstanding Rates Debt as at 30 June 2014

Part G: Statement of Performance against Treasury Policy Limits

CONSIDERATIONS

- 4 The financial information as detailed in Parts A to G of this report Corp-14-1275 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.
- 5 Council's auditors could potentially require changes to this financial information as part of Council's statutory audit obligations. Any changes made hereto will be reported to Council's Audit and Risk Sub-Committee on the 2 October 2014.

Part A: Statement of Comprehensive Income

- 6 The Statement of Comprehensive Income covers all of Council's revenue and expenditure. The net position of revenue less expenditure provides the operating surplus or deficit.
- 7 Table 1 summarises Council's Statement of Comprehensive Income as at 30 June 2014.

Table 1: Statement of Comprehensive Income

| Statement of Comprehensive Income | | June 2014 Year to Date | | | |
|---|---|------------------------|------------------|------------------|-------------|
| | | Full Year Actual | Full Year Budget | Var Fav/ (Unfav) | Var |
| | | \$000's | \$000's | \$000's | % |
| Revenue | | | | | |
| General Rates | | 10,299 | 10,334 | (35) | - |
| Targeted Rates (Excluding Water) | 1 | 32,422 | 32,481 | (59) | - |
| Targeted Water Rates | 1 | 7,806 | 7,925 | (119) | (2%) |
| Other Revenue | 1 | 11,399 | 8,313 | 3,086 | 37% |
| NZTA Capital Funding | | 2,228 | 2,427 | (199) | (8%) |
| Development Contributions | | 1,772 | 1,299 | 473 | 36% |
| Trust Fund Revenue (Aquatic) | | 347 | 125 | 222 | 178% |
| Vested Assets | | 591 | 1,082 | (491) | (45%) |
| Gain on Disposal of Property, Plant & Equipment | | 234 | - | 234 | - |
| Unrealised Gain on Revaluation of Financial Instruments | | 4,028 | - | 4,028 | - |
| Total Operating Revenue | | 71,126 | 63,986 | 7,140 | 11% |
| Expenditure | | | | | |
| Payments to Employees | 2 | 20,279 | 20,287 | 8 | - |
| Other Expenditure | 2 | 24,065 | 23,475 | (590) | (3%) |
| Net Finance Costs | | 7,674 | 8,696 | 1,022 | 12% |
| Depreciation/Amortisation | | 15,402 | 14,150 | (1,252) | (9%) |
| Total Operating Expenditure | | 67,420 | 66,608 | (812) | (1%) |
| Net Surplus/(Deficit) | | 3,706 | (2,622) | 6,328 | 241% |
| Other Comprehensive Income | | | | | |
| Revaluation of Assets | | 564,745 | 60,831 | 503,914 | 828% |
| Total Comprehensive Income | | 568,451 | 58,209 | 510,242 | 877% |

Note 1 - Other Revenue has a full year budget of \$9.527 million as per the Annual Plan. This includes \$0.313 million for commercial water meter revenue and \$0.901 million for the Te Roto Drive upgrade. To better align budget with actual deliverables, Council has reduced Other Revenue's full year budget by \$1.214 million and increased the Targeted Water Rates and NZTA Capital Funding Annual Plan budgets by \$0.313 million and \$0.901 million respectively. This change will be disclosed by way of a note to the financial statements in the 2013/14 Annual Report.

Note 2 - The basis for reporting Payments to Employees and Other Expenditure has changed to better reflect where the costs should be reported. In the full year budget Payments to Employees has reduced by \$0.272 million while Other Expenditure has increased by \$0.272 million. Payments to Employees include salaries and wages but not employment related costs which are included in other expenditure. This change will be disclosed by way of a note to the financial statements in the 2013/14 Annual Report.

Overall Summary of Financial Performance for the period ended 30 June 2014

- 8 Council has achieved a net surplus of \$3.71 million. This is \$6.33 million or 241% favourable to budget at 30 June 2014.
- 9 Council's favourable performance was achieved mainly due to an unbudgeted \$4.03 million unrealised gain on financial instruments, an unbudgeted \$2 million recovery of Western Link Road property holdings costs (mainly interest and rates) from NZTA and a \$1 million savings on budgeted finance cost savings.
- 10 This result has increased public equity by a further \$3.71 million to the benefit of Kāpiti Coast ratepayers and the wider community.
- 11 Other comprehensive income of \$564.73 million consists of an increased revaluation of Council's assets (\$31.98 million) and an unbudgeted revaluation of land under roads (\$532.75 million).

Explanation of Revenue

- 12 Exceptional variances are discussed below. Please note that for revenue items, over budget is favourable and below budget is unfavourable.

13 Other Revenue

| | |
|---------------------|---|
| Brief Description: | This mainly includes fees and user charges, NZTA operating subsidies and interest revenue. |
| Full Year Variance: | \$3.01 million over budget is due to: 1. An unbudgeted \$2.01 million was received from NZTA for re-imbursement of Council's holding costs (interest and rates) of the Western Link Road properties on-sold to NZTA. |

14 NZTA Capital Funding

| | |
|---------------------|--|
| Brief Description: | Government subsidy received for upgrades and renewals completed on national roads. |
| Full Year Variance: | \$0.2 million below budget mainly due to delays at Te Roto Drive and major community connector upgrades. This will however be recovered in 2014/15 once the work has been completed. |

15 Financial/Development Contributions

| | |
|---------------------|--|
| Brief Description: | <ol style="list-style-type: none"> 1. Financial Contributions are levied under the Resource Management Act and cover Reserves Contributions levied on developers at the time of subdivision. 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. |
| Full Year Variance: | <p>\$0.47 million over budget driven by increased development activity. The main contributors were from:</p> <ol style="list-style-type: none"> 1. Rymans 2. Mazengarb Road 3. Te Moana Road subdivision |

16 **Trust Fund Revenue**

| | |
|---------------------|---|
| Brief Description: | As per agreement, \$5 million of the Coastlands Aquatic Centre is to be funded from the Aquatic Centre Trust. This revenue is spread over the years 2011/12 to 2020/21. |
| Full Year Variance: | \$0.22 million above budget. The Trust has been able to accelerate its total funding of \$5 million during the financial year. |

17 **Vested Assets**

| | |
|---------------------|--|
| Brief Description: | These are roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision. |
| Full Year Variance: | \$0.49 million below budget. In practice, by their very nature, vested assets are difficult to predict however, the main assets vested to Council during the year related to Kotuku Park, Hudson Development and 262 Rangiora Road, Ōtaki. |

18 **Gain on Disposal of Property, Plant and Equipment**

| | |
|---------------------|---|
| Brief Description: | Profit that Council has realised from the sale of a Council owned asset and represents the difference between the net sale proceeds and the carrying value of the asset at sale date. |
| Full Year Variance: | \$0.23 million over budget mainly due to a final settlement from NZTA for Council's Western Link Road properties. |

19 **Unrealised Gain on Revaluation of Financial Instruments**

| | |
|---------------------|--|
| Brief Description: | Council is required to record its interest rate swaps at fair value at 30 June each year. This change in value is treated as an unrealised gain/ (loss) in the Statement of Comprehensive Income. |
| Full Year Variance: | \$4.03 million over budget. As at Balance date, Council's committed future swap interest costs are \$4.03 million lower than as at 30 June 2013 as: <ol style="list-style-type: none"> 1. Council's fixed swap rates payable are less than equivalent fixed rates on the current market. 2. Council's quarterly floating rates receivable are moving higher due the recent Official Cash Rate increases by the Reserve Bank. |

Explanation of Operating Expenditure

20 Exceptional variances are discussed below. Please note that for expenditure items, below budget is favourable and over budget is unfavourable.

21 **Other Operating Costs**

| | |
|---------------------|--|
| Brief Description: | Includes contractors and all other direct operating costs except for payments made to employees. |
| Full Year Variance: | \$0.59 million over budget at year end due to minor overspends across a large number of expenditure types. |

22 **Finance Costs**

| | |
|---------------------|--|
| Brief Description: | Council's debt servicing costs. |
| Full Year Variance: | <p>\$1.02 million below budget at year end due to:</p> <ul style="list-style-type: none"> • Continuation of lower interest rates; and • Lower debt levels due to Council's decision to reduce its planned capital works programme by \$10 million in 2013/14; and • Additional capex carry forwards of \$6.2 million for planned 2013/14 works. |

23 **Depreciation and Amortisation**

| | |
|---------------------|--|
| Brief Description: | Depreciation is provided on a straight line basis on all property, plant and equipment other than land, certain parts of buildings, roading, river control and seawalls. The reason for the non-depreciable status of these assets is that there is no decline in service potential and therefore the assets have an unlimited life. Other assets are depreciated at rates which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives. |
| Full Year Variance: | <p>Depreciation is over budget by \$1.25 million due to:</p> <ul style="list-style-type: none"> • \$0.34 million of unbudgeted depreciation for the Otaihanga Landfill Aftercare asset (capping) prudently brought forward from 2015/16 to reduce future depreciation. • Earlier capitalisation of assets than expected. |

Explanation of Other Comprehensive Revenue

24 Exceptional variances are discussed below. Please note that for revenue items, over budget is favourable and below budget is unfavourable.

25 **Revaluation of Council Assets**

| | |
|---------------------|--|
| Brief Description: | This adjustment occurs every three years with the revaluation of all of Council's assets. As this occurred last as at 30 June 2011, revaluations were undertaken at 30 June 2014 by Council's registered and independent valuers. |
| Full Year Variance: | The Revaluation Reserve is \$503.91 million over budget. This is mainly due to the unbudgeted revaluation of land under roads. This was last revalued in 2002 and consequently, was increased by \$532.75 million to \$733.69 million at Balance date. |

Part B: Statement of Financial Position as at 30 June 2014

- 26 The Statement of Financial Position as at 30 June 2014 is set out in Table 2, followed by an overview of the key components.

Table 2: Statement of Financial Position

| Statement of Financial Position | 2013/14 Full Year | | |
|---|-------------------|------------------|------------------------------|
| | Actual | Full Year Budget | Variance to Full Year Budget |
| | \$000 | \$000 | \$000 |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 7,145 | 2,154 | 4,991 |
| Trade and Other Receivables | 6,170 | 6,147 | 23 |
| Loan Receivable | 196 | - | 196 |
| Inventories | 114 | 139 | (25) |
| Derivative Financial Investments | 75 | 2 | 73 |
| Current Assets Held for Sale | 2,785 | - | 2,785 |
| Total Current Assets | 16,485 | 8,442 | 8,043 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 1,414,018 | 950,518 | 463,500 |
| Work in Progress | 20,299 | - | 20,299 |
| Forestry Assets | 77 | 268 | (191) |
| Intangible Assets | 361 | 350 | 11 |
| Derivative Financial Instruments | 804 | 228 | 576 |
| Loan Receivable | 228 | - | 228 |
| Other Financial Assets | 2,006 | - | 2,006 |
| Total Non-Current Assets | 1,437,793 | 951,364 | 486,429 |
| TOTAL ASSETS | 1,454,278 | 959,806 | 494,472 |
| Liabilities and Public Equity | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 16,665 | 15,897 | 768 |
| Employee Benefit Liabilities | 2,416 | 1,643 | 773 |
| Deposits | 910 | 1,218 | (308) |
| Derivative Financial Instruments | 28 | 1,668 | (1,640) |
| Provisions | 210 | - | 210 |
| Public Debt | 5,030 | 20,059 | (15,029) |
| Development & Reserves Contributions | 1,390 | 1,615 | (225) |
| Total Current Liabilities | 26,649 | 42,100 | (15,451) |
| Long Term Liabilities | | | |
| Public Debt | 125,117 | 129,118 | (4,001) |
| Derivative Financial Instruments | 3,040 | 8,716 | (5,676) |
| Employee Benefit Liabilities | 309 | 460 | (151) |
| Provisions | 4,582 | 39 | 4,543 |
| Total Long Term Liabilities | 133,048 | 138,333 | (5,285) |
| TOTAL LIABILITIES | 159,697 | 180,433 | (20,736) |
| Public Equity | | | |
| Accumulated Comprehensive Revenue and Expense | 581,406 | 557,299 | 24,107 |
| Revaluation Reserve | 710,458 | 220,169 | 490,289 |
| Reserves and Special Funds | 2,717 | 1,905 | 812 |
| Total Public Equity | 1,294,581 | 779,373 | 515,208 |
| TOTAL LIABILITIES AND EQUITY | 1,454,278 | 959,806 | 494,472 |

Overall Summary of Financial Position as at 30 June 2014

- 27 Council finished the financial year with a very strong position at Balance date.
- 28 Most notably, Long term assets were \$484 million above budget following an unbudgeted revaluation of land under roads, public debt was \$19 million below budget and Council's future financial instrument obligations were \$7.27 million below budget.

Total Assets

- 29 Council's assets are currently \$494.47 million above budget. This is mainly due to this year's asset revaluations which resulted in a net valuation increase of \$504 million over budget due to unbudgeted valuation of land under roads.
- 30 Offsetting some of this revaluation increase was Council's decision to reduce its planned capital works programme by \$10 million.

Total Liabilities

- 31 Council's liabilities are \$20.74 million below budget. This is due to the following:
- Trade and other payables are \$0.77 million above budget mainly due to substantial capital expenditure undertaken in the final quarter and high year end accrued expenditure.
 - Public debt is currently \$19.0 million below budget mainly due to a \$14 million underspend on the planned capital programme (\$10 million was deliberately reduced by a Council resolution) and an unbudgeted final settlement of \$7.2 million received from NZTA for the Western Link Road properties. These proceeds were used to repay \$5 million of maturing public debt at balance date instead of from new borrowings as planned.
 - Committed interest rate swap finance charges are currently \$7.31 million below budget due to the current market forces reducing the present value of the future committed finance costs payable to maturity.
 - Provisions are \$4.54 million over budget due to prudently providing \$4.39 million for the Otaihanga landfill post-closure capping costs instead of from 2015/16. The balance of \$0.36 million represents the provision for leaky homes.

Public Equity

- 32 Public Equity is \$515.21 million above budget mainly due to the unbudgeted valuation of land under roads of \$532.75 million.

Explanation of Table 2

- 33 Exceptional variances to Annual Plan are discussed below. Please note that for:
- Assets, over budget is favourable and below budget is unfavourable;
 - Liabilities, over budget is unfavourable and below budget is favourable;
 - Public Equity, over budget is unfavourable and below budget is favourable.

34 **Current Assets**

| | |
|---------------------|---|
| Full Year Variance: | <p>\$8.04 million above budget due to:</p> <ul style="list-style-type: none"> • A settlement of \$7.2 million was received in June from NZTA for the Western Link Road properties. \$5.0 million was used to repay debt with the balance held in a On Call investment account. • Current assets held for resale (\$2.78 million) comprises the town centre Ngahina block which is due for settlement in the 2014/15 year. |
|---------------------|---|

35 **Non-Current Assets**

| | |
|---------------------|--|
| Brief Description: | Council's infrastructural assets of Roding, Water, Wastewater and Stormwater, Land and Buildings, Parks and Reserves, Improvements and Community Facilities. |
| Full Year Position: | <p>\$486.43 million above budget due to:</p> <ul style="list-style-type: none"> • Council's decision to revalue land under roads which increased Property, Plant and Equipment by \$532 million. • Capital work in progress that has not been completed as at Balance date. • Investments of \$2.0 million that mainly includes interest bearing borrower notes (convertible debt) held by the Local Government Funding Authority (LGFA). |

36 **Current Liabilities**

| | |
|---------------------|---|
| Brief Description: | This mainly includes Council's public debt (including committed future interest rate swap finance charges) and supplier payments falling due before 30 June 2015. |
| Full Year Position: | \$15.45 million below budget with the majority of the debt in longer term maturities. |

37 **Long Term Liabilities**

| | |
|---------------------|--|
| Brief Description: | This mainly includes Council's public debt (including committed interest rate swap finance charges) and supplier payments falling due beyond 30 June 2015. |
| Full Year Position: | <p>\$5.29 million below budget. This is mainly due to:</p> <ol style="list-style-type: none"> 1. Committed interest rate swap finance charges are currently \$5.67 million below budget due to the current market forces reducing the present value of the future committed finance costs payable to maturity. 2. Public debt is \$4 million below budget due to reductions to the capital programme. 3. Provisions are \$4.54 million over budget due to prudently providing \$4.39 million for the Otaihanga landfill post-closure capping costs. |

38 **Public Equity**

| | |
|---------------------|--|
| Brief Description: | Public equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. |
| Full Year Variance: | \$515.21 million above full year budget mainly due to the unbudgeted valuation of land under roads. |

Part C: Statement of Cash Flows as at 30 June 2014

- 39 The Statement of Cash Flows as at 30 June 2014 is set out in Table 3, followed by an overview of the key components.

Table 3: Statement of Cash Flows

| | June YTD | 2013/14 Full Year | Variance to Full Year |
|---|-----------------|-------------------|-----------------------|
| | Actual | Budget | Budget |
| | \$000 | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| <u>Cash was provided from:</u> | | | |
| Rates | 50,564 | 50,409 | 155 |
| Rates - Greater Wellington Regional Council | 8,462 | 8,120 | 342 |
| User Charges and Other Receipts | 12,152 | 12,178 | (26) |
| | 71,178 | 70,707 | 471 |
| <u>Cash was applied to:</u> | | | |
| Payments to Suppliers & Employees | (39,650) | (43,762) | 4,112 |
| Interest Paid on Public Debt | (7,815) | (8,696) | 881 |
| Rates Paid - Greater Wellington Regional Council | (8,462) | (8,120) | (342) |
| | (55,927) | (60,578) | 4,651 |
| Net Cash Inflows From Operating Activities | 15,251 | 10,129 | 5,122 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| <u>Cash was provided from:</u> | | | |
| Sale of Property, Plant and Equipment | 11,229 | 5,220 | 6,009 |
| | 11,229 | 5,220 | 6,009 |
| <u>Cash was applied to:</u> | | | |
| Purchase of Property, Plant and Equipment | (30,176) | (39,581) | 9,405 |
| Other | (11) | - | (11) |
| | (30,187) | (39,581) | 9,394 |
| Net Cash Outflow From Investing Activities | (18,958) | (34,361) | 15,403 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Long Term Borrowing Raised | 25,000 | 32,541 | (7,541) |
| Cash was applied to: | | | |
| Debt Principal Repayment | (20,078) | (8,096) | (11,982) |
| Net Cash Inflows from Financing Activities | 4,922 | 24,445 | (19,523) |
| NET (DECREASE)/INCREASE IN CASH | 1,215 | 213 | 1,002 |
| Add Total Cash and Cash Equivalents | 5,939 | 1,941 | 1,942 |
| CLOSING CASH AND CASH EQUIVALENTS | 7,154 | 2,154 | 2,944 |

Explanation of Table 3**Overall Summary**

- 40 Council is currently holding a high cash balance of \$7.14 million at 30 June 2014. Opening cash deposits, prudent loan drawdowns and an operating cash surplus of \$15.52 million has funded Council's forecast capital works programme.
- 41 With a lower capital expenditure programme, the Council has not needed to draw down as much debt as it had expected. The cash balance is being utilised for July payments.

42 Cash Flow from Operating Activities

| | |
|---------------------|---|
| Brief Description: | Net cash flow from cash generated from total operating revenue less operating cash expenditure. |
| Full Year Variance: | Council has fully funded its operating costs from revenue and has generated a net surplus of \$15.52 million. |

43 Cash flows from Investing Activities

| | |
|---------------------|---|
| Brief Description: | Net cash flow from the sale and purchase of Council assets. |
| Full Year Variance: | Council's asset investments are currently \$18.96 million, net of asset sale proceeds. These investments have been funded from a combination of cash reserves, an operating cash surplus and from new borrowings. |

44 Cash flows from Financing Activities

| | |
|---------------------|---|
| Brief Description: | Net cash flow from cash loans. |
| Full Year Variance: | <ol style="list-style-type: none"> 1. Council borrowed \$10 million of new short term debt via Commercial Paper in December 2013 and another \$15 million from LGFA in May 2014. 2. Council repaid \$20.08 million in quarter four. 3. \$4.92 million of new debt was used to fund Council's capital work programme. |

Part D: Statement of Rates Funding

- 45 The Rates Funding Surplus/(Deficit) is different to the Operating Surplus/ (Deficit) per the Statement of Comprehensive Income, as shown on Page 2, due to the following:
- Operating Surplus/ (Deficit) covers all of Council's operating revenue and expenditure from all funding sources, including vested assets.
 - Rates Funding Surplus / (Deficit) only covers Council's revenue and expenditure that is rates funded. Any surplus/ (deficit) affects the rates required for the 2014/15 year onwards.
- 46 The total Rates Funding requirement for 2013/14 was \$50.80 million. Table 4 below details the actual total Rates Funding surplus achieved for the period ended 30 June 2014.

Table 4: Rates Funding Requirement

| Rates Funding Requirement | 2013/14 Full Year | | | |
|--|-------------------|-------------------|---------------------------------|------------|
| | Actual \$000's | Budget \$000's | Var Fav / (Unfav) \$000's | Var % |
| Total External Revenue | 16,337 | 13,246 | 3,091 | 23% |
| Expenditure | | | | |
| Payments to Employees | 20,279 | 20,287 | 8 | - |
| Direct Costs | 24,065 | 23,475 | (590) | (3%) |
| Funded Depreciation | 10,989 | 9,737 | (1,252) | (13%) |
| Net Finance Costs | 7,674 | 8,696 | 1,022 | 12% |
| Capital Costs | 240 | 1,854 | 1,614 | 87% |
| Total Expenditure | 63,247 | 64,049 | 802 | 0% |
| Net Expenditure for Rates Funding Requirement | 46,910 | 50,803 | 3,893 | 8% |

- 47 Depreciation has a full year budget of \$14.15 million as per the Annual Plan. \$9.74 million is funded from rates revenue and \$3.86 million is non-funded in 2013/14. Non funded depreciation must be repaid from future rates revenue over the 20 year period. Due to the Rates Funding surplus achieved, the increase in actual depreciation is able to be funded.

| | |
|--|--------------|
| Net Expenditure for Rates Funding Requirement | 3,893 |
| Rates received under Budget | (213) |
| Unrealised Gain on Revaluation of Financial Instruments | 4,028 |
| Realised Gain on Disposal of Council Assets | 234 |
| Rates funded Capital Costs under budget | (1,614) |
| Net Surplus Variance from Statement of Comprehensive Income | 6,328 |

- 48 Council has achieved an unaudited surplus of \$3.89 million against its Rates Funding Requirement for the 2013/14 year.
- 49 As per Council's resolution, a total of \$0.55 million of audited 2013/14 Rates Funding Requirement surplus will be used to offset 2014/15 Rates. The remaining surplus will be held to fund both the 2014/15 volumetric water charge grants to be issued to property owners that are levied water charges but have not yet received second trial reads and to also relieve the Rates Funding Requirement in 2015/16 onwards. This is summarised in the table below.

Table 5: Summary of 2013/14 Rates Funding Requirement Surplus

| Item | \$000's |
|---|------------|
| Unaudited 2013/14 Rates Surplus | 3,340 |
| Less: Accelerated Recovery of non-funded depreciation in 2014/15 | (200) |
| Less: Rates Funding Requirement reduction in 2014/15 | (350) |
| Less: Western Link Road property holding costs used for debt repayment | (2,089) |
| Unaudited 2013/14 Rates Surplus Carried Forward | 701 |

PART E: Capital Works Programme Performance

50 This table provides a summary of the full years capital expenditure programme.

| June 2014 Year to Date | | | | | |
|--|---------------|---------------|------------------------------|---------------|--|
| Capital Projects | Actual | Budget | Variance Fav / (Unfav) | Variance % | |
| Major Carry Forward Projects | | | | | |
| 0064F - Council Software Systems | 262 | 428 | 166 | (39%) | |
| 1794L - Local Area Connectors | 1,473 | 1,850 | 377 | (20%) | |
| 18412 - Waikakariki Gravel Extraction | 7 | 310 | 303 | (98%) | |
| 38832 - Milne Drive Wastewater Pumping Station Upgrade | 754 | 1,254 | 500 | (40%) | |
| 47750 - Paraparaumu Wastewater Treatment Plant Drier Replacement | 259 | 493 | 234 | (47%) | |
| 48409 - Waikanae Water Treatment Plant Renewals | 1,760 | 4,292 | 2,532 | (59%) | |
| 484E1 - WPR Water Supply Project | 3,043 | 5,130 | 2,087 | (41%) | |
| 484E8 - Water Metering Project | 2,972 | 3,511 | 539 | (15%) | |
| 58811 - Otaki Wastewater Treatment Plant Oxidation Lagoon Desludging | 270 | 604 | 334 | (55%) | |
| Total Carry Forward Projects | 10,800 | 17,872 | 7,072 | (40%) | |
| Cancelled Projects | | | | | |
| 11041 - Aquatic Centre - second Hydroslide | - | 431 | 431 | (100%) | |
| 13170 - Strategic Land Purchase | 194 | 977 | 783 | (80%) | |
| 1335A - Clean Technology Development | 423 | 650 | 227 | (35%) | |
| 15555 - Raumati Pool Closure | - | 250 | 250 | (100%) | |
| 18340 - Energy Efficiency Council Facilities | - | 264 | 264 | (100%) | |
| 18339 - Pensioner Housing | - | 391 | 391 | (100%) | |
| Total Cancelled Projects | 617 | 2,963 | 2,346 | (79%) | |
| Other Projects | | | | | |
| 121B9 - Raumati Pool Building Retrofit | 20 | 370 | 350 | (95%) | |
| 14811 - Library Materials Additions | 472 | 434 | (38) | 9% | |
| 1792G - NZTA Traffic Services Renewals | 369 | 367 | (2) | 1% | |
| 17950 - Major Community Connector Upgrades | 320 | 607 | 287 | (47%) | |
| 1792B - NZTA Sealed Road Resurfacing | 1,442 | 1,442 | 0 | 0% | |
| 11244 - Otaki - Replace Roof Changing Room | 318 | 371 | 53 | (14%) | |
| 38147 - Stormwater Paraparaumu Renewals | 429 | 416 | (13) | 3% | |
| 48138 - Kakariki SH1 and Awaniui | 29 | 807 | 778 | (96%) | |
| 48471 - Waikanae Water Treatment Plant Upgrade | 249 | 736 | 487 | (66%) | |
| 48835 - Rauparaha PS Upgrade | 728 | 883 | 155 | (18%) | |
| 58133 - Otaki Beach Pump Station | 238 | 1,668 | 1,430 | (86%) | |
| 99901 - Plant Purchase | 425 | 630 | 205 | (33%) | |
| Ngahina Land | 5,629 | - | (5,629) | - | |
| Less: Ngahina Land Sale | (5,629) | - | 5,629 | - | |
| Other Projects < \$250k each | 9,140 | 10,015 | 875 | (9%) | |
| Total Completed / On-going Projects | 14,179 | 18,746 | 4,567 | (24%) | |
| Total Net Capital Expenditure | 25,596 | 39,581 | 13,985 | (35%) | |

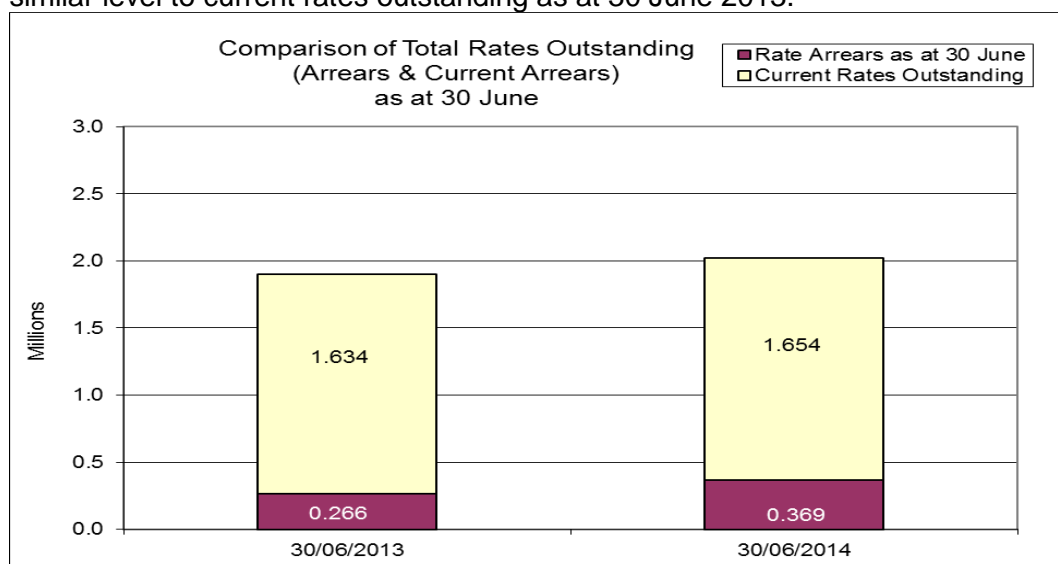
- 51 Council underspent its 2013/14 planned capital programme by \$13.98 million. This included a deliberate reduction of \$10 million, as per a Council resolution.
- 52 On the 26 June 2014, Council adopted the 2014/15 Annual Plan which included a total 2013/14 capex carry-over budget of \$6.2 million for specific projects (as detailed above).
- 53 As could be expected, actual expenditure for these projects varied from forecast. The carry-overs will be adjusted to reflect these changes.

Part F: Outstanding Rates Debt as at 30 June 2014

Rates Outstanding

56 \$2.02 million of total rates (current and arrears) is outstanding as at 30 June 2014.

57 Rate payments received are first applied to rate arrears. The chart below reflects a marginal increase in rate arrears as at 30 June 2014 (Net of Council owned properties). As at 30 June 2014, current rates outstanding are at a similar level to current rates outstanding as at 30 June 2013.

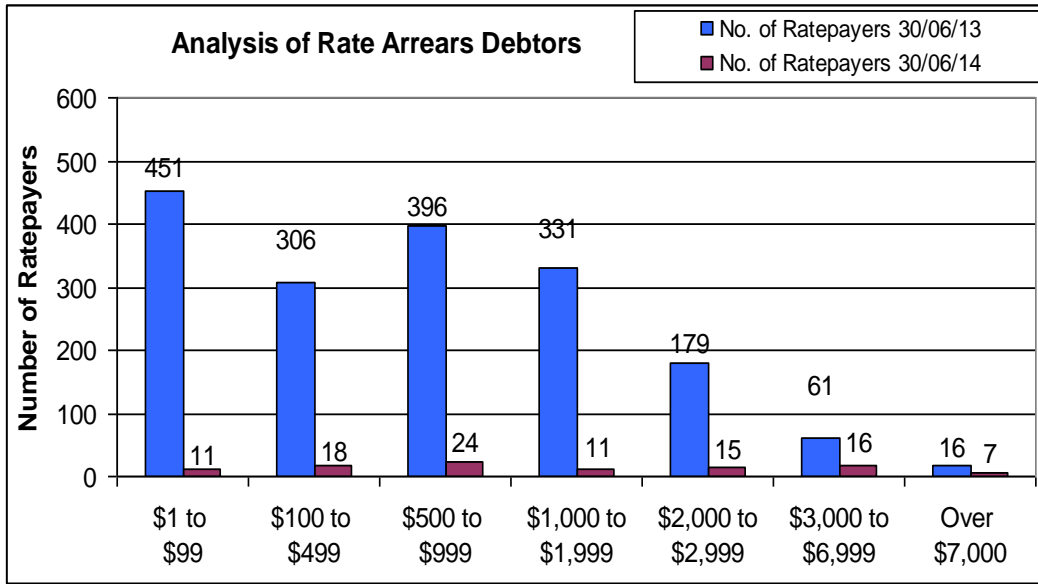


58 Council collects current year rates on behalf of the Greater Wellington Regional Council. \$1.65 million of current rates outstanding as at 30 June 2014 is split as follows:

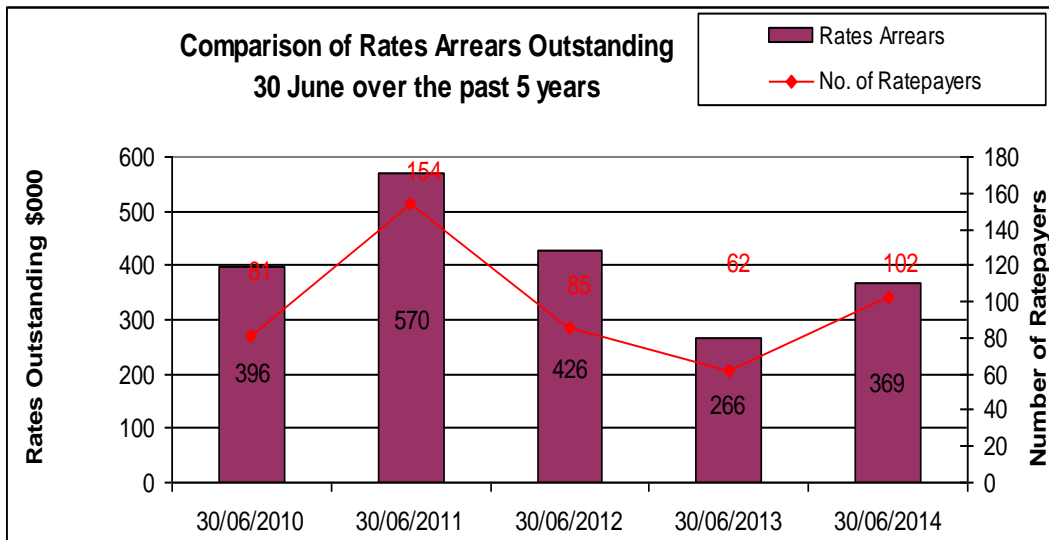
| | \$000 | \$000 |
|--|--------------|--------------|
| Kāpiti Coast District Council rates | 1,172 | |
| Kāpiti Coast District Council penalties | 287 | |
| Total Kāpiti Coast District Council outstanding rates | 1,459 | 1,459 |
| Greater Wellington Regional Council rates | 154 | |
| Greater Wellington Regional Council penalties | 41 | |
| Total Greater Wellington Regional Council outstanding rates | 195 | 195 |
| Total 2013/14 rates outstanding as at 30 June 2014 | 1,654 | 1,654 |

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

60 Rates arrears as at 30 June 2014 are \$0.369 million (\$0.27 million as at 30 June 2013). The chart below shows that good progress has been made in rates arrears collection, most notably with rates arrears exceeding \$1,000.

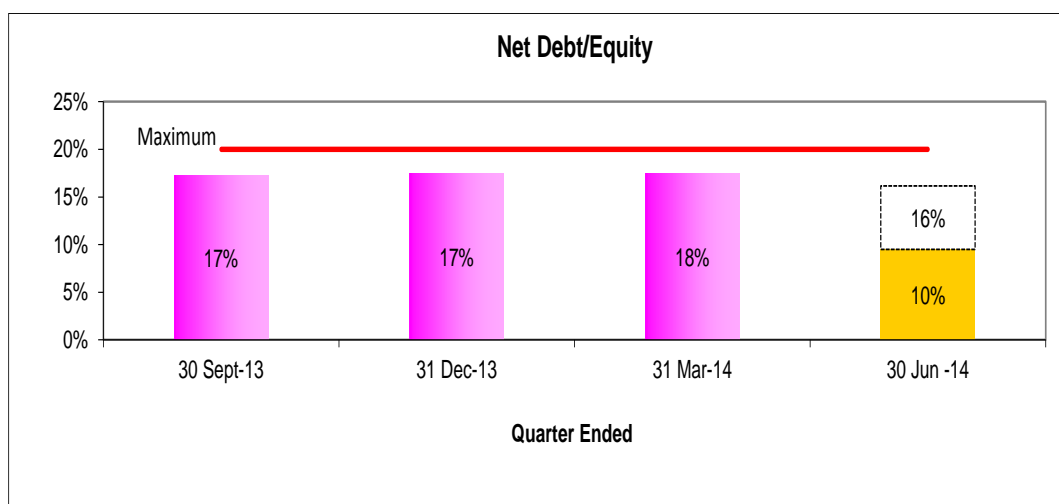


61 The graph below shows a comparison of the rate arrears outstanding at the 30 June over the past four years and the rate arrears outstanding as at 30 June 2014. Progress is being made in rate arrears collection in comparison to prior years although June 2014 did increase slightly over 2013.

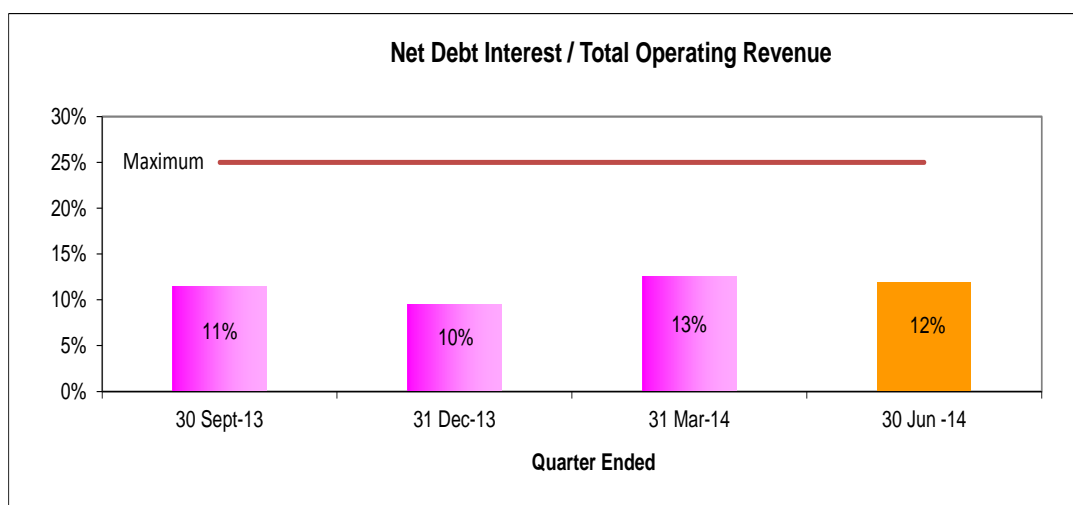


Part G: Forecast Performance against Treasury Management Policy Limits

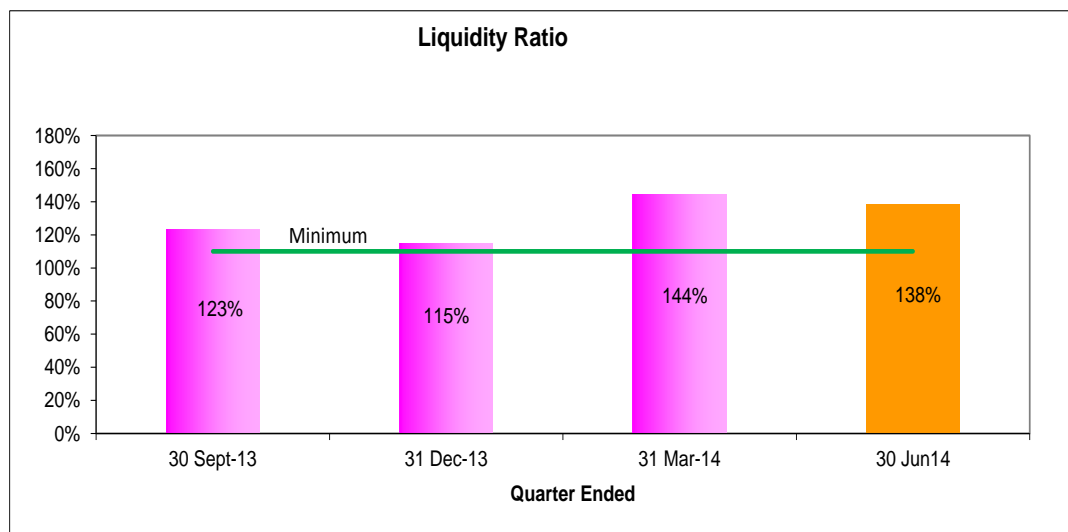
- 62 The Treasury Management Policy (Policy) contains four financial ratios with either a maximum or minimum annual limit.
- 63 Maximum Policy ratio limits must not be exceeded. Conversely, minimum Policy ratio limits must either be met or exceeded.
- 64 The Policy sets the maximum annual limit for the ratio of net debt to equity of 20%. The chart below shows actual limits achieved at the end of each quarter.



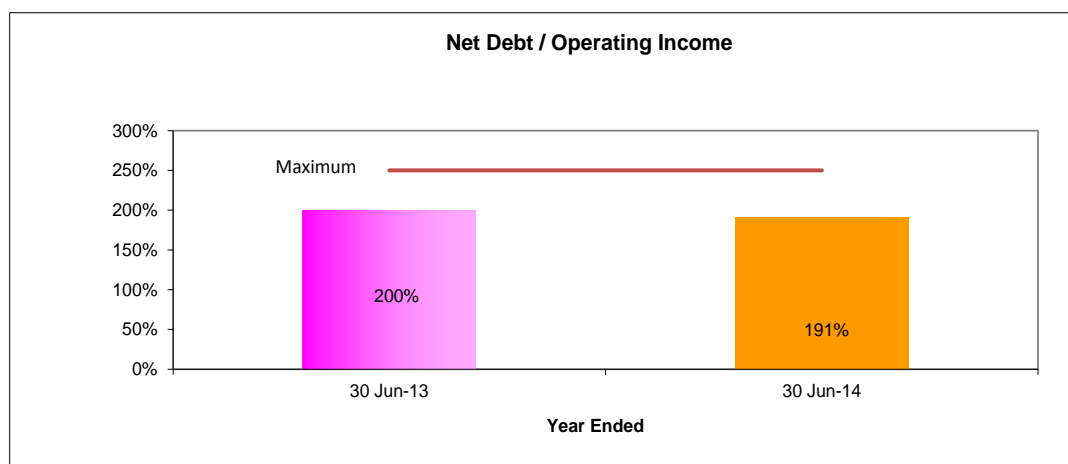
- 65 The maximum annual limit has not been exceeded throughout the year. Net Debt/Equity at 30 June 2014 is 10% when including \$532.75 million for land under roads. However, this rises to 16% when the valuation of land under roads is excluded as equity is reduced accordingly.
- 66 The Policy sets the maximum annual limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The chart below shows actual limits achieved at the end of each quarter.



- 67 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.



- 68 The Policy sets an annual limit of 250% for the ratio of Net Debt to Operating Income. This is a measure of Council's ability to repay its debt from operating income. The chart below shows Council's actual limit achieved in the 2013/14 financial year compared to the 2012/13 financial year.



Publicity Considerations

- 69 A media statement will be released following the Corporate Business Committee on 14 August 2014. The intention of this release is to inform the community of Council's positive unaudited financial performance and position achieved for the year ended 30 June 2014.

Other Considerations

- 70 There are no further financial, legal, consultation or other considerations.

RECOMMENDATIONS

- 71 That the Corporate Business Committee notes the actual financial performance and position for the twelve month period ended 30 June 2014 as contained in this report Corp-14-1275.
- 72 That the Corporate Business Committee notes the cash flows for the period ended 30 June 2014 as contained in this report Corp-14-1275.
- 73 That the Corporate Business Committee notes the actual rates funding surplus for the period ended 30 June 2014 as contained in this report Corp-14-1275.
- 74 That the Corporate Business Committee notes the capital works programme performance, as contained in this report Corp-14-1275.
- 75 That the Corporate Business Committee notes the total rates outstanding (current and arrears) as at 30 June 2014 as contained in this report Corp-14-1275.
- 76 That the Corporate Business Committee notes Council's full compliance against its key Treasury Management Policy Limits as contained in this report Corp-14-1275.

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