

**FINANCE AND POLICY COMMITTEE MEETING HELD  
FOLLOWING THE ENVIRONMENTAL SERVICES  
COMMITTEE MEETING ON WEDNESDAY 20 APRIL  
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 16/3/2011* *page 96*

*4. Minutes Action and Issues List Update*

<b>MEETING</b>	<b>ACTION REQUIRED</b>	<b>BY</b>	<b>DATE ACTIONED</b>
	<b>10 NOVEMBER 2010</b>		
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 52*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 67*
- ◆ *Library Report* *page 68*

*6. Quarterly Reports*

- ◆ *Investment Quarterly Report* *page 70*
- ◆ *Liability Management Compliance Report* *page 74*
- ◆ *Special Funds Quarterly Report* *page 77*
- ◆ *Development Contributions Quarterly Report* *page 78*
- ◆ *Traffic Quarterly Report* *page 79*
- ◆ *Housing for the Elderly Report* *page 80*

*7. Urgent Business*

# FINANCE REPORT

## Statement of Financial Position

Cash balances continue to rise, with the third rates instalment and further logging sales received during March. The cash advance raised last month has now been repaid.

## Statement of Comprehensive Income

A net surplus of \$832,349 at the end of March is much better than had been anticipated; boosted by logging sales at the Clarence forest, the Marlborough Regional Forestry capital distribution, and grants and subsidies revenue. Expenditure remains very close to budget for each expense type.

## 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:*

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Roading	Up \$50,407	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 \$274,370	Grant revenue from Ministry of Health higher than expected (funding assistance for two reservoirs not just one).
Community Facilities	Up \$73,331	Development contributions exceeding expectations
Commercial Activities	Up \$430,977	Logging continuing due to higher log prices currently being achieved
Regulation & Control	Down \$66,450	Consent fees extremely low due to economic climate
Safety & Wellbeing	Up \$52,832	National Rural Fire subsidies for the new fire engine for Oaro/Goose Bay
Interest Revenue	Up \$55,170	Cash balances higher than anticipated

### *Expenditure Variances:*

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Roading	Over \$173,798	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 \$71,065	Electricity (meter not read for four months at the new ground water source), and

		depreciation increase due to revaluation.
Sewerage & Stormwater	Under \$42,706	Very little maintenance work being done due to the sewer pipe replacement project
Community Facilities	Under \$103,563	Savings in toilet cleaning and parks & reserves contracts, and timing of maintenance items.
Regulation & Control	Under \$41,628	Reallocation of statutory planning staff time and resources to environmental and district planning.
District Development	Under \$39,986	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. Overall, cash has increased by \$1.42m 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**

At the time of preparing this report, Council's asset managers had not yet processed several invoices for capital work done in March – namely for upgrading Sullivan's Gully stormwater, water pipe renewals, and development of the second aerated lagoon. These invoices are expected to be around \$30k each, but have not been included in these financial statements.

Contractors have resurfaced Edmund Avenue and repaired a bridge, and a revised set of sketch plans have been drawn up for the new Museum design.

### **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 5.06:1, meaning we have \$5.06 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 55% of our total revenue for year to date. The trend for user fees and charges is troubling, however, and has slipped further to only 12% of total income.

## 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 MARCH 2011

	FORECAST (to Year End) \$	ACTUAL 31/03/11 \$	ACTUAL 31/03/10 \$
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	2,105,247	4,770,150	3,456,036
Trade & Other Receivables	931,523	2,349,317	2,558,048
Prepayments & Inventory	71,111	33,257	27,255
Other Financial Assets	333,768	260,436	227,114
Investment Property for Sale	-	-	890,000
<b>Total Current Assets</b>	<b>3,441,649</b>	<b>7,413,160</b>	<b>7,158,453</b>
<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	150,694,921	123,564,092
<b>Total Non-Current Assets</b>	<b>139,872,651</b>	<b>157,515,855</b>	<b>128,638,890</b>
<b>TOTAL ASSETS</b>	<b>143,314,300</b>	<b>164,929,015</b>	<b>135,797,343</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade & Other Payables	2,740,009	1,346,144	1,553,825
Employee Liabilities	80,000	137,494	70,702
Borrowings – Current	2,497,999	2,256,000	1,553,000
<b>Total Current Liabilities</b>	<b>5,318,008</b>	<b>3,739,638</b>	<b>3,177,527</b>
<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
<b>Total Non-Current Liabilities</b>	<b>5,192,324</b>	<b>4,868,401</b>	<b>4,962,693</b>
<b>EQUITY</b>			
Public Equity	82,369,407	88,869,170	89,017,748
Asset Revaluation Reserve	49,359,397	63,687,152	35,395,399
Special Funds & Reserves	1,075,164	3,764,654	3,243,976
<b>Total Equity</b>	<b>132,803,968</b>	<b>156,320,976</b>	<b>127,657,123</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>143,314,300</b>	<b>164,929,015</b>	<b>135,797,343</b>

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED 31 MARCH 2011

	BUDGET 31/03/11 \$	ACTUAL 31/03/11 \$	ACTUAL 31/03/10 \$
<b>REVENUE</b>			
Rates Revenue	3,365,863	3,365,559	3,279,045
Water Meter Charges	71,662	92,965	93,315
User Fees & Charges	836,815	747,587	913,947
Grants & Subsidies	630,672	961,973	331,001
Development Contributions	-	62,581	426,213
Interest Revenue	77,250	132,420	89,946
Other Revenue <sup>1</sup>	225,501	711,956	106,231
<b>Total Revenue</b>	<b>5,207,763</b>	<b>6,075,041</b>	<b>5,239,698</b>
<b>EXPENSES</b>			
Personnel	1,158,881	1,172,220	1,115,896
Depreciation	1,250,164	1,240,053	1,208,607
Financing Expenses	354,735	331,581	319,585
Other Expenses	2,428,956	2,498,838	2,424,648
<b>Total Expenses</b>	<b>5,192,736</b>	<b>5,242,692</b>	<b>5,068,736</b>
<b>Net Surplus/(Deficit)</b>	<b>15,027</b>	<b>832,349</b>	<b>170,962</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Gains on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>15,027</b>	<b>832,349</b>	<b>170,962</b>

<sup>1</sup> Other Revenue includes forestry logging sales, Marlborough Regional Forestry joint venture revenue, and petrol tax

# STATEMENT OF ACTIVITY PERFORMANCE

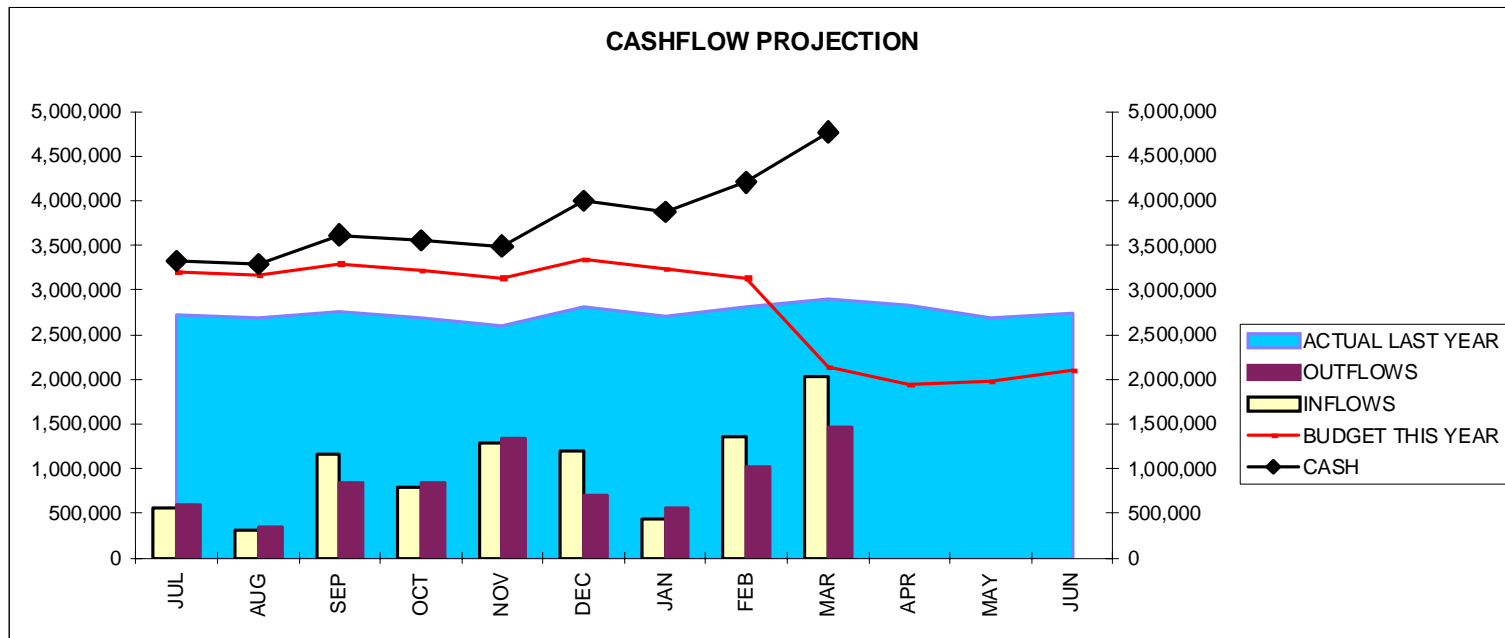
## FOR THE PERIOD ENDED 31 MARCH 2011

	BUDGET 31/03/11 \$	ACTUAL 31/03/11 \$	ACTUAL 31/03/10 \$
<b>REVENUE</b>			
Roading	818,415	868,822	690,941
Water Services	717,844	992,214	577,671
Sewerage & Stormwater	443,743	436,981	494,052
Refuse & Recycling	90,336	95,499	85,166
Community Facilities	380,801	454,132	623,525
Commercial Activities	456,871	887,848	466,741
Leadership & Governance	69,146	44,767	48,047
Regulation & Control	287,610	221,160	308,569
Safety & Wellbeing	142,135	194,967	218,643
District Development	281,466	304,125	251,002
Interest Revenue	77,250	132,420	89,946
General Rates	1,442,146	1,442,106	1,385,395
	<b>5,207,763</b>	<b>6,075,041</b>	<b>5,239,698</b>
<b>EXPENDITURE</b>			
Roading	1,041,661	1,215,459	961,423
Water Services	634,333	705,398	631,447
Sewerage & Stormwater	516,429	473,723	491,223
Refuse & Recycling	289,544	280,348	282,585
Community Facilities	845,822	742,259	826,633
Commercial Activities	282,728	313,187	319,840
Leadership & Governance	430,087	425,256	450,034
Regulation & Control	481,853	440,225	458,227
Safety & Wellbeing	244,042	260,586	241,352
District Development	426,237	386,251	405,972
	<b>5,192,736</b>	<b>5,242,692</b>	<b>5,068,736</b>
<b>Activity Surplus/(Deficit)</b>	<b>15,027</b>	<b>832,349</b>	<b>170,962</b>

**STATEMENT OF CASH FLOWS**  
FOR THE PERIOD ENDED 31 MARCH 2011

	<b>ACTUAL 31/03/11 \$</b>	<b>ACTUAL 31/03/10 \$</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from Rates	3,323,490	3,301,403
Interest Received	132,420	89,946
Receipts from Other Revenue	3,970,276	2,890,891
Payments to Employees & Suppliers	(4,654,325)	(4,221,420)
Interest Paid	(331,581)	(319,585)
<b>Net Cash from Operating Activities</b>	<b>2,440,280</b>	<b>1,741,235</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from Sale of Assets	-	4,875
Sinking Funds Received	250,022	116,302
Purchase of Property, Plant & Equipment	(1,142,743)	(1,708,873)
Purchase of Forestry Assets	-	-
Purchase of Investment Property	-	-
Payments into Sinking Funds	(212,437)	(192,069)
<b>Net Cash from Investing Activities</b>	<b>(1,105,158)</b>	<b>(1,779,765)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Borrowing	1,460,000	1,414,000
Proceeds from Cash Advance	-	-
Repayment of Borrowings	(1,374,000)	(668,000)
Repayment of Cash Advance	-	200,000
<b>Net Cash from Finance Activities</b>	<b>86,000</b>	<b>546,000</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>1,421,122</b>	<b>507,470</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>3,349,028</b>	<b>2,948,566</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>4,770,150</b>	<b>3,456,036</b>

## CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2011



## CAPITAL EXPENDITURE

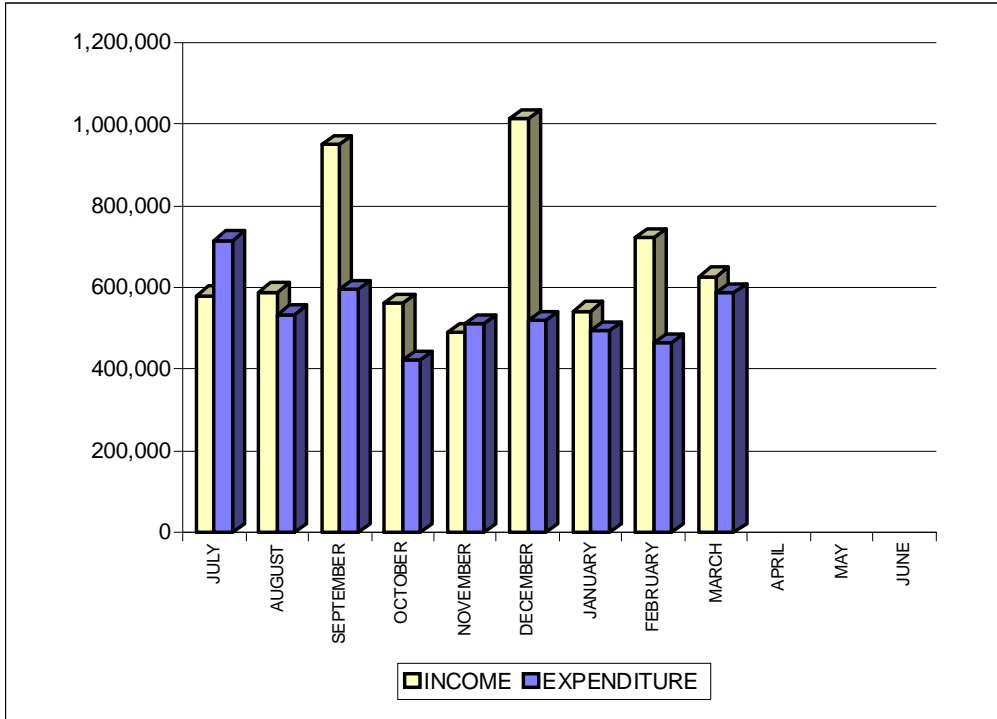
### FOR THE PERIOD ENDED 31 MARCH 2011

	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)	116,457	-	-
Sealed Road Renewals <sup>2</sup>	11,679	132,611	(132,611)
Unsealed Road Renewals	12,140	59,410	-
Kerb & Channel Renewals	57,150	58,349	-
Road Rehabilitation	2,997	63,653	-
Bridges & Structure Replacement	6,587	-	-
Traffic Services	42,679	21,218	-
Associated Road Improvements	23,562	8,487	-
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	284,679	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	9,338	-	150,000
Town Centre Security Cameras	16,283	15,000	-
Other Parks & Reserves Work	22,889	21,254	-
Jimmy Armers Walkway	6,601	-	20,000
Playground Equipment	-	14,040	-
Council Office & Other Properties	28,199	-	-
New Museum	10,337	2,365,000	-
Library Books & Non-Books	16,572	32,000	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,142,743</b>	<b>4,117,870</b>	<b>626,389</b>

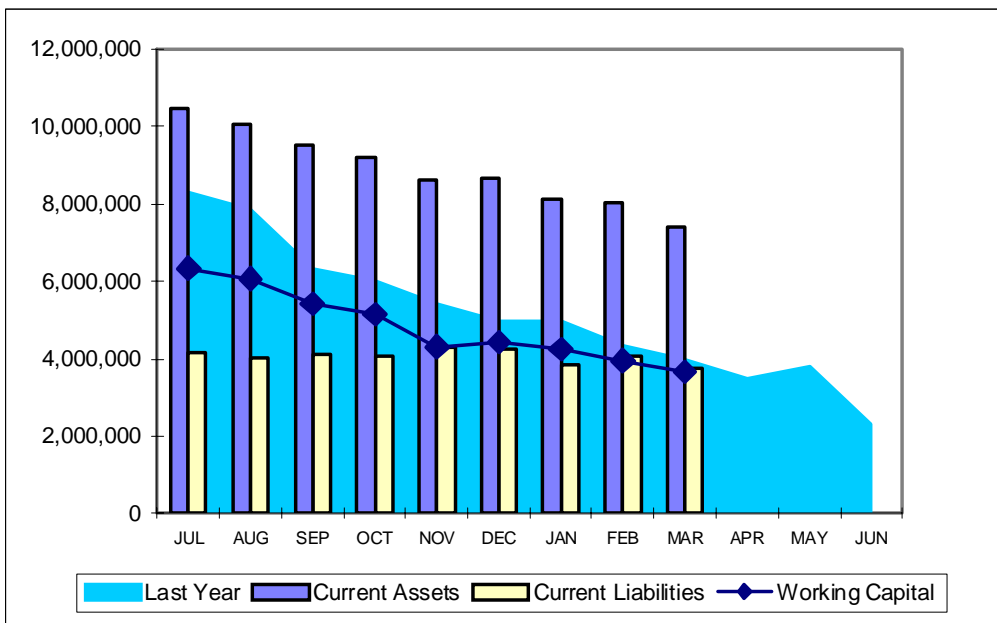
<sup>2</sup> Two years worth of reseals were done in 2010, therefore the budget provision this year is not intended to be spent, and there is a deficit brought forward from the previous financial year.

## INCOME AND EXPENDITURE

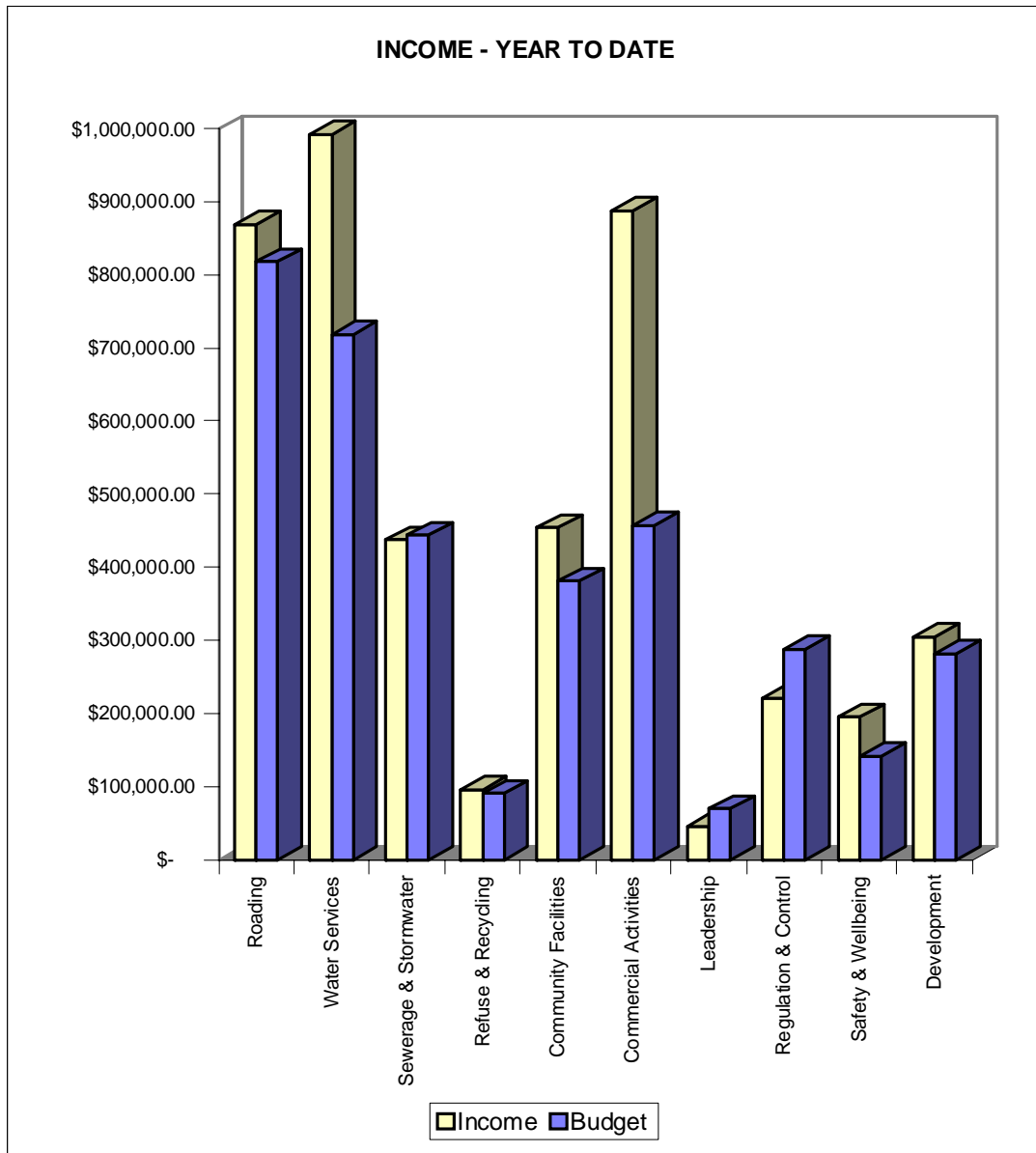
TO 31 MARCH 2011



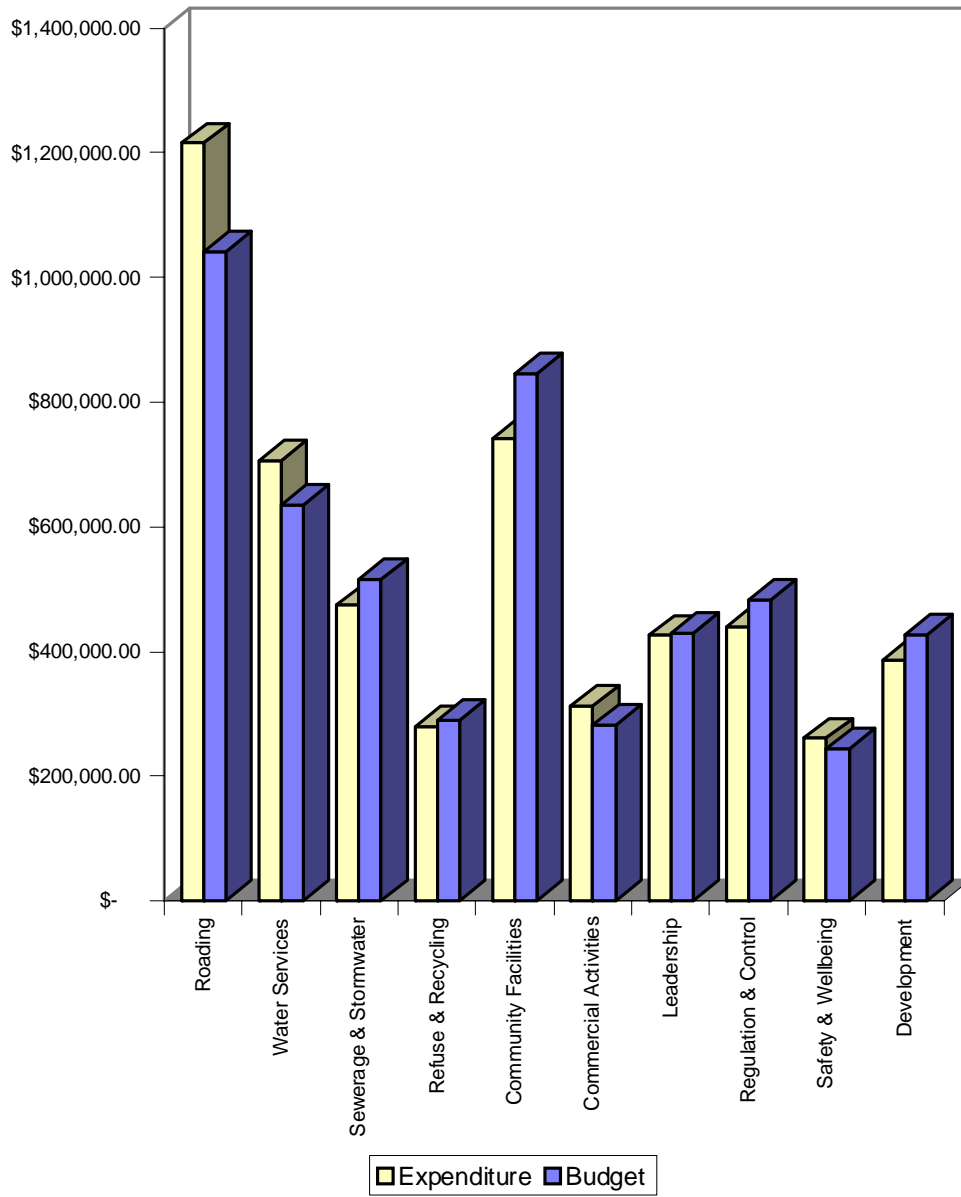
## WORKING CAPITAL TO 31 MARCH 2011



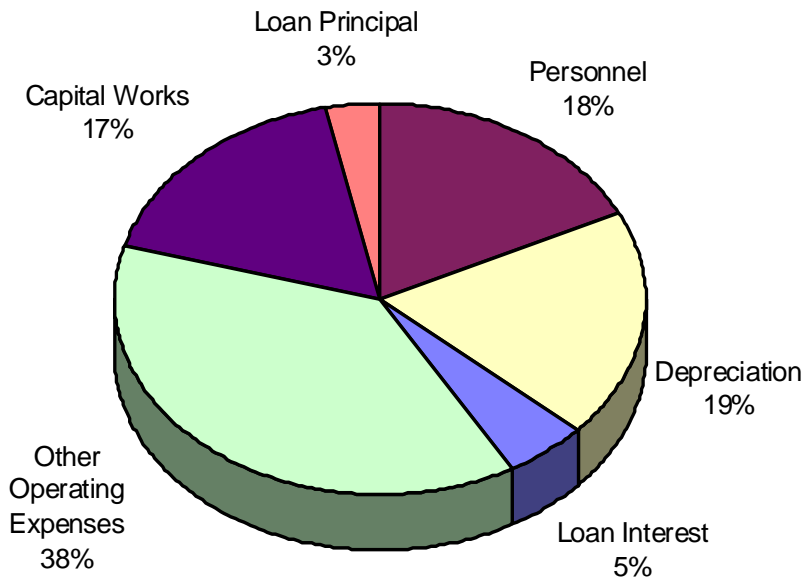
## BUDGET PERFORMANCE TO 31 MARCH 2011



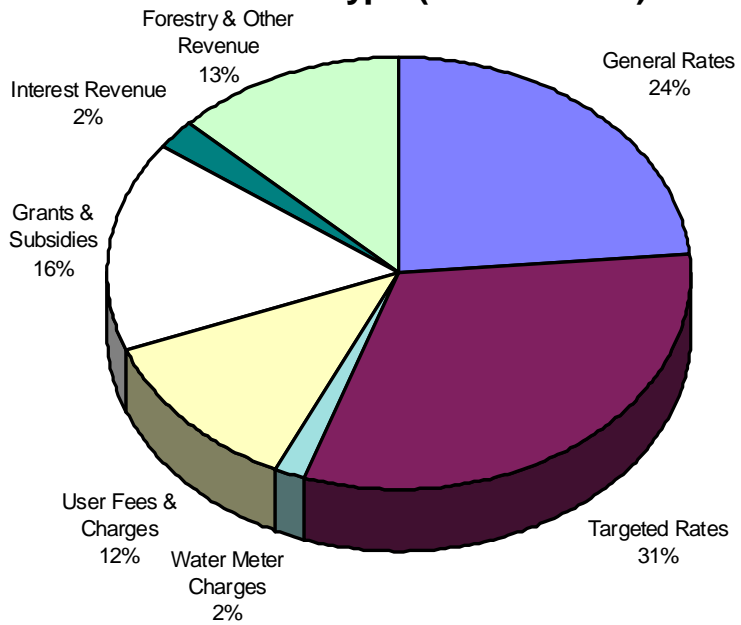
### EXPENDITURE - YEAR TO DATE



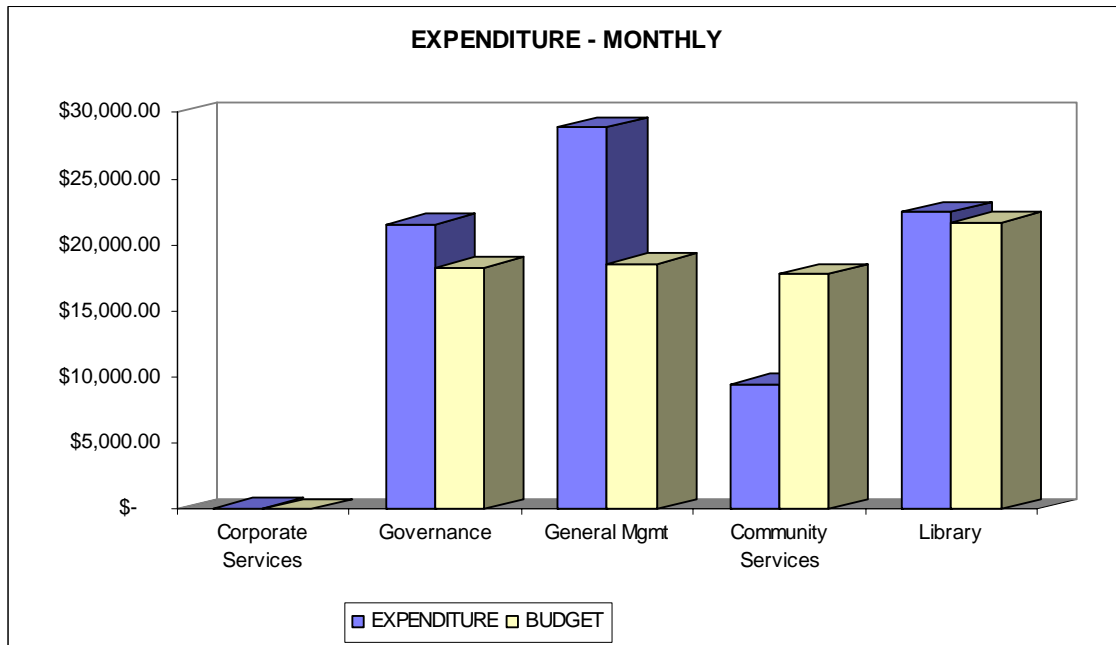
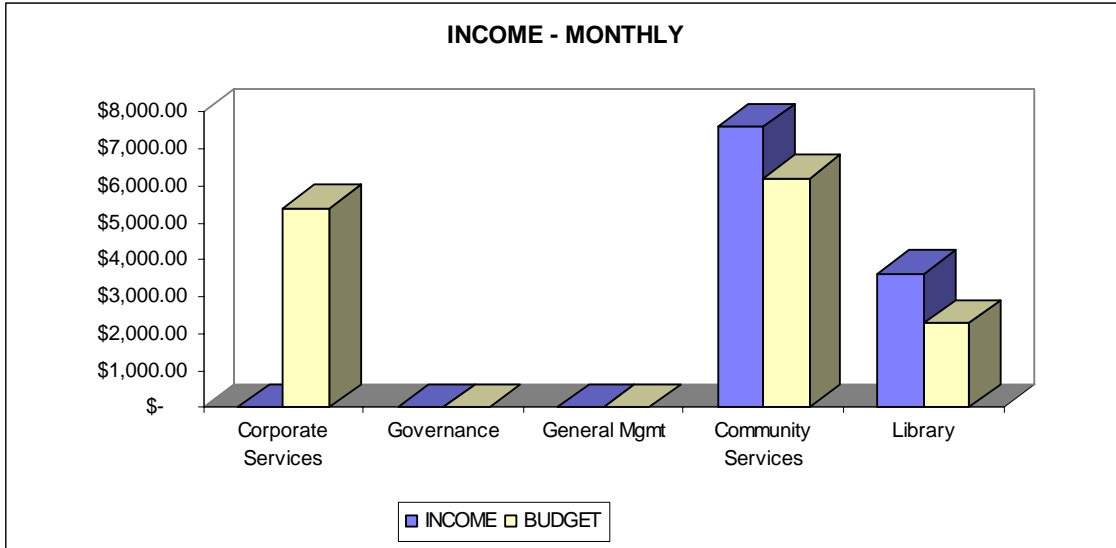
### Expenditure Type (Year to Date)



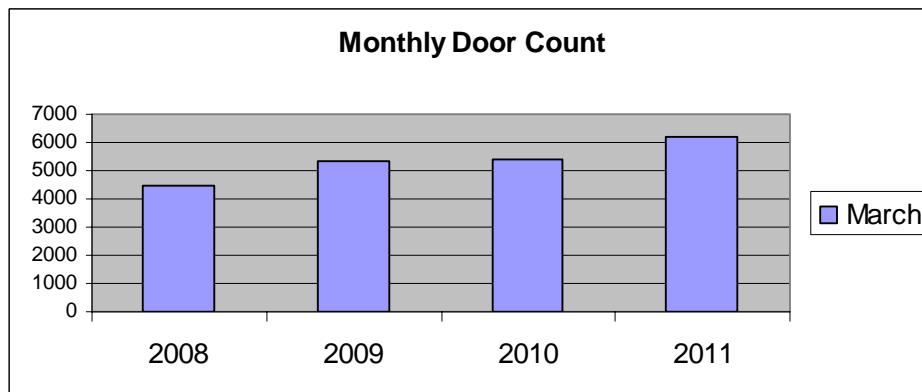
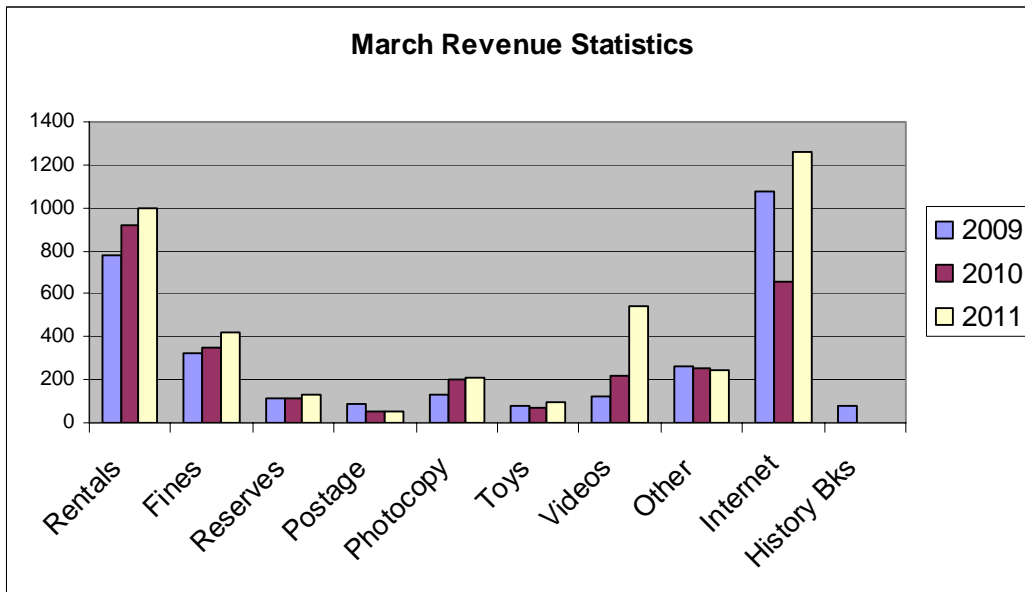
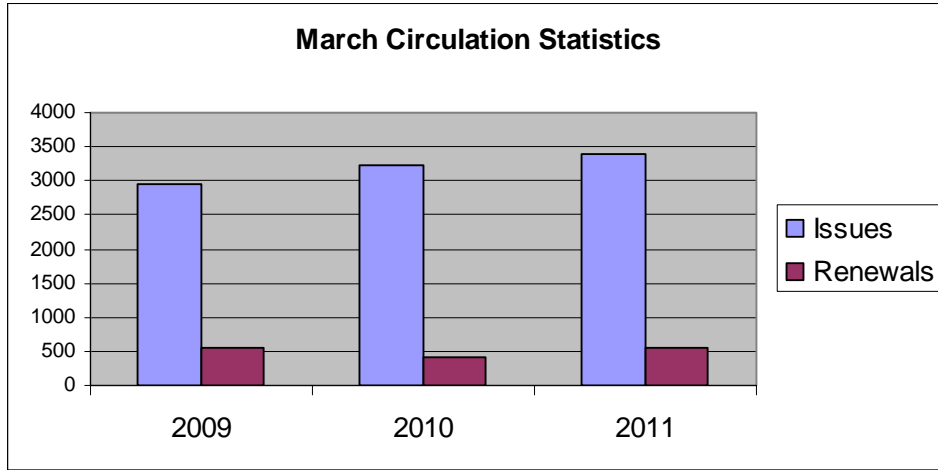
### Income Type (Year to Date)



# Corporate Services Budget Report



# LIBRARY REPORT



◆ 1- 31 March 2011 = 6167.  
Daily average = 229.

### ***Administration***

- ◆ Fire Alarm inspection carried out on the 4<sup>th</sup> March 2011.
- ◆ Two independent engineers visited the library building regarding the Museum development site taking photos & notes both on the 18<sup>th</sup> March 2011.
- ◆ As part of the Christchurch earthquake evacuees pack the Chief Executive Officer authorized one months free library membership for non residents of Kaikoura between 1<sup>st</sup> -31<sup>st</sup> March 2011.

### ***Collection Development***

- ◆ Good God – the Goodalls! By the Goodall Seven, presented to the Kaikoura District Library by Richard & Yuko Goodall on 28<sup>th</sup> March 2011. For the people of Kaikoura from the Goodall family. The family was one of the proud owners of Fyffe House and they share early life experiences in Kaikoura as part of their biography of the adventures of a Waikato farming family.

### ***Class Visits***

- ◆ Whales Tales Preschool enjoyed a visit on the 21<sup>st</sup> March 2011.
- ◆ Suburban School enjoyed a visit on the 18<sup>th</sup> March 2011.
- ◆ Students from Cashmere High School in Christchurch spent time studying & using library facilities on the 31<sup>st</sup> March 2011.
- ◆ Adult Learning Centre enjoyed a visit this month on the 22<sup>nd</sup> March 2011.

### ***Technology***

- ◆ Pete from TLC visited during the week 29<sup>th</sup> – 31<sup>st</sup> March completing a much needed server upgrade.
- ◆ Business Systems Marlborough BSM installed a new photocopier on the 31<sup>st</sup> March 2011 as part of the photocopy lease agreement, including a now functioning coin machine to allow for independent public use.

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# INVESTMENT QUARTERLY REPORT FOR THE PERIOD TO 31 MARCH 2011

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## *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.

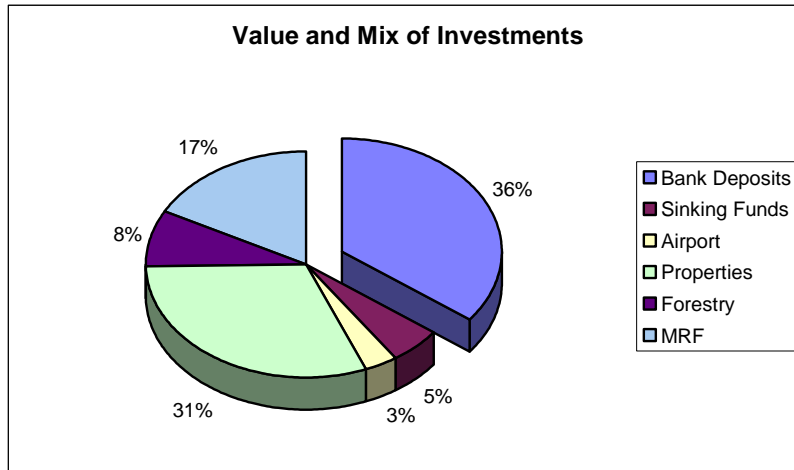
### ***Disclosure in Financial Statements***

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	4,579,806	35%
Sinking Funds	678,531	5%
Airport	412,000	3%
Properties	3,985,000	31%
Forestry	1,050,680	8%
MRF	2,238,404	17%
	<hr/>	
	12,944,421	100%



The combined value of Council's own forestry operations and those of MRF is 25%, which is well within the 75% cap set by Council's Investment Policy.

**Treasury Investments**

	<b>Balance</b>	<b>Rate</b>	<b>Interest</b>
Operating On Call	381,971	1.35%	1,720
Special Funds			
Call	397,474	1.35%	10,123
Term Deposit	1,525,188	4.90%	66,850
Term Deposit	364,601	5.20%	15,981
Term Deposit	408,219	5.00%	8,219
Term Deposit	458,483	5.10%	8,483
Term Deposit	700,000	5.20%	0
Term Deposit	343,870	5.10%	15,072
	<hr/>		
	4,579,806	2.76%	126,448

At the end of this quarter, \$779,445 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 \$616,757. A capital distribution of \$80,500 has also been received from the Marlborough Regional Forestry joint venture this financial year. Of this distribution, \$10,763 has been paid to Environment Canterbury for their share of the joint venture.

## 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	19,224	21,956	-2,732	-0.66%

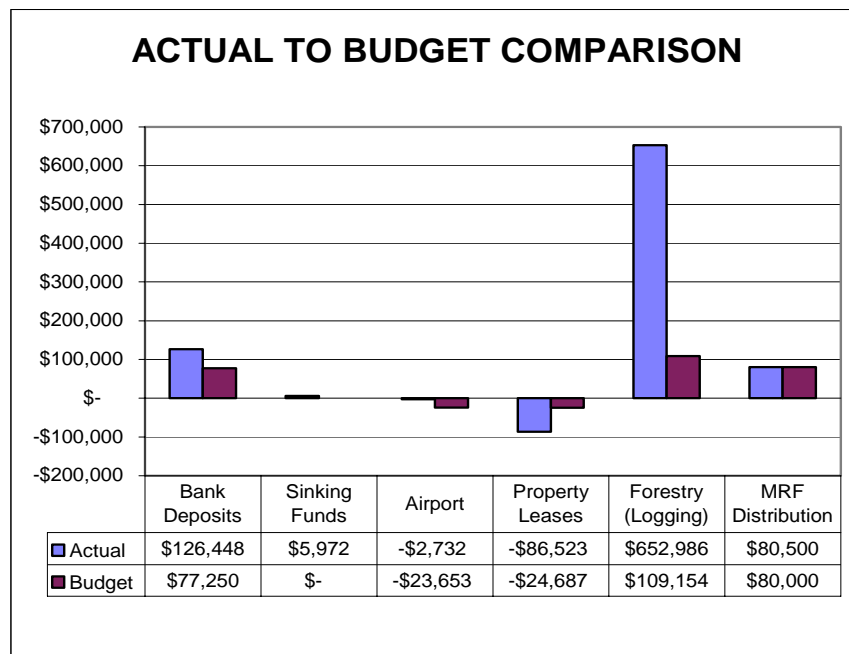
## Net Rental Yields of Property Investments

<i>Property</i>	<i>Asset Value</i>	<i>EBIT</i>	<i>Interest</i>	<i>Net</i>	<i>Yield</i>
Wakatu Quay Properties	1,535,000	-45,489	0	-45,489	-2.96%
25 Beach Road	610,000	941	0	941	0.15%
20 Beach Road	385,000	2,457	0	2,457	0.64%
Land behind 20 Beach Rd	405,000	0	0	0	0.00%
Pynes Building & Land	1,050,000	-4,567	39,865	-44,432	-4.23%
	3,985,000	-46,658	39,865	-86,523	-2.17%

Note EBIT refers to Earnings before Interest and Tax.

## Return on Investments

	<b>Value</b>	<b>Return</b>	<b>Yield</b>
Bank Deposits	4,579,806	126,448	2.76%
Sinking Funds	678,531	5,972	0.88%
Airport	412,000	-2,732	-0.66%
Property	3,985,000	-86,523	-2.17%
Forestry	1,050,680	652,986	62.15%
MRF	2,238,404	80,500	3.60%



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## LIABILITY MANAGEMENT POLICY AND COMPLIANCE REPORT TO 31 MARCH 2011

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### **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.

<b>Term of exposure</b>	<b>Proportion of Debt</b>
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.

<b>Approved Counter Party Credit Limits</b>	<b>Limits (percentage of total Investment Portfolio)</b>
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"> <li>■ Auckland City Council</li> <li>■ Dunedin City Treasury Ltd</li> <li>■ Electricity Corp</li> <li>■ Telecom Corp</li> </ul>	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	36%	20 – 27%
1 - 2 years	24%	20 – 27%
2 - 3 years	14%	20 – 27%
3 - 4 years	19%	20 – 27%
4 years +	8%	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 5.06:1, (for every \$1 of current liabilities we have \$5.06 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: 9.85% (Policy 20%)

Gross interest expense as a percentage of total revenue: 5.46% (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 March 2011

Special Reserves	Opening Balance	Inflow	Outflow	Closing Balance
Town Water Maintenance	21,559	286,850	298,567	9,842
Town Water Capital	(256,448)	563,226	362,995	(56,217)
Roading	208,012	572,345	661,746	118,611
East Coast Rural Water	(8,812)	29,160	18,906	1,442
Kincaid Rural Water	89,006	36,306	22,360	102,952
Fernleigh Rural Water	30,135	6,000	6,217	29,918
Peketa Rural Water	(3,000)	5,112	3,891	(1,779)
Ocean Ridge Water	(1,156)	13,088	11,060	872
Recycling	(4,913)	38,560	40,393	(6,746)
District Plan	(71,771)	91,201	75,310	(55,880)
Stormwater Maintenance	18,446	43,313	40,216	21,543
Sewerage Maintenance	58,990	211,476	178,751	91,715
Commercial Rate	274	82,112	91,589	(9,203)
Harbour	7,121	159,954	184,317	(17,242)
Footpaths & Streetlights	17,870	116,817	108,772	25,915
Registered Premises	(1,779)	38,675	33,256	3,640
Town Centre	(49,872)	107,621	93,261	(35,512)
Stock Control	(2,908)	7,960	7,405	(2,353)
Stormwater Capital	29,055	30,871	33,615	26,311
Sewerage Capital	879,384	434,307	312,479	1,001,212
Rural Fire Control	33,357	111,759	152,061	(6,945)
<b>Totals</b>	<b>992,550</b>	<b>2,986,713</b>	<b>2,737,167</b>	<b>1,242,096</b>
Special Funds	Opening Balance	Inflow	Outflow	Closing Balance
Social Services Committee	3,450	500	2,000	1,950
Tourism Strategy Fund	16,467	143,888	99,344	61,011
Town Clock	(4,516)	9,980	7,896	(2,432)
George Low Trust	70,000	0	0	70,000
John Gibb Fund	1,527	0	1,272	255
Forestry Fund	25,095	530,623	60,283	495,435
SNA Fund	0	43,174	10,689	32,485
Reserve Development	115,027	2,400	12,056	105,371
Property Fund	392	24,063	131,534	(107,079)
Plant Renewal	17,645	11,210	1,788	27,067
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	1,170	0	28,759
Mayoral Fund	10,564	0	0	10,564
Library Grants	3,877	1,832	2,023	3,686
Creative NZ	3,137	4,276	3,372	4,041
Family Violence Coordination	22,340	11,247	18,645	14,942
Strengthening Families	44,434	28,546	18,674	54,306
Pensioner Flats Maintenance	(6,712)	54,590	43,000	4,878
Landfill Development Fund	50,243	1,516	0	51,759
Community Facility Fund	1,958,093	(354,376)	26,261	1,577,456
<b>Totals</b>	<b>2,433,901</b>	<b>531,687</b>	<b>443,029</b>	<b>2,522,559</b>
<b>TOTAL CASH TO BE ON HAND</b>				<b>3,764,655</b>

## DEVELOPMENT CONTRIBUTIONS

*Quarterly Revenue Report to 31 March 2011*

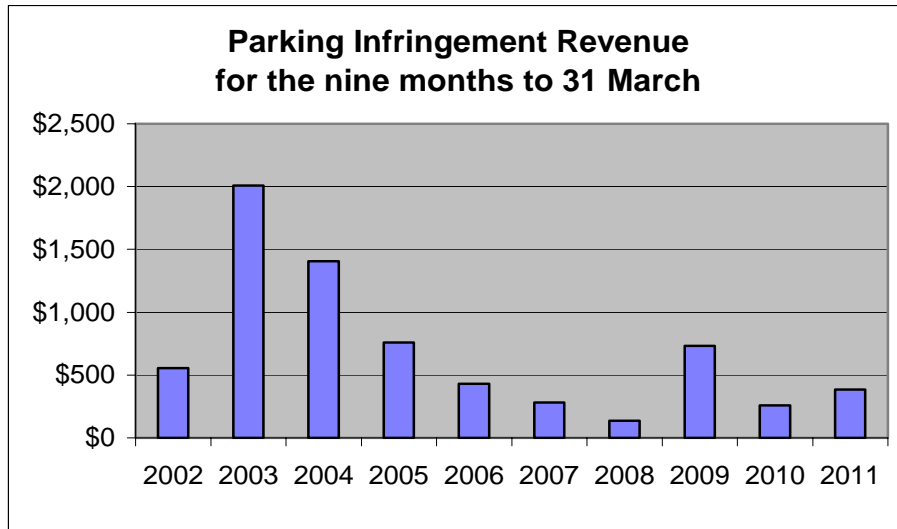
	<b>Year to 30 June 2006</b>	<b>Year to 30 June 2007</b>	<b>Year to 30 June 2008</b>	<b>Year to 30 June 2009</b>	<b>Year to 30 June 2010</b>	<b>9 Months to 31 March 2011</b>	<b>Total Contributions to Date</b>
Roading	17,988	212,422	56,536	32,155	52,364	<b>9,514</b>	<b>380,979</b>
Footpaths	533	1,002	1,473	833	1,126	<b>26</b>	<b>4,993</b>
Refuse & Recycling	3,148	11,037	17,095	6,454	9,626	<b>1,834</b>	<b>49,194</b>
Sewerage	466,656	500,146	108,326	48,119	37,653	<b>-10,720</b>	<b>1,150,180</b>
Stormwater	366	1,500	1,287	1,680	1,796	<b>236</b>	<b>6,865</b>
Kaikoura Water	326,152	54,282	73,675	24,354	23,956	<b>-4,417</b>	<b>498,002</b>
Fernleigh Water	-	56,000	42,000	-	-	<b>4,000</b>	<b>4,000</b>
Parks & Reserves	186,424	650,408	218,190	25,358	57,695	<b>8,104</b>	<b>1,146,179</b>
Community Facilities	96,843	1,276,221	258,137	121,349	267,605	<b>54,004</b>	<b>2,074,159</b>
	<b>1,098,110</b>	<b>2,763,018</b>	<b>776,719</b>	<b>260,302</b>	<b>451,821</b>	<b>62,581</b>	<b>5,314,551</b>

These figures exclude GST.

# TRAFFIC CONTROL QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2011

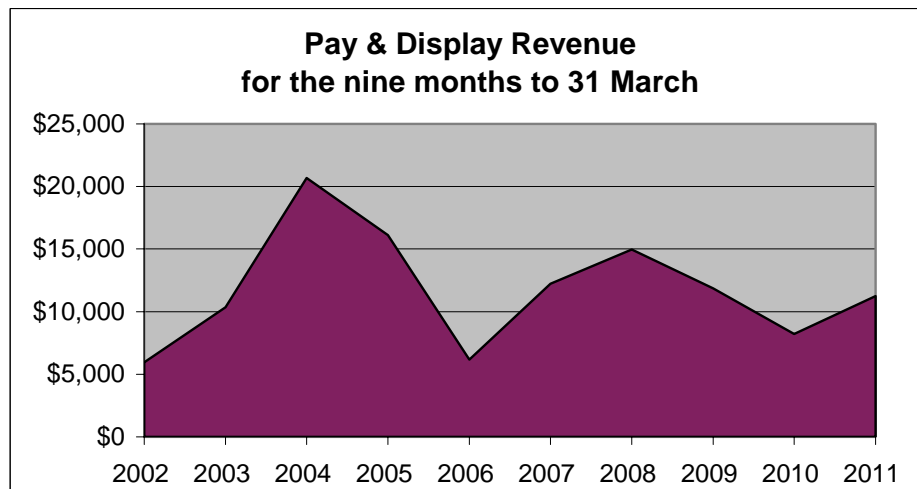
## Infringements

Council's parking warden has issued 21 infringement notices so far this the financial year. The majority were issued over the Christmas period and related to parking over the time limit or parking without a pay & display coupon in the West End. Of those notices, ten have been paid, six have been cancelled and five have been sent to court for further action. 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 \$400 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 help pay the West End development loans.



## Housing for the Elderly Quarterly Report

31 March 2011

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. All units are currently occupied. 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:

Twenty 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. Of those people on the waiting list, eleven do not currently live in the Kaikoura district.

	Singles	Couples
Criteria 1	12	
Criteria 2	5	
Criteria 3	1	
Criteria 4	2	

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	Nine Months to 31 March 2011
Opening Balance	(358.00)	(18,006.00)	(6,712.00)
<i>Funded by:</i>			
Rental income	70,356.00	80,360.00	\$ 54,590.00
BNZ Pensioner Housing loan	-	-	\$ -
Housing NZ suspensory loan	27,162.00	-	\$ -
	97,518.00	80,360.00	\$ 54,590.00
<i>Applied to:</i>			
Expenses	74,837.00	64,038.00	\$ 45,942.00
Corporate Overheads	8,800.00	8,800.00	\$ 7,040.00
less depreciation	(25,920.00)	(16,085.00)	\$ (10,871.00)
Plus Loan Principal	7,500.00	7,500.00	\$ -
plus Upgrade	49,949.00	4,813.00	\$ 889.00
	115,166.00	69,066.00	\$ 43,000.00
Closing Balance	(18,006.00)	(6,712.00)	4,878.00

## **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**

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- (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**

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- (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**

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- (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**

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