

**FINANCE AND POLICY COMMITTEE MEETING HELD
FOLLOWING THE ENVIRONMENTAL SERVICES
COMMITTEE MEETING ON WEDNESDAY 16 MARCH
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 16/2/2011 *page 91*

4. Minutes Action and Issues List Update

MEETING	ACTION REQUIRED	BY	DATE ACTIONED
	10 NOVEMBER 2010		
Finance & Policy	Obtain a report from Merrill Ring once the current logging is completed regarding the state of the forest.	Chief Executive Officer	Logging still in progress.

5. Reports:

- ◆ *Finance Report* *page 59*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 74*
- ◆ *Library Report* *page 75*

6. Urgent Business

FINANCE REPORT

Statement of Financial Position

Cash balances continue to rise, with further logging sales received during February. It should be noted, though, that a cash advance has none-the-less been required to fund day to day expenses, as the bulk of funds received relate to special funds and reserves and must be set aside for specific purposes.

Statement of Comprehensive Income

A net surplus of \$866,895 at the end of February 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 is within budget for all expense types.

Statement of Activity Performance

Revenue from grants and subsidies is well up across all activities, and logging sales have boosted commercial activities revenue. Consent fees and other user fees remain extremely low. The main reasons for activity variances in excess of \$40,000 are explained below.

Income Variances:

Activity	Variance	Main Reason
Roading	Up \$42,669	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 \$271,200	Grant revenue from Ministry of Health higher than expected (funding assistance for two reservoirs not just one).
Community Facilities	Up \$58,419	Development contributions exceeding expectations
Commercial Activities	Up \$370,816	Logging continuing due to higher log prices currently being achieved
Regulation & Control	Down \$50,664	Consent fees extremely low due to economic climate
Safety & Wellbeing	Up \$68,155	National Rural Fire subsidies for the new fire engine for Oaro/Goose Bay
Interest Revenue	Up \$64,425	Cash balances higher than anticipated

Expenditure Variances:

Activity	Variance	Main Reason
Roading	Over \$162,824	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 \$40,318	Electricity (meter not read for four months at the new ground water source), and depreciation increase due to revaluation.
Community Facilities	Under \$112,872	Savings in toilet cleaning and parks & reserves contracts, and timing of maintenance items.
Regulation & Control	Under \$54,589	Reallocation of statutory planning staff time and resources to environmental and district planning.
District Development	Under \$39,413	Tourism & Development Committee spending well under budgeted provision

Statement of Cash Flows

Strong positive cash flow from operating activities has enabled ongoing investment in upgrading of assets, although the cash advance has been required so as to meet day-to-day operating commitments. Overall, cash has increased by \$858k since the start of the financial year.

Cash Flow Projection

This graph highlights the increase in cash balances discussed above. The projection had assumed that construction of the new Museum would have commenced by now, utilising substantial funds held in reserve for the project.

Capital Expenditure

Road marking was completed in February, and substantial forestry pruning and thinning has been capitalised. Additional work involving fenders and strips has been completed at the North Wharf, and the first progress payment for the new airport hangars has been paid. 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 is 4.78:1, meaning we have \$4.78 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.

Income & Expenditure Pie Charts

Thanks to the boost of revenues discussed throughout this report, rates revenue makes up only 54% of our total revenue for year to date. The trend for user fees and charges is slightly troubling, however, remaining very low at only 13%.

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 28 FEBRUARY 2011

	FORECAST (to Year End) \$	ACTUAL 28/02/11 \$	ACTUAL 28/02/10 \$
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	2,105,247	4,207,327	3,090,140
Trade & Other Receivables	931,523	3,536,567	3,679,136
Prepayments & Inventory	71,111	33,257	18,178
Other Financial Assets	333,768	260,436	235,799
Investment Property for Sale	-	-	890,000
Total Current Assets	3,441,649	8,037,587	7,913,253
<i>Non-Current Assets</i>			
Other Financial Assets	619,856	418,094	323,380
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	150,798,124	123,437,452
Total Non-Current Assets	139,872,651	157,619,058	128,512,250
TOTAL ASSETS	143,314,300	165,656,645	136,425,503
LIABILITIES			
<i>Current Liabilities</i>			
Trade & Other Payables	2,740,009	1,542,610	1,867,661
Employee Liabilities	80,000	78,914	73,046
Borrowings – Current	2,497,999	2,456,000	1,638,000
Total Current Liabilities	5,318,008	4,077,524	3,578,707
<i>Non-Current Liabilities</i>			
Provisions	167,325	149,445	147,248
Borrowings – Non Current	4,543,412	4,019,000	4,333,000
Other Term Debt	481,587	699,956	482,445
Total Non-Current Liabilities	5,192,324	4,868,401	4,962,693
EQUITY			
Public Equity	82,369,407	89,258,914	89,145,770
Asset Revaluation Reserve	49,359,397	63,687,152	35,395,399
Special Funds & Reserves	1,075,164	3,764,654	3,342,934
Total Equity	132,803,968	156,710,720	127,884,103
TOTAL LIABILITIES & EQUITY	143,314,300	165,656,645	136,425,503

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 28 FEBRUARY 2011

	BUDGET 28/02/11 \$	ACTUAL 28/02/11 \$	ACTUAL 28/02/10 \$
REVENUE			
Rates Revenue	2,991,874	2,991,578	2,905,848
Water Meter Charges	71,662	92,703	98,922
User Fees & Charges	764,469	693,326	850,757
Grants & Subsidies	523,309	862,392	235,630
Development Contributions	-	37,107	353,374
Interest Revenue	59,000	120,425	60,009
Other Revenue ¹	222,668	651,678	102,675
Total Revenue	4,632,982	5,449,209	4,607,215
EXPENSES			
Personnel	1,030,117	997,427	999,665
Depreciation	1,111,251	1,107,288	1,073,871
Financing Expenses	315,387	299,618	284,309
Other Expenses	2,183,798	2,177,981	2,201,580
Total Expenses	4,640,553	4,582,314	4,559,425
Net Surplus/(Deficit)	(7,571)	866,895	47,790
OTHER COMPREHENSIVE INCOME			
Gains on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
Total Other Comprehensive Income	-	-	-
TOTAL COMPREHENSIVE INCOME	(7,571)	866,895	47,790

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

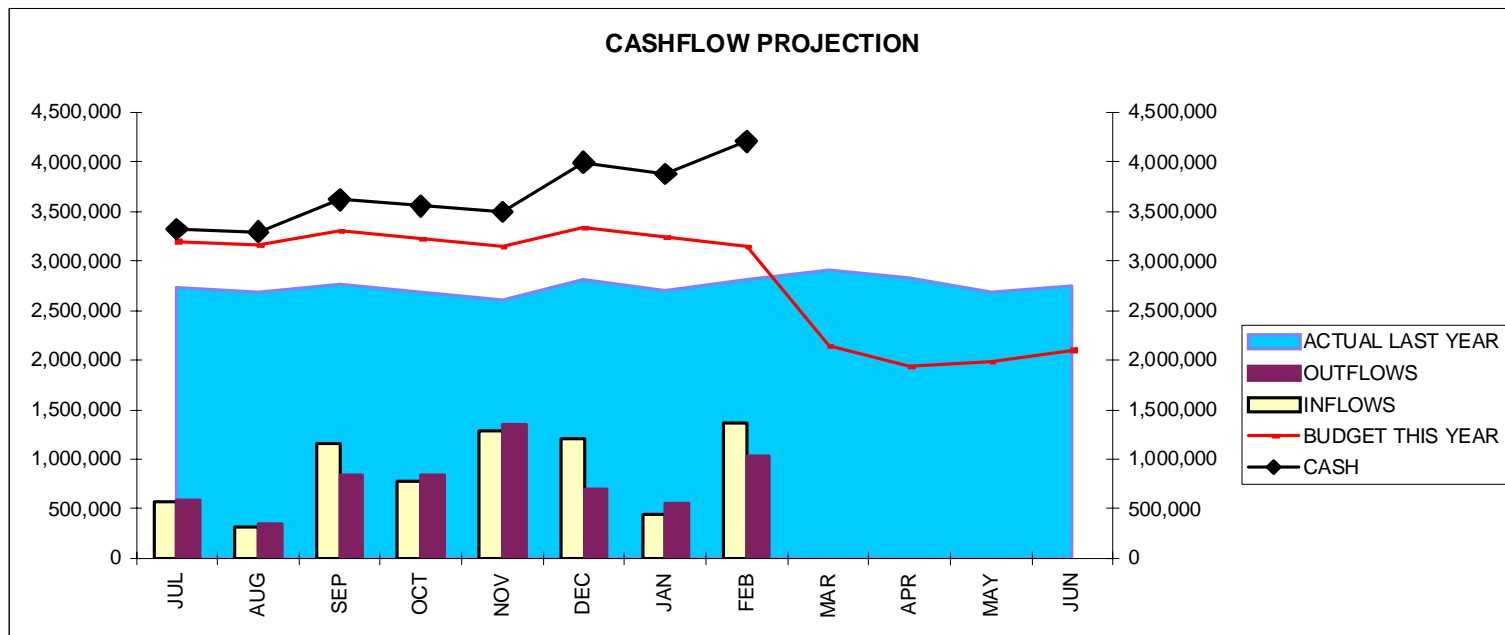
STATEMENT OF ACTIVITY PERFORMANCE
FOR THE PERIOD ENDED 28 FEBRUARY 2011

	BUDGET 28/02/11 \$	ACTUAL 28/02/11 \$	ACTUAL 28/02/10 \$
REVENUE			
Roading	675,054	717,723	581,245
Water Services	668,544	939,744	524,542
Sewerage & Stormwater	394,438	383,501	436,583
Refuse & Recycling	80,298	86,014	76,586
Community Facilities	349,073	407,492	563,675
Commercial Activities	434,936	805,752	439,348
Leadership & Governance	61,258	40,116	40,364
Regulation & Control	258,542	207,878	270,110
Safety & Wellbeing	120,965	189,120	172,997
District Development	248,967	269,572	210,806
Interest Revenue	59,000	120,425	60,009
General Rates	1,281,907	1,281,872	1,230,950
	4,632,982	5,449,209	4,607,215
EXPENDITURE			
Roading	927,251	1,090,075	868,888
Water Services	566,398	606,716	567,221
Sewerage & Stormwater	451,884	412,091	448,016
Refuse & Recycling	257,371	249,265	250,549
Community Facilities	761,463	648,591	721,380
Commercial Activities	254,266	282,652	290,463
Leadership & Governance	399,177	353,060	415,081
Regulation & Control	432,298	377,709	417,388
Safety & Wellbeing	216,231	227,354	215,734
District Development	374,214	334,801	364,705
	4,640,553	4,582,314	4,559,425
Activity Surplus/(Deficit)	(7,571)	866,895	47,790

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 28 FEBRUARY 2011

	ACTUAL 28/02/11 \$	ACTUAL 28/02/10 \$
OPERATING ACTIVITIES		
Receipts from Rates	2,518,312	2,515,508
Interest Received	120,425	60,009
Receipts from Other Revenue	2,518,312	2,612,800
Payments to Employees & Suppliers	(3,246,826)	(4,140,687)
Interest Paid	(299,618)	(284,309)
Net Cash from Operating Activities	1,647,895	763,321
INVESTING ACTIVITIES		
Proceeds from Sale of Assets	-	4,875
Sinking Funds Received	250,924	107,616
Purchase of Property, Plant & Equipment	(1,114,083)	(1,453,169)
Purchase of Forestry Assets	-	-
Purchase of Investment Property	-	-
Payments into Sinking Funds	(212,437)	(192,069)
Net Cash from Investing Activities	(1,075,596)	(1,532,747)
FINANCING ACTIVITIES		
Proceeds from Borrowing	1,460,000	1,414,000
Proceeds from Cash Advance	200,000	280,000
Repayment of Borrowings	(1,374,000)	(583,000)
Repayment of Cash Advance	-	200,000
Net Cash from Finance Activities	286,000	911,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	858,299	141,574
CASH AT THE BEGINNING OF THE YEAR	3,349,028	2,948,566
CASH AT THE END OF THE YEAR	4,207,327	3,090,140

CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2011



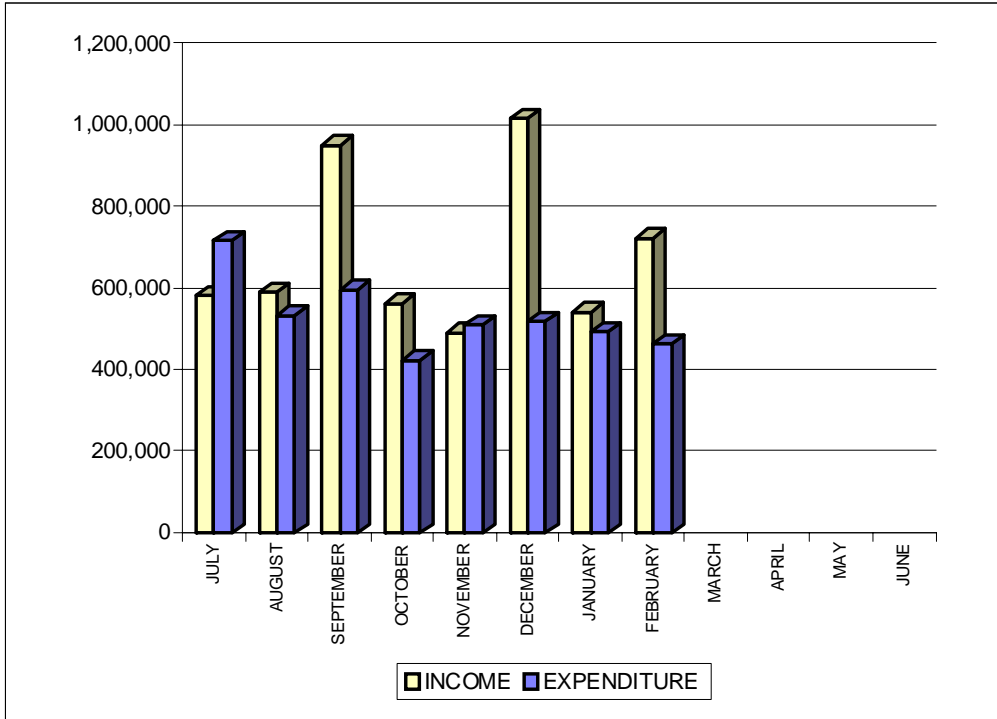
CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 28 FEBRUARY 2011

	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	42,093	21,218	-
Minor Road Improvements	30,832	74,262	-
New Footpaths	-	153,900	-
Footpath Renewals	770	26,305	-
New Streetlights	7,731	20,666	-
Landfill Cell Capping & Development	-	22,500	-
Sewerage Aerator Lagoon	12,142	-	325,000
Sewerage Pipe Renewals	284,287	432,000	-
Stormwater Upgrade	17,428	5,000	224,000
Stormwater Renewals	3,340	12,000	-
Kaikoura Water New Reservoirs	148,352	360,000	-
Kaikoura Water Renewals	178,085	103,470	-
Kincaid Water Upgrade	-	72,825	-
Fernleigh Water Connection	4,780	-	-
Forestry Pruning & Thinning	27,269	4,277	-
North Wharf Upgrade	24,363	-	-
Pyne's Building Roofing, etc	14,200	-	-
Airport Hangars	9,043	-	150,000
Town Centre Security Cameras	16,283	15,000	-
Other Parks & Reserves Work	21,820	21,254	-
Jimmy Armers Walkway	6,601	-	20,000
Playground Equipment	-	14,040	-
Council Office & Other Properties	28,199	-	-
New Museum	3,761	2,365,000	-
Library Books & Non-Books	15,603	32,000	-
TOTAL CAPITAL EXPENDITURE	1,114,083	4,117,870	626,389

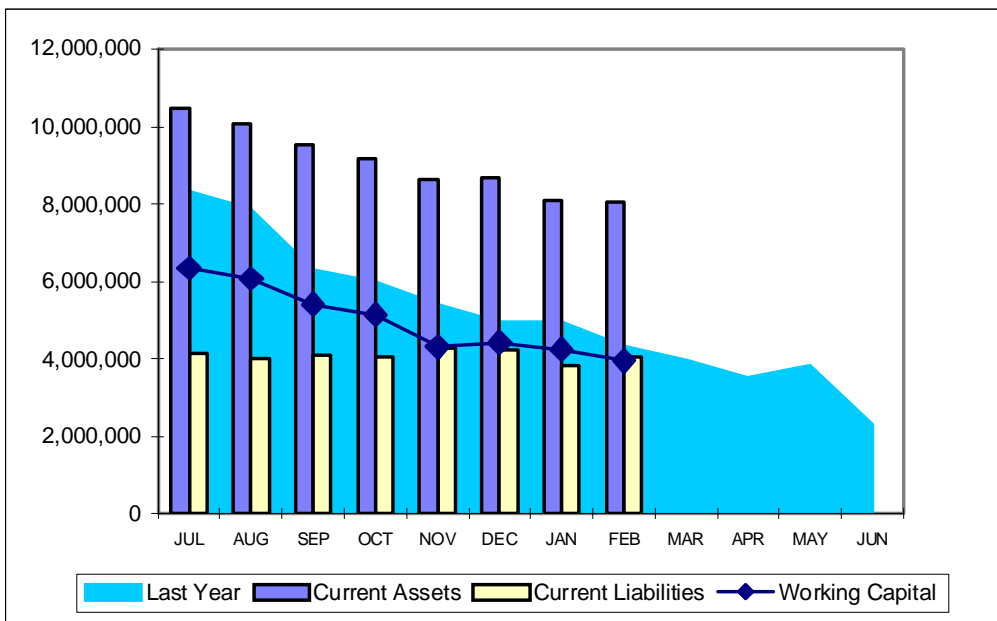
² Two years worth of reseals were done in 2010, therefore the budget provision this year is not intended to be spent, and there is a deficit brought forward from the previous financial year.

INCOME AND EXPENDITURE

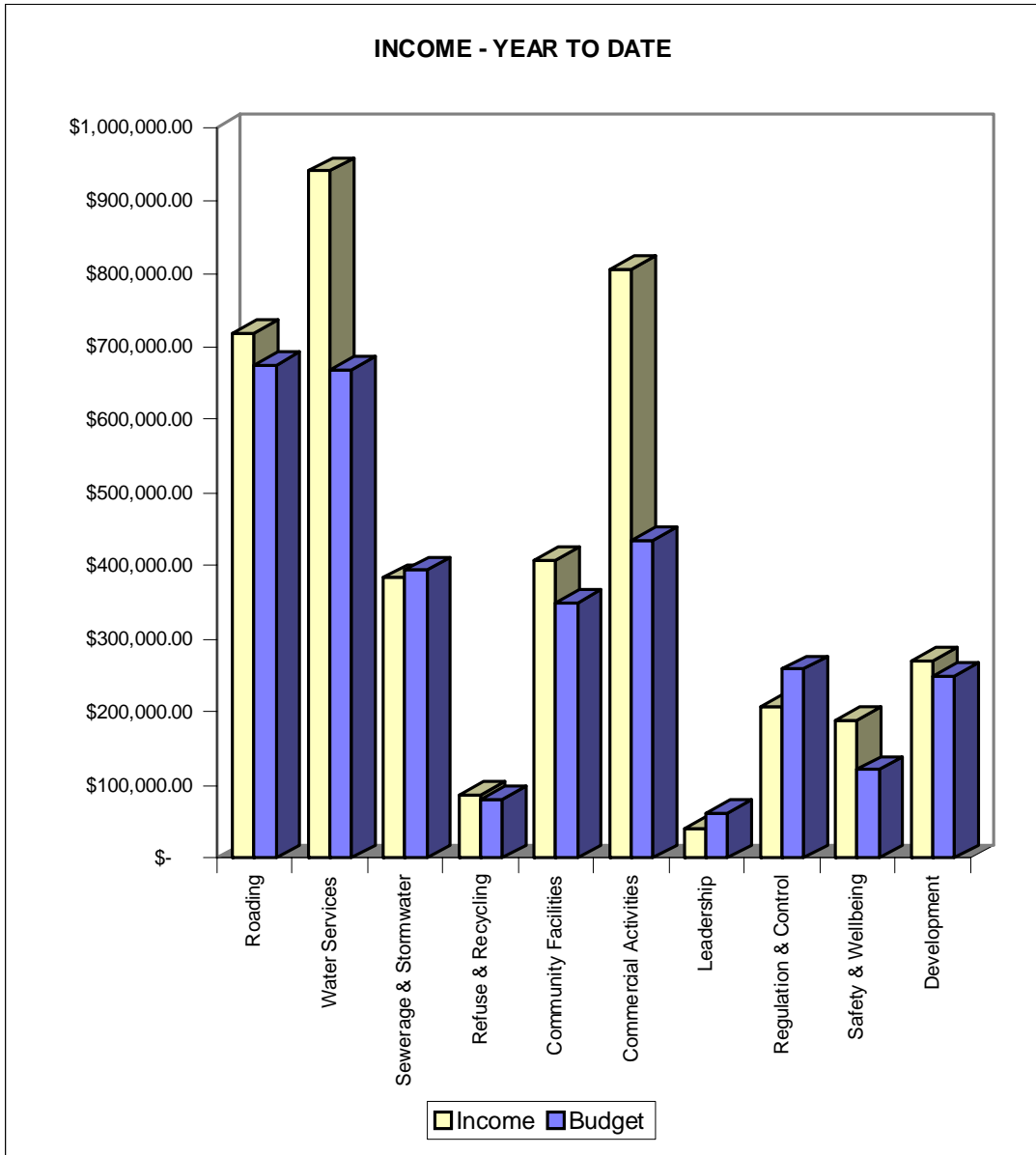
TO 28 FEBRUARY 2011



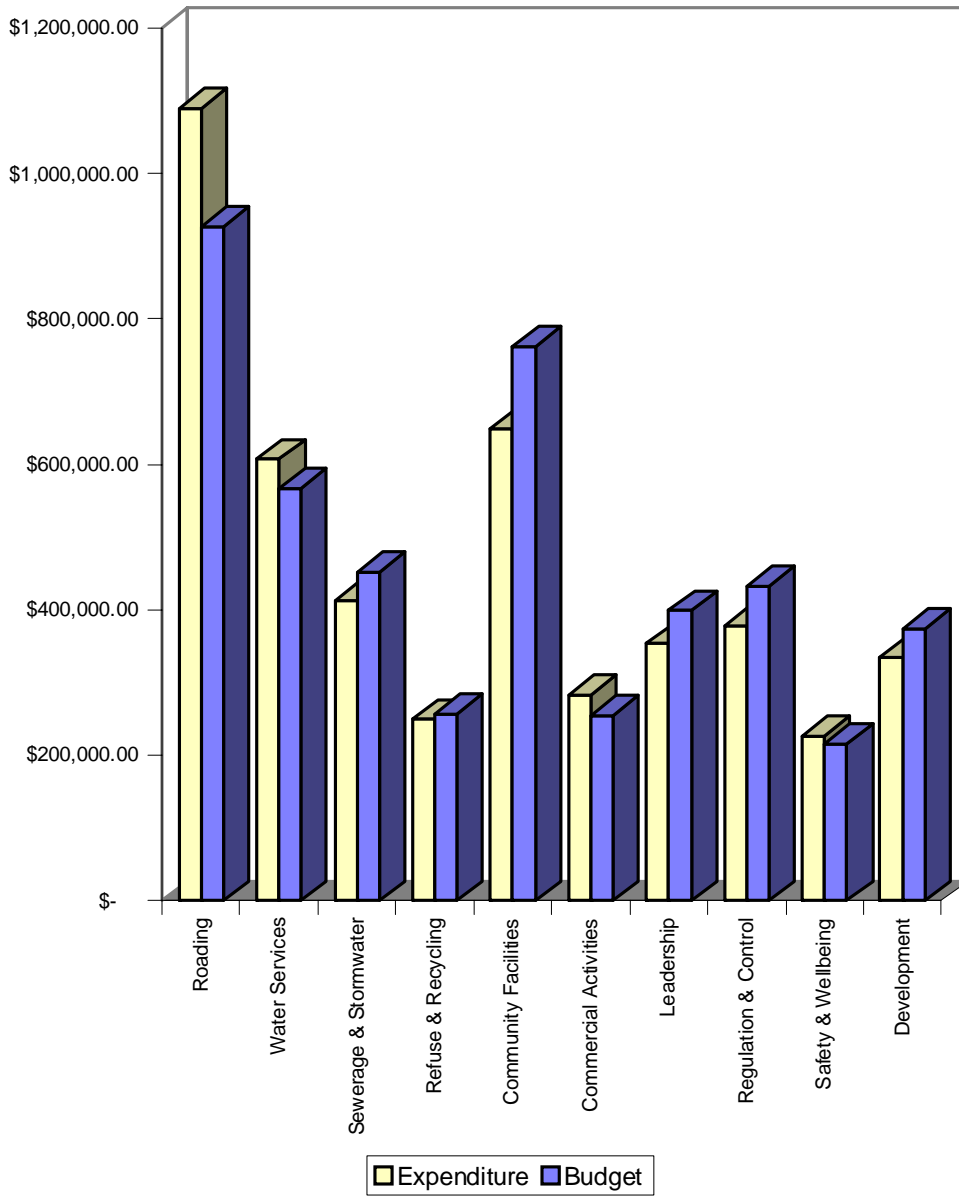
WORKING CAPITAL TO 28 FEBRUARY 2011



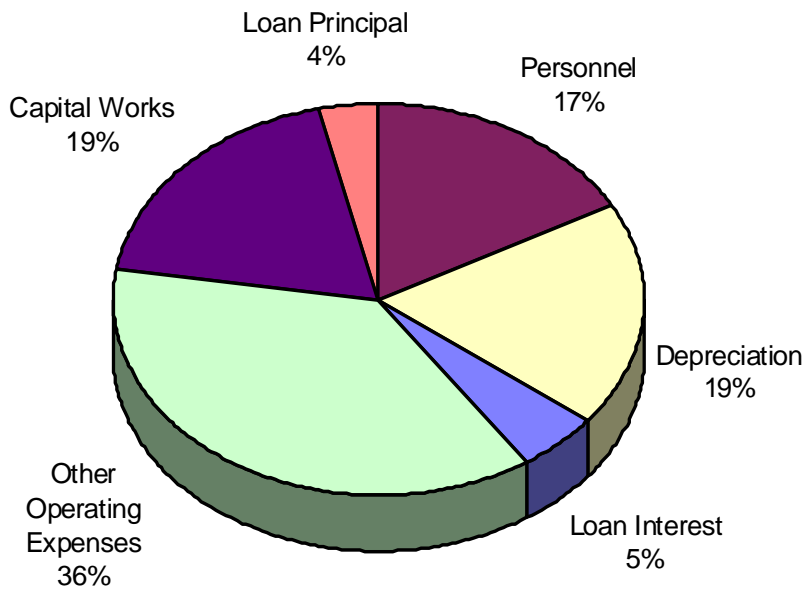
BUDGET PERFORMANCE TO 28 FEBRUARY 2011



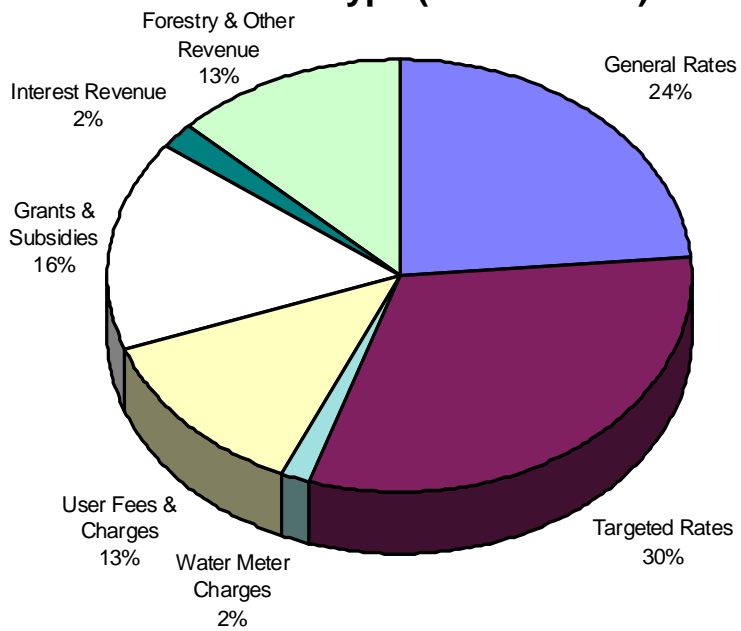
EXPENDITURE - YEAR TO DATE



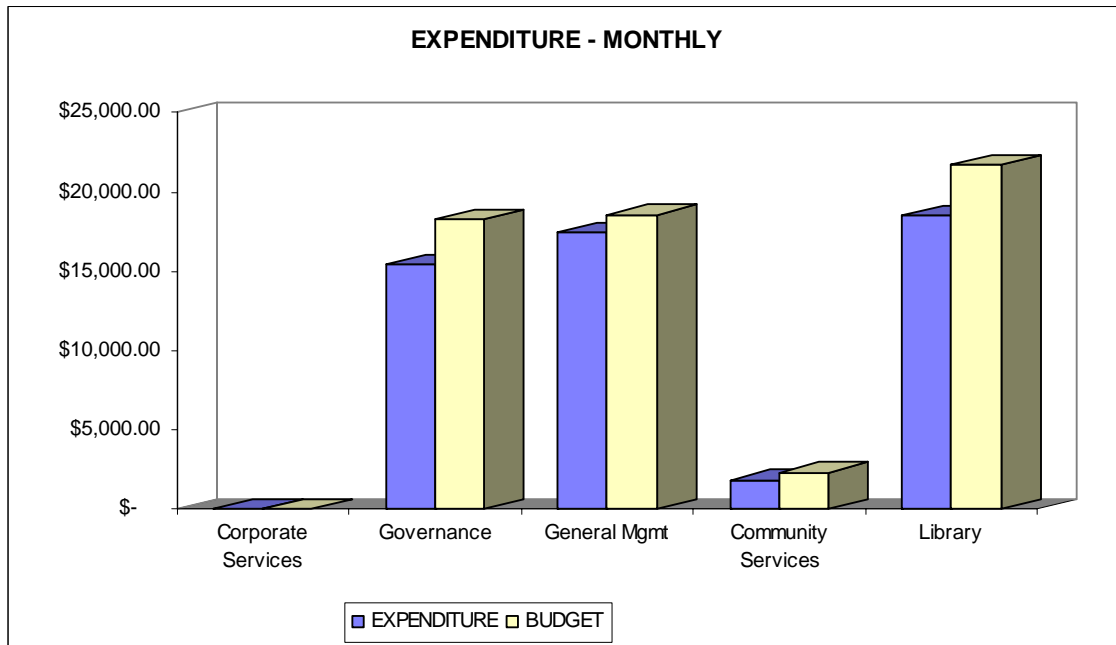
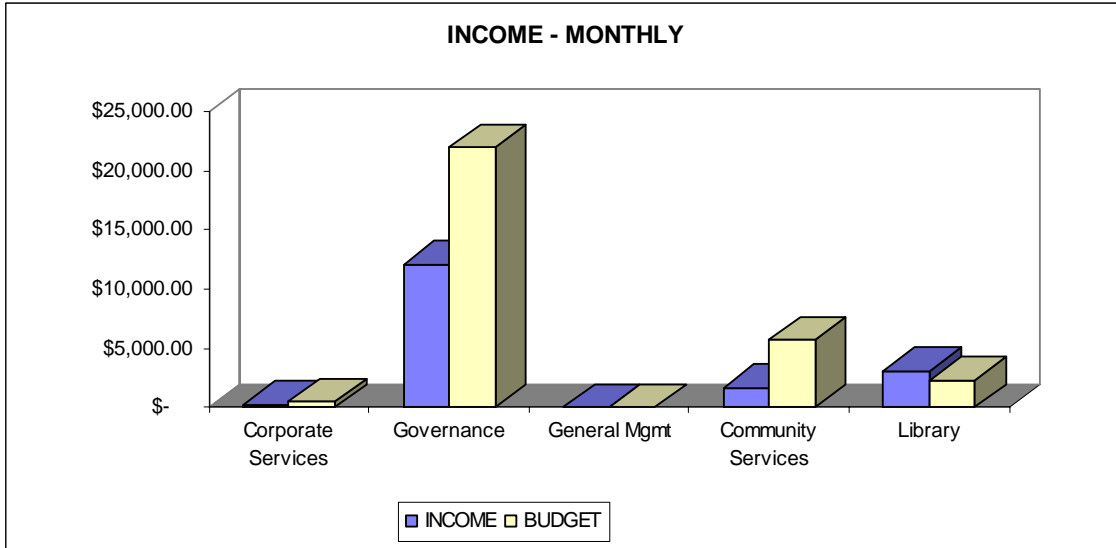
Expenditure Type (Year to Date)



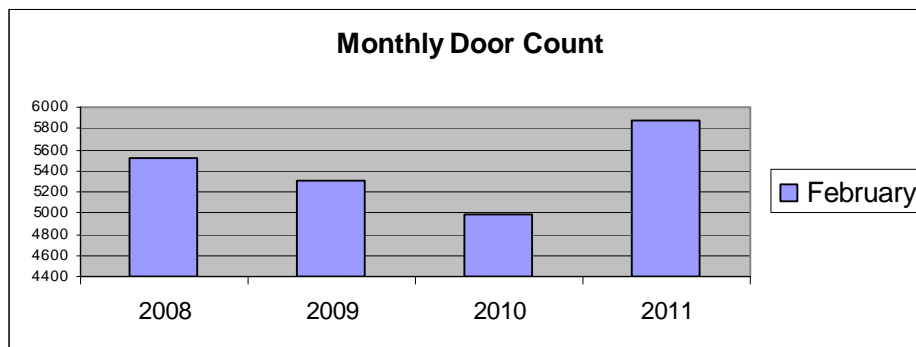
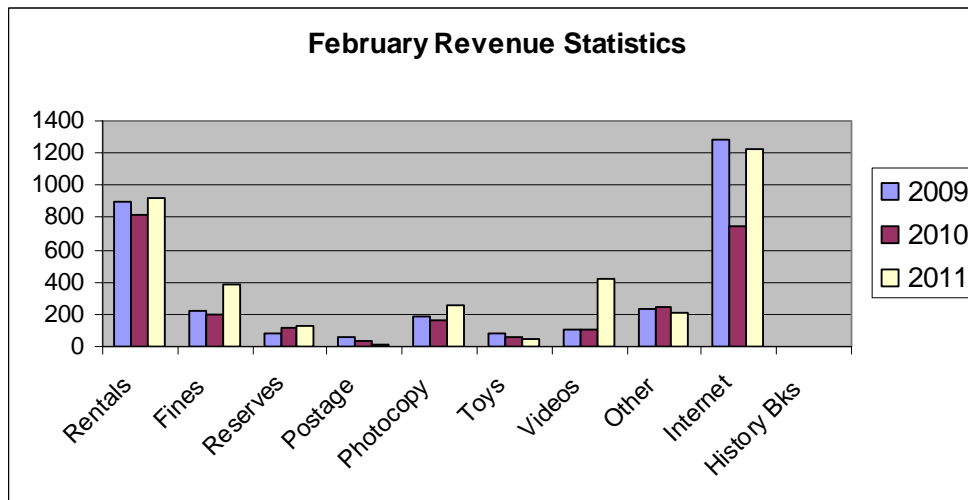
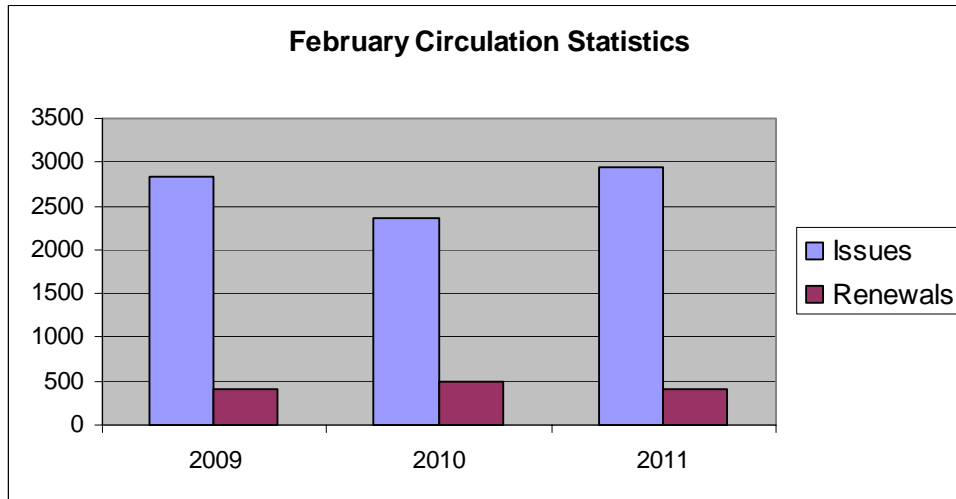
Income Type (Year to Date)



Corporate Services Budget Report



LIBRARY REPORT



◆ 1-28 February 2011 = 5868
 Daily average = 245

Activities & Events

◆ Toddler time sessions are well on the way again during School terms & are proving to be popular with both the toddlers & caregivers.

Class Visits

◆ Kaikoura High School students enjoyed a visit on the 7th February 2011.

◆ Lynton Downs School enjoyed a visit on the 21st February 2011.

◆ Woodbank School enjoyed a visit on the 21st February 2011.

◆ Kaikoura Adult Learning Centre enjoyed two visits this month on the 4th & 11th February 2011.

Technology

◆ Pete Tripp from TLC visited on the 16th February 2011.