

Chairperson and Committee Members
AUDIT AND RISK SUBCOMMITTEE

27 FEBRUARY 2014

Meeting Status: **Public**

Purpose of Report: For Information

STANDARD AND POOR'S CREDIT RATING

PURPOSE OF REPORT

- 1 This report tables the Standard & Poor's Report on Kāpiti Coast District Council's Credit Rating.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 The Council obtains an annual credit rating from Standard & Poor's. As well as providing an internationally recognised assessment of the Council's financial management, the credit rating provides a tangible benefit for the Council. Credit limits are able to be set at higher levels and the margins that the Council is charged for debt are lower than would otherwise be achieved.
- 4 The current report was published on 22 October 2013 and is attached as Appendix 1.

CONSIDERATIONS

Issues

- 5 The key finding of the report was that Kāpiti Coast District Council held steady at a rating of A+ with a stable outlook.

Summary of Findings

- 6 The local government environment in New Zealand provides a strong institutional framework. There are systems of strong management and forward discipline, such as the requirement for long term plans.
- 7 The Council's heavy debt burden, driven by the large capital programme of recent years, moderates the underlying strengths.
- 8 The Council has positive liquidity and has moved to longer term borrowings, unlike some New Zealand councils.
- 9 Looking ahead, debt repayment has the potential to contribute to an improved rating.

Financial Considerations

- 10 Keeping the rating means that Kāpiti Coast District Council will continue to pay margins on both new and rolled over debt at existing levels. Lower ratings, or no rating, would translate to a higher risk profile and accordingly higher margins.

Legal Considerations

- 11 There are no legal considerations.

Delegation

- 12 The Audit & Risk Subcommittee has delegation authority to consider this report under the following delegation in the Governance Structure, Section C.4.

- 6 Without limiting the generality of this delegation of the Subcommittee has the following functions, duties and powers:

External Audit

6.13 receive the external audit reports and review action to be taken by management on significant issues and audit recommendations raised within.

Consultation

- 13 No consultation was required in relation to this report.

Policy Implications

- 14 There are no policy implications.

Tāngata Whenua Considerations

- 15 There are no tāngata whenua considerations.

Publicity Considerations

- 16 There are no publicity considerations.

RECOMMENDATIONS

- 17 That the Audit & Risk Subcommittee notes the content of Standard & Poor's Report on Kāpiti Coast District Council's Credit Rating.

Report prepared by:

Wayne Maxwell
Group Manager Corporate Services

Appendix 1 – Standard & Poor's Credit Rating Analysis