

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

18 FEBRUARY 2016

Meeting Status: **Public**

Purpose of Report: For Information

FINANCIAL REPORT TO 31 DECEMBER 2015

PURPOSE OF REPORT

- 1 This report sets out Kāpiti Coast District Council's (Council's) financial performance and financial position for the six months ended 31 December 2015, with explanations of key results and variances.

DELEGATION

- 2 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.7 – *Financial and Asset Management*
 - 7.5 *Authority to monitor performance of the Council's financial activities, including income, operating and capital expenditure against budgets, remissions, key financial indicators and investment and debt/borrowings management.*

BACKGROUND

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

Part A: Statement of Comprehensive Revenue and Expense

Part B: Statement of Financial Position

Part C: Statement of Cash Flows

Part D: Statement of Rates Funding

Part E: Water Account Statement

Part F: Capital Spending Programme

Part G: Outstanding Rates Debt as at 31 December 2015

Part H: Treasury Management

Changes this quarter include the addition of separate reporting in relation to water rates. Part D has the addition of outstanding water rates; and Part E is the new section reporting water billing.

Part A: Statement of Comprehensive Revenue and Expense

- 4 The Statement of Comprehensive Revenue and Expense covers all of Council's revenue and expenditure. The net position of revenue less expenditure provides the operating surplus or deficit for the reporting period.
- 5 The Statement of Comprehensive Revenue and Expense as at 31 December 2015 and the full year forecast are set out in Table 1, followed by an overview of the key variances to budget.

Table 1	2015/16 YTD Actual \$000	2015/16 YTD Budget \$000	YTD Variance \$000	2015/16 Full Year Forecast \$000	2015/16 Full Year Budget \$000	Full Year Forecast Variance \$000
Revenue						
Rates	26,691	26,995	(304)	53,944	53,989	(45)
Fees and Charges	4,520	4,128	392	7,869	7,558	311
Development and Financial Contributions Revenue	617	527	90	1,364	1,055	309
Grants and Subsidies	862	2,138	(1,276)	3,510	4,277	(767)
Other Operating Revenue	181	130	51	337	261	76
Total Revenue	32,871	33,918	(1,047)	67,023	67,140	(117)
Expenses						
Other Operating Expense	23,320	23,799	479	46,520	46,481	(39)
Depreciation and Amortisation	8,324	8,140	(184)	16,533	16,280	(253)
Expenses	31,644	31,939	295	63,053	62,761	(292)
Interest						
Interest Income	117	108	9	420	216	204
Finance Expense	4,049	4,058	9	8,350	8,116	(234)
Net Interest Costs	3,932	3,950	18	7,930	7,900	(30)
OPERATING SURPLUS/(DEFICIT)	(2,705)	(1,971)	(734)	(3,960)	(3,521)	(439)
Other Gains/Losses						
Unrealised Gain/(Loss) on Revaluation of Financial Derivatives	(686)	(122)	(564)	(686)	(488)	(198)
Other Gains/Losses	(686)	(122)	(564)	(686)	(488)	(198)
NET OPERATING SURPLUS/(DEFICIT) FOR THE QUARTER	(3,391)	(2,093)	(1,298)	(4,646)	(4,009)	(637)
Other Comprehensive Revenue and Expense						
Revaluation of Property Plant and Equipment	-	10,164	(10,164)	20,328	20,328	-
Other Comprehensive Revenue and Expense	-	10,164	(10,164)	20,328	20,328	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	(3,391)	8,071	(11,462)	15,682	16,319	(637)

Financial Performance Summary

Half-Year performance

- 6 Council's year to date operating deficit is \$734,000 unfavourable to budget. This is mainly due to NZTA subsidies being \$1.28 million less than expected due to both temporary timing differences and a subsidy for the 200 metre extension to the Nga Manu link road was budgeted in error.
- 7 Council's unrealised loss of \$686,000 on financial derivatives is due to interest rates falling since 30 June 2015. There is no intention to realise these fair value changes (whether gains or losses). This is recognised for accounting purposes only and does not represent a cash loss.

Forecast Full Year Performance

- 8 Excluding unrealised losses on financial derivatives, Council is forecasting a full year operating deficit to be \$439,000 unfavourable to budget. This is mainly due to the Nga Manu link road issue described above.

Explanation of Key Revenue Variances

9 **Rates**

Brief Description:	Rates include all rates that the Council bills including metered water rates. Rates remissions and rates billed to Council owned properties are excluded.
Year to Date Variance:	\$304,000 unfavourable. Water volumes continue to be lower than expected.
Forecast Full Year Variance:	Expected to be in line with budget at this stage. Please see Part E: Water Account Statement for further information.

10 **Fees and Charges**

Brief Description:	Fees and charges include all non-rates revenue earned by the Council for providing services to the Community. This also includes fines and penalties charged.
Year to Date Variance:	\$392,000 favourable. This is mainly due to additional revenue from building and resource consents.
Forecast Full Year Variance:	\$311,000 favourable to budget mainly due to additional revenue already received from building and resource consents.

11 **Development and/or Financial 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.
Year to Date Variance:	\$90,000 favourable to budget. This is due to increased subdivision activity in Paraparaumu and Waikanae.

Forecast Full Year Variance:	\$309,000 favourable to budget mainly due to increased building and subdivisions in Waikanae and Paraparaumu. The budget provided for 125 new lots or dwellings across the district. Year to date, Council has approved 145 new lots and the revenue is expected to be recognised in the coming months.
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12 Grants and Subsidies

Brief Description:	Includes grants received by the Council for operating and capital spending. The majority of grants revenue is received from New Zealand Transport Agency (NZTA) for their share of our roading maintenance and capital spending programmes.
Year to Date Variance:	\$1.28 million unfavourable to budget due to temporary timing differences as capital project works are mainly undertaken in the summer months and a subsidy budget error (see below).
Forecast Full Year Variance:	\$767,000 unfavourable to budget. This is due to erroneously budgeting for a NZTA subsidy for the planned \$1.5 million road extension (200 metres) between Nga Manu Nature Reserve and the link road running over the expressway through to Nga Manu.

13 Other Operating Revenue

Brief Description:	Includes assets vested to Council, Local Government petrol tax, donations and/or sponsorship, realised gains on asset disposals, unrealised gains or losses on revaluation of forestry assets and exceptional revenue items.
Year to Date Variance:	\$51,000 favourable to budget due to sponsorship monies and receipt of \$96,000 from a long outstanding court order for costs awarded to the Council.
Forecast Full Year Variance:	\$76,000 favourable to budget due to sponsorship monies and receipt of \$96,000 from a long outstanding court order for costs awarded to the Council.

Explanation of Key Expenditure Variances

14 Other Operating Expense

Brief Description:	Includes direct operating costs except for internal rates, finance charges and asset depreciation/amortisation.
Year to Date Variance:	\$479,000 favourable to budget. This is mainly a reflection of lower levels of expenditure at the beginning of the year in areas such as consultants, contractors, legal and maintenance, rather than cost savings that will impact on the full year result.
Full Year Forecast Variance:	Expected to be in line with budget.

15 **Depreciation**

Brief Description:	Includes depreciation costs associated with ownership of the Council's assets
Year to Date Variance:	\$184,000 unfavourable to budget. This is mainly due to: 1. More assets were vested to Council in 2014/15 than expected. 2. Actual useful lives for the Waikanae Water Treatment Plant and the River Re-charge Scheme are less than that used in the budget assumptions.
Full Year Forecast Variance:	\$253,000 unfavourable to budget. This is mainly due to the full year impacts of the two items above.

Explanation of Key Interest Variances16 **Interest Income**

Brief Description:	Interest income represents the Council's earnings on its term deposits, overnight cash deposits and Borrower Notes held by the Local Government Funding Agency.
Year to Date Variance:	In line with budget.
Full Year Forecast Variance:	\$204,000 favourable to budget. This is due to expected earnings from pre-funding \$20 million during November and December 2015 to take advantage of favourable interest rates. See part H: Treasury Management, for further information.

17 **Interest Expense**

Brief Description:	Council's debt servicing cost on its total borrowings, including interest rate swap margins and call facility utilisation.
Year to Date Variance:	In line with budget.
Full Year Forecast Variance:	\$234,000 unfavourable to budget. This is due to the prefunding of \$20 million during November and December 2015 and is offset by interest income (as per above).

Explanation of Key Other Gains / (Losses) Variances18 **Unrealised Loss on Revaluation of Derivatives**

Brief Description:	1. Council recognises its interest rate swaps at fair value on a monthly basis. 2. The change in fair value between 30 June 2015 and the end of the reporting period is treated as either an unrealised gain (fair value has decreased) or an unrealised loss (fair value has increased).
Year to Date Variance:	\$564,000 unfavourable to budget because the majority of Council's committed fixed swap rates are higher than fixed swap rates currently available on the open market. Please see Part H: Treasury Management, for further information.
Full Year Forecast Variance:	Given the uncertainty of the financial markets, the full year forecast is aligned to the actual year to date fair value movement.

Explanation of Other Comprehensive Revenue and Expense Variances**19 Revaluation of Property, Plant and Equipment**

Brief Description:	Council records its significant assets at fair value. Amongst other aspects, fair value also considers asset obsolescence and impairment. To ensure fair value is best achieved, Council transitioned to an annual asset revaluation programme on a rolling basis as follows: <ol style="list-style-type: none"> 1. Three Waters Assets (Water, Wastewater, Stormwater, flood protection) every two years starting 31 December 2015; 2. Roading (including land under roads), every two years starting 31 December 2016; and 3. Land and Buildings (including Parks and Open Spaces), every three years, starting 31 December 2016.
Year to Date Variance:	\$10.16 million unfavourable to budget. This is a timing difference as the budget has been incorrectly spread over the year.
Full Year Forecast Variance:	Work on the revaluation of Council's three waters assets has commenced. At this stage the forecast has been set at the budget but may be subject to change as work continues.

Part B: Statement of Financial Position

- 20 The Statement of Financial Position as at 31 December 2015 and the full year forecast are set out in Table 2, followed by an overview of the key variances to budget.

Table 2	2015/16 YTD Actual \$000	2015/16 Year End Forecast \$000	2015/16 Year End Budget \$000	2015/16 Year End Variance \$000
Assets				
Cash and Cash Equivalents	61	200	200	-
Trade and Other Receivables	4,059	6,617	6,617	-
Inventories	88	142	142	-
Non-Current Assets Held for Sale	-	-	-	-
Property Plant and Equipment	1,438,511	1,471,306	1,470,772	534
Forestry Assets	218	218	77	141
Intangible Assets	731	923	923	-
Other Financial Assets	22,536	12,278	2,278	10,000
Loans	580	756	756	-
TOTAL ASSETS	1,466,784	1,492,440	1,481,765	10,675
Liabilities				
Trade and Other Payables	5,322	15,661	15,661	-
Employee Benefit Liabilities	2,110	2,478	2,478	-
Deposits	731	900	900	-
Borrowings	162,039	158,848	148,848	(10,000)
Provisions	4,924	4,133	4,133	-
Derivative Financial Instruments	9,832	9,832	6,455	(3,377)
TOTAL LIABILITIES	184,958	191,852	178,475	(13,377)
Public Equity				
Accumulated Funds	570,257	568,181	570,883	(2,702)
Reserves and Special Funds	2,962	3,389	3,389	-
Revaluation Reserve	708,607	729,018	729,018	-
TOTAL EQUITY	1,281,826	1,300,588	1,303,290	(2,702)
TOTAL LIABILITIES AND EQUITY	1,466,784	1,492,440	1,481,765	(10,675)

Overall Summary

Year to date

- 21 Council's only material changes to its financial position for the six months ended 31 December 2015 were in respect to financial investments and borrowings.
- 22 New debt of \$20 million was issued during November and December 2015 to secure lower borrowing costs. \$10 million of new debt was issued to prefund \$10 million of debt maturing in December 2016 and a further \$10 million of new debt was issued to prefund Council's 2015/16 Capital Works Programme. All pre-funding was invested on fixed term deposits at the most favourable rate of return.

Full Year Forecast

- 23 Council's assets are forecast to be \$10.68 million favourable to budget. This is due to the following:
- Pre-funding of \$10 million of debt maturing in December 2016.
 - More assets were vested to the Council in 2014/15 than expected.
 - In 2013/14, eight hectares of pine trees on the Otaihanga landfill were believed to be located within the expressway designation and were sold to NZTA. However, these trees actually fell outside of the expressway designation and were returned to Council in 2014/15. This was not included in the 2015/16 budget.
- 24 Council's liabilities are expected to be \$13.38 million unfavourable to budget. This is mainly due to the following reasons:
- Pre-funding of \$10 million of debt maturing in December 2016
 - The fair value of Council's committed derivative financial instruments is estimated to be \$3.38 million unfavourable to budget due to low interest rates. Please see Part H: Treasury Management for further information.
- 25 Total equity is forecast to be \$2.7 million unfavourable to budget. This is mainly due to the impact of low interest rates leading to unrealised losses on Council's derivative financial instruments.

Part C: Statement of Cash Flows

- 26 The Statement of Cash Flows for the six months ended 31 December 2015 and the full year forecast are set out in Table 3, followed by an overview of the key variances to budget.

Table 3	2015/16 YTD Actual \$000	2015/16 Full Year Forecast \$000	2015/16 Full Year Budget \$000	2015/16 Full Year Variance \$000
<i>Cash was provided from:</i>				
Kapiti Coast District Council Rates	28,321	45,976	45,976	-
Greater Wellington Regional Council Rates	4,878	-	-	-
Grants and Subsidies - Operating	642	2,862	2,862	-
Interest Received	44	216	216	-
Charges and Fees	4,506	16,637	16,637	-
GST (net)	1,091	299	299	-
	39,482	65,990	65,990	-
<i>Cash was applied to:</i>				
Payments to Employees and Suppliers	28,548	45,377	45,377	-
Rates Paid to Greater Wellington Regional Council	4,878	-	-	-
	33,426	45,377	45,377	-
Net Cash Flows from Operating Activities	6,056	20,613	20,613	-
Cash Flows from Investing Activities				
<i>Cash was provided from:</i>				
Proceeds from Sale of Property, Plant and Equipment	266	-	-	-
Proceeds from capital grants	220	648	1,415	(767)
	486	648	1,415	(767)
<i>Cash was applied to:</i>				
Construction and Purchase of Property, Plant and Equipment	5,613	22,427	22,427	-
Purchase of Investments	20,340	10,287	287	(10,000)
	25,953	32,714	22,714	(10,000)
Net Cash Flows from Investing Activities	(25,467)	(32,066)	(21,299)	(10,767)
Cash Flows from Financing Activities				
<i>Cash was provided from:</i>				
Short-term borrowings	25,800	-	-	-
Long-term borrowings	19,974	38,832	8,832	30,000
	45,774	38,832	8,832	30,000
<i>Cash was applied to:</i>				
Interest on Borrowings	3,942	8,164	8,164	-
Short-term borrowings	23,800	-	-	-
Long-term borrowings	-	20,064	-	(20,064)
	27,742	28,228	8,164	20,064
Net Cash Flows from Financing Activities	18,032	10,604	668	9,936
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,379)	(849)	(18)	(831)
Add Total Cash and Cash Equivalents at 1 July	1,440	218	218	-
TOTAL CASH AND CASH EQUIVALENTS	61	(631)	200	(831)

Overall Summary

- 27 During the second quarter of the year, Council took advantage of the current favourable interest rates and issued \$20 million of new long term debt. These funds were invested on term deposit.

28 **Cash Flow from Operating Activities**

Brief Description:	Net cash flow generated from total operating revenue less total operating expenditure.
Year to Date:	The half year realised a net cash inflow of \$6.01 million. This was mainly due to the receipt of rates income for half of the year offset by lower than expected levels of operating expenditure during the same period.
Full Year Forecast:	Expected to be in line with budget at this stage.

29 **Cash Flows from Investing Activities**

Brief Description:	Net cash flow generated from the sale and purchase of Council assets.
Year to Date:	The half year realised a net cash outflow of \$25.47 million on assets mainly due to: <ol style="list-style-type: none"> 1. The investment of \$20 million on fixed term deposit. The funds invested were obtained from new debt issued during the second quarter. 2. NZTA subsidies of \$220,000 were received. 3. Council spent \$5.6 million on capital projects
Full Year Forecast:	\$10.77 million unfavourable to budget. This is due to: <ol style="list-style-type: none"> 1. New debt of \$10 million issued in November 2015 to pre-fund \$10 million of debt maturing in December 2016. 2. Reduced Grants and subsidies of \$0.77 million from NZTA.

30 **Cash Flows from Financing Activities**

Brief Description:	Net cash flow from borrowings.
Year to Date:	The half year realised a net cash inflow of \$18.03 million. This is mainly due to: <ol style="list-style-type: none"> 1. New debt of \$20 million issued during the second quarter. Please see Part H: Treasury Management for further information. 2. Interest paid on borrowings of \$3.94 million
Full Year Forecast:	\$9.94 million favourable to budget. This is mainly due to new debt of \$10 million issued in November 2015 to pre-fund debt maturing in December 2016.

General Note

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

Part D: Statement of Rates Funding

- 32 The rates surplus/(deficit) is different to the net operating surplus/(deficit) per the Statement of Comprehensive Revenue and Expense as shown on page 2, due to the following:
- Net operating surplus/(deficit) covers all of Council's operating revenue and expense from all funding sources, including vested assets and unrealised gains/(losses) on revaluation of financial derivatives.
 - The rates surplus/(deficit) only covers Council's revenue and expense that is rates funded.
- 33 Table 4 below details the actual rates funding deficit for the quarter ended 31 December 2015, and the forecast for the full year.

Table 4 Rates Revenue Requirement	Dec YTD Actual \$000's	FY Forecast \$000's
Net Operating Surplus/(Deficit)	(3,391)	(4,780)
Adjusted by income and expenditure variances not funded by rates:		
Add:		
Fair value movement in interest rate swaps	564	198
Reduced Capital Funding and vesting of assets	1,203	619
Movement in net expenditure funded by reserves	113	-
Underlying net surplus/(deficit)	(1,511)	(3,962)
Less: budgeted net surplus/(Deficit)	(2,213)	(4,010)
Variance	702	48

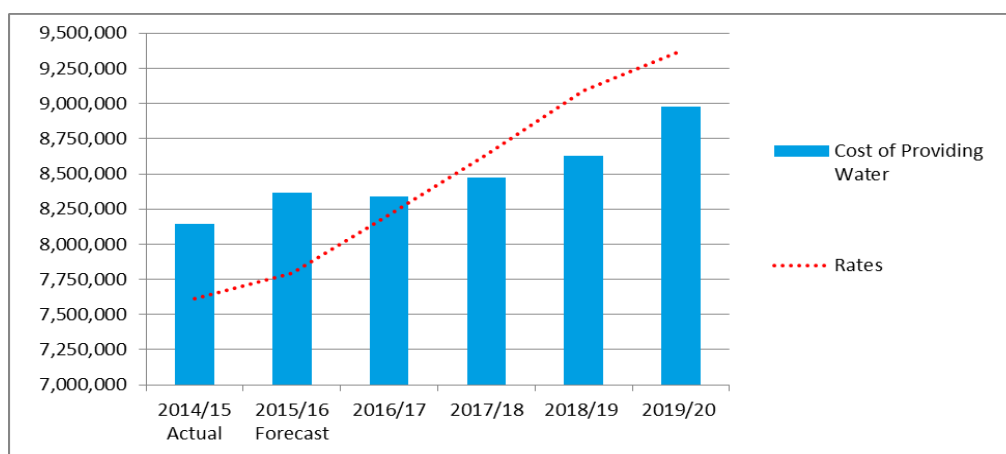
- 34 The year to date rates surplus/deficit is \$702,000 favourable to budget. This largely reflects lower levels of expenditure at the beginning of the year rather than cost savings that will impact on the full year result.
- 35 The rates surplus/deficit is forecast to be marginally favourable to 30 June 2016 budget.

Part E: Water Account Statement

- 36 A water account is a mechanism that captures the total cost of providing potable water. This includes reticulation and treatment. Ideally the total cost of providing potable water is fully recovered by fixed and metered water rates each year. The water account is a closed account. This means that any surpluses will be held within the account to fund future costs of providing water. Conversely any deficits will need to be recovered from future water charges.
- 37 Water usage is expected take a number of years to normalise as Districtwide water meter charging for all residential properties commenced from July 2014. Therefore, we need to carefully monitor usage trends to best determine what charges are necessary to fully recover Council's costs of providing a treated water supply.
- 38 The Water Account is currently in deficit. We plan to gradually increase our water rates over the next five years, to a level that makes sure that we are able to recover the full cost of providing this service across the district.
- 39 This gradual increase has been planned to smooth the rate of change for the community within an acceptable time frame.
- 40 The table below outlines the current water account position. It outlines that from 2014/15 to 2016/17 Council will not recover the full cost of providing water. From 2017/18 to 2019/20 however the surpluses will ensure that the full cost of water is recovered from water rates.

	2014/15 Actual	2015/16 Forecast	2016/17 - AP	2017/18	2018/19	2019/20
Total water rates (\$000)	7,615	7,826	8,212	8,638	9,092	9,375
Total cost of water proposed (\$000)	(8,143)	(8,232)	(8,337)	(8,475)	(8,630)	(8,980)
Annual Surplus/(Deficit)	(528)	(406)	(125)	163	462	395
Cumulative surplus/(Deficit)	(528)	(934)	(1,058)	(896)	(434)	(39)

- 41 We are forecasting to use less water in 2015/16 than planned. This is due to water volumes continuing to be lower than expected. The Long-Term Plan assumed a total usage of 4.33 million cubic metres and 24,585 water connections for 2015/16. Current trends suggest that we may only consume 4.06 million cubic metres. This lower usage is partially offset by more actual fixed connections.



Part F: Capital Spending Programme

42 Table 5 provides a summary of the 2015/16 capital expenditure programme.

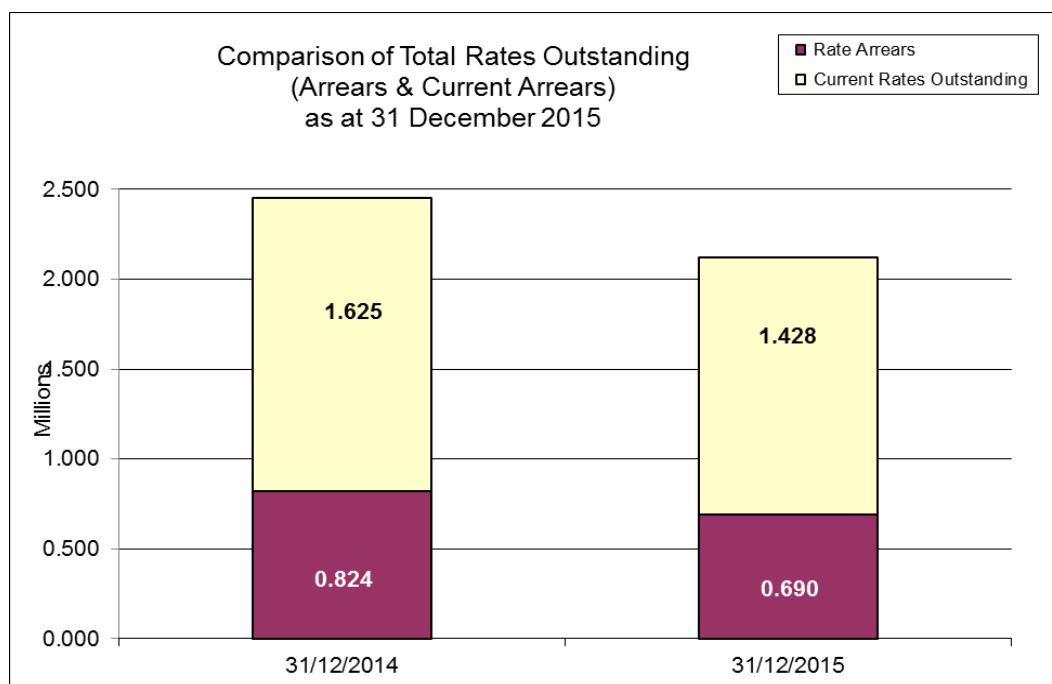
Table 5	December YTD Actual 2015/16 (\$'000)	YTD Budget 2015/16 (\$'000)	Full Year Budget 2015/16 (\$'000)
Ōtaki Building Renewals/Roof	14	0	340
Te Atiawa Park	66	0	975
Strategic Land Purchase	35	920	1,841
Youth Hub	0	125	250
Materials Additions	311	250	450
CWB Capital UCF	66	300	600
NZTA Sealed Road Resurfacing	66	499	999
NZTA Traffic Services Renewals	83	182	364
CWB New Capital	50	363	725
NZTA Minor Improvements	120	175	350
Local Area Connectors	127	0	663
Major Community Connector Upgrades	100	0	1,535
Landfill Closure	97	193	500
Town Centre Major Connectors	161	466	1,328
Waikakariki Gravel Extraction	39	200	400
Coastal Protection Paekākāriki	33	141	282
Tilley Road	37	285	570
Paraparaumu/Raumati Network Pipe Renewal	191	160	270
Paraparaumu/Raumati Reticulation Renewals Planned	19	125	250
Paraparaumu North WW Network Reconfig	12	30	300
Waikanae Duplicate Rising Main - Advanced	116	25	250
WW Treatment PLT Dissolved Air Floatation	35	350	700
Waikanae RRWG Bore Upgrade	58	80	250
Otaki Beach Swps	720	1,800	3,601
Otaki WWTP Consent Upgrades	12	0	300
Plant Purchase & Renewal A/C	75	225	450
Projects less than \$250k	1,748	2,968	7,177
TOTAL Capital Expenditure	4,391	9,862	25,718

43 Please refer to the CBC Activity Report – 1 Oct to 31 Dec (SP-16-1809) for more detailed information.

Part G: Outstanding Rates Debt as at 31 December 2015

Property Rates Outstanding (Excluding Water Rates)

- 44 \$2.12 million of property rates are outstanding as at 31 December 2015 (\$2.45 million: 31 December 2014).
- 45 Rate payments received are first applied to rate arrears. The chart below reflects a reduction in the overall rates debt as at 31 December 2015 compared to 31 December 2014.

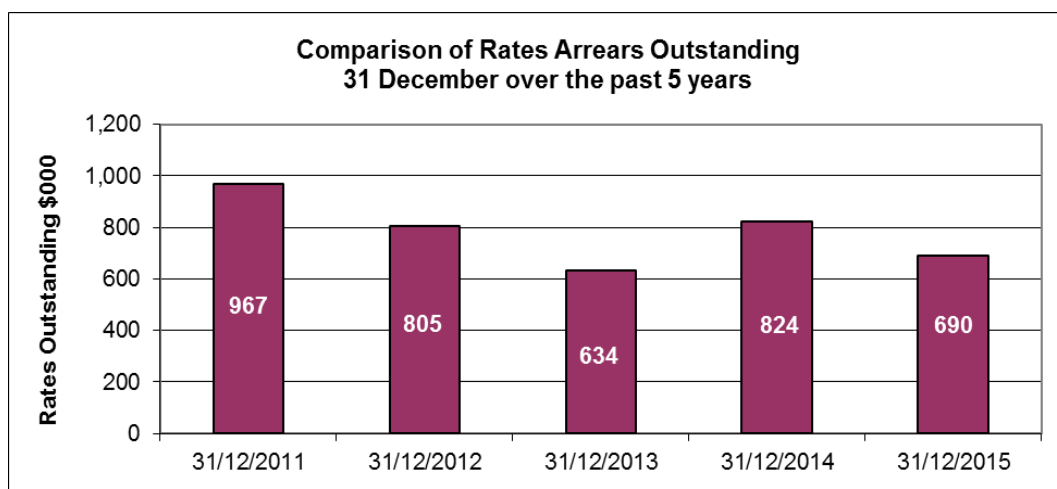


- 46 Council collects current year rates on behalf of the Greater Wellington Regional Council. \$1.43 million of current rates outstanding as at 31 December 2015 is split as follows:

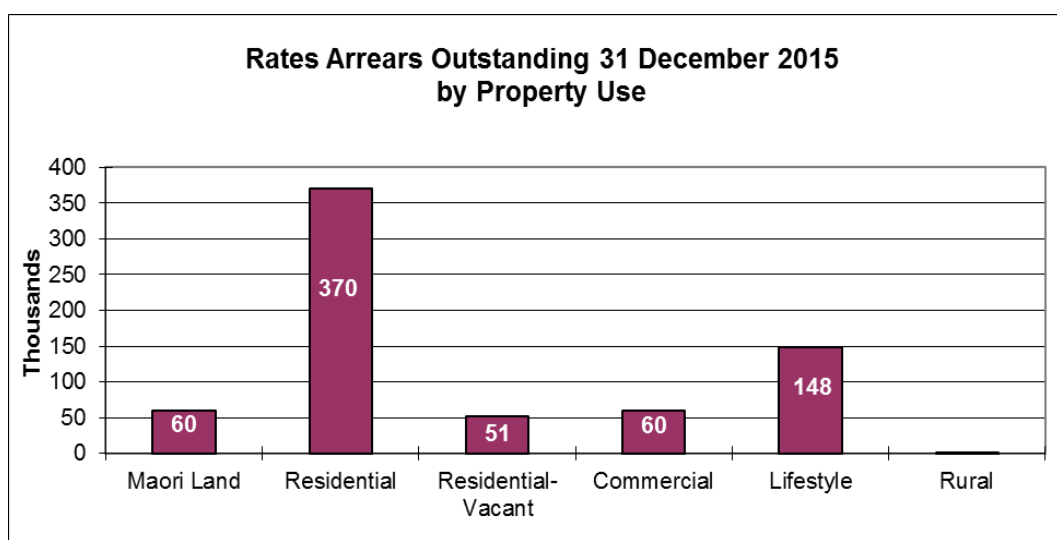
	\$000	\$000
Kāpiti Coast District Council rates	977	
Kāpiti Coast District Council penalties	242	
Total Kāpiti Coast District Council outstanding rates	1,219	1,219
Greater Wellington Regional Council rates	167	
Greater Wellington Regional Council penalties	42	
Total Greater Wellington Regional Council outstanding rates	209	209
Total 2015/16 rates outstanding as at 31 December 2015	1,428	1,428

- 47 Council's rates collection process involves follow up with outstanding debtors and payment arrangements to ensure debts are settled over a reasonable time period.

- 48 The graph below shows a comparison of the rates arrears outstanding as at 31 December 2015 and for the previous 4 years.



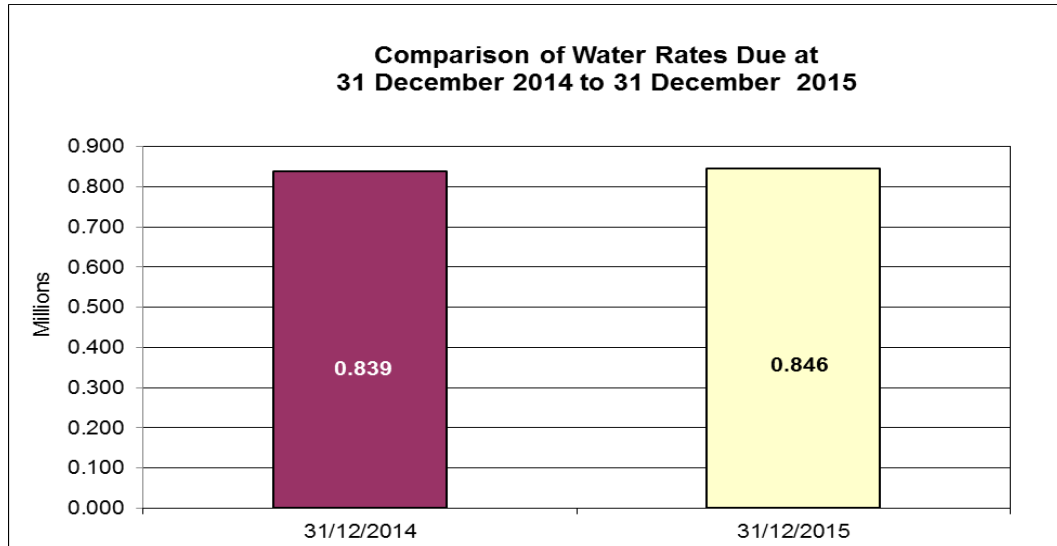
- 49 The graph below details the total rates arrears of \$690,000 by Property Use Category. The majority of the total rates arrears are from residential properties.



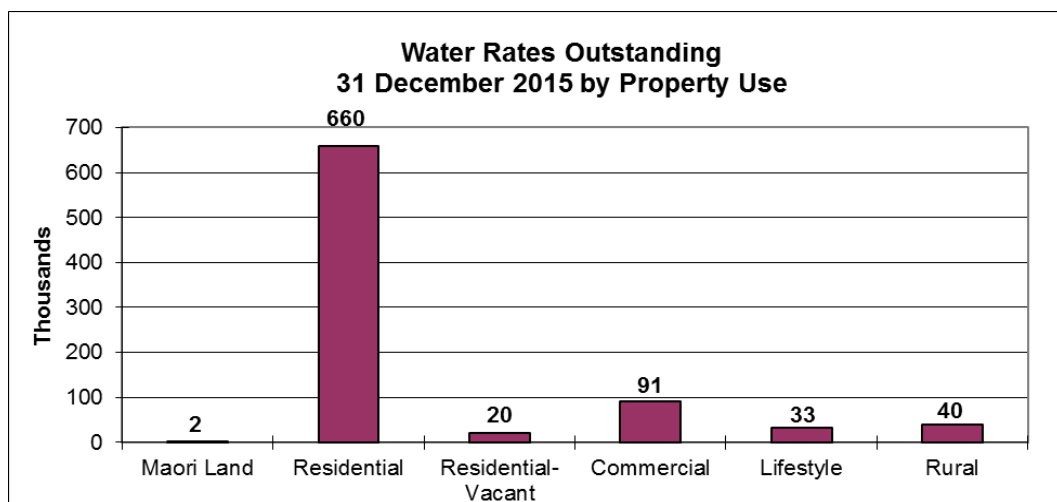
- 50 The rates arrears from Māori Freehold Land include mainly rate arrears owed to Greater Wellington Regional Council. Their policy is to remit such rates that are six years old.

Water Rates Outstanding

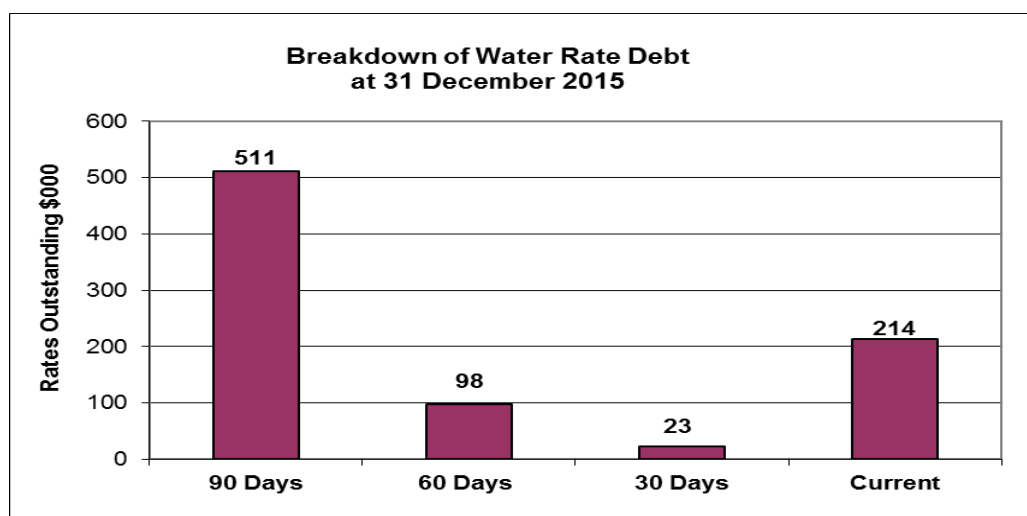
- 51 A total of \$846,000 of water rates (both current and arrears) is outstanding as at 31 December 2015.
- 52 Water rate payments received are first applied to water rate arrears. The chart below reflects a slight increase in the overall water rates debt as at 31 December 2015 compared to 31 December 2014. The current rate of collection is tracking at 81 per cent.



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



- 54 The graph below details the ageing of the total water rates outstanding. \$511,000 or 60% of the Council's outstanding water rates are older than 90 days.



- 55 Table 7 below details the total rate remissions (including Central Government Rates Rebates) granted for the six months ended 31 December 2015. A forecast for the year ended 30 June 2016 is also provided.

Table 7	Dec YTD Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
Community properties (Council and Private ownership), sporting, recreational and other community organisations	18	18	87	(35)
Residential rating units containing two separately habitable units	61	104		
Financial Hardship	-	125	125	-
One off expenditure relating to the repairs to water leaks, serious health issue or essential housing maintenance	1	25	25	-
High water consumption for larger families	1	50	50	-
Total Council Rates Remissions	81	322	287	(35)
Central Government Rebates	953	1,719	N/A	N/A

- 56 The number of applications received for rate remissions for residential rating units containing two separately habitable units tends to vary year on year.
- 57 Central Government rate rebates of \$0.95 million were granted for the six months ended 31 December 2015. Council provides the approved rates remission (up to \$610 per rateable property) to the successful applicants and recovers the costs directly from the Department of Internal Affairs.

Part H: Treasury Management

Summary

- 58 The Council issued a further \$10 million of new long term debt during December 2015 to pre-fund the Council's 2015/16 capital expenditure requirements. This was done to the benefit of securing higher deposit rates and lower interest costs amidst negative market indicators for both.
- 59 As expected, the Reserve Bank of New Zealand (RBNZ) delivered a fourth cut of 25 basis points (bps) to the Official Cash Rate (OCR) in December 2015, bringing it down to 2.50%.
- 60 Council's weighted average cost of funds has improved slowly as the Council takes advantage of lower interest rates. The weighted average costs of funds for the six months ended 31 December 2015 was 5.48% compared to the budget of 5.80%.
- 61 Council is compliant with all of its Treasury Policy limits, including its debt maturity and hedging limits.

Net Debt

- 62 Net debt is the measure of Council's total borrowings less cash on hand and cash investments (including Local Government Funding Agency (LGFA) Borrower Notes). Net debt is used to calculate three of Council's four Treasury Policy Limits.
- 63 Table 8 below shows the Council's actual net debt for the six months ended 31 December 2015 and the forecast net debt as at 30 June 2016.

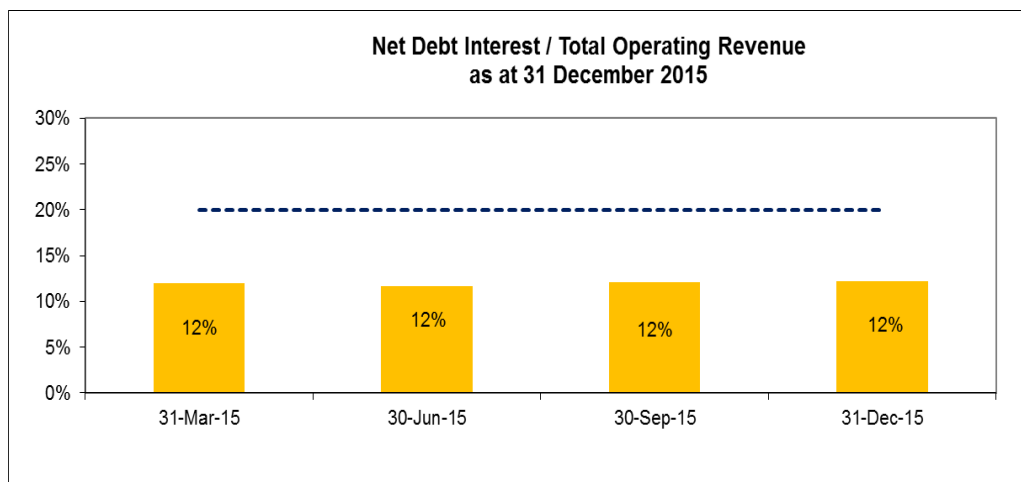
Table 8	Dec YTD	Full Year	Full Year	Full Year
	Actual	Forecast	Budget	Variance
	\$000's	\$000's	\$000's	\$000's
External debt	162,039	158,848	148,848	(10,000)
/less borrower notes	(2,400)	(2,400)	(2,080)	320
/less cash investments	(20,061)	(10,200)	(200)	10,000
Net debt	139,578	146,248	146,568	320

- 64 Council's net debt at 30 June 2016 is forecast to be \$320,000 favourable to full year budget.

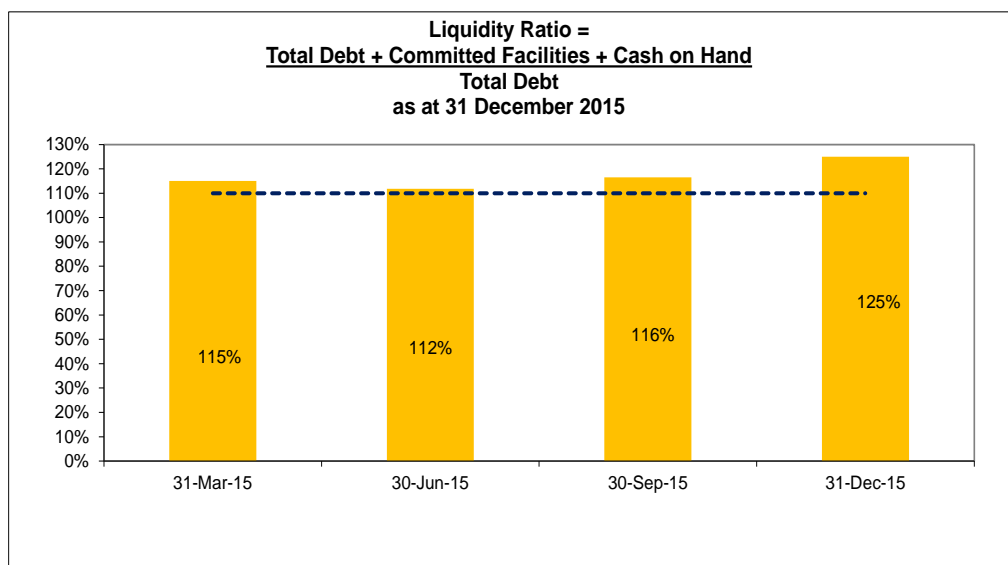
Treasury Policy Limits

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

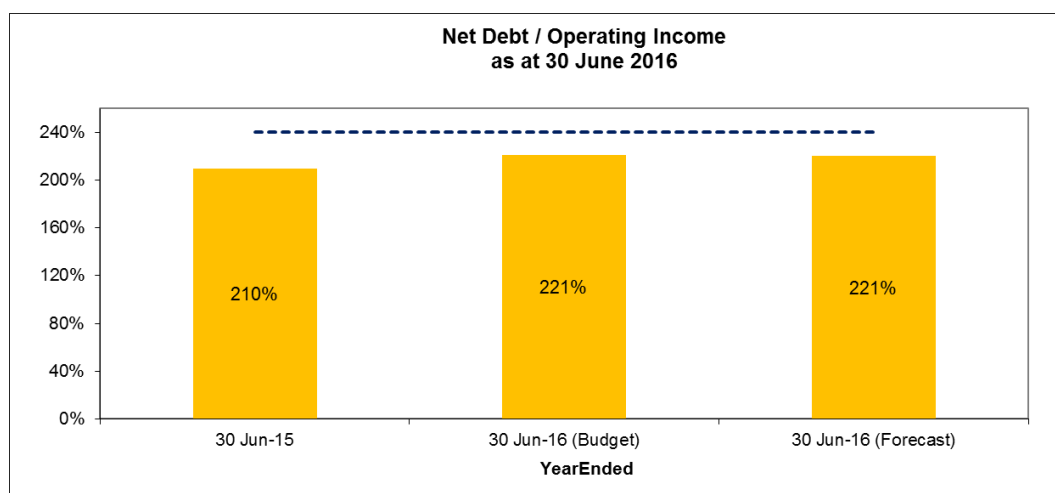
66 The Policy sets the maximum limit for the ratio of Net Debt Interest Expense to Total Operating Revenue of 20%. The chart below shows actual limits achieved for each quarter.



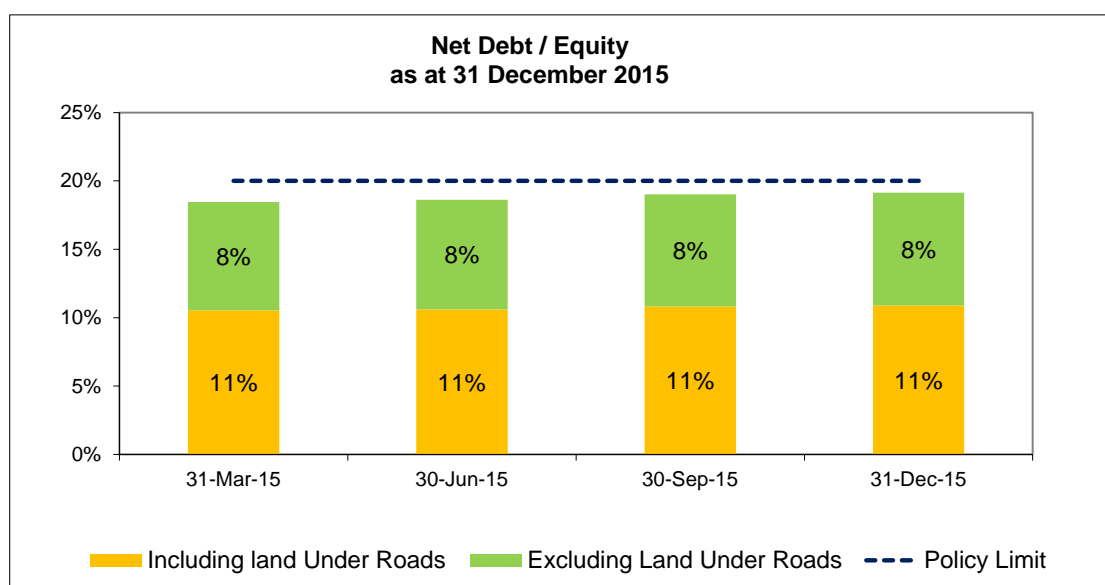
67 The Policy sets the minimum limit for the Liquidity Ratio of 110%. This is a measure of Council's available financial facilities compared to its current debt levels. The chart below shows actual limits achieved for each quarter.



- 68 The Policy sets the maximum limit for Net Debt to Operating Income of 240%. This is a measure of Council’s ability to repay its debt from the operating income it receives during a given financial year. The chart below shows the forecast limit at year end.



- 69 The Policy sets the maximum limit for net debt to equity of 20%. The chart below shows actual limits achieved for each quarter.



- 70 The chart above shows the uplift to the treasury ratio when excluding land under roads.

CONSIDERATIONS

Financial Consideration

- 71 The financial information as detailed in Parts A to H of this report (Corp-16-1794) is unaudited. Best endeavours have been made by all Council Officers to ensure the accuracy, completeness and robustness of the financial information contained herein as at the time of issuance of this report.

Legal Considerations

- 72 There are no legal considerations.

Consultation

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

Policy Implications

74 There are no policy implications.

Tāngata Whenua

75 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

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

Publicity Considerations

77 There are no publicity considerations at this stage.

RECOMMENDATIONS

78 That the Corporate Business Committee notes the actual financial performance and position of Council for the six months ended 31 December 2015 as contained in this report (Corp-16-1794).

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