Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

16 FEBRUARY 2012

Meeting Status: **Public**

Purpose of Report: For Decision

FINANCIAL REPORTS TO 31 DECEMBER 2011

PURPOSE OF REPORT

1 This report sets out Council's financial results and financial position at 31 December 2011. 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 2011 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 six 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 2011**
- **Part G: Statement of Performance Against Treasury Policy Limits**

Full explanations are provided under each part.

Part A: Statement of Comprehensive Income (Financial Performance)

5 The Statement of Comprehensive Income covers all of Council's revenue and expenditure from all funding sources not just rates funding. The net position of revenue less expenditure provides the operating surplus or deficit. In addition to the operating revenue, there are other comprehensive income items such as the revaluation increase on the value of Council's infrastructural assets resulting from the 3 yearly revaluation which took place as at 30 June 2011. Table 1 below summarises Council's Statement of Comprehensive Income as at 31 December 2011. Explanations of key components and variances follow.

Table 1: Statement of Comprehensive Income

2010/11 Actual $000		31/12/2011 Actual $000	2011/12 Budget $000
42,504	Total Rates	23,081	44,987
9,496	Other Revenue	5,721	12,102
2,379	NZTA Operating Funding	1,261	2,739
736	NZTA Expressway Project	270	-
3	NZTA Capital Funding	-	-
55,118	**TOTAL OPERATING REVENUE**	**30,333**	**59,828**
36,029	Operating Costs	19,457	37,727
736	NZTA Expressway Project	270	
265	Loss on Disposal	-	-
-	Impaired Asset	-	-
4,473	Finance Costs	2,656	7,721
1,252	Gain/(loss) on Revaluation of Financial Instruments	-	-
12,036	Depreciation/Amortisation	5,857	12,805
54,791	**TOTAL OPERATING EXPENDITURE**	**28,239**	**58,253**
327	**NET SURPLUS**	**2,094**	**1,575**
	Other Comprehensive Income		
59,147	Revaluation – Fair Value Movement on Property, Plant, and Equipment	-	-
59,474	**TOTAL COMPREHENSIVE INCOME**	**2,094**	**1,575**

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
  - Operating Funding
  - Capital Projects Funding

Rates Revenue

7 The rates budget is the total Council rates levied of $45.446 million less Council's rates on its own properties of $459,000 to give a net rates budget of $44.987 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 components of Other Revenue are fees and charges, financial contributions/development contributions and vested assets, the high level overview is explained below.

<u>Fees and Charges</u>

10 Overall fees and charges are ahead of budget for the first six months due to the timing of some annual charges such as dog registration and health licences which are levied in the first six months. However, there are some variances which require further explanation which are provided in Part D.

<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 policies. 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 LTCCP. These are lower than budget for the first six months reflecting the lower level of subdivision activity. Subdivision activity and revenue implications will continue to be monitored.

<u>Vested Assets:</u>

12 These are the roading, water, wastewater and stormwater assets that are vested in Council at the time of subdivision amounting to $438,000 for the first six months. These are non-cash assets but the value of these vested assets needs to be recognised as revenue in the Statement of Comprehensive Income.

Explanation of Operating Expenditure

13 Total Operating Expenditure consists of operating costs, depreciation and finance costs. Overall Operating Expenditure is below the budget for the first six months. Variances in operating costs and finance costs are summarised briefly below. Further detail on variances in Operating Costs are provided in Part D and explanation of the capital works programme affecting finance costs are provided in Part E. The operating expenditure against the annual budget for all of the Council's sixteen activities is shown in Part D with relevant explanations on trends and variance.

Operating Costs

14 The operating costs both direct and indirect are marginally above the budget for the first six months. This is mainly due to slightly higher operating costs as at 31 December 2011 for Economic Development, Solid Waste and Libraries, Arts and Museums. These are explained under Part D.

Finance Costs

15 Council's finance costs or debt servicing costs are below budget for the first six months. This reflects the lower level of capital expenditure in the first six months and also the lower average interest rates achieved for existing debt through the management of Council's interest rate swaps. The analysis of the Capital 2011/12 programme is set out in summary form in Part E.

Operating Net Surplus

16 Even though the total operating revenue is above the budgeted revenue for the first six months, the operating expenditure is lower (by a greater margin) than the budget for the same period, resulting in an operating surplus of $2.094 million as at 31 December 2011. The operating surplus is likely to be at similar levels as at year end because even though there are additional expenditure requirements and revenue shortfalls projected for building consents these are offset by the projected savings in debt servicing costs and other expenditure savings.

17 The operating surplus relates predominantly to development contributions which must be shown as operating revenue but can only be used for capital purposes and vested assets (non cash revenue). This is not the rates surplus which will be much smaller. The latter is discussed in Part C Statement of Rates Position.

Revaluation of Assets Movement

18 This adjustment occurs every three years with the revaluation of all of Council's assets. This occurred last as at 30 June 2011.

Part B: Statement of Financial Position as at 31 December 2011

19 The Statement of Financial Position as at 31 December 2011 is set out below, followed by an overview of the key components.

2010/11 Actual $000		31/12/2011 Actual $000	2011/12 Budget $000
	Current Assets		
313	Cash & Cash Equivalents	81	9,922
5,086	Trade and Other Receivables	4,481	5,300
137	Inventories	131	240
48	Derivative Financial Instruments	48	-
-	Other Financial Assets	-	-
5,584	**Total Current Assets**	**4,741**	**15,462**
	Non-Current Assets		
822,528	Property, Plant and Equipment	828,382	845,432
467	Forestry Assets	467	350
454	Intangible Assets	382	350
228	Derivative Financial Instruments	228	400
66	Other Financial Assets	66	100
280	Trade and Other Receivables	280	-
824,023	**Total Non-Current Assets**	**829,805**	**846,632**
829,607	**TOTAL ASSETS**	**834,546**	**862,094**
	Liabilities & Public Equity		
	Current Liabilities		
12,849	Trade and Other Payables	6,459	10,400
889	Derivative Financial Instruments	889	-
1,467	Employee Benefit Liabilities	1,221	1,500
1,083	Deposits	1,040	1,100
	Overdraft	750	
35,909	Public Debt	45,772	12,011
4,802	Development Contributions	3,713	682
56,999	**Total Current Liabilities**	**59,844**	**25,693**
	Non-Current Liabilities		
30,638	Public Debt	30,638	108,094
3,830	Derivative Financial Instruments	3,830	-
336	Employee Benefit Liabilities	336	445
38	Provisions	38	38
34,842	**Total Non-Current Liabilities**	**34,842**	**108,577**
91,841	**TOTAL LIABILITIES**	**94,686**	**134,270**
576,366	Retained Earnings	579,083	580,733
159,338	Revaluation Reserve	159,338	143,491
2,062	Reserves & Special Funds	1,439	3,600
737,766	**TOTAL PUBLIC EQUITY**	**739,860**	**727,824**
829,607	**TOTAL LIABILITIES & PUBLIC EQUITY**	**834,546**	**862,094**

20 The budgets for the 2011/12 year are the budgets for the end-of-year position i.e. as at 30 June 2012 (the last day of the financial year). These budgets were established as part of the 2011/12 Annual Plan process and set before the end of the 2010/11 financial year (as at 30 June 2011). The budgets were set fifteen months in advance projecting the Council's financial position as at 30 June 2012. It is more realistic to compare Council's financial position as at 31 December 2011 with the position as at 30 June 2011, as it reflects six months of financial activity since 30 June 2011.

Current Assets

21 The lower level of current assets since 30 June 2011 reflects the decrease in cash and investment as at 31 December 2011 compared to 30 June 2011. The decrease in cash and investments reflects that Council has not borrowed for this year's capital expenditure as yet. This is being covered by working capital to date but Council will need to raise loan funds shortly to match the capex programme.

Non-Current Assets

22 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 2011 compared to 30 June 2011 reflects six months of capital expenditure less depreciation of Council's Assets.

Current Liabilities

23 The higher level of current liabilities since 30 June 2011 reflects the higher level of short term public debt as at 31 December 2011. Since 30 June 2011 $10 million of debt has been raised to fund the capital expenditure incurred up until 30 June 2011 but paid out in July 2011. The Council is currently holding a higher level of short term debt instruments (rather than long term debt instruments) while it is waiting to join the Local Government Funding Agency as a shareholder in July 2011.

Non Current Liabilities

24 There has been no change since 30 June 2011 for the long term debt. The other items have not been updated since 30 June 2011 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

25 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

26 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 next year.

27 The overall rates position to 31 December 2011 and the forecast position to year end are detailed in the following table. Note: this is the minimum level of forecast because of the timing of capital expenditure. The Council’s rates position is also illustrated in Figures 7 and 8.

Table 3: Overall rates position to 31 December 2011 and the forecast position to year end

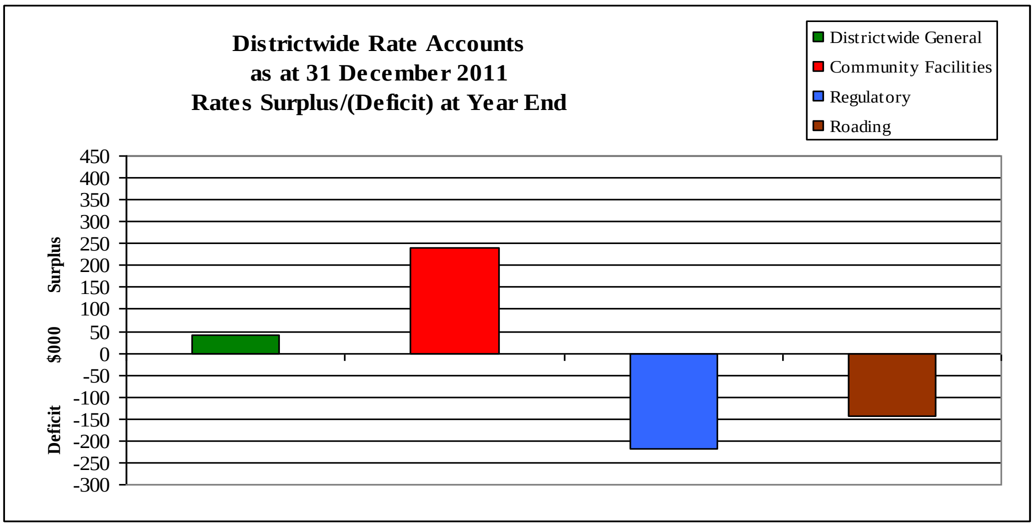
	Net Rate Requirement Actual to 31 December 2011 $000	Net Rate Requirement 2010/11 Annual Budget $000	Actual/ Annual Budget %	Net Rate Requirement Financial Projections to 30 June 2012 $000	End of Year Forecast Rates Surplus/ (Deficit) $000
Districtwide					
Districtwide General[1]	4,209	9,210	46	9,167	43
Community Facilities[2]	4,534	9,949	46	9,708	241
Regulatory[3]	1,335	3,805	35	4,025	(220)
Roading[4]	2,692	5,335	50	5,480	(145)
Total Districtwide	**12,770**	**28,299**	**45**	**28,380**	**(81)**
Community					
Paekākāriki	188	404	47	379	25
Paraparaumu/Raumati	2,927	6,514	45	6,425	89
Waikanae	1,124	2,541	44	2,507	34
Joint Water	2,416	5,088	47	5,013	75
Ōtaki	1,329	2,601	51	2,537	64
TOTAL	**20,754**	**45,447**	**46**	**45,241**	**206**

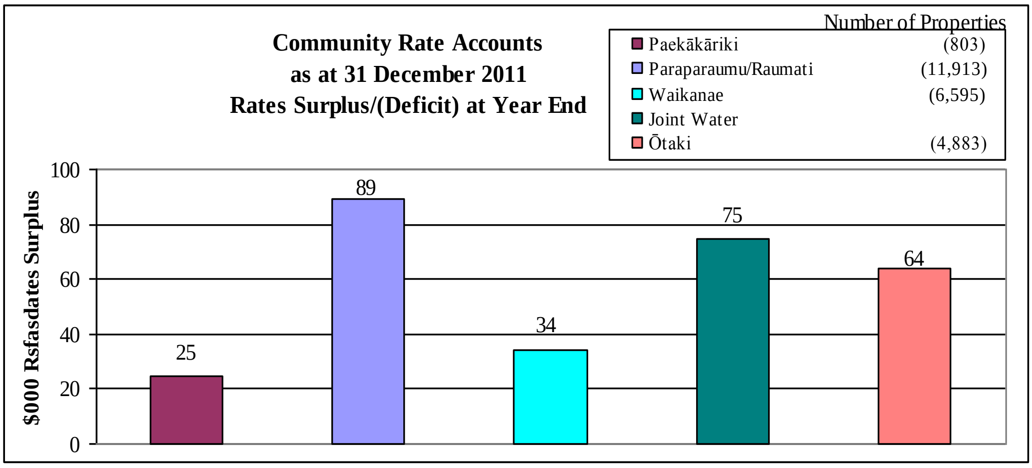
[1] Districtwide General Expenses: including emergency management, civil defence, public toilets and cemeteries. Supporting Social Wellbeing, Supporting Environmental Sustainability, District Strategic Development Projects, Districtwide Coastal Protection of the Council's Infrastructure and Districtwide 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

[4] All Roading Expenditure except for historic debt servicing costs





Explanation of Table 3

28 The Council will levy total annual rates of $45.447 million for the 2011/12 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 2011/12 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

29 As at the 31 December 2011 the end of the first six months there would be a general expectation that the net rate requirement would be around 50% of the annual rate requirement.

30 Due to seasonal patterns of revenue and expenditure and other trends and exceptions which are further explained under Part D the average rate requirement as at 31 December 2011 is 46% of the annual rate requirement. The projected rates surplus based on the first six month's results and trends is $206,000 at year end. This projected rates surplus is normally used to offset the projected rates increase over the next three years to smooth the rating impacts. This will be discussed during the LTP Workshops.

31 The Council budgets for six months interest costs on the proportion of its capital expenditure, funded from debt, so the interest costs on new debt are dependent on the timing of the Capital Expenditure Works programme. Also, the Council's interest rate swap portfolio has lowered Council's overall cost of debt. These interest rate savings are offset by the other shortfalls in Council's operating revenue or where expenditure is forecast to exceed the budget as explained in Parts D and E that follow.

32 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		
Emergency Management	(60)	
LGFA Shareholder Subscription	(100)	
Animal Control – Legal Expenses	(20)	
Expressway –process additional costs	(190)	
Planting Road Corridors	(30)	(400)
Projected Revenue Shortfalls		
Emergency Operations Centre Revenue	(21)	
Building Consents	(200)	
Library Revenue	(40)	
Cycleway/Walkway Subsidy Reduction	(100)	(361)
Projected Expenditure Savings		
Local Authority Protection Programme Premium	24	
Cycleway/Walkway Expenditure reduction	100	124
Debt Servicing Savings		
Civic Building Upgrade	68	
Libraries	55	
Town Centre	33	
Coastal Protection	10	
Districtwide Stormwater	19	
Roading	75	
Strategic Land Purchases	70	
Parks & Reserves	69	
Aquatic Centre	157	
Paekākāriki Water and Stormwater	25	
Paraparaumu/Raumati Stormwater/Wastewater	89	
Waikanae Stormwater and Wastewater	34	
Paraparaumu/Waikanae Joint Water	75	
Ōtaki Water/Stormwater	64	843
Net Projected Surplus		**206**

Explanation of Additional Expenditure

Emergency Management

33 One off costs associated with the Regional Shared Services. Also includes a contribution towards a Regional review on liquefaction.

Local Government Funding Agency Shareholder Subscription

34 Agreed by Council that the $100,000 subscription should be funded from loan interest savings rather than be funded as a loan.

Animal Control – Legal Expenses

35 Dog prosecution legal expenses have exceeded the annual budget by $15,000 and are expected to exceed the budget by $20,000 at year end.

36 The new Legal Counsel commenced on 9 February 2012 and will be working towards reducing these legal costs in the future.

Expressway Process – Additional Costs

37 Council approved $190,000 for the additional costs associated with the Expressway process to be funded from projected rates surplus at its meeting on 29 November 2011.

Planting Road Corridors

38 A contract for planting of road corridors relating to the Western Link Road has not been budgeted for. This contract was entered into following approval of the Western Link Road project and obviously prior to the Expressway announcement.

Explanations of Projected Shortfalls in Revenue

Emergency Operations Centre Revenue

39 Minimal additional rental revenue has been generated apart from the Red Cross Lease. The budget has been adjusted in the 2012 LTP.

Building Consents

40 The revenue of $595,000 in Building Consents revenue for the first six months ending 31 December 2011 included the Building Consents for two large Council projects being the Aquatic Centre and the Civic Building Upgrade. These amounted to $60,000 in Building Consents revenue excluding GST. If these two items were excluded from the Building Consents revenue total, the percentage of Building Consents revenue achieved from external sources would only be 43% of the annual budget compared to the actual level of 50%.

41 The Building Consents revenue for January continues to follow a similar trend and if that continues for the remainder of the financial year then the actual Building Control revenue is likely to be $200,000 below the budget at year end.

Library Revenue

42 The projected Library Revenue shortfall is as a result of the shared library book resourcing project agreed amongst several Councils. No reserves revenue is now generated.

43 Also other library revenue such as DVD loans is well below the budgeted level as at 31 December 2011.

Cycleway/Walkway Subsidy

44 NZTA have issued a moratorium on funding for new projects, which indicates that there will be no subsidy for the Cycleway/Walkway capital projects for the 2011/12 year. As a consequence, the Cycleway/Walkway capital expenditure budget has been reduced by the level of subsidy ($100,000) now not available.

Explanations of Expenditure Savings

Local Authority Protection Programme (LAPP) Fund Premiums

45 The LAPP premiums are the insurance premiums covering 40% of the value of the Council's underground assets (the Government has pledged to cover the remaining 60% of the value). These premiums have been set at a lower level than was projected at the time of the budget approval.

Debt Servicing Savings

46 These debt servicing savings relate to the low level of capital expenditure in the first six months for the 2011/12 year and also to the lower average interest rates achieved on existing debt due to the management of Council's interest rate swaps.

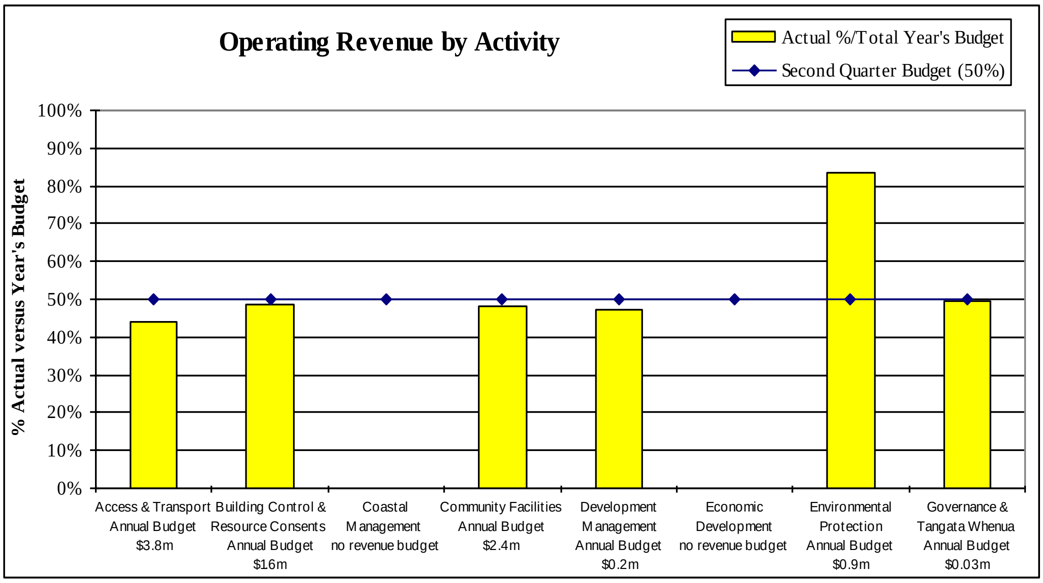
Cycleway/Walkway

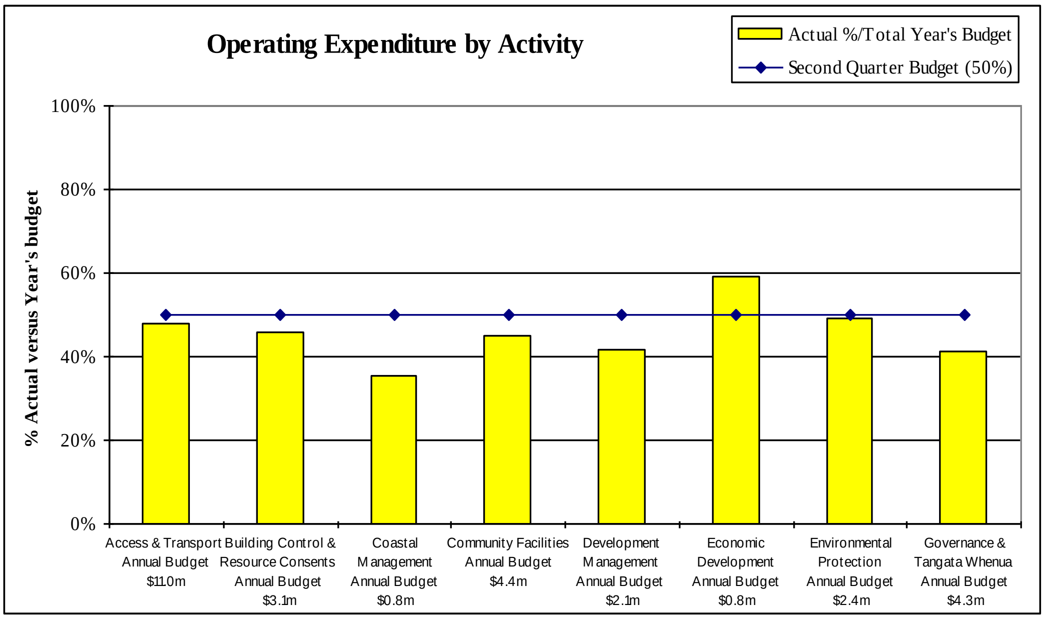
47 Programme reduced to match reduction in subsidy. The Roading Team is reviewing the subsidised work programme to see whether some of the cycleway/walkway work can be completed within the other categories of subsided work.

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

Operating Revenue/Operating Expenditure

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

Access and Transport

49 Operating Revenue is lower than budget as at 31 December 2011 due to the lower level of expenditure incurred that was eligible for NZTA subsidy as at 31 December 2011.

Coastal Management

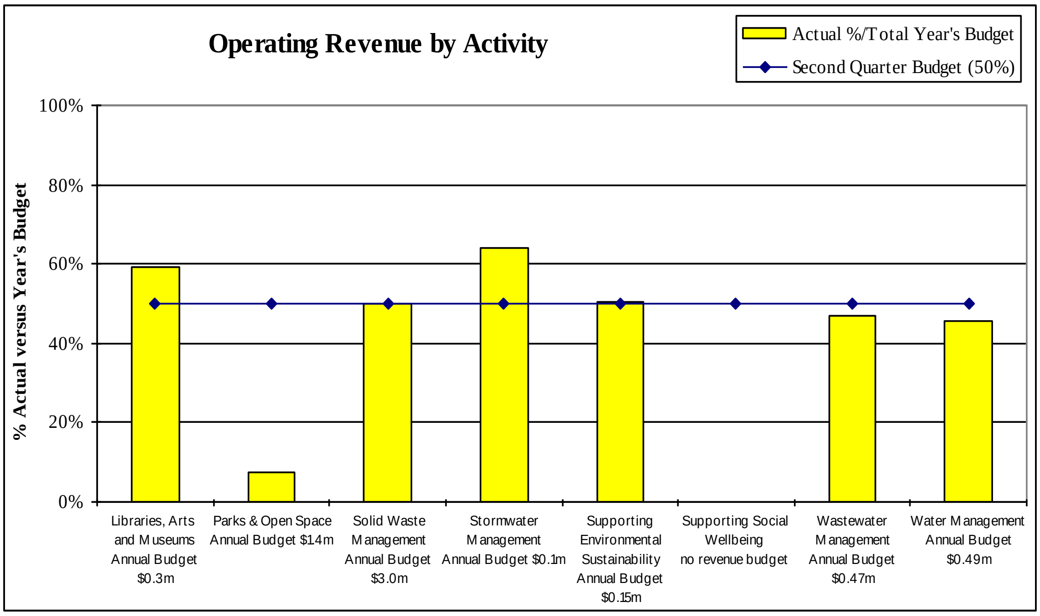
50 The operating expenditure is lower due to the lower level of debt servicing costs resulting from lower capital expenditure than budgeted.

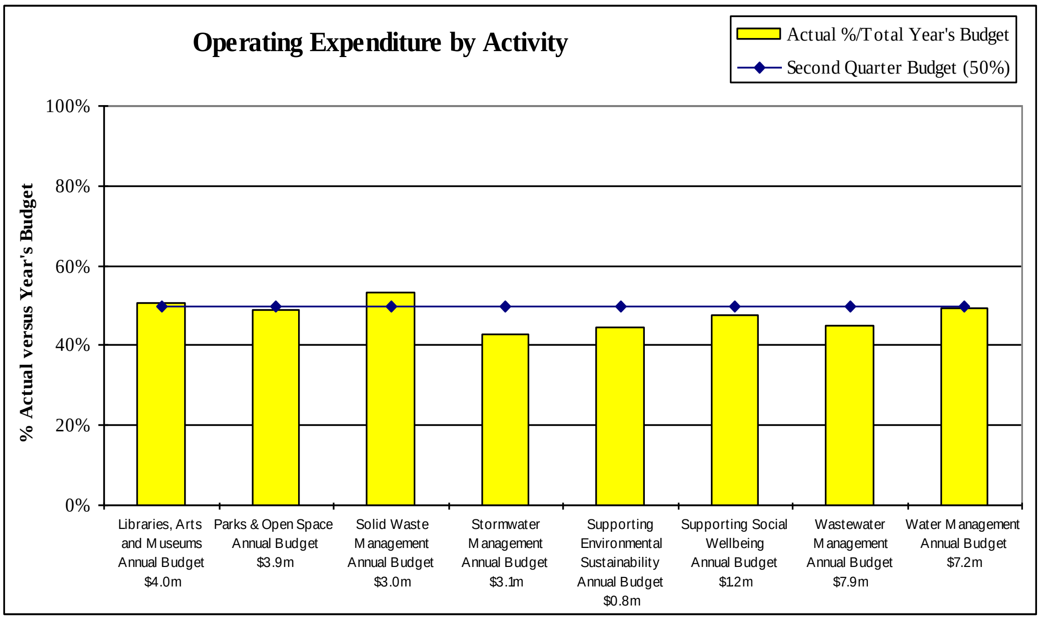
Economic Development

51 The operating expenditure is marginally above the 50% budget for this time of year due to the allocation of the full District Events fund in the first six months of the year as planned.

Environmental Protection

52 The higher level of operating revenue compared to the budgets mainly relates to the timing of the annual Dog Registration fees which are due in the first week of August each year.





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

Libraries, Arts and Museums

53 The revenue is higher than budgeted for this time of year due to the receipt of the Creative Communities funding and the Arts Trail revenue for the first six months to 31 December 2011.

Parks and Open Space

54 The operating revenue is lower for the first six months due to the lower level of reserves contributions/development contributions received. The Parks’ fees and charges, which only makes up a small proportion of the operating revenue, are on target to match the budget for the 2011/12 year.

Stormwater Management

55 The operating revenue is higher due to the higher level of development contributions for stormwater being received and allocated for the first six months of the financial year. Also includes rental revenue from Matatua Road properties purchased for future stormwater work.

Solid Waste

56 The operating expenditure is higher than budgeted for this time of the year due to the higher level of expenditure on greenwaste composting reflecting higher volumes in the first six months.

Wastewater Management

57 Operating expenditure was lower mainly due to the lower debt servicing costs due to the lower level of capital expenditure in the first six months of the year.

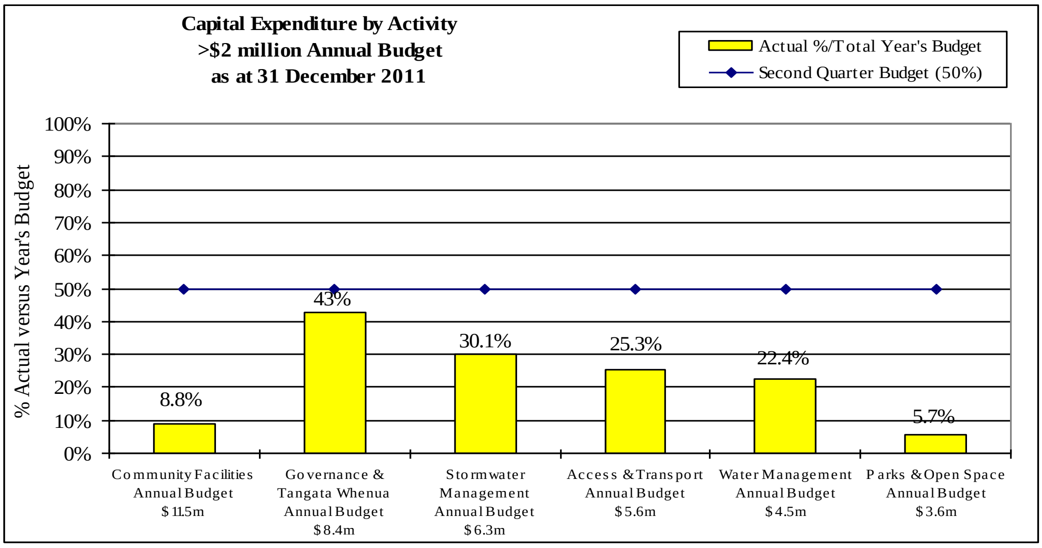
Water Management

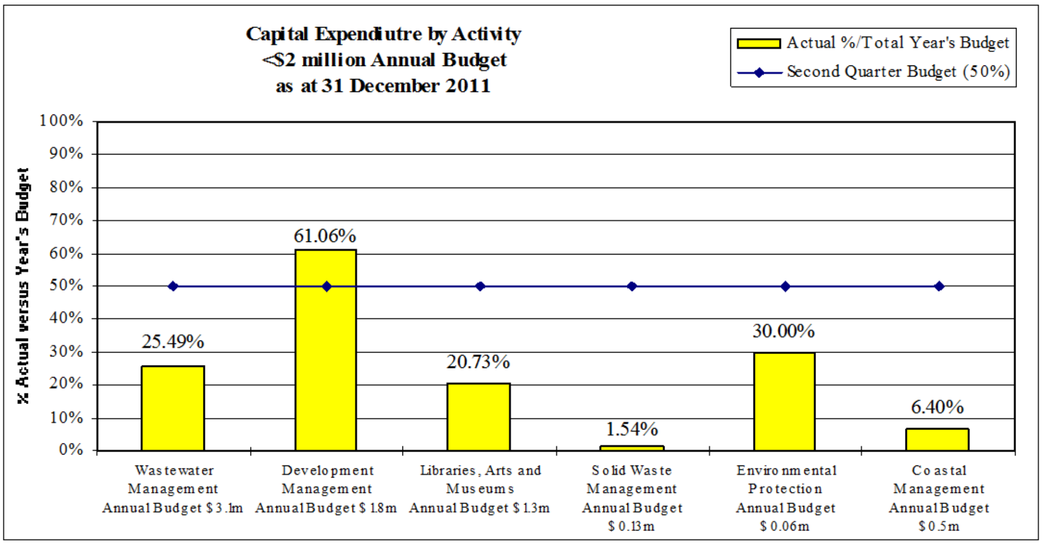
58 The operating revenue was lower compared to the expected level of 50% due to the lower level of water consumption relating to extraordinary water charges during the first six months of the financial year.

PART E: EXPLANATION OF CAPITAL EXPENDITURE

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

60 A summary of the capital expenditure, set out below, shows the actual expenditure to 31 December 2011 against annual budgets and forecasts.





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

62 The higher than expected capital expenditure for Development Management relates to the Ōtaki Main Street Upgrade work.

63 Net capital expenditure for the six months amounted to $11.290 million compared to the capital expenditure budget for the year of $46.701 million. The Capital Expenditure programme has been reforecasted and now totals $40.432 million for the 2011/12 year. The expenditure to date represents 27.9% of the total reforecast capital expenditure budget for the 2011/12 year.

64 Most of the changes relate to timing changes to the Aquatic Centre, Civic Building upgrade and Waikanae Library Building Upgrade and these changes have been included in the draft 2012 LTP for the 2012/13 year.

65 There are also savings of over $400,000 relating to the Raumati CBD Stormwater work.

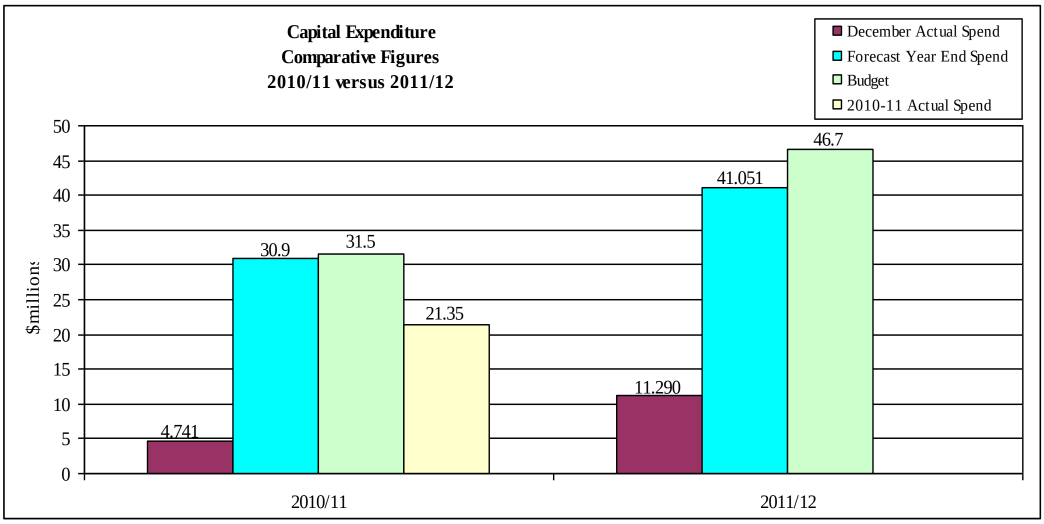
66 The level of capital expenditure for the first six months of the 2011/12 year is in line with expectations as anticipated given the tendering work and awarding of contracts in the first six months and the physical works taking place in the second six months.

67 Changes to the total forecast capital expenditure for the year is as follows:

Forecast Changes to Capital Plan in 2011/12

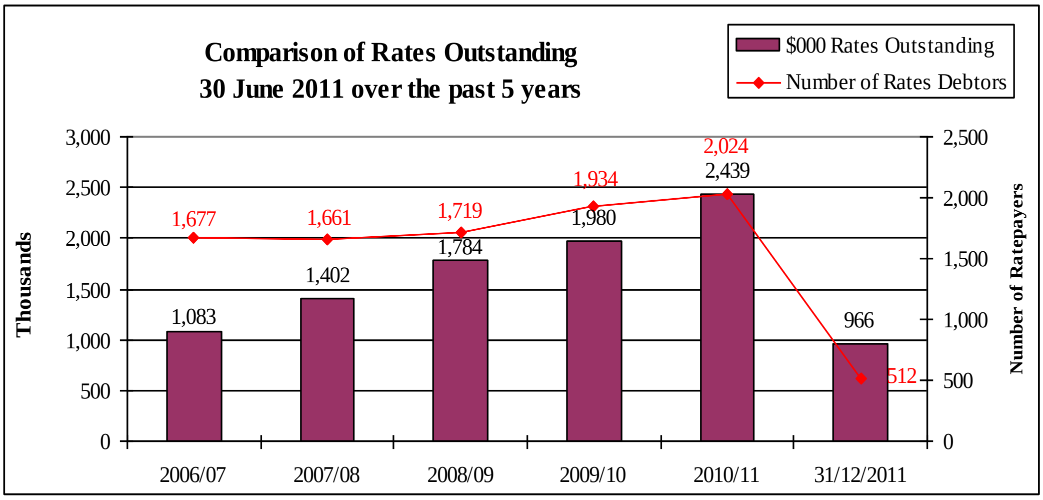
			2011/12 Capital Budget	**46,700,000**
Activity	**Description**	**2011/12 Budget $**	**2011/12 Forecast $**	**2011/12 Variance $**
Community Facilities	New Aquatic Facility	8,740,000	5,989,000	-2,751,000
Community Facilities	New Aquatic Facility (Trust Funded)	2,448,000	1,150,000	-1,298,000
Community Facilities	Civic Building Upgrade	3,723,000	3,377,000	-346,000
Governance	PABX Network	126,116	180,000	53,884
Libraries, Arts and Museums	Waikanae Library Building Upgrade	700,000	290,000	-410,000
Stormwater Management	Raumati Beach CBD Stormwater Upgrade	2,769,000	2,360,368	-408,632
Stormwater Management	Paraparaumu - Prioritisation - Renewals	690,243	290,000	-400,243
Water Management	Ōtaki Reservoir	450,000	100,000	-350,000
Water Management	Waikanae/Paraparaumu/ Raumati Water Supply Project	2,425,000	2,066,836	-358,164
			Total Change	**-6,268,155**
			Forecast Capital Spend	**40,431,845**

68 Set out below is a comparison of the capital expenditure programme between the 2010/11 year and 2011/12 and the actual spend as at 31 December.



Part F: Outstanding Rates Debt as at 31 December 2011

69 The first graph below shows the analysis of rates debt and how the position as at 31 December 2011 compares to the position for the 30 June 2011 and the previous five years.



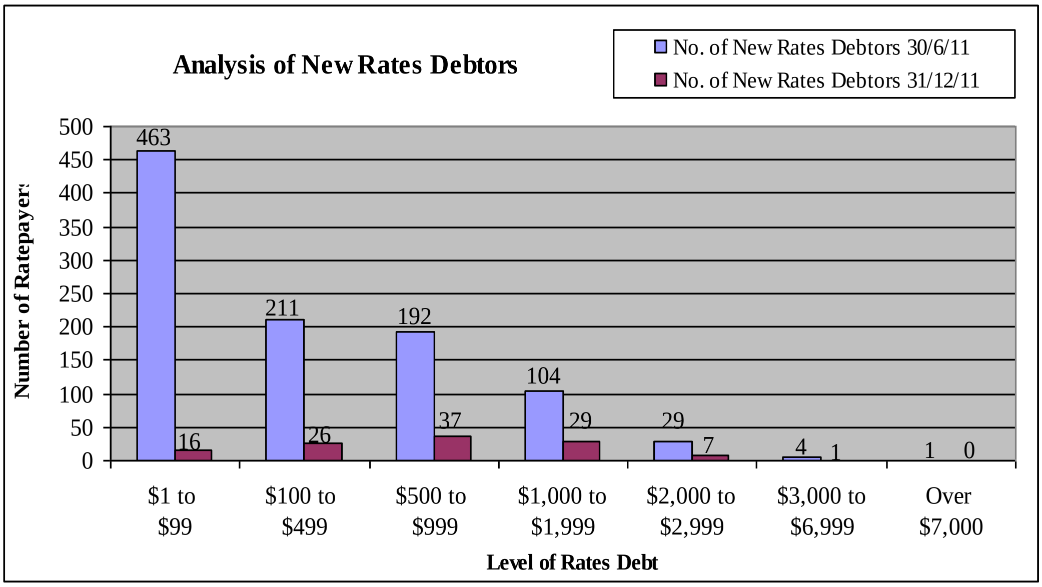
70 The rates outstanding as at 30 June 2011 of $2.439 million has been reduced to $966,000 as at 31 December 2011 and the number of rate debtors with outstanding rate arrears as at 30 June 2011 has reduced from 2,024 ratepayers to 512 ratepayers.

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

	$000	**$000**
Kāpiti Coast District Council rates	502	
Kāpiti Coast District Council penalties	338	
Total Kāpiti Coast District Council outstanding rates		840
Greater Wellington Regional Council rates	94	
Greater Wellington Regional Council penalties	32	
Total Greater Wellington Regional Council outstanding rates		126
Total rates outstanding as at 31 December 2011		**966**

Analysis of New Rates Debtors

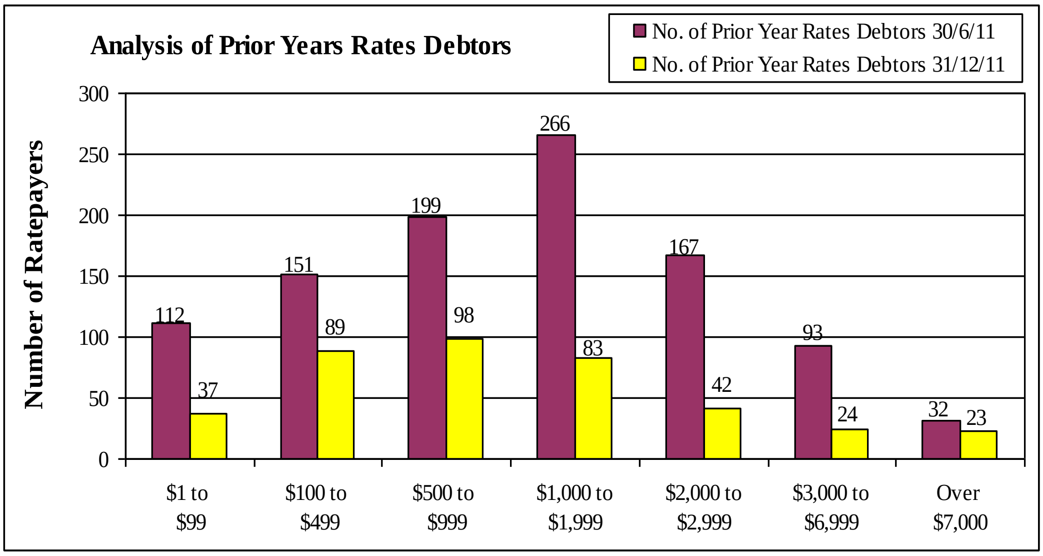
72 The definition of "New Rates Debtors" is where the ratepayer had no outstanding rates at the beginning of the 2010/11 year but had outstanding rates at 30 June 2011.



73 The blue column shows the number of "new rates debtors" grouped by their level of rates debt as at 30 June 2011. The maroon column shows the number of those new rates debtors with rates still outstanding as at 31 December 2011 for each range of rates debt. It shows a substantial decrease in the number of new rates debtors with rate debt after the first six months.

Analysis of Prior Year Rates Debtors

74 The definition of "prior year rates debtors" is where the ratepayers has outstanding rates at the beginning of the 2010/11 year and still has outstanding rates as at 30 June 2011.



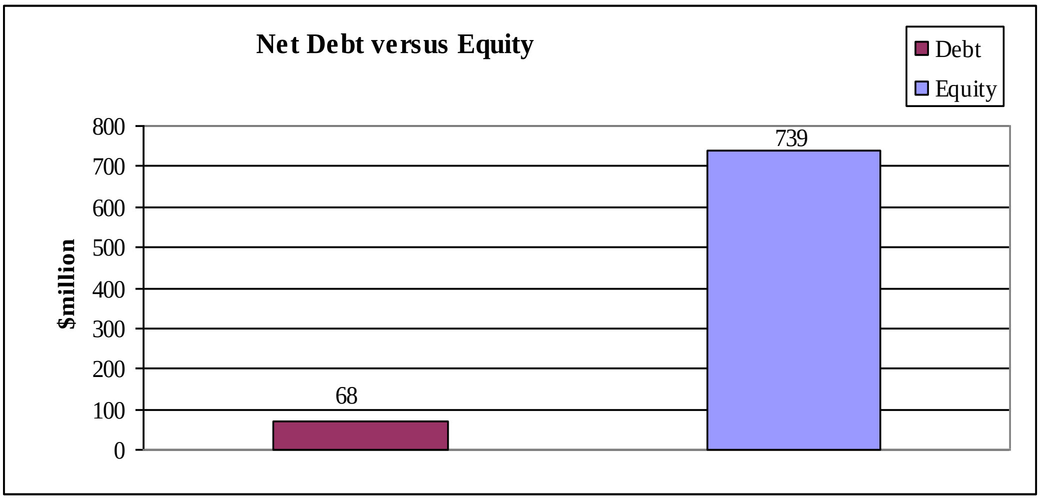
75 The maroon column shows the number of "prior year rates debtors" grouped by their level of rates debt as at 30 June 2011. The yellow column shows the number of those prior year rates debtors with rates still outstanding as at 31 December 2011 for each range of rates debt. It shows a reasonable decrease

in rates debt after the first six months in the number of prior year rates debtors with rates debt after the first six months especially for those ratepayers owing less than $7,000.

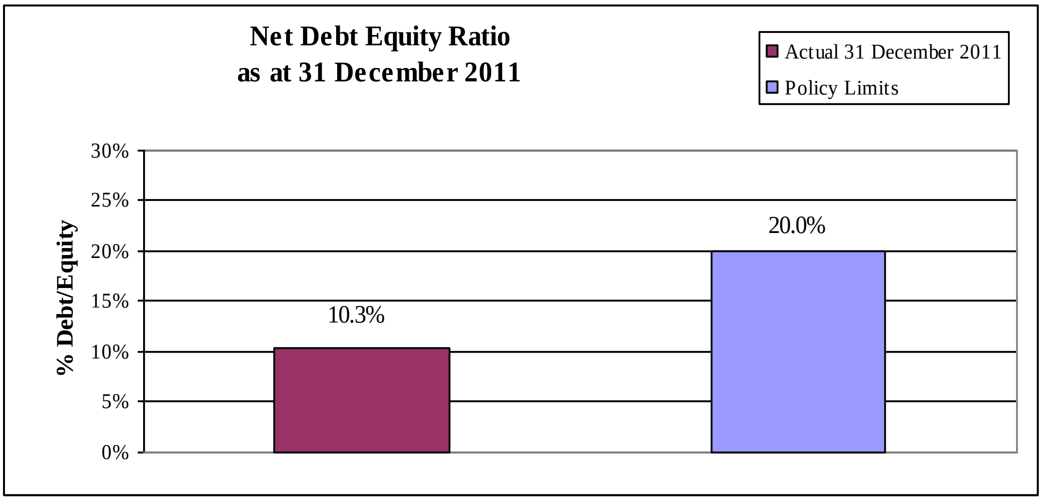
76 The rates collection process involves regular follow up with outstanding debtors and updates to payment arrangements to ensure debts are cleared over a reasonable time period.

Part G: Performance against Treasury Management Policy Limits

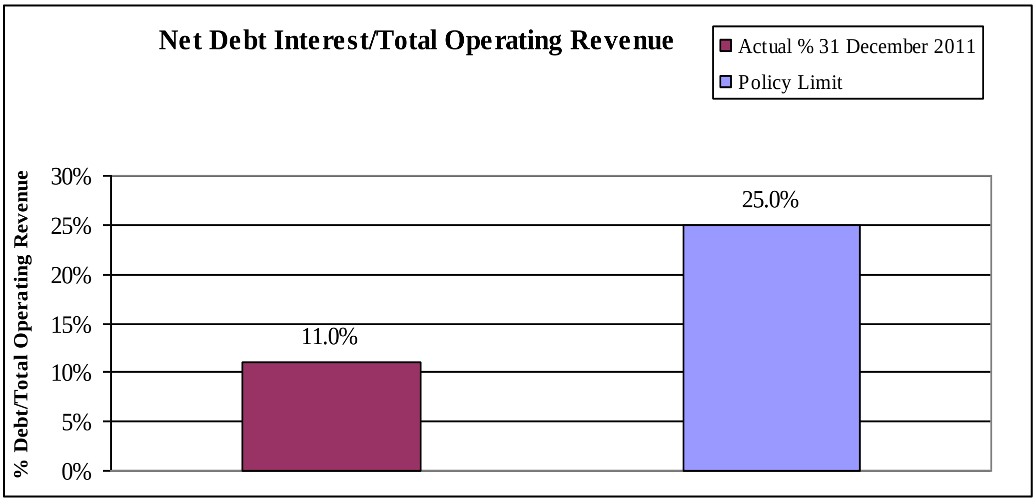
77 The graphs below shows that Council is well within its debt/equity policy limits as at 31 December 2011, as set in its Treasury Management Policy. Net Debt as at 31 December 2011 equals $68 million. Public Equity as at 31 December 2011 equals $739 million.



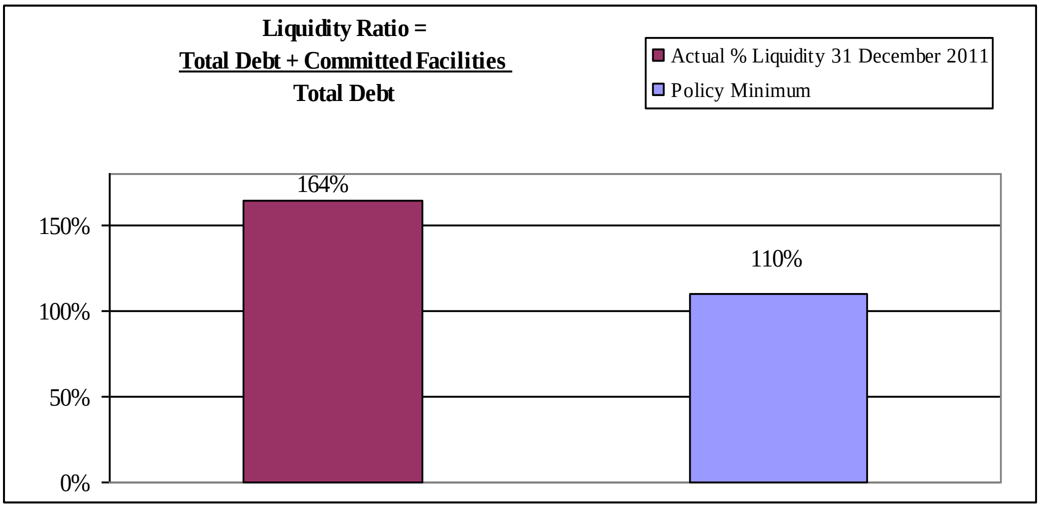
78 **The net debt equity ratio is shown below.**



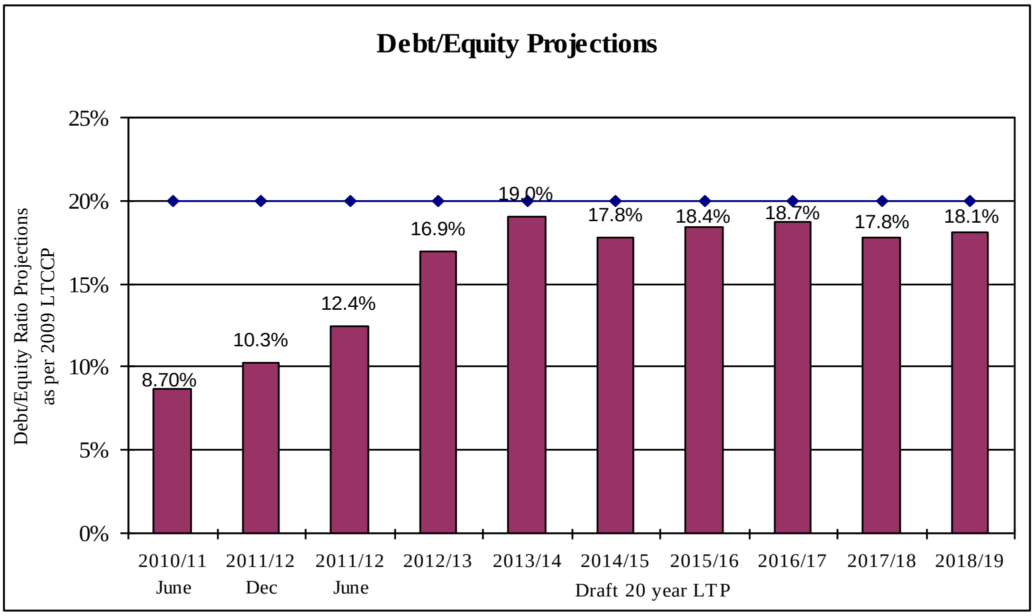
The Treasury Management Policy sets the maximum limit for net debt to equity of 20%. The current position is a net debt to equity ratio of 10.3% which is well within the 20% limit.



79 The Treasury Management Policy sets a limit of 25% for the ratio of Debt Interest to Total Operating Revenue. The current ratio budgeted for the 2011/12 year is 11% which is well within the limit.



80 The Liquidity Ratio measures Council's ratio of its available financial facilities compared to its current debt levels. At this stage Council has 164% coverage of its current debt requirements mainly through the bank facilities which it currently has in place.



81 The debt equity graph shows the actual debt/equity ratio as at 31 December 2011 and for the following years the projected debt/equity ratios as per the draft 2012 LTP workshop material.

Other Considerations

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

Delegation

83 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the Governance Structure.

Section B.3.7:

Financial and Asset Management,

7.5: Authority to monitor performance of the Council's financial activities, including income, operating and capital expenditure against budgets, remissions, key financial indicators and investment and debt/borrowings management.

RECOMMENDATIONS

84 That the Corporate Business Committee notes the six monthly financial results contained in this report FIN-12-467.

85 That the Corporate Business Committee notes the Council's operating surplus for the first six months ended 31 December 2011 was $2.094 million which mainly reflects the development contributions (capital use only) and vested assets (non cash revenue) required to be recognised as operating revenue.

86 That the Corporate Business Committee notes that based on the operating results for the first six months ended to 31 December 2011 the forecast net rates surplus is $206,000 for the year end.

87 That the Corporate Business Committee notes that the net capital expenditure for the six months amounted to $11.290 million compared to the capital expenditure budget for the year of $46.701 million. The Capital Expenditure programme has been reforecasted and now totals $40.432 million for the 2011/12 year. The expenditure to date represents 27.9% of the total reforecast capital expenditure budget for the 2011/12 year.

88 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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