

**FINANCE AND POLICY COMMITTEE MEETING HELD
FOLLOWING THE ENVIRONMENTAL SERVICES
COMMITTEE MEETING ON WEDNESDAY 20 JULY 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 15/06/2011

page 105

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.
	20 APRIL 2011		
Finance & Policy	Provide a report regarding times spent on traffic issues and freedom campers which have been moved on.	Chief Executive Officer / Finance Manager	A verbal report will be provided at the meeting.
	15 JUNE 2011		
Finance and Policy	Provide a breakdown of where Development Contribution have come from.	Chief Executive Officer	In Progress
Finance and Policy	Report on the Golf Club Lease	Chief Executive Officer	Report included in the public excluded section of this agenda.

5. Reports:

- ◆ *Finance Report* *page 37*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 51*
- ◆ *Library Report* *page 52*

6. Quarterly Reports

- ◆ *Investment Quarterly Report* *page 54*
- ◆ *Liability Management Compliance Report* *page 59*
- ◆ *Special Funds Quarterly Report* *page 62*
- ◆ *Development Contributions Quarterly Report* *page 63*
- ◆ *Traffic Quarterly Report* *page 64*

7. Urgent Business

8. Finance & Policy Public Excluded Session

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting, namely

a. Golf Club Lease

The general subject matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) and 7(2)(i) of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each to be considered	Reason for passing this resolution in relation to each matter	Grounds of the Act under which this resolution is made
Golf Club Lease	The exclusion of the public from the whole or the relevant part of the proceedings of the meeting to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	Section 48(1)(a) and 7(2)(b)(ii)

FINANCE REPORT

Statement of Financial Position

No statement of Financial Position has been prepared for the period ending 30 June 2011. A summary of end of year adjustments and other matters yet to be incorporated into these financial statements are below:

- Six months worth of depreciation yet to be calculated
- Six months worth of fixed asset purchases yet to be verified
- Two months worth of term deposit activity yet to be verified
- Valuations for investment properties and forestry assets yet to be undertaken
- One month worth of contractor invoices (Fulton Hogan, Delta Utilities, etc, plus capital works for the month of June) yet to be input
- End of year accruals:
 - Wages and annual leave liabilities
 - Prepayments
 - Revenue in advance
 - Special funds and reserves
 - NZTA subsidy
 - Water billing revenue
 - Sinking funds reconciliation
 - Audit fees, ACC levies, loan interest, and other accruals
 - Suspense account reconciliations
 - Overhead allocations
 - Liability provisions (landfill aftercare, RiskPool and development contribution liabilities)
 - Work in progress
- Vested assets (if any) yet to be valued
- Six months worth of rates reconciliations yet to be calculated
- Marlborough Regional Forestry joint venture financial results yet to be included

Statement of Comprehensive Income

A net surplus of \$1,332,878 at the end of June is much better than had been anticipated. Ongoing logging sales at the Clarence forest, and now a *fourth* Marlborough Regional Forestry capital distribution, have boosted revenue well beyond expectations. Expenditure remains consistently under budget for each expense type.

As with the above statement the final position for the year end for each area of activity will not be known until final postings have been made, all accounts are in and Audit has signed off the accounts.

Statement of Activity Performance

Revenue from grants and subsidies is well up across all activities, and logging sales and MRF distributions 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 \$58,563	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 \$236,997	Grant revenue from Ministry of Health higher than expected (funding assistance for two reservoirs not just one).
Community Facilities	Down \$294,525	Council's Annual Plan and amendment to the LTCCP for the 2010/2011 year had provided for \$400,000 grant funding for the Museum project.
Commercial Activities	Up \$484,993	Logging continuing due to higher log prices currently being achieved; and four MRF capital distributions paid out for the year.
Regulation & Control	Down \$68,160	Consent fees extremely low due to economic climate
Safety & Wellbeing	Up \$154,525	National Rural Fire subsidies for the new fire engine for Oaro/Goose Bay

Expenditure Variances:

Activity	Variance	Main Reason
Roading	Over \$153,422	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 \$50,202	Electricity (meter not read for four months at the new ground water source), and depreciation increase due to revaluation.
Sewerage & Stormwater	Under \$51,081	Very little maintenance work undertaken.
Community Facilities	Under \$155,106	Savings in toilet cleaning and parks & reserves contracts.
Commercial Activities	Under \$295,594	MRF joint venture expenditure yet to be included in Council's financial performance
Regulation & Control	Under \$58,600	Reallocation of staff time to environmental planning, etc, due to low consent numbers
District Development	Under \$60,467	Substantial under-spending by the Tourism and Development Committee

Statement of Cash Flows

Strong positive cash flow from operating activities has enabled ongoing upgrading of assets, needing only a very small net increase in borrowings. Cash has increased by \$1.6 million since the start of the financial year and some capital projects that are to be funded by loan have to date been funded from reserves, loans for these projects will be raised when required.

Cash Flow Projection

This graph highlights the movements 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. The significant revenues from logging at the Clarence, and MRF capital distributions, had not been forecast.

Capital Expenditure

The second aerated lagoon work, and the upgrading of Sullivan's Gully, is well underway. Council is also installing Kincaid's new treatment system. A new sewer pump has been installed in South Bay, and the aircraft hangars are under construction at the airport. Timber and supplies were purchased in June to complete the Jimmy Armers walkway.

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 6.1:1, meaning we have \$6.10 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. We have bucked this trend in June, due to the substantial funds held in cash reserves.

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. User fees and charges remain at extremely low levels and currently make up only 12% of total income.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2011

	BUDGET 30/06/11 \$	ACTUAL 30/06/11 \$	ACTUAL 30/06/10 \$
REVENUE			
Rates Revenue	4,487,827	4,487,412	4,421,112
Water Meter Charges	143,325	140,393	151,565
User Fees & Charges	1,090,723	993,304	1,147,383
Grants & Subsidies	1,147,168	1,150,603	614,283
Development Contributions	9,000	108,293	184,217
Interest Revenue	116,175	161,751	137,841
Other Revenue ¹	560,845	1,129,944	531,308
Gains on Fair Value	-	-	33,681
Vested Assets	-	-	421,269
Total Revenue	7,555,063	8,171,700	7,642,659
EXPENSES			
Personnel	1,774,057	1,523,708	1,595,158
Depreciation	1,666,900	1,638,348	1,644,608
Financing Expenses	481,780	445,377	441,812
Other Expenses	3,254,904	3,231,389	3,528,106
Losses on Fair Value	-	-	728,642
Total Expenses	7,177,641	6,838,822	7,938,326
Net Surplus/(Deficit)	377,422	1,332,878	(295,667)
OTHER COMPREHENSIVE INCOME			
ECan Share of MRF Surplus	-	-	(28,094)
Gains on asset revaluation	-	-	28,291,753
Financial assets at fair value through equity	-	-	-
Total Other Comprehensive Income	-	-	28,263,659
TOTAL COMPREHENSIVE INCOME	377,422	1,332,878	27,967,992

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

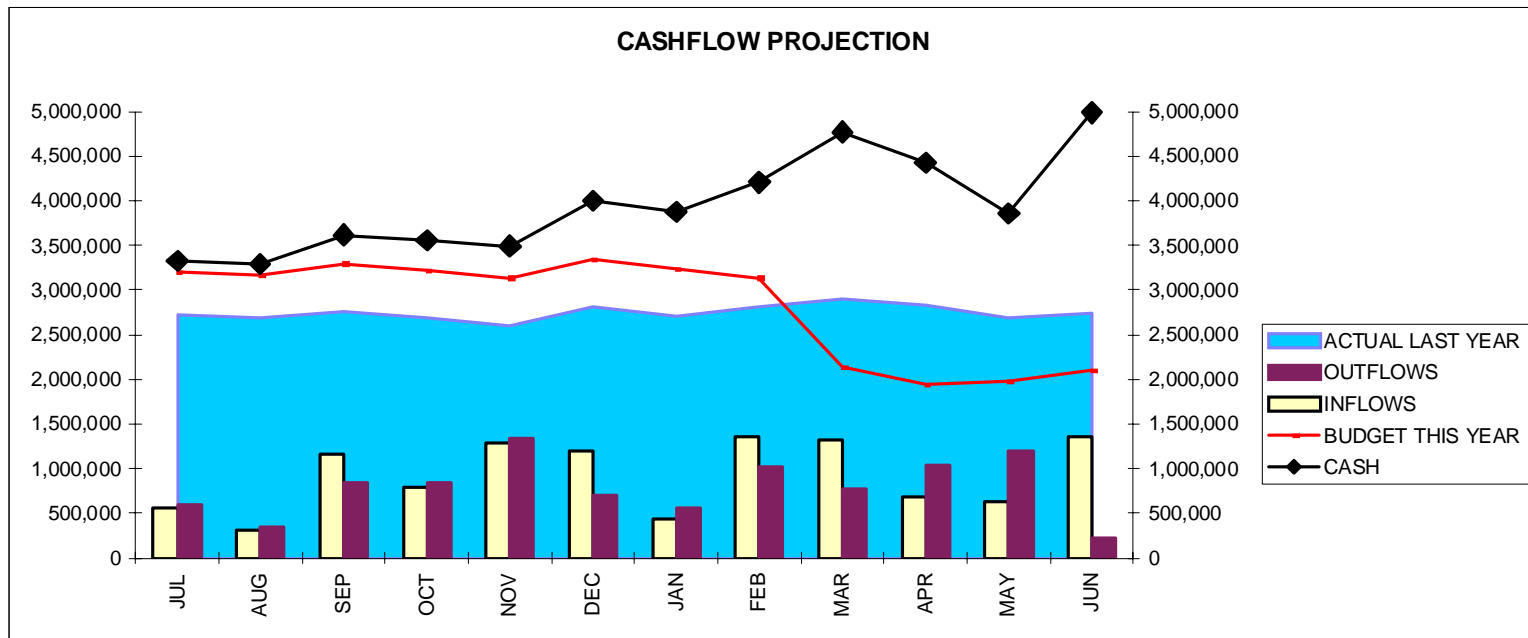
STATEMENT OF ACTIVITY PERFORMANCE
FOR THE PERIOD ENDED 30 JUNE 2011

	BUDGET 30/06/11 \$	ACTUAL 30/06/11 \$	ACTUAL 30/06/10 \$
REVENUE			
Roading	1,089,883	1,148,446	1,091,891
Water Services	937,407	1,200,627	784,576
Sewerage & Stormwater	612,405	599,489	681,878
Refuse & Recycling	120,450	122,530	118,911
Community Facilities	875,984	581,459	515,242
Commercial Activities	887,945	1,366,788	908,987
Leadership & Governance	83,060	55,947	64,445
Regulation & Control	374,813	306,652	382,609
Safety & Wellbeing	168,615	312,556	260,930
District Development	365,462	392,647	350,216
Interest Revenue	116,175	161,751	137,841
General Rates	1,922,864	1,922,808	1,890,183
Vested Assets	-	-	421,269
	7,555,063	8,171,700	7,608,978
EXPENDITURE			
Roading	1,384,891	1,542,459	1,358,527
Water Services	855,389	906,930	814,486
Sewerage & Stormwater	681,131	631,688	661,356
Refuse & Recycling	386,061	398,390	380,126
Community Facilities	1,115,345	966,471	1,116,990
Commercial Activities	700,280	404,811	803,524
Leadership & Governance	550,220	584,123	519,059
Regulation & Control	630,517	575,719	640,095
Safety & Wellbeing	322,973	333,666	346,999
District Development	548,835	494,565	568,522
Net Fair Value Gain/(Loss)	-	-	694,961
	7,175,642	6,838,822	7,904,645
Activity Surplus/(Deficit)	377,422	1,332,878	(295,667)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011

	ACTUAL 30/06/11 \$	ACTUAL 30/06/10 \$
OPERATING ACTIVITIES		
Receipts from Rates	4,458,910	4,370,816
Interest Received	161,751	122,154
Receipts from Other Revenue	4,315,311	3,063,294
Payments to Employees & Suppliers	(5,165,625)	(4,939,930)
Interest Paid	(445,377)	(443,988)
Goods & Services Tax (Net)		20,817
Net Cash from Operating Activities	3,324,970	2,193,163
INVESTING ACTIVITIES		
Proceeds from Sale of Assets	895	-
Sinking Funds Received	236,582	131,477
Purchase of Property, Plant & Equipment	(1,711,496)	(1,397,378)
Purchase of Forestry Assets	-	(50,283)
Purchase of Investment Property	-	(900,000)
Payments into Sinking Funds	(296,985)	(373,767)
Net Cash from Investing Activities	(1,771,004)	(2,589,951)
FINANCING ACTIVITIES		
Proceeds from Borrowing	1,920,000	1,896,000
Proceeds from Cash Advance	-	-
Repayment of Borrowings	(1,834,000)	(1,098,750)
Repayment of Cash Advance	-	-
Net Cash from Finance Activities	86,000	797,250
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	1,639,966	400,462
CASH AT THE BEGINNING OF THE YEAR	3,349,028	2,948,566
CASH AT THE END OF THE YEAR	4,988,994	3,349,028

CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2011



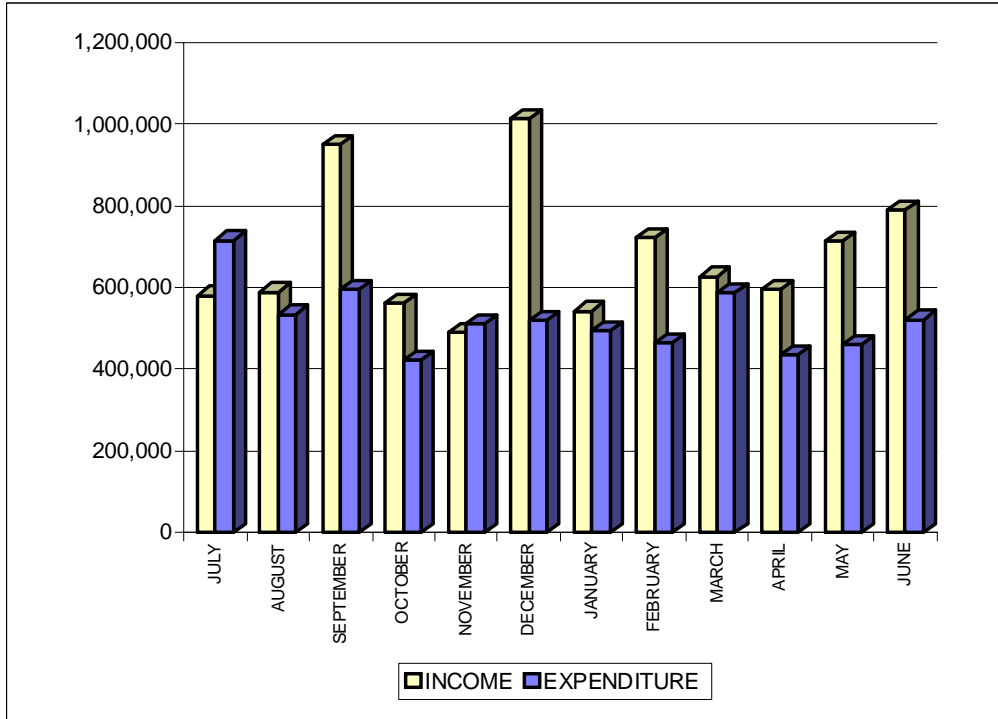
CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 30 JUNE 2011

	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)	158,015	-	-
Sealed Road Renewals ²	12,327	132,611	(132,611)
Unsealed Road Renewals	14,778	59,410	-
Kerb & Channel Renewals	58,625	58,349	-
Road Rehabilitation	3,536	63,653	-
Bridges & Structure Replacement	6,587	-	-
Traffic Services	48,403	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	257,777	-	325,000
Sewerage Pipe Renewals	289,324	432,000	326,723
Sewerage Pump Stations	11,608	-	-
Stormwater Upgrade	176,893	5,000	224,000
Stormwater Renewals	3,340	12,000	-
Kaikoura Water New Reservoirs	148,352	360,000	-
Kaikoura Water Renewals	184,725	103,470	-
Kincaid Water Upgrade	40,685	72,825	-
Fernleigh Water Connection	4,780	-	-
Forestry Pruning & Thinning	27,269	4,277	-
North Wharf Upgrade	24,363	-	-
Pyne's Building Roofing, etc	15,889	-	-
Airport Hangars	18,629	-	150,000
Town Centre Security Cameras	16,283	15,000	-
Other Parks & Reserves Work	28,720	21,254	-
Jimmy Armers Walkway	22,206	-	20,000
Playground Equipment	-	14,040	-
Council Office & Other Properties	37,553	-	-
New Museum	10,337	2,365,000	-
Library Books & Non-Books	22,295	32,000	-
TOTAL CAPITAL EXPENDITURE	1,711,496	4,117,870	913,112

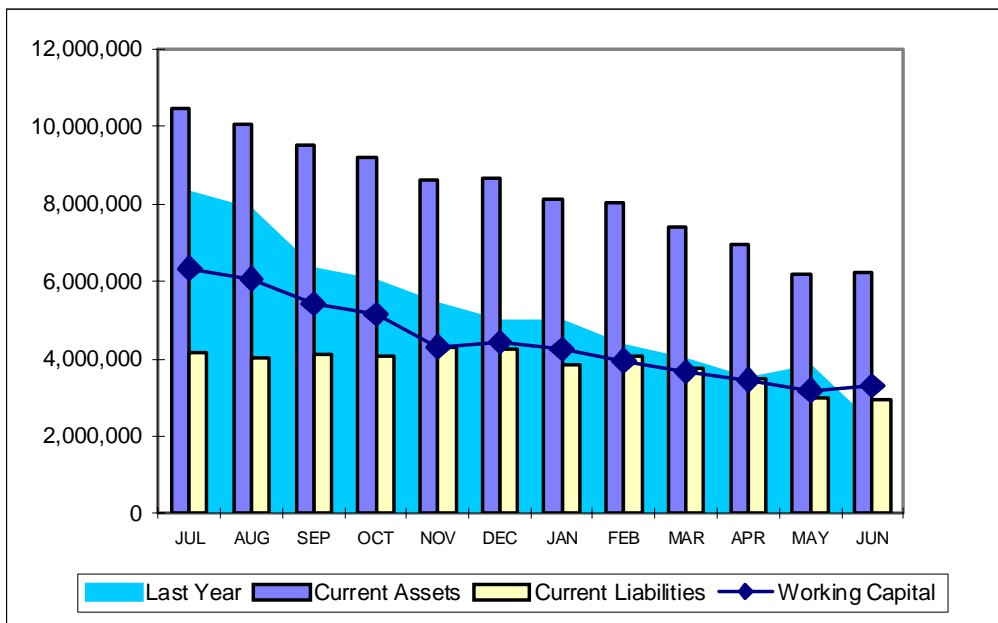
² Two years worth of reseals were done in 2010, therefore the budget provision this year is not intended to be spent, and there is a deficit brought forward from the previous financial year.

INCOME AND EXPENDITURE

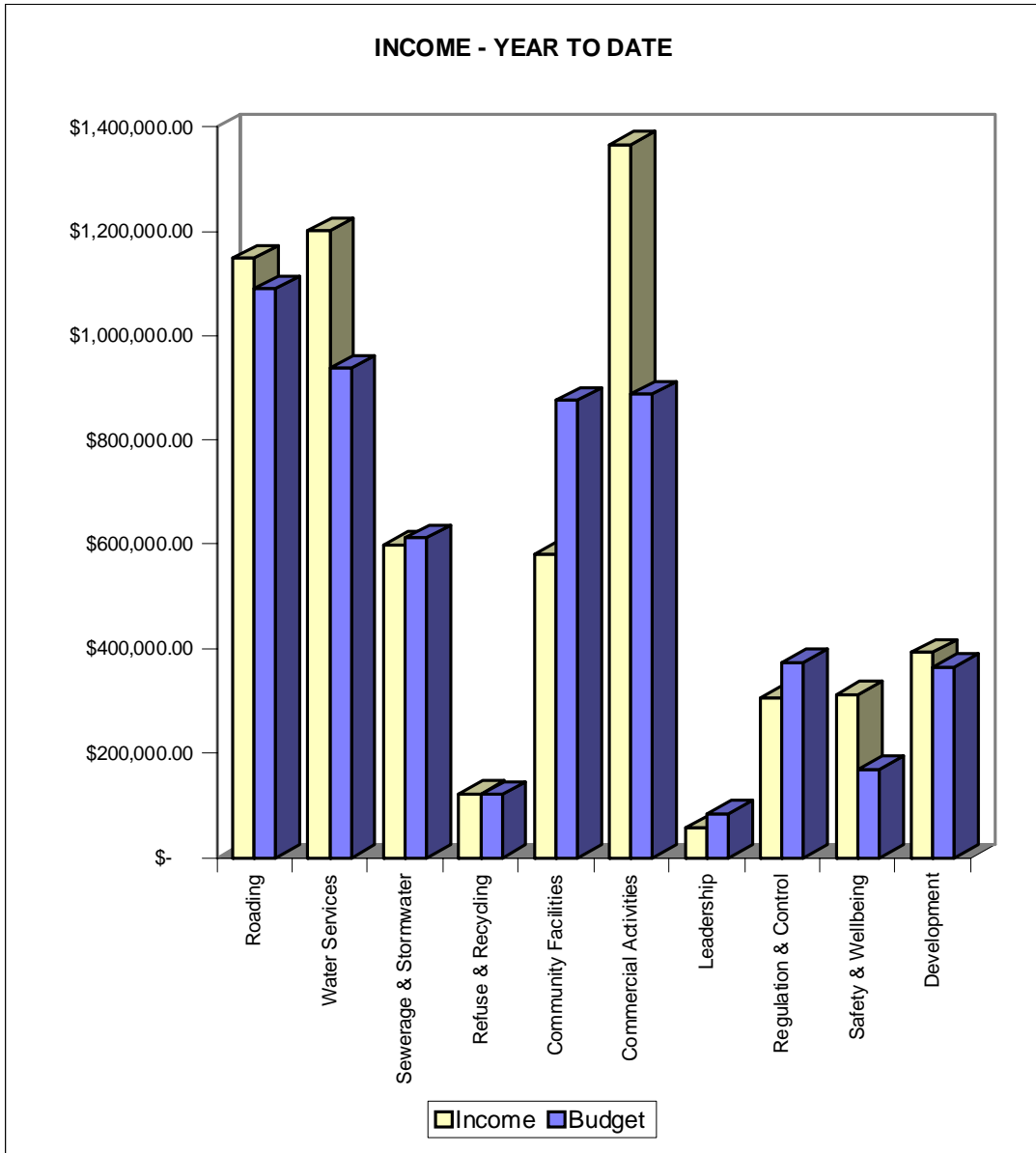
TO 30 JUNE 2011



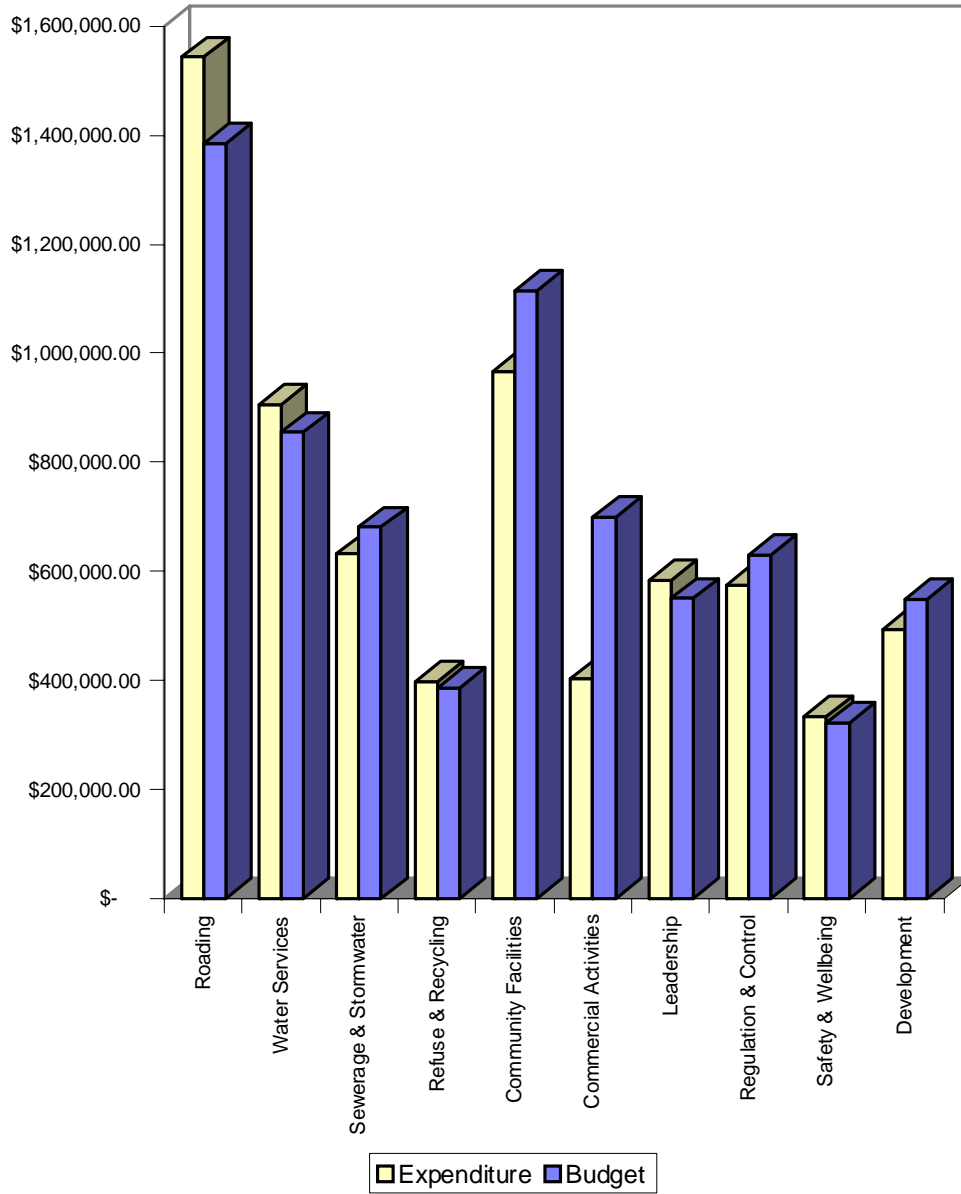
WORKING CAPITAL TO 30 JUNE 2011



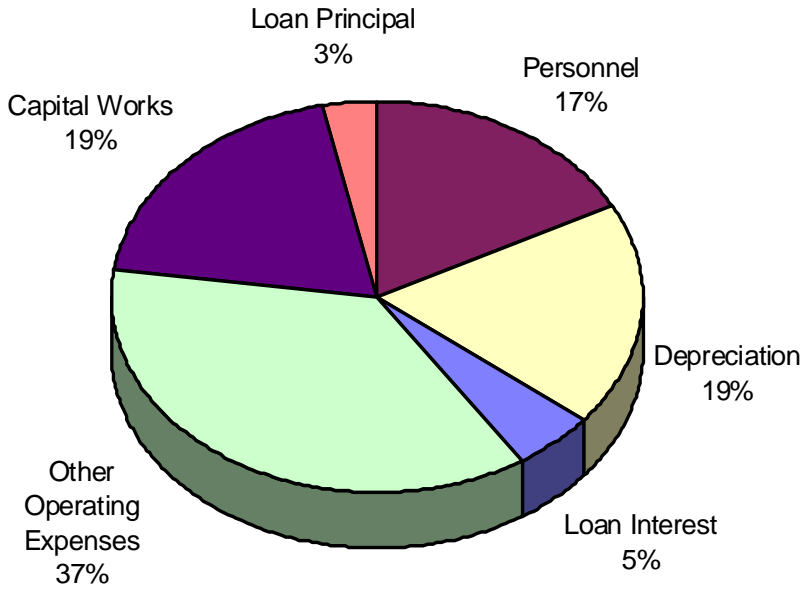
BUDGET PERFORMANCE TO 30 JUNE 2011



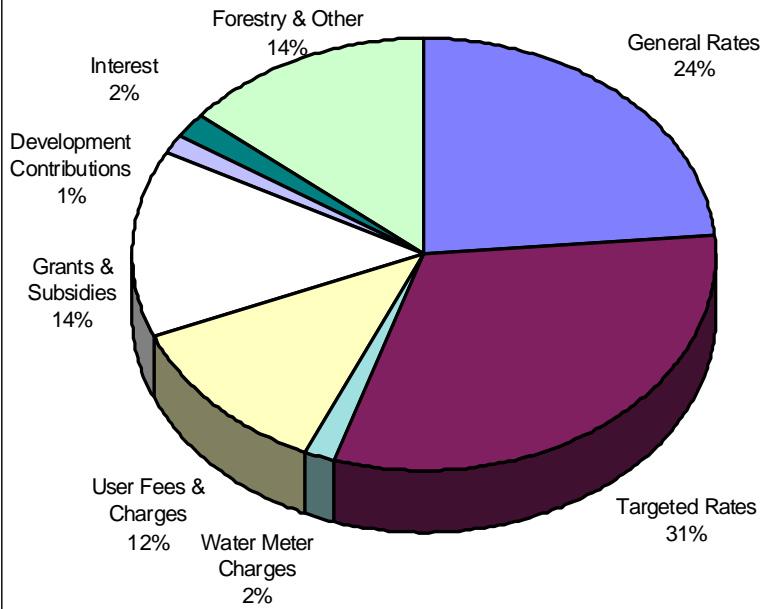
EXPENDITURE - YEAR TO DATE



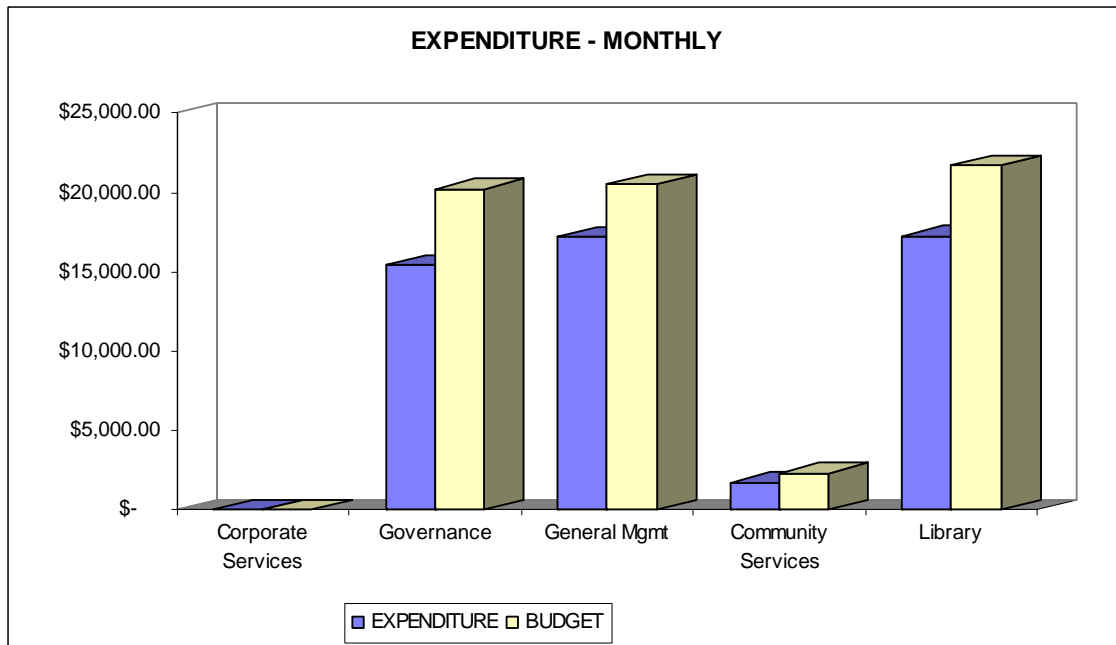
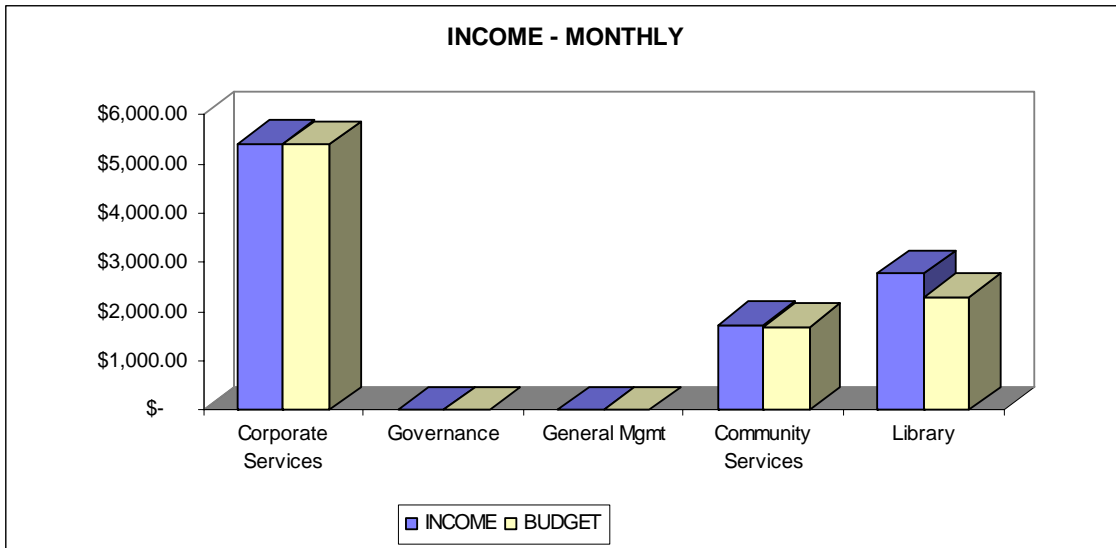
Expenditure Type (Year to Date)



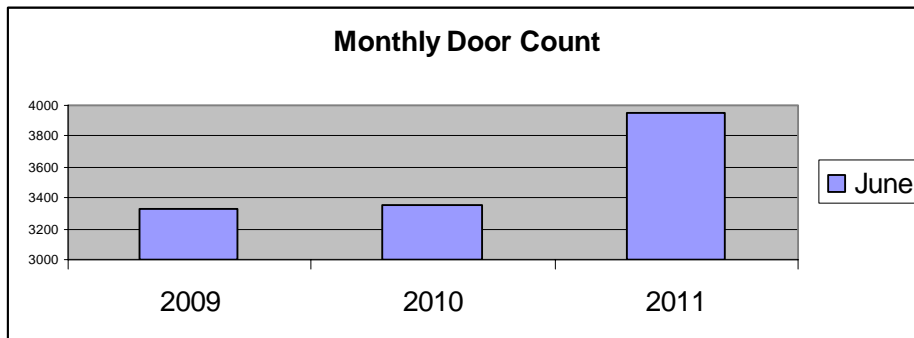
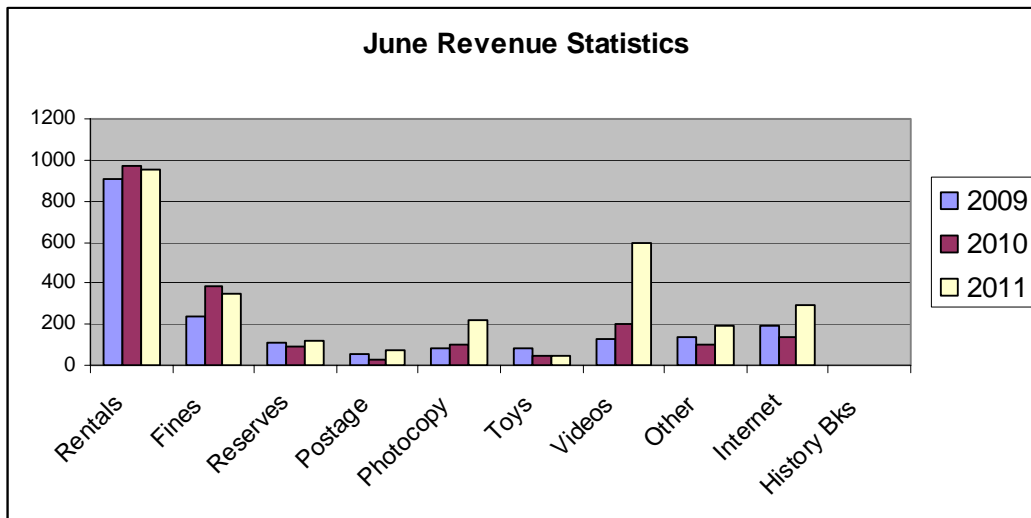
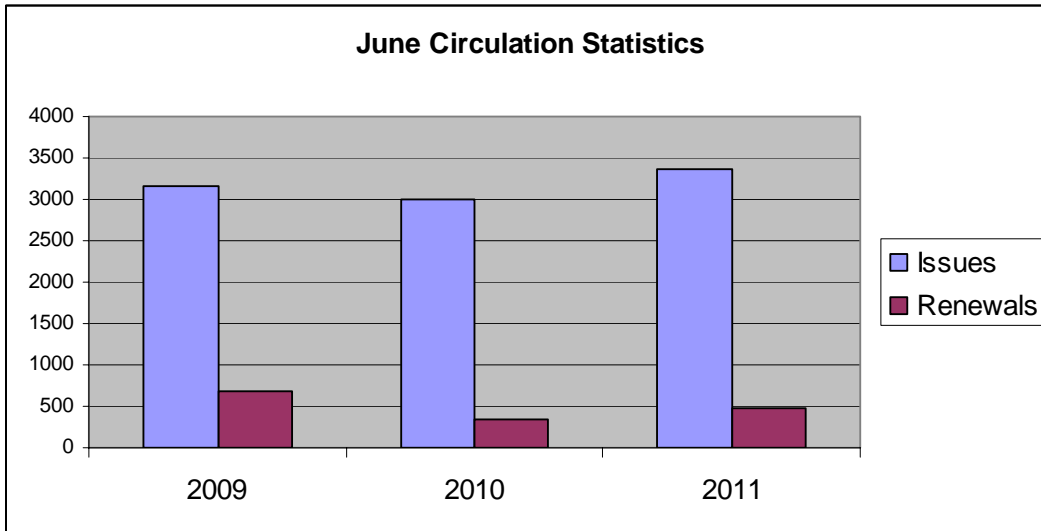
Income Type (Year to Date)



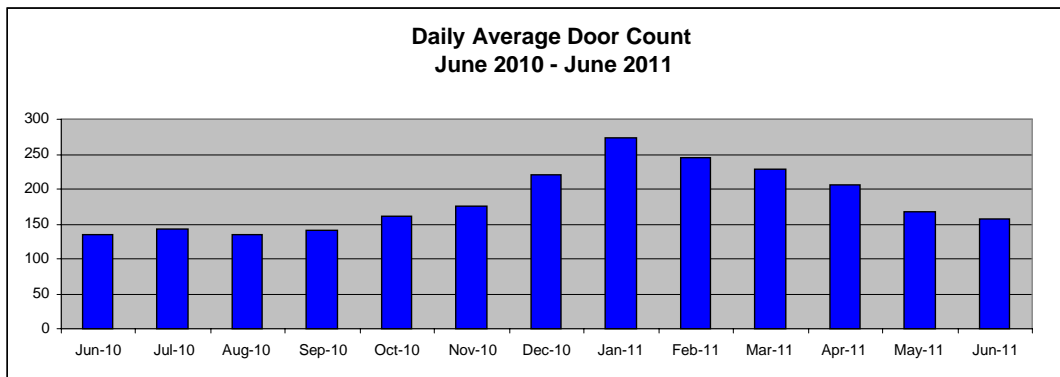
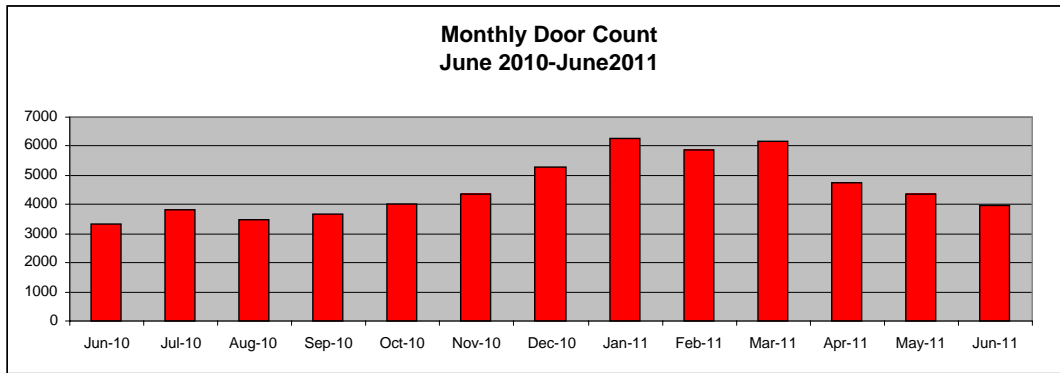
Corporate Services Budget Report



LIBRARY REPORT



◆ 1-30 June 2011 = 3949.
Daily average = 158.



Administration

- ◆ Fire Alarm inspection carried out on the 2nd June 2011.
- ◆ 4 chairs were given a much needed makeover thanks to Phillip Matenga a local upholsterer who offered to cover 4 chairs no labour charge only material costs.
- ◆ Kaikoura District Library will participate in the highly successful Summer Reading Programme in December 2011 / January 2012, this year entitled Be a Legend – Read! The programme looks as exciting as last years. Resources for the programme have been ordered.

Collection Development

- ◆ Romance collection has been weeded, with some much needed over slung brackets in place.
- ◆ Teen’s Non-Fiction collection has been completely re-assessed, with outdated material withdrawn to ensure this collection is up to date.

Class Visits

- ◆ Little Tamariki Montessori Pre-School enjoyed a visit on the 3rd June 2011.
- ◆ St Josephs enjoyed a class visit on the 13th June 2011.
- ◆ Woodbank School enjoyed a visit on the 21st June 2011.
- ◆ Adult Learning Centre enjoyed two visits this month on the 17th & 24th June 2011.

Technology

- ◆ Pete Tripp TLC visit on the 28th June 2011, updating our Java inline with all workstations.

INVESTMENT QUARTERLY REPORT FOR THE YEAR TO 30 JUNE 2011

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.

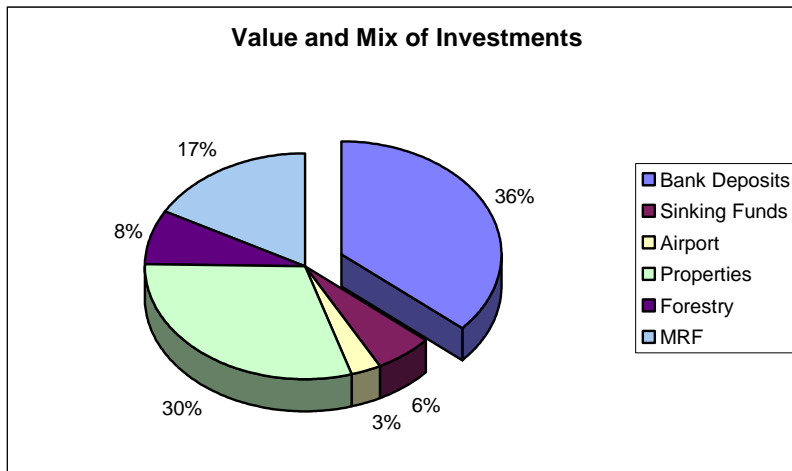
Disclosure in Financial Statements

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	4,835,698	36%
Sinking Funds	776,618	6%
Airport	412,000	3%
Properties	3,985,000	30%
Forestry	1,050,680	8%
MRF	2,238,404	17%
	<hr/>	
	13,298,400	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. Council's bank deposits have reached unprecedented levels at over a third of our total portfolio.

Treasury Investments

	Balance	Rate	Interest
Operating On Call	312,570	2.10%	3,292
Special Funds			
Call	709,505	2.35%	11,180
Term Deposit	1,525,188	5.20%	66,850
Term Deposit	364,601	5.20%	15,981
Term Deposit	417,524	4.40%	17,524
Term Deposit	462,440	4.30%	12,440
Term Deposit	700,000	5.20%	0
Term Deposit	343,870	4.70%	15,072
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	4,835,698	2.94%	142,340

At the end of this quarter, \$1,022,075 was invested for a term of less than 30 days, which is far in excess of the minimum requirement of \$250,000. A new term deposit will need to be established in July so as to optimise the return of these funds.

Forestry Investments

Logging at the Clarence has generated revenue from log sales of \$845,434. Four capital distribution payments, totalling \$287,500 have also been received from the Marlborough Regional Forestry joint venture this financial year. Of this distribution, \$38,439 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. Please note the airport is *not* achieving its financial target to be self-funding.

<u>Asset Value</u>	<u>EBIT</u>	<u>Interest</u>	<u>Net</u>	<u>Yield</u>
412,000	24,916	29,105	-4,189	-1.02%

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	-37,210	0	-37,210	-2.42%
25 Beach Road	610,000	-393	0	-393	-0.06%
20 Beach Road	385,000	3,856	0	3,856	1.00%
Land behind 20 Beach Rd	405,000	0	0	0	0.00%
Pynes Building & Land	1,050,000	-19,714	53,589	-73,303	-6.98%
	<u>3,985,000</u>	<u>-53,461</u>	<u>53,589</u>	<u>-107,050</u>	<u>-2.69%</u>

Note EBIT refers to Earnings before Interest and Tax.

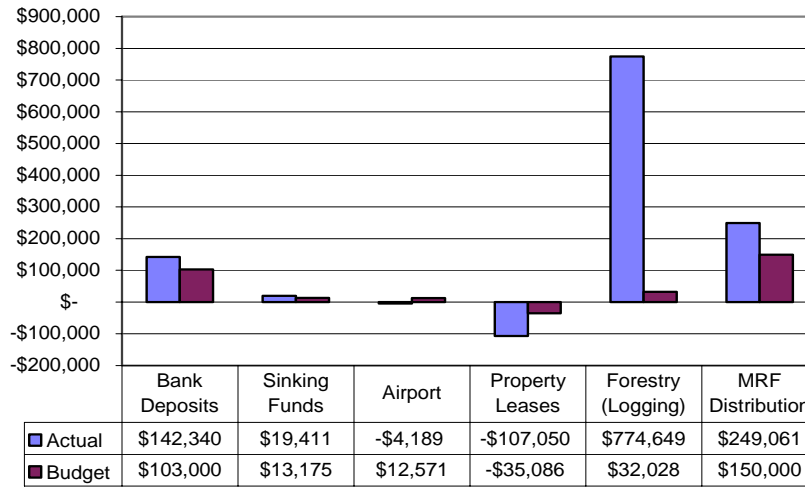
The Pyne's building continues to report substantial losses, and a negative yield of almost 7%. Similarly, the north wharf properties have failed to provide a return on investment to Council due to a rental holiday which expires in December. The only property able to provide a positive (albeit modest) return for the year is the residential house at 20 Beach Road.

Return on Investments

	<u>Value</u>	<u>Return</u>	<u>Yield</u>
Bank Deposits	4,835,698	142,340	2.94%
Sinking Funds	776,618	19,411	2.50%
Airport	412,000	-4,189	-1.02%
Property	3,985,000	-107,050	-2.69%
Forestry	1,050,680	774,649	73.73%
MRF	2,238,404	249,061	11.13%

Logging sales, plus joint venture revenues, has made forestry investments the clear winner this financial year in terms of both return and yield to Council. The graph on the following page highlights the extent to which these funds dwarf our other investments this year, and also the extent to which these returns have exceeded budget forecasts. Investment property leases and airport returns are both in negative territory and worse than budget.

ACTUAL TO BUDGET COMPARISON



LIABILITY MANAGEMENT POLICY AND COMPLIANCE REPORT TO 30 JUNE 2011

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

<p>Other entities with AA- or better long term rating. These include but are not limited to: Auckland Regional Council Christchurch City Council ■ Auckland City Council ■ Dunedin City Treasury Ltd ■ Electricity Corp ■ Telecom Corp</p>	<p>Up to 50% but no more than \$50,000 with any single issuer</p>
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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	29%	20 – 27%
1 - 2 years	29%	20 – 27%
2 - 3 years	27%	20 – 27%
3 - 4 years	15%	20 – 27%
4 years +	0%	0 - 20%

Liquidity

Council's liquidity ratio is currently 6.1:1, (for every \$1 of current liabilities we have \$6.10 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: 9.93% (Policy 20%)

Gross interest expense as a percentage of total revenue: 5.45% (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 30 June 2011

Special Reserves	Opening Balance	Inflow	Outflow	Closing Balance
Town Water Maintenance	21,559	438,799	457,861	2,497
Town Water Capital	(256,448)	625,422	369,636	(662)
Roading	208,012	935,694	890,649	253,057
East Coast Rural Water	(8,812)	43,740	43,466	(8,538)
Kincaid Rural Water	89,006	53,367	78,656	63,717
Fernleigh Rural Water	30,135	12,000	6,822	35,313
Peketa Rural Water	(3,000)	7,668	5,223	(555)
Ocean Ridge Water	(1,156)	19,632	18,131	345
Recycling	(4,913)	57,840	59,710	(6,783)
District Plan	(71,771)	129,396	119,726	(62,101)
Stormwater Maintenance	18,446	64,669	58,081	25,034
Sewerage Maintenance	58,990	317,945	277,476	99,459
Commercial Rate	274	135,168	135,053	389
Harbour	7,121	216,197	240,560	(17,242)
Footpaths & Streetlights	17,870	179,431	147,212	50,089
Registered Premises	(1,779)	48,476	51,375	(4,678)
Town Centre	(49,872)	159,523	148,349	(38,698)
Stock Control	(2,908)	11,940	11,470	(2,438)
Stormwater Capital	29,055	46,387	195,118	(119,676)
Sewerage Capital	879,384	494,035	362,837	1,010,582
Rural Fire Control	33,357	209,404	211,855	30,906
Totals	992,550	4,206,733	3,889,266	1,310,017
Special Funds	Opening Balance	Inflow	Outflow	Closing Balance
Social Services Committee	3,450	5,562	6,530	2,482
Tourism Strategy Fund	16,467	212,194	165,167	63,494
Town Clock	(4,516)	16,397	11,881	0
George Low Trust	70,000	0	4,500	65,500
John Gibb Fund	1,527	0	2,168	(641)
Forestry Fund	25,095	995,456	180,785	839,766
SNA Fund	0	43,174	10,689	32,485
Reserve Development	115,027	10,003	44,960	80,070
Property Fund	392	113,857	113,806	443
Plant Renewal	17,645	18,565	1,788	34,422
Office Equipment	4,192	0	4,192	0
Waste Minimisation Levy	6,307	12,695	16,419	2,583
Landfill Site Aftercare	64,750	7,500	0	72,250
Library Donations	27,589	2,083	0	29,672
Mayoral Fund	10,564	0	0	10,564
Library Grants	3,877	1,832	3,062	2,647
Creative NZ	3,137	7,862	6,873	4,126
Family Violence Coordination	22,340	13,656	26,147	9,849
Strengthening Families	44,434	27,985	28,886	43,533
Pensioner Flats Maintenance	(6,712)	80,970	68,271	5,987
Landfill Development Fund	50,243	3,489	0	53,732
Community Facility Fund	1,958,093	(315,795)	39,291	1,603,007
Totals	2,433,901	1,257,485	735,415	2,955,971
TOTAL CASH TO BE ON HAND				4,265,988

DEVELOPMENT CONTRIBUTIONS

Quarterly Revenue Report to 30 June 2011

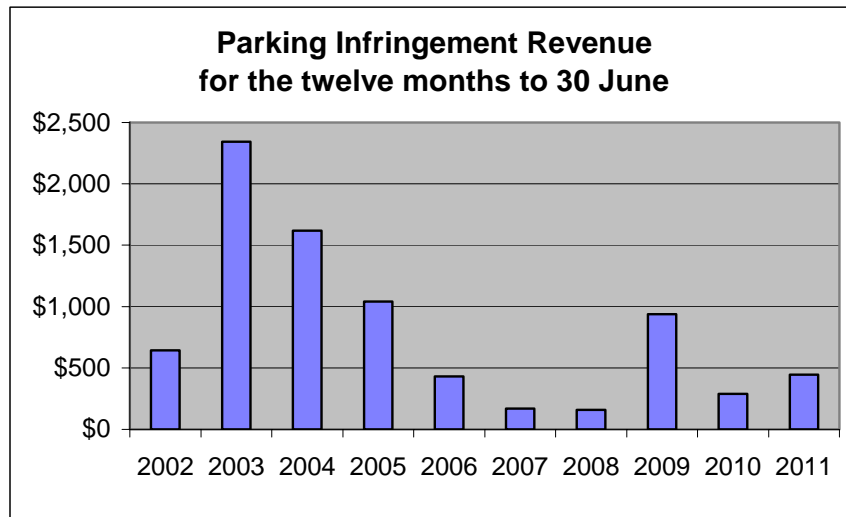
	Year to 30 June 2006	Year to 30 June 2007	Year to 30 June 2008	Year to 30 June 2009	Year to 30 June 2010	Year to 30 June 2011	Total Contributions to Date
Roading	17,988	212,422	56,536	32,155	52,364	18,079	389,544
Footpaths	533	1,002	1,473	833	1,126	228	5,195
Refuse & Recycling	3,148	11,037	17,095	6,454	9,626	3,489	50,849
Sewerage	466,656	500,146	108,326	48,119	37,653	-9,693	1,151,207
Stormwater	366	1,500	1,287	1,680	1,796	236	6,865
Kaikoura Water	326,152	54,282	73,675	24,354	23,956	-1,208	501,211
Fernleigh Water	-	56,000	42,000	-	-	4,000	102,000
Parks & Reserves	186,424	650,408	218,190	25,358	57,695	10,003	1,148,078
Community Facilities	96,843	1,276,221	258,137	121,349	267,605	83,159	2,103,314
	1,098,110	2,763,018	776,719	260,302	451,821	108,293	5,458,263

These figures exclude GST.

TRAFFIC CONTROL QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2011

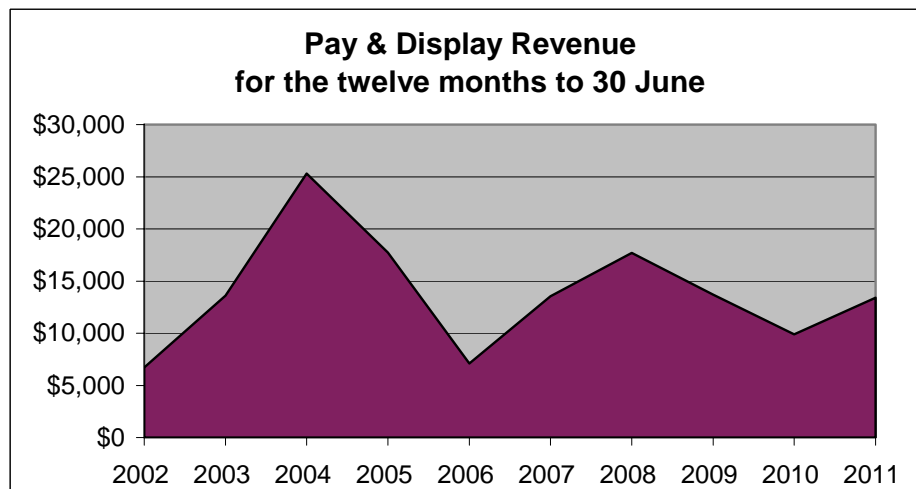
Infringements

Council's parking warden has issued 23 infringement notices 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, twelve have been paid, seven have been cancelled and four 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 30 June 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. Pleasingly, the fund has been replenished since the major construction project of 2008/2009, and is now out of overdraft.

	Year to 30 June 2009	Year to 30 June 2010	Year to 30 June 2011
Opening Balance	(358.00)	(18,006.00)	(6,712.00)
<i>Funded by:</i>			
Rental income	70,356.00	80,360.00	80,970.00
BNZ Pensioner Housing loan	-	-	-
Housing NZ suspensory loan	27,162.00	-	-
	<hr/> 97,518.00	<hr/> 80,360.00	<hr/> 80,970.00
<i>Applied to:</i>			
Expenses	74,837.00	64,038.00	66,921.00
Corporate Overheads	8,800.00	8,800.00	10,560.00
less depreciation	(25,920.00)	(16,085.00)	(17,599.00)
Plus Loan Principal	7,500.00	7,500.00	7,500.00
plus Upgrade	49,949.00	4,813.00	889.00
	<hr/> 115,166.00	<hr/> 69,066.00	<hr/> 68,271.00
Closing Balance	(18,006.00)	(6,712.00)	5,987.00

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.