

**FINANCE AND POLICY COMMITTEE MEETING HELD
FOLLOWING THE ENVIRONMENTAL SERVICES
COMMITTEE MEETING ON WEDNESDAY 16
FEBRUARY 2011 IN MEMORIAL HALL SUPPER ROOM,
ESPLANADE, KAIKOURA.**

AGENDA

1. Apologies

2. Matters of Importance to be raised as Urgent Business

3. Matters arising from Report of 15/12/2010

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4. Minutes Action and Issues List Update

MEETING	ACTION REQUIRED	BY	DATE ACTIONED
	<i>10 NOVEMBER 2010</i>		
Finance & Policy	Obtain a report from Merrill Ring once the current logging is completed regarding the state of the forest.	Chief Executive Officer	In Progress
Finance & Policy	Provide Pensioner housing rental amounts on the next quarterly report.	Finance Manager	Completed. Refer Pensioner Housing Report.

5. Reports:

- ◆ *Finance Report* *page 47*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 63*
- ◆ *Library Report* *page 64*

6. Quarterly Reports

- ◆ *Investment Quarterly Report* *page 67*
- ◆ *Liability Management Compliance Report* *page 71*
- ◆ *Special Funds Quarterly Report* *page 74*
- ◆ *Development Contributions Quarterly Report* *page 75*
- ◆ *Traffic Quarterly Report* *page 76*
- ◆ *Pensioner Housing Report* *page 77*

7. Urgent Business

FINANCE REPORT

Statement of Financial Position

Over the past two months we have had an influx of cash from several sources; the second rates instalment fell due in December, a capital distribution was received from the Marlborough Regional Forestry joint venture just prior to Christmas, ongoing logging revenues, and substantial grants were received from the Ministry of Health and the National Rural Fire Authority in January. As a result, our cash on hand has increased, and trade and other receivable balances have decreased.

Statement of Comprehensive Income

A net surplus of \$695,757 at the end of January is much better than had been anticipated; boosted by logging sales at the Clarence forest, the MRF capital distribution, and grants and subsidies revenue. Expenditure is relatively close to budget and, with the exception of depreciation, remains within budget for all expense types.

Statement of Activity Performance

Revenue from grants, subsidies and logging sales is well up across all activities; however user charges for consents remain extremely low. The main reasons for activity variances in excess of \$20,000 are explained below.

Income Variances:

Activity	Variance	Main Reason
Roading	Up \$82,576	Subsidies and costs recovered from NZTA in response to emergency works following last year's rains and the work required to repair the Inland Rd during the big SH slip.
Water Services	Up \$246,325	Grant revenue from Ministry of Health higher than expected (funding assistance for two reservoirs not just one).
Community Facilities	Up \$58,703	Development contributions exceeding expectations
Commercial Activities	Up \$234,569	Logging continuing due to higher log prices currently
Regulation & Control	Down \$40,817	Consent fees extremely low due to economic climate
District Development	Up \$23,365	Plan change revenue, and sundry tourism revenue
Interest Revenue	Up \$24,525	Cash balances higher than anticipated

Expenditure Variances:

Activity	Variance	Main Reason
Roading	Over \$122,112	Emergency works to reinstate roads and bridges after the two heavy rain events, and urgent work to repair the Inland Road during the slip on SH1.
Water Services	Over \$43,038	Electricity (meter not read for four months at the new ground water source), and depreciation increase due to revaluation.
Sewerage & Stormwater	Under \$37,128	Very little maintenance work being done, and savings in loan servicing costs for capital projects yet to be undertaken.
Community Facilities	Under \$106,962	Savings in toilet cleaning and parks & reserves contracts, and timing of maintenance items.
Regulation & Control	Under \$48,102	Reallocation of statutory planning staff time and resources to environmental and district planning.
District Development	Under \$41,081	Tourism & Development Committee spending well under budgeted provision

Statement of Cash Flows

This statement shows that the substantial positive cash flow from operating activities has enabled ongoing investment in upgrading of assets, and over the last two months has eliminated our reliance on the cash advance. Overall cash has increased by \$531k since the start of the financial year, \$384k of which is attributable to the last two months.

Cash Flow Projection

The projection highlights the increase in cash balances discussed above.

Capital Expenditure

The new fire engine supporting the Goose Bay/Oaro volunteer rural fire force is expected in June; the bulk of the cost has been met by a grant from Community Trust, local fundraising by the volunteers, and subsidies from the National Rural Fire Authority. Sewer pipe renewal work is ongoing, as is the new water reservoir on the peninsula.

Working Capital & Liquidity

Working capital includes the total rates requirement commencing from the start of each financial year, so it is a normal trend for working capital to decrease as rates are paid to us over the year.

Liquidity has increased to 5.05:1 as at 31 January (4.21:1 at the end of November), meaning we have \$5.05 worth of cash (or assets that can quickly be converted to cash) for every \$1.00 of liabilities that need to be paid in the short term. Similar to working capital, it is normal for this ratio to track downwards as the year progresses; the trend has been reversed in the last two months due to that substantial influx of cash.

Income & Expenditure Pie Charts

Thanks to the boost of revenues discussed throughout this report, rates revenue makes up only 55% of our total revenue for year to date. The trend for user fees and charges is slightly troubling, however, remaining very low at only 14%.

GLOSSARY OF TERMS: Items on the Statement of Financial Position

Cash & Cash Equivalents	Bank accounts and term deposits that mature within 90 days.
Trade & Other Receivables	Debtors and Rates accounts (the amount that our ratepayers and customers owe us).
Prepayments & Inventory	Bills we have paid in advance (such as insurance), plus stock items.
Other Financial Assets	Term deposits that mature after 90 days, and sinking funds (interest-bearing funds held by Public Trust to repay loans when they mature).
Investment Property for Sale	Property that Council intends to sell within 12 months
Forestry Assets	The standing value of trees grown specifically for logging
Investment Property	Any property that is owned with the intention of generating a return (e.g. Pyne's building and north wharf buildings).
Property, Plant & Equipment	All other assets – roads, wharves, water and sewer infrastructure, land, buildings, vehicles, furniture, art works, library books, etc
Trade & Other Payables	Bills we haven't paid yet, and other amounts we must pay within 12 months (refundable bonds, GST, ECan's share of rates revenue, etc).
Employee Liabilities	Annual leave owing to employees
Borrowings – Current	Loans that must be repaid within 12 months.
Provisions	Landfill Aftercare Provision – an estimate of the cost that will be incurred to secure and cap the site once the landfill is closed.
Borrowings – Non Current	The balance of loans that don't need to be repaid within 12 months.
Other Term Debt	Our share of Marlborough Regional Forestry debts, and other long term liabilities.
Public Equity	A type of equity which records accumulated surpluses and deficits, and other movements in equity not recorded below.
Asset Revaluation Reserve	A type of equity which records movements in property, plant and equipment values.
Special Funds & Reserves	A type of equity which records funds set aside for specific purposes (such as grants, targeted rates, development contribution funds, etc)

STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2011

	FORECAST (to Year End) \$	ACTUAL 31/01/11 \$	ACTUAL 31/01/10 \$
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	2,105,247	3,880,497	2,892,330
Trade & Other Receivables	931,523	3,972,907	3,813,566
Prepayments & Inventory	71,111	33,257	18,178
Other Financial Assets	333,768	221,386	166,116
Investment Property for Sale	-	-	890,000
Total Current Assets	3,441,649	8,108,047	7,780,190
<i>Non-Current Assets</i>			
Other Financial Assets	619,856	321,295	396,795
Forestry Assets	2,583,334	2,417,840	2,541,418
Investment Property	3,841,000	3,985,000	2,210,000
Property, Plant & Equipment	132,828,461	150,805,725	123,497,984
Total Non-Current Assets	139,872,651	157,529,860	128,646,197
TOTAL ASSETS	143,314,300	165,637,907	136,426,387
LIABILITIES			
<i>Current Liabilities</i>			
Trade & Other Payables	2,740,009	1,517,711	1,737,441
Employee Liabilities	80,000	74,114	73,046
Borrowings – Current	2,497,999	2,256,000	1,013,000
Total Current Liabilities	5,318,008	3,847,825	2,823,487
<i>Non-Current Liabilities</i>			
Provisions	167,325	149,445	147,248
Borrowings – Non Current	4,543,412	4,019,000	4,958,000
Other Term Debt	481,587	699,956	482,445
Total Non-Current Liabilities	5,192,324	4,868,401	5,587,693
EQUITY			
Public Equity	82,369,407	89,382,157	89,603,571
Asset Revaluation Reserve	49,359,397	63,687,152	35,395,399
Special Funds & Reserves	1,075,164	3,852,372	3,016,237
Total Equity	132,803,968	156,921,681	128,015,207
TOTAL LIABILITIES & EQUITY	143,314,300	165,637,907	136,426,387

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JANUARY 2011

	BUDGET 31/01/11 \$	ACTUAL 31/01/11 \$	ACTUAL 31/01/10 \$
REVENUE			
Rates Revenue	2,617,885	2,617,657	2,545,939
Water Meter Charges	-	-	234
User Fees & Charges	672,153	665,180	755,727
Grants & Subsidies	474,414	859,840	220,776
Development Contributions	-	37,107	177,412
Interest Revenue	56,250	80,775	59,035
Other Revenue ¹	219,835	466,610	99,695
Total Revenue	4,040,537	4,727,169	3,858,818
EXPENSES			
Personnel	901,353	870,184	883,362
Depreciation	972,338	974,523	939,236
Financing Expenses	276,039	265,058	248,716
Other Expenses	1,946,908	1,921,647	1,970,890
Total Expenses	4,096,638	4,031,412	4,042,204
Net Surplus/(Deficit)	(56,101)	695,757	(183,386)
OTHER COMPREHENSIVE INCOME			
Gains on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
Total Other Comprehensive Income	-	-	-
TOTAL COMPREHENSIVE INCOME	(56,101)	695,757	(183,386)

¹ Other Revenue includes forestry logging sales, MRF joint venture revenue, and petrol tax

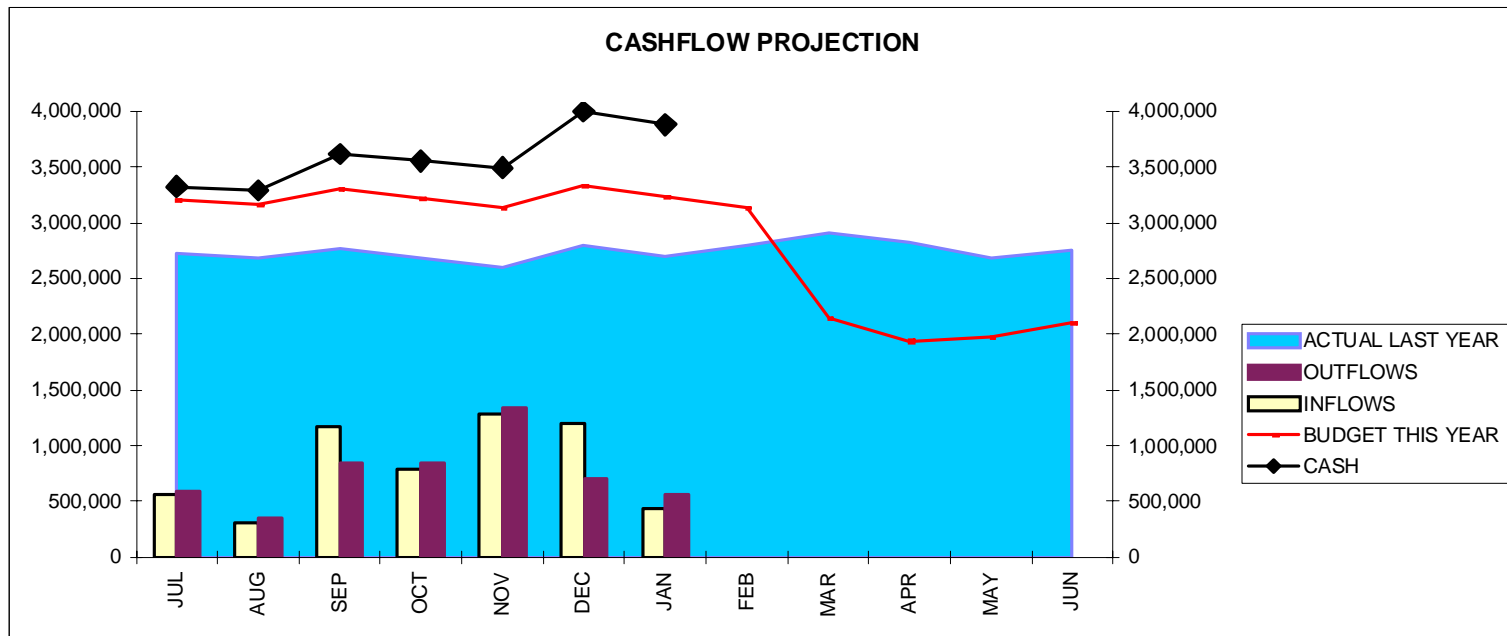
STATEMENT OF ACTIVITY PERFORMANCE
FOR THE PERIOD ENDED 31 JANUARY 2011

	BUDGET 31/01/11 \$	ACTUAL 31/01/11 \$	ACTUAL 31/01/10 \$
REVENUE			
Roading	578,902	661,478	485,538
Water Services	547,582	793,907	372,182
Sewerage & Stormwater	345,133	333,428	387,355
Refuse & Recycling	70,260	76,916	65,224
Community Facilities	317,345	376,048	376,781
Commercial Activities	412,001	646,570	409,197
Leadership & Governance	36,245	25,549	38,212
Regulation & Control	229,474	188,657	233,556
Safety & Wellbeing	108,699	181,860	165,846
District Development	216,978	240,343	189,387
Interest Revenue	56,250	80,775	59,035
General Rates	1,121,668	1,121,638	1,076,505
	4,040,537	4,727,169	3,858,818
EXPENDITURE			
Roading	812,841	934,953	760,403
Water Services	497,213	540,251	503,924
Sewerage & Stormwater	395,583	358,455	394,135
Refuse & Recycling	225,198	215,615	217,290
Community Facilities	669,660	562,698	633,515
Commercial Activities	220,982	232,160	260,040
Leadership & Governance	364,817	349,728	366,778
Regulation & Control	382,743	334,641	373,384
Safety & Wellbeing	189,920	206,311	196,715
District Development	337,681	296,600	336,020
	4,096,638	4,031,412	4,042,204
Activity Surplus/(Deficit)	(56,101)	695,757	(183,386)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JANUARY 2011

	ACTUAL 31/01/11 \$	ACTUAL 31/01/10 \$
OPERATING ACTIVITIES		
Receipts from Rates	2,381,830	2,348,950
Interest Received	80,775	59,035
Receipts from Other Revenue	1,575,238	2,447,162
Payments to Employees & Suppliers	(2,512,733)	(4,116,423)
Interest Paid	(265,058)	(248,716)
Net Cash from Operating Activities	1,260,052	490,008
INVESTING ACTIVITIES		
Proceeds from Sale of Assets	-	4,875
Sinking Funds Received	250,922	42,652
Purchase of Property, Plant & Equipment	(988,918)	(1,373,935)
Purchase of Forestry Assets	-	-
Purchase of Investment Property	-	-
Payments into Sinking Funds	(76,587)	(130,836)
Net Cash from Investing Activities	(814,583)	(1,457,244)
FINANCING ACTIVITIES		
Proceeds from Borrowing	1,460,000	1,414,000
Proceeds from Cash Advance	-	280,000
Repayment of Borrowings	(1,374,000)	(583,000)
Repayment of Cash Advance	-	200,000
Net Cash from Finance Activities	86,000	911,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	531,469	(56,236)
CASH AT THE BEGINNING OF THE YEAR	3,349,028	2,948,566
CASH AT THE END OF THE YEAR	3,880,497	2,892,330

CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2011



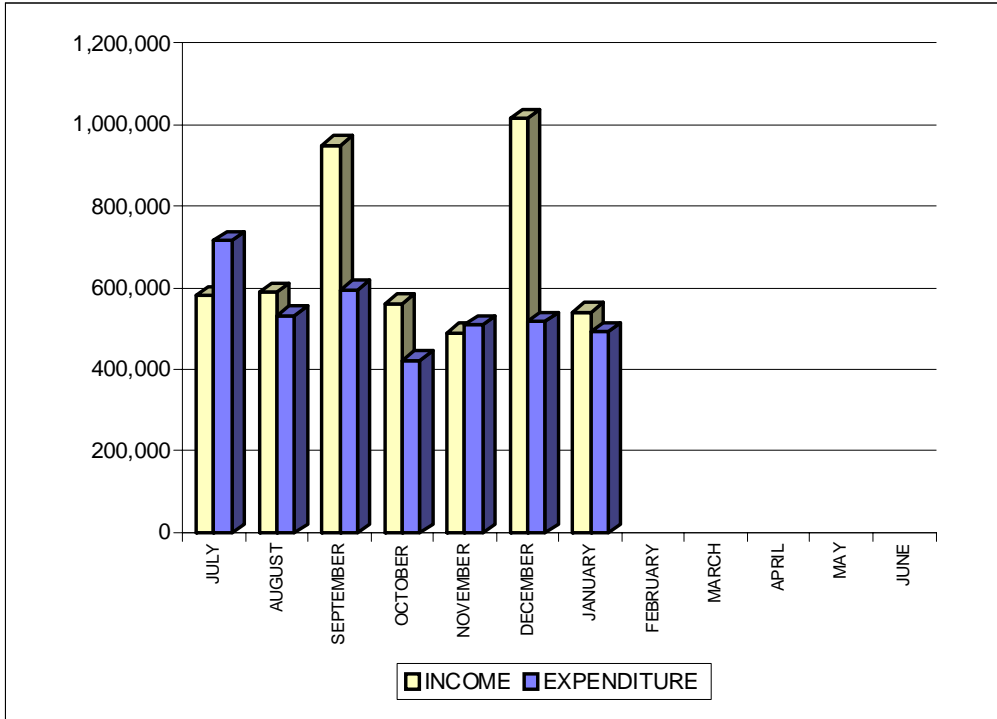
CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 31 JANUARY 2011

	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	BUDGET BT FWD \$
Office Furniture & Equipment	3,514	20,318	-
Vehicle Purchases & Other Plant	1,788	19,325	-
New Fire Appliance (Goose Bay/Oaro)	116,449	-	-
Sealed Road Renewals ²	-	132,611	(132,611)
Unsealed Road Renewals	12,140	59,410	-
Kerb & Channel Renewals	56,650	58,349	-
Road Rehabilitation	2,997	63,653	-
Associated Road Improvements	23,562	8,487	-
Traffic Services	14,737	21,218	-
Minor Road Improvements	30,832	74,262	-
New Footpaths	-	153,900	-
Footpath Renewals	476	26,305	-
New Streetlights	7,731	20,666	-
Landfill Cell Capping & Development	-	22,500	-
Sewerage Aerator Lagoon	6,746	-	325,000
Sewerage Pipe Renewals	270,806	432,000	-
Stormwater Upgrade	14,251	5,000	224,000
Stormwater Renewals	3,340	12,000	-
Kaikoura Water New Reservoirs	146,260	360,000	-
Kaikoura Water Renewals	177,262	103,470	-
Kincaid Water Upgrade	-	72,825	-
Forestry Pruning & Thinning	-	4,277	-
Airport Hangars	347	-	150,000
Town Centre Security Cameras	16,283	15,000	-
Other Parks & Reserves Work	15,065	21,254	-
Jimmy Armers Walkway	6,013	-	20,000
Playground Equipment	-	14,040	-
Council Office & Other Properties	43,207	-	-
New Museum	3,761	2,365,000	-
Library Books & Non-Books	14,701	32,000	-
TOTAL CAPITAL EXPENDITURE	988,918	4,117,870	626,389

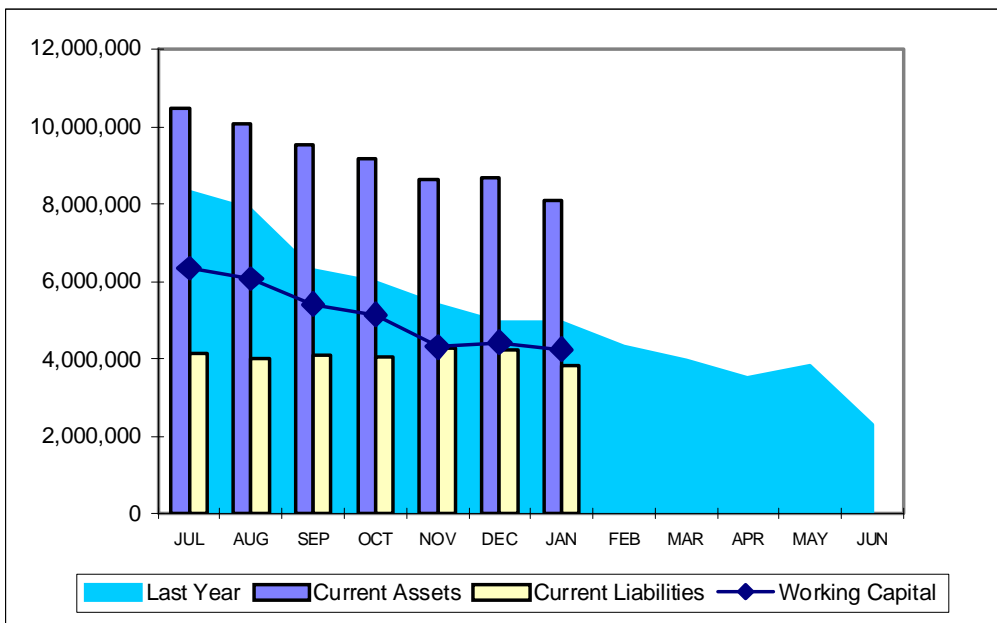
² Two years worth of reseals were done in 2010, therefore the budget provision this year is not intended to be spent, and there is a deficit brought forward from the previous financial year.

INCOME AND EXPENDITURE

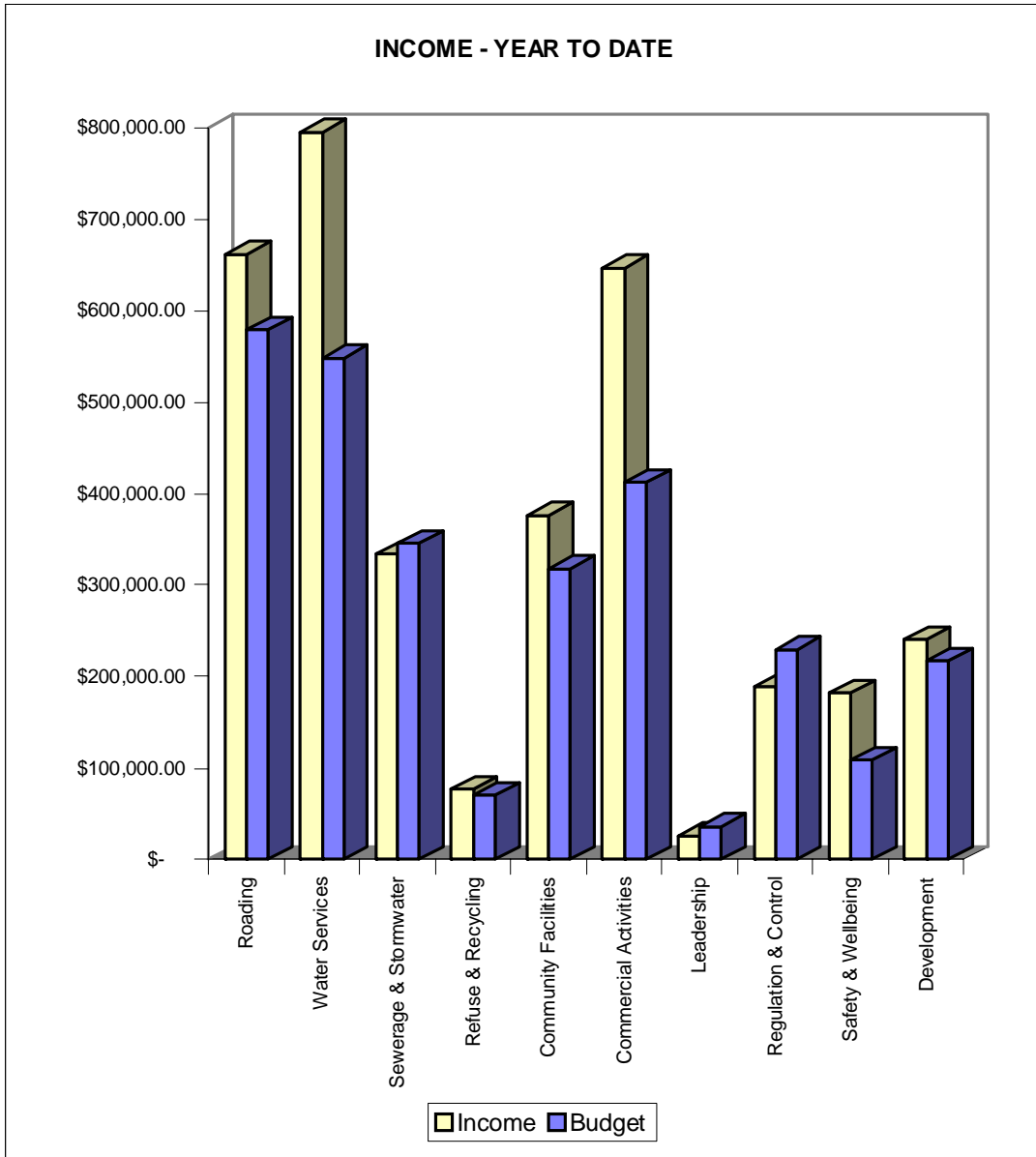
TO 31 JANUARY 2011



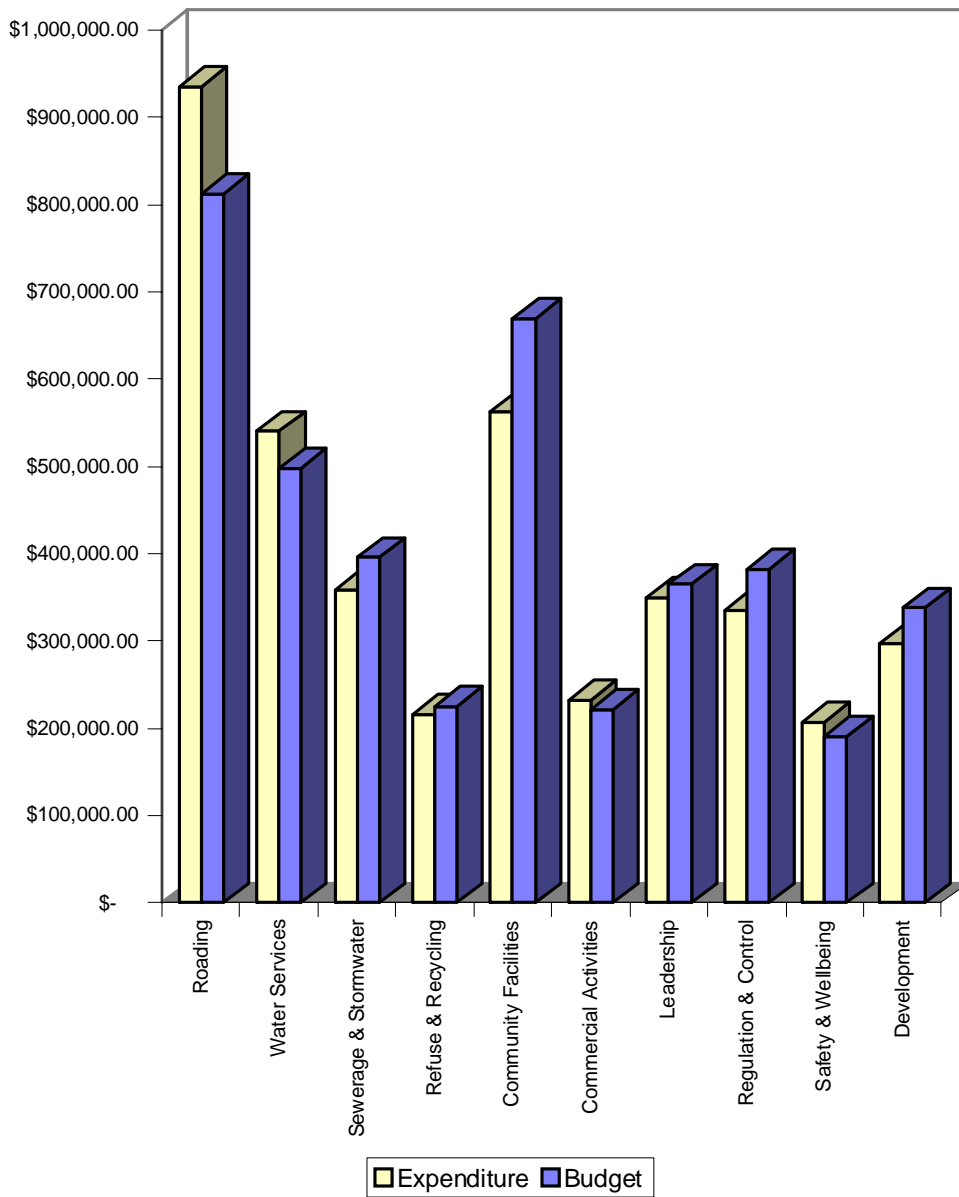
WORKING CAPITAL TO 31 JANUARY 2011



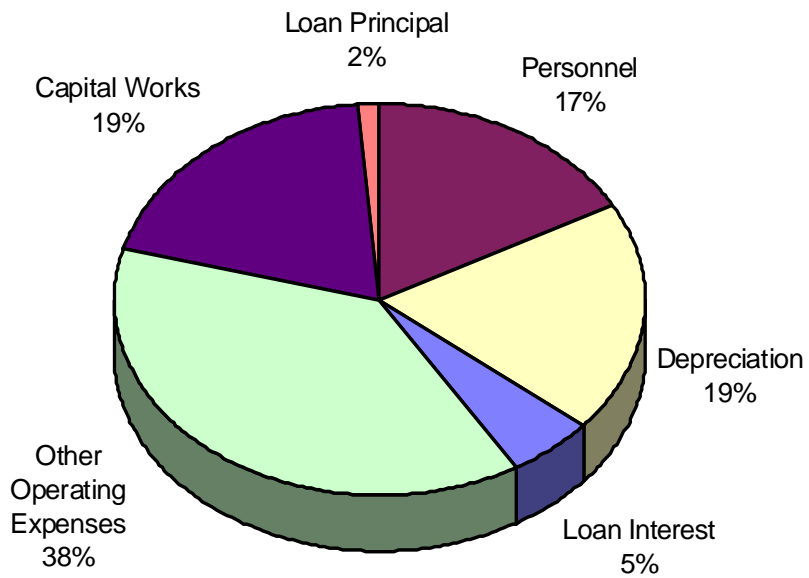
BUDGET PERFORMANCE TO 31 JANUARY 2011



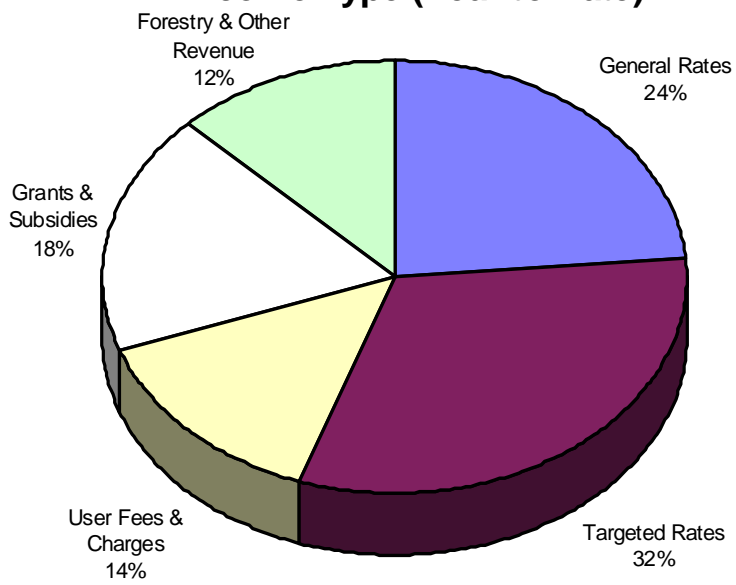
EXPENDITURE - YEAR TO DATE



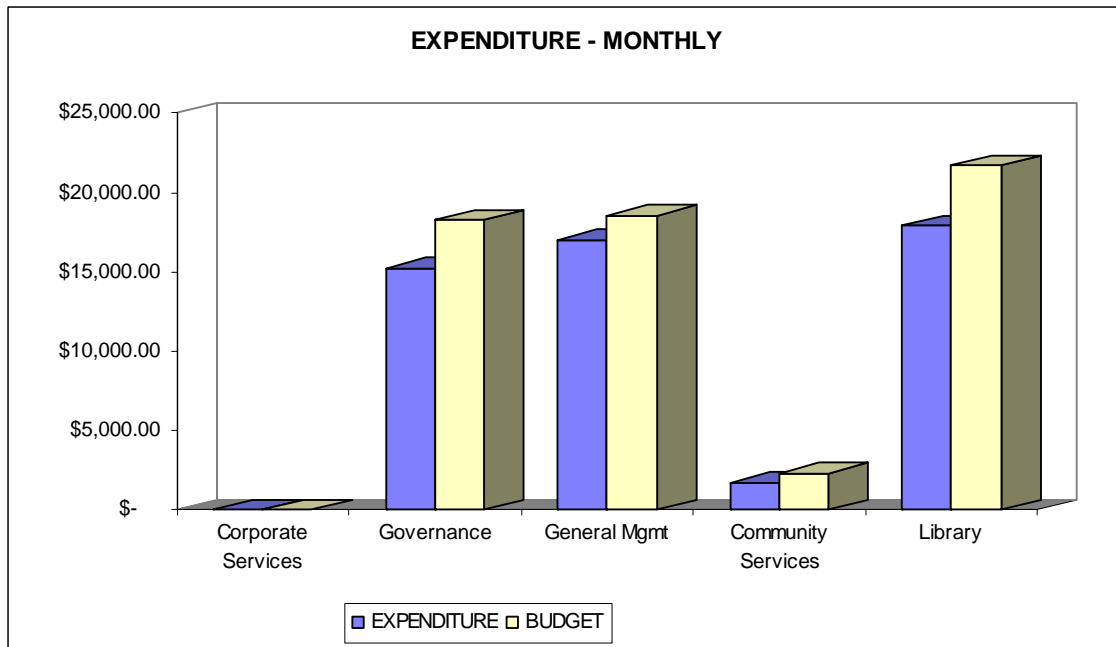
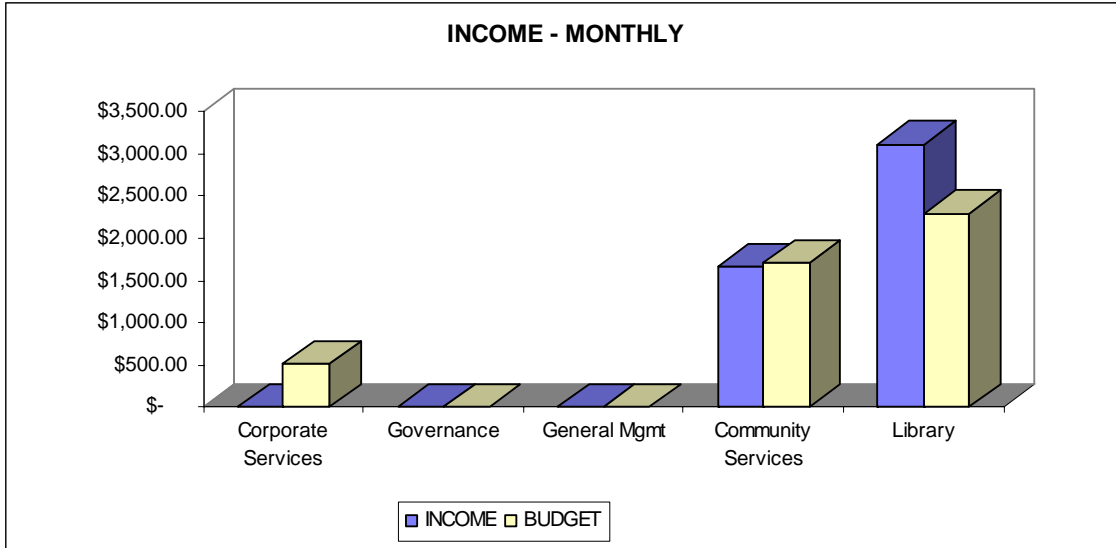
Expenditure Type (Year to Date)



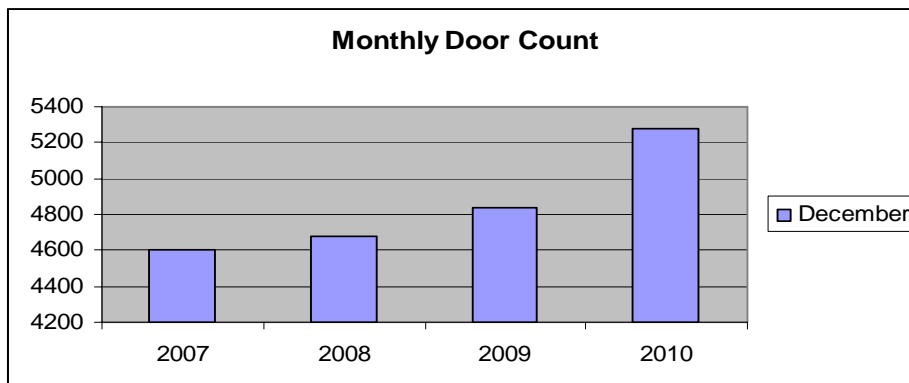
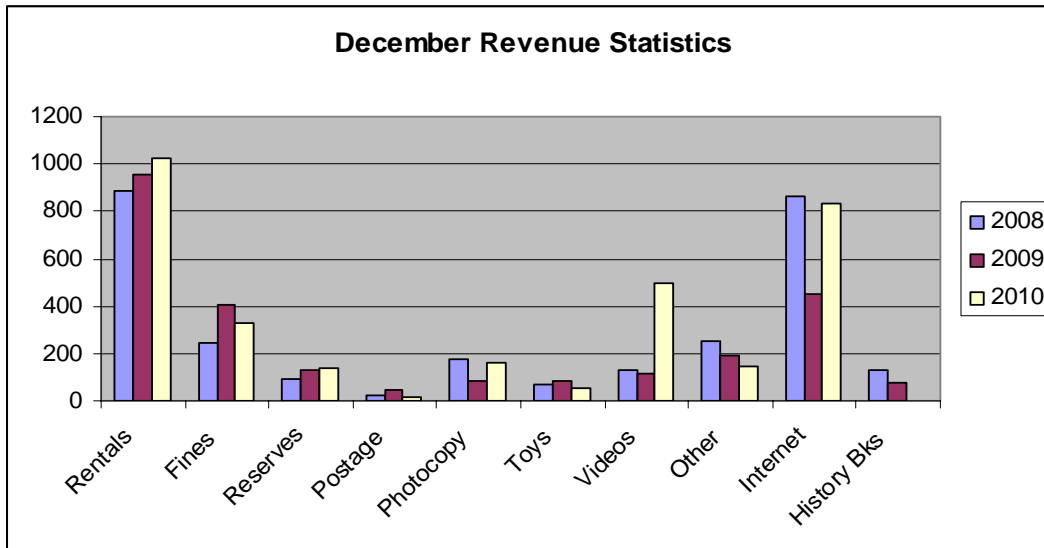
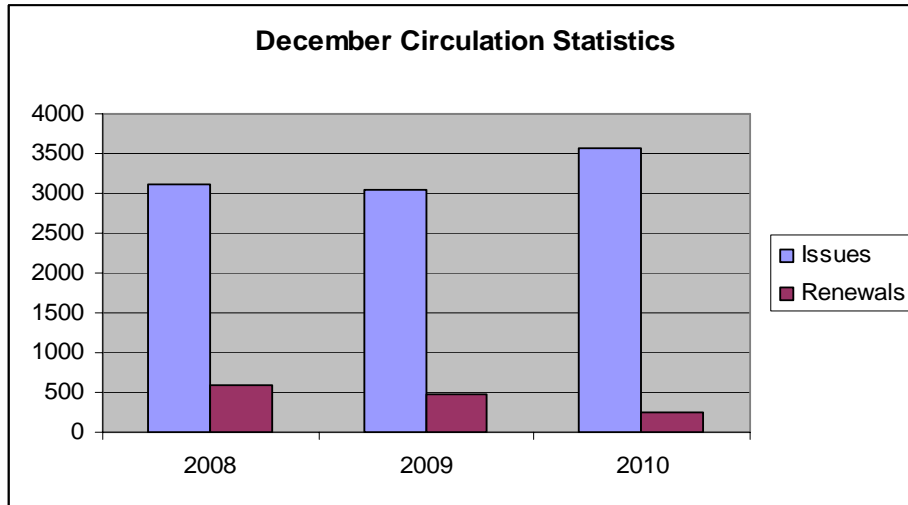
Income Type (Year to Date)



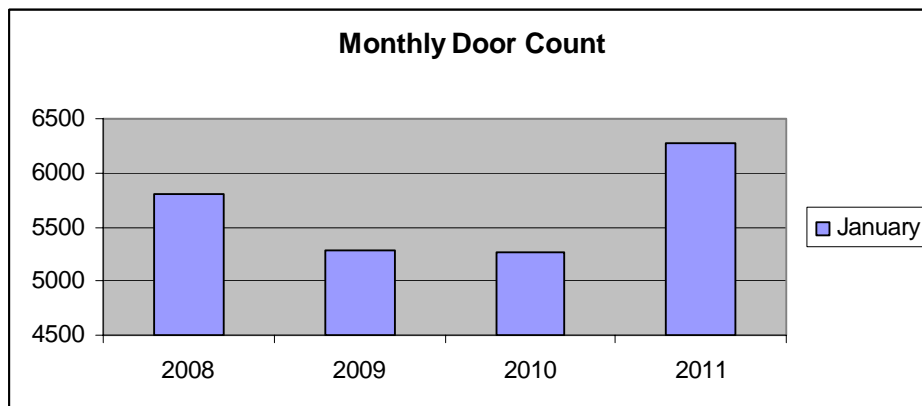
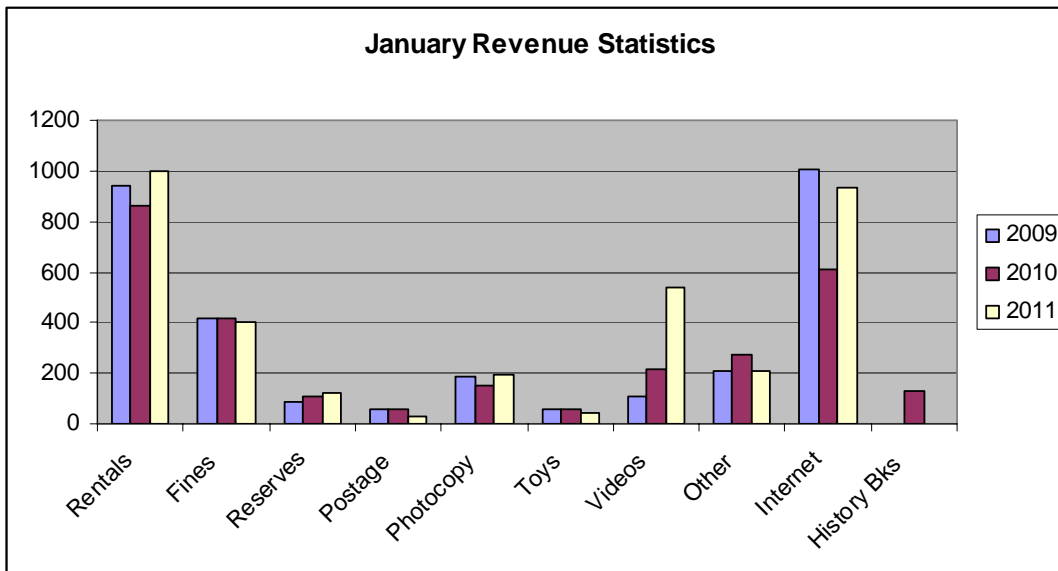
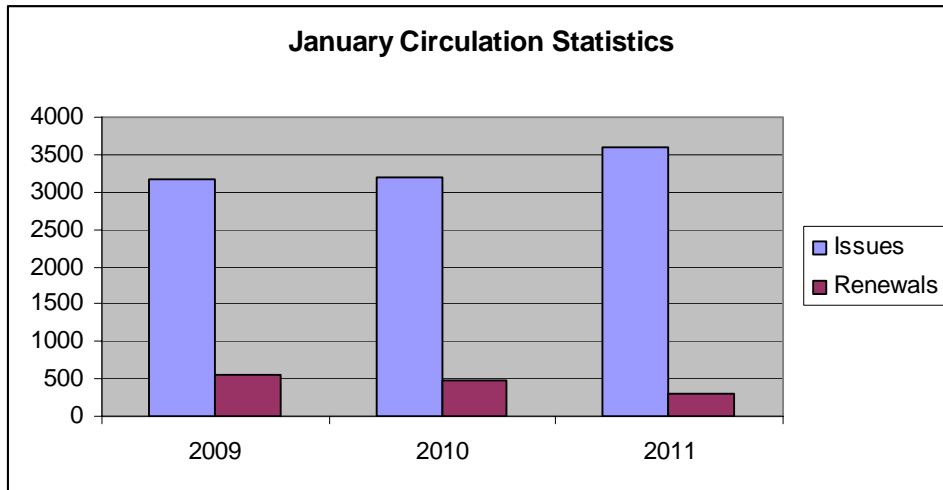
Corporate Services Budget Report



LIBRARY REPORT



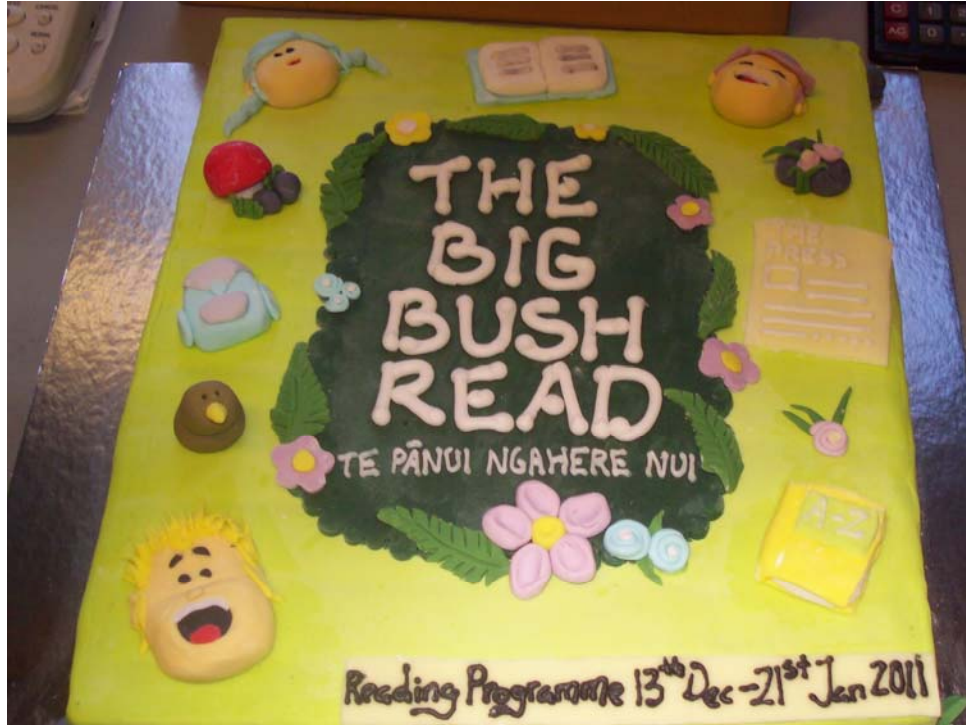
◆ 1-31 December 2010 = 5280
 Daily average = 220



◆ 1-31 January 2011 = 6274
 Daily average = 273

Events & Activities

- ◆ Toddler-time end of year party held at the library on the 6th December was enjoyed by a crowd of 20.
- ◆ December / January was a busy time for library staff as local children enrolled in the Summer Reading Programme 'The Big Bush Read', with four report-in slots each. The incentives and activities received at each check-in proved extremely popular with a total of 50 children successfully completing this year's programme. On Wednesday 26th January staff held the Grand Finale prize-giving for those children who completed the programme and their families of which 60 participants attended. Each child was presented with a certificate, medallion, free book and bag of goodies. Those present enjoyed a huge cake and the Kaikoura Star reporter was at hand to take a photo for the paper.



Class Visits

- ◆ Whales Tales pre-school enjoyed a visit on the 1st December 2010.
- ◆ Kaikoura High School year 7/8 students enjoyed an orientation of the library & took part in a fun reference competition on the 2nd December 2010.
- ◆ Little Tamariki Montessori pre-school enjoyed a visit on the 9th December 2010.

Technology

- ◆ Pete from TCL visited on the 13th & 14th December 2010 and exchanged the public internet lease computers. Again on the 21st January 2011.

INVESTMENT QUARTERLY REPORT

FOR THE PERIOD TO 31 DECEMBER 2010

Objective

TO ENSURE THAT THE COUNCIL'S INVESTMENTS ARE MANAGED PRUDENTLY AND EFFECTIVELY, THEREBY OPTIMISING VALUE AND RETURN.

Kaikoura District Council's investment portfolio consists of short, medium and long term investments, and these must be optimised to provide sufficient funds for planned expenditure including Council's ability to meet its payments as they fall due. Investments must therefore be chosen which -

- are for the period of time that the funds are surplus
- are able to be liquidated for the right price at the appropriate time
- provide a spread of investments covering short, medium and long term

Value and Mix of Investments

In order to optimise Council's investment portfolio, and maintain an appropriate mix of short, medium and long-term investments, investments shall be kept at the following levels –

- A minimum of \$250,000 of its investment on short-term money market or fixed interest securities of not more than 30 days.
- Investment in forestry assets, including Marlborough Regional Forestry joint venture, should not exceed 75% of the total investment portfolio where practicable.

Council's investments shall include (but not be limited to) at least three of the following;

- a) Treasury Investments
- b) Property Investments
- c) Forestry Investments
- d) Equity Investments

Acquisition of New Investments

All proposed acquisition of new investments decisions are to be approved by Council, with the exception of treasury investments, which are managed on a day to day basis by the Chief Executive Officer and the Finance Manager.

Use of Revenue from Investments

Income generated from investment should be used initially to offset costs associated with owning and operating that investment. The use of surplus revenues will then be used according to:

- a) the source and criteria attached to the initial investment sum, or the criteria attached to the fund from which the investment fund came, or
- b) in accordance with any resolution of Council, or
- c) for general operating revenue.

On maturity, investments held for a specific purpose will only be used for that purpose or reinvested for a further period. The capital portion of any investment will not be used to offset general operating expenditure unless the purpose for which the investment was initially set up no longer exists.

Proceeds from Sale of Assets

Council assets will be disposed of from time to time. Income received from the disposal of vehicles and operating plant will be credited to Council's plant renewal account while income from the disposal of property will go into Council's property account. The capital from these accounts will either be reinvested in a separate account for this special purpose or used to purchase other assets required toward the realisation of Council's strategic objectives. The funds could also be used to repay term debt but such a move would only be by resolution of Council.

Reporting Procedure

A report will be prepared quarterly on Council's investment portfolio. Such a report will include:

- a) the value and mix of Council's investments
- b) any changes to the mix and value from the previous report
- c) terms and interest rates or treasury investment
- d) net rental yields of property investments
- e) earnings per share of equity investments
- f) return on investment on each investment type
- g) comparisons of actual returns versus budgeted returns

Assessment and Management of Risks associated with Investments

The Kaikoura District Council minimises its exposure to risk by;

- a) maintaining a minimum cash on short term deposit of \$250,000; and
- b) encouraging diversification of the type of investments held;
- c) limiting its treasury investments to those organisations identified in Council's liability management policy

Day to Day Management Procedure

The day-to-day management of Council's investment portfolio will be undertaken by the Chief Executive Officer. All treasury investments will be made by the Chief Executive Officer and recorded on deal reports. These reports will be held by the Finance Manager.

The authority to open new bank accounts shall be made by Council and at least two of the Chief Executive Officer, Executive Officer, Asset Manager and Finance Manager shall be required to sign cheques or electronic transfers associated with the investment.

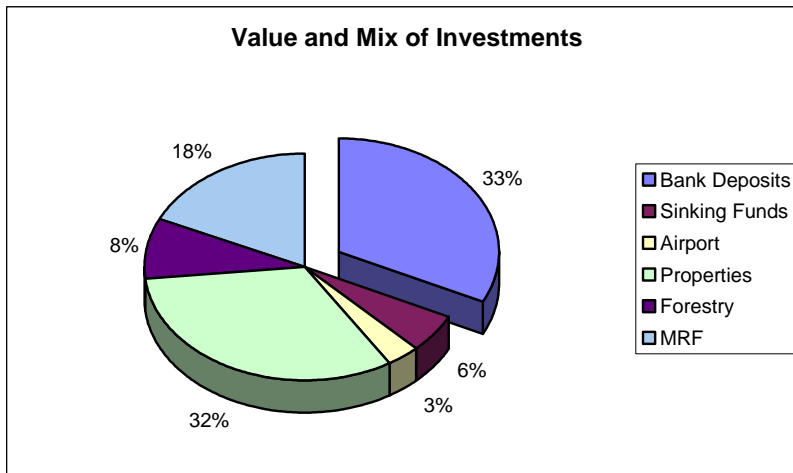
Disclosure in Financial Statements

For the purposes of disclosing Council's investment assets in its public documents, sinking funds and bank deposits are stated as Sinking Funds & Investments within non-current assets, and property and forestry investments are included within Fixed Assets.

**REPORT ON COMPLIANCE WITH THE POLICY AND ANY CHANGES SINCE
THE LAST REPORT**

Value and Mix of Council's Investments

Bank Deposits	3,996,547	32%
Sinking Funds	690,226	6%
Airport	412,000	3%
Properties	3,985,000	32%
Forestry	1,050,680	8%
MRF	<u>2,238,404</u>	18%
	12,372,857	



The combined value of Council's own forestry operations and those of MRF is 26%, which is well within the 75% cap set by Council's Investment Policy.

Treasury Investments

	Balance	Rate	Interest
Operating On Call	411,081	1.35%	822
Special Funds			
Call	535,445	2.35%	8,093
Term Deposit	1,493,577	4.90%	35,240
Term Deposit	357,044	4.90%	8,424
Term Deposit	408,219	5.00%	8,219
Term Deposit	454,438	5.10%	4,438
Term Deposit	336,743	5.10%	7,945
	<u>3,996,547</u>	<u>1.83%</u>	<u>73,181</u>

At the end of this quarter, \$946,526 was invested for a term of less than 30 days, which meets (and is far in excess of) the minimum requirement of \$250,000.

Forestry Investments

Logging at the Clarence commenced in June 2010, with revenue from log sales so far this year of \$367,062. A capital distribution has been received from the Marlborough Regional Forestry joint venture just prior to Christmas of \$80,500.

Airport Commercial Activities

The airport is not a property investment, taking its revenues from landing fees and license fees as well as lease revenues. It is a commercial activity that is expected *as a minimum* to be self-funding; therefore its financial performance will be reported separately from property investments.

<u>Asset Value</u>	<u>EBIT</u>	<u>Interest</u>	<u>Net</u>	<u>Yield</u>
412,000	13,013	15,025	-2,012	-0.49%

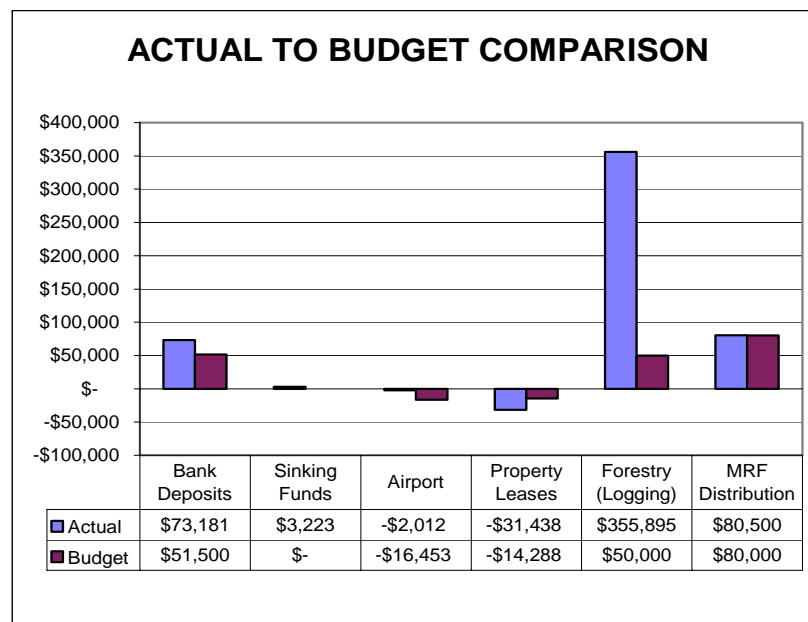
Net Rental Yields of Property Investments

<u>Property</u>	<u>Asset Value</u>	<u>EBIT</u>	<u>Interest</u>	<u>Net</u>	<u>Yield</u>
Wakatu Quay Properties	1,535,000	0	0	0	0.00%
25 Beach Road	610,000	-395	0	-395	-0.06%
20 Beach Road	385,000	1,083	0	1,083	0.28%
Land behind 20 Beach Rd	405,000	0	0	0	0.00%
Pynes Building & Land	1,050,000	-5,688	26,438	-32,126	-3.06%
	<u>3,985,000</u>	<u>-5,000</u>	<u>26,438</u>	<u>-31,438</u>	<u>-0.79%</u>

Note EBIT refers to Earnings before Interest and Tax.

Return on Investments

	Value	Net Income to Date
Bank Deposits	3,996,547	73,181
Sinking Funds	690,226	3,223
Airport	412,000	-2,012
Property	3,985,000	-31,438
Forestry	1,050,680	355,895
MRF	2,238,404	80,500



LIABILITY MANAGEMENT POLICY AND COMPLIANCE REPORT TO 31 DECEMBER 2010

Objective

TO ENSURE THAT ALL CURRENT AND TERM LIABILITIES OF THE KAIKOURA DISTRICT COUNCIL ARE MANAGED PRUDENTLY AND EFFECTIVELY.

Current Liabilities

Current Liabilities are those liabilities which will be repaid in a short period of time, not exceeding 12 months, and include accounts payable, cash advance facilities, and other short term liabilities. For the purposes of this section of the policy, the current portion of term liabilities do not apply, these are to be considered as term liabilities.

Accounts payable are to be paid in full by the due date wherever possible. Those current liabilities that incur a late payment penalty are to be paid in full by the due date in all cases.

Term Liabilities

Term Liabilities are those liabilities which are for a term exceeding 12 months, and include Council borrowings, and liabilities associated with the Marlborough Regional Forestry joint venture.

Interest Rate Exposure

The interest rate exposure table below is Council's guideline for interest rate exposure. This table does not incorporate the liabilities associated with the Marlborough Regional Forestry joint venture.

Term of exposure	Proportion of Debt
0 - 1 year	20% - 27%
1 - 2 years	20% - 27%
2 - 3 years	20% - 27%
3 - 4 years	20% - 27%
4 years +	0% - 20%

Liquidity

Council will maintain a liquidity ratio of a minimum of 1.1 :1 at all times, subject to the liquidity ratio excluding the current portion of sinking funds and the current portion of term liabilities.

- the use of overdraft facilities is to be budgeted for to meet operating expenses
- Council delegate responsibility for establishing short term debt and overdraft facilities to the Chief Executive Officer.

Credit Exposure

The mix of agencies and financial limits as set out below is to be used by Council to manage its credit exposure.

Approved Counter Party Credit Limits	Limits (percentage of total Investment Portfolio)
1. Government	Unlimited
Banks with AA or better long term rating. These include, but are not limited to BNZ, ASB, NB, ANZ, Westpac Trust, Countrywide.	Up to 100% subject to not more than \$1 million with one issue
Other entities with AA- or better long term rating. These include but are not limited to: Auckland Regional Council Christchurch City Council <ul style="list-style-type: none"> ■ Auckland City Council ■ Dunedin City Treasury Ltd ■ Electricity Corp ■ Telecom Corp 	Up to 50% but no more than \$50,000 with any single issuer

Debt Repayment

Council will not use internal loans to pay external debt nor will it use special funds to repay debt unless the fund has been established specifically for that purpose.

Council will ensure that either a sinking fund is established to repay specific borrowing or it will repay debt from general funds subject to going through the special consultative process.

Borrowing Limits

Council's external borrowing limit for term debt will be set at the following limits:

- the gross interest expense of all external term borrowing's will not exceed 20% of annual rates revenue, or
- the gross interest expense of all external term borrowing's will not exceed 15% of total revenues

Security

Council will not pledge assets as security. Council has in place a Cash Advance and Term Borrowing facility secured by negative pledge.

LIABILITY MANAGEMENT POLICY COMPLIANCE

Interest Rate Exposure

Term of exposure	Proportion of Debt	Policy Levels
0 - 1 year	38%	20 – 27%
1 - 2 years	14%	20 – 27%
2 - 3 years	15%	20 – 27%
3 - 4 years	27%	20 – 27%
4 years +	7%	0 - 20%

The large block of loans maturing within the next 12 months are being refinanced with renewal terms compliant with the policy to correct this (which was caused by the raising of loans for the Pyne's building on short term finance).

Liquidity

Council's liquidity ratio is currently 4.95:1, (for every \$1 of current liabilities we have \$4.95 worth of current assets to cover it). This exceeds the minimum requirements of the Liability Management Policy (1.1:1).

Credit Exposure

All of Council's loans are taken with Banks of A or better ratings, and have not been for over \$1 million in any one issue.

Debt Repayment Policy

Council does not use internal loans to pay external debt. Sinking Funds are established for all loans raised, specifically to repay the loan on maturity.

Borrowing Limits

Gross interest expense as a percentage of rates revenue: 10.05% (Policy 20%)

Gross interest expense as a percentage of total revenue: 5.39% (Policy 15%)

Security

Council secures all loans by way of negative pledge, with the exception of two suspensory loans totalling \$484,443 with Housing Corporation NZ, which are secured by the property at 95 Torquay Street (the pensioner flats). The BNZ has given its approval for Council to offer this property as security.

Summary of Special Reserves and Special Funds

for the period ended 31 December 2010

Special Reserves	Opening Balance	Inflow	Outflow	Closing Balance
Town Water Maintenance	21,559	165,079	270,993	(84,355)
Town Water Capital	(256,448)	549,399	333,989	(41,038)
Roading	208,012	529,220	505,073	232,159
East Coast Rural Water	(8,812)	25,515	18,398	(1,695)
Kincaid Rural Water	89,006	31,989	19,127	101,868
Fernleigh Rural Water	30,135	6,000	1,272	34,863
Peketa Rural Water	(3,000)	4,473	2,825	(1,352)
Ocean Ridge Water	(1,156)	11,452	10,220	76
Recycling	(4,913)	33,740	35,165	(6,338)
District Plan	(71,771)	81,698	64,752	(54,825)
Stormwater Maintenance	18,446	37,774	33,118	23,102
Sewerage Maintenance	58,990	184,348	154,768	88,570
Commercial Rate	274	71,848	60,373	11,749
Harbour	7,121	125,404	126,091	6,434
Footpaths & Streetlights	17,870	103,697	100,035	21,532
Registered Premises	(1,779)	36,069	28,773	5,517
Town Centre	(49,872)	94,663	84,466	(39,675)
Stock Control	(2,908)	6,965	6,519	(2,462)
Stormwater Capital	29,055	27,025	17,315	38,765
Sewerage Capital	879,384	420,747	268,198	1,031,933
Rural Fire Control	33,357	107,658	148,064	(7,049)
Totals	992,550	2,654,763	2,289,534	1,357,779
Special Funds	Opening Balance	Inflow	Outflow	Closing Balance
Social Services Committee	3,450	500	0	3,950
Tourism Strategy Fund	16,467	125,878	84,388	57,957
Town Clock	(4,516)	7,945	3,364	65
George Low Trust	70,000	0	0	70,000
John Gibb Fund	1,527	0	682	845
Forestry Fund	25,095	461,318	11,661	474,752
SNA Fund	0	43,174	0	43,174
Reserve Development	115,027	2,400	11,354	106,073
Property Fund	392	(8,793)	17,729	(26,130)
Plant Renewal	17,645	9,865	1,788	25,722
Office Equipment	4,192	0	4,192	0
Waste Minimisation Levy	6,307	9,548	0	15,855
Landfill Site Aftercare	64,750	7,500	0	72,250
Library Donations	27,589	637	0	28,226
Mayoral Fund	10,564	0	0	10,564
Library Grants	3,877	1,832	801	4,908
Creative NZ	3,137	4,276	3,294	4,119
Family Violence Coordination	22,340	11,247	20,696	12,891
Strengthening Families	44,434	26,626	10,563	60,497
Pensioner Flats Maintenance	(6,712)	46,000	32,232	7,056
Landfill Development Fund	50,243	1,511	0	51,754
Community Facility Fund	1,958,093	(354,376)	26,261	1,577,456
Totals	2,433,901	397,088	229,005	2,601,984
TOTAL CASH TO BE ON HAND				3,959,763

DEVELOPMENT CONTRIBUTIONS

Quarterly Revenue Report to 31 December 2010

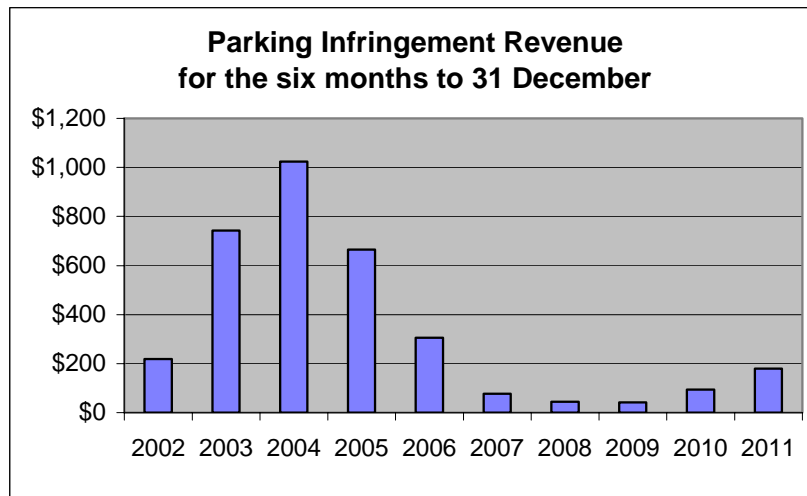
	Year to 30 June 2006	Year to 30 June 2007	Year to 30 June 2008	Year to 30 June 2009	Year to 30 June 2010	6 Months to 31 Dec 2010	Total Contributions to Date
Roading	17,988	212,422	56,536	32,155	52,364	7,852	379,317
Footpaths	533	1,002	1,473	833	1,126	-70	4,897
Refuse & Recycling	3,148	11,037	17,095	6,454	9,626	1,516	48,876
Sewerage	466,656	500,146	108,326	48,119	37,653	-15,178	1,145,722
Stormwater	366	1,500	1,287	1,680	1,796	104	6,733
Kaikoura Water	326,152	54,282	73,675	24,354	23,956	-8,095	494,324
Fernleigh Water	-	56,000	42,000	-	-	4,000	4,000
Parks & Reserves	186,424	650,408	218,190	25,358	57,695	2,400	1,140,475
Community Facilities	96,843	1,276,221	258,137	121,349	267,605	44,578	2,064,733
	1,098,110	2,763,018	776,719	260,302	451,821	37,107	5,289,077

These figures exclude GST.

TRAFFIC CONTROL QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

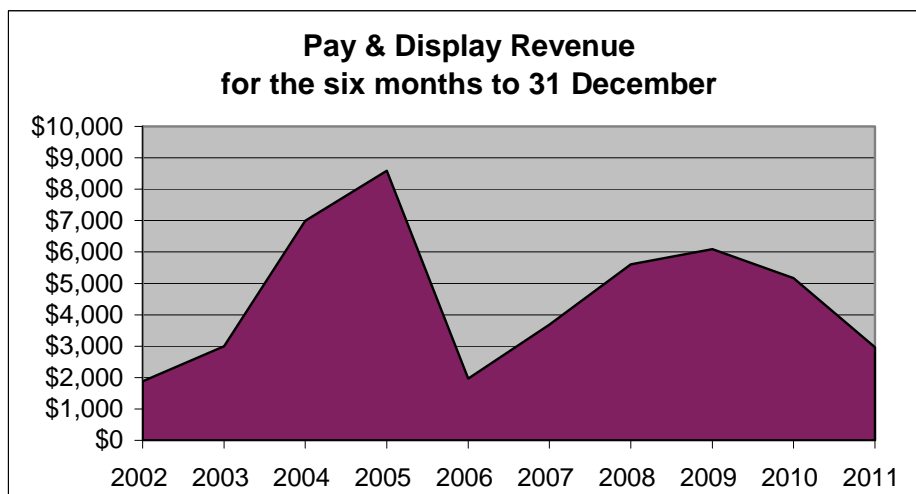
Infringements

Fifteen infringement notices have been issued during the financial year, the majority issued over the Christmas period and relating to parking in excess of a time limit or failing to display a pay & display coupon in the West End. Of those notices, five have been paid, three have been cancelled and the remaining seven will likely require court action to recover. The graph below highlights the shift in focus in recent years from issuing infringements, to educating drivers on parking issues. Parking infringement revenue is currently generating less than \$200 per year.



Pay & Display Parking

The following graph illustrates the income received from the Pay & Display carpark for the same quarter over the last ten years. Council uses the revenues from the pay and display carpark to assist with payments for the West End development loans.



Housing for the Elderly Quarterly Report

31 December 2010

Council owns 16 housing units at 95 Torquay Street, four units having been built in 2008 in partnership with Housing Corporation of NZ. There are eight single units, four double units, and the four new units have a double bedroom and small guest bedroom. A double unit has recently become vacant and the committee is selecting the next tenant from the waiting list. Rentals are \$75 per week for single, \$100 for double, and \$140 per week for the new units. All tenants are eligible for accommodation supplements from Work & Income.

Waiting List:

Thirteen people are currently on the waiting list, per the table below. Council's Eligibility Policy explains the criteria, and is provided on page 2 of this report.

	Singles	Couples
Criteria 1	8	
Criteria 2	6	
Criteria 3		
Criteria 4	3	

The units are self-funding. All rent revenues are kept in a special fund, and these funds are spent on maintaining the units. In addition to building the four new units, Council has been progressively upgrading the original units, including installation of wet-wall showers, heat pumps, new roof, painting, etc.

The following table summarises financial activity through the Pensioner Housing fund in the last three years.

	Year to 30 June 2009	Year to 30 June 2010	Six Months to 31 December 2010
Opening Balance	(358.00)	(18,006.00)	(6,712.00)
<i>Funded by:</i>			
Rental income	70,356.00	80,360.00	\$ 46,000.00
BNZ Pensioner Housing loan	-	-	\$ -
Housing NZ suspensory loan	27,162.00	-	\$ -
	<u>97,518.00</u>	<u>80,360.00</u>	<u>\$ 46,000.00</u>
<i>Applied to:</i>			
Expenses	74,837.00	64,038.00	\$ 34,431.00
Corporate Overheads	8,800.00	8,800.00	\$ 5,280.00
less depreciation	(25,920.00)	(16,085.00)	\$ (8,368.00)
Plus Loan Principal	7,500.00	7,500.00	\$ -
plus Upgrade	49,949.00	4,813.00	\$ 889.00
	<u>115,166.00</u>	<u>69,066.00</u>	<u>\$ 32,232.00</u>
Closing Balance	(18,006.00)	(6,712.00)	7,056.00

Eligibility Policy for Kaikoura District Council Housing for the Elderly Units

This policy has been set by the Kaikoura District Council and adopted 24 May 2006. Criteria One applicants are given first preference for housing.

Criteria One

- (a) The applicant must be 65 years of age or over.
- (b) Preference will be given to those applicants whose personal assets do not exceed \$30,000 for a single person or \$40,000 for a married couple.
- (c) Council will accept applications from people who have personal assets of up to \$90,000. In considering the allocation of a vacant unit, however, preference will be given to those who meet the criteria as set out immediately above.
- (d) The applicant must not have an interest in or own property.
- (e) Invalid beneficiaries over 60 years can be considered. A medical certificate must support their application.
- (f) There must be a genuine housing need.
- (g) All tenancies are subject to a residential tenancies agreement.

Criteria Two

- (a) The applicant must be 60 years of age and over.
- (b) The applicant can have personal assets of up to \$90,000.
- (c) The applicant must not have an interest in or own property.
- (d) All tenancies are subject to a residential tenancies agreement.

Criteria Three

- (a) Applications from invalid beneficiaries 55 years of age or over will be considered. A medical certificate must support their application. Should applicants no longer qualify for an invalids benefit and no longer have a medical certificate to support their application then they no longer qualify for residency.
- (b) The applicant can have personal assets of up to \$90,000.
- (c) The applicant must not have an interest in or own property.
- (d) All tenancies are subject to a residential tenancies agreement.

Criteria Four

- (a) The Allocation Committee may use its discretion if there are no applicants who met Criteria 1, 2 or 3.