

# FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY 16 NOVEMBER 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 19/10/2011* *page 68*

4. *Minutes Action and Issues List Update*

MEETING	ACTION REQUIRED	BY	DATE ACTIONED
	<i>10 NOVEMBER 2010</i>		
Finance & Policy	Obtain a report from Merrill Ring once the current logging is completed regarding the state of the forest.	Chief Executive Officer	A report will be provided at the December meeting.

5. *Reports:*

- ◆ *Finance Report* *page 34*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 49*
- ◆ *Library Report* *page 50*

6. *Urgent Business*

# FINANCE REPORT

## Statement of Financial Position

Revenues were extremely light in October. Substantial creditors were paid during the month, though, and the cumulative affect of this has been reflected in the drop in cash, and in trade and other payables.

## Statement of Comprehensive Income

The four months to the end of October have resulted in a deficit of \$222,573; slightly better than target for this time of year. Logging sales and interest on term deposits have boosted revenues to date.

## Statement of Activity Performance

The main reasons for activity variances (actual vs budget) in excess of \$20,000 are explained below.

### *Income Variances:*

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Roading	Down \$20,569	NZTA Subsidies yet to be claimed
Community Facilities	Down \$48,522	Development Contributions less than projected
Commercial Activities	Up \$67,557	Logging continuing at Clarence forest.
Regulation & Control	Up \$24,840	Cost recoveries for resource consents and building consents (relating to legal advice and use of other service providers).

### *Expenditure Variances:*

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Sewerage & Stormwater	Under \$20,632	Very little maintenance work done.
Community Facilities	Under \$27,412	Maintenance work less than budgeted.
Commercial Activities	Over \$27,312	Investigations into forestry purchase.
Leadership & Governance	Over \$63,863	Use of consultants for Annual Report, costs of migrating to new operating system, and asset management time not able to be allocated to projects.

### **Statement of Cash Flows**

Net cash from operating activities is negative at the end of October, and cash balances have dropped from \$5.2 million in September to \$4.7m this month. This is a little concerning, given that the first rates instalment was received in September, which should have restored operating cash flows back into positive territory for the remainder of the year. Furthermore, the extra funds from logging sales have *boosted* revenue, suggesting that without logging our cash would have decreased even further.

### **Cash Flow Projection**

This graph attempts to predict cash movements over the coming financial year, and assumes that the Museum construction will get underway in April/May. Although cash is still at relatively high levels, incoming funds have not been sufficient to cover outgoing expenses in three of the last four months (July, August and October).

### **Capital Expenditure**

Capital work in October has been limited to the undergrounding of cables by Mainpower. Note several invoices are yet to be received from contractors at the time of preparing this report.

### **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. Working capital is currently a healthy \$7.3 million.

Liquidity is 4.47:1, meaning we have \$4.47 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.

### **Income & Expenditure Pie Charts**

Rates revenue makes up 63% of our total revenue for year to date. This is an increase in our reliance upon rates, from 59% last month, and from 49% last financial year.

## 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 OCTOBER 2011

	FORECAST (to Year End) \$	ACTUAL 31/10/11 \$	ACTUAL 31/10/10 \$
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	3,041,134	4,690,746	3,556,344
Trade & Other Receivables	966,360	5,676,346	5,411,292
Prepayments & Inventory	71,111	31,727	4,092
Other Financial Assets	373,796	291,424	220,678
GST Refundable	14,400	-	-
<b>Total Current Assets</b>	<b>4,466,801</b>	<b>10,690,243</b>	<b>9,192,406</b>
<i>Non-Current Assets</i>			
Other Financial Assets	694,193	509,087	484,986
Forestry Assets	2,583,334	1,708,951	2,417,840
Investment Property	3,841,000	3,880,000	3,985,000
Property, Plant & Equipment	152,986,460	150,754,044	150,632,919
<b>Total Non-Current Assets</b>	<b>160,104,987</b>	<b>156,852,082</b>	<b>157,520,745</b>
<b>TOTAL ASSETS</b>	<b>164,571,788</b>	<b>167,542,325</b>	<b>166,713,151</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade & Other Payables	944,405	2,186,291	2,035,420
Employee Liabilities	80,000	134,599	142,132
Borrowings – Current	2,145,831	1,018,000	1,870,000
<b>Total Current Liabilities</b>	<b>3,170,236</b>	<b>3,338,890</b>	<b>4,047,552</b>
<i>Non-Current Liabilities</i>			
Provisions	167,325	110,950	149,445
Borrowings – Non Current	4,859,424	5,716,000	4,165,000
Other Term Debt	481,587	716,313	699,956
<b>Total Non-Current Liabilities</b>	<b>5,508,336</b>	<b>6,543,263</b>	<b>5,014,401</b>
<b>EQUITY</b>			
Public Equity	86,450,002	89,853,037	90,593,887
Asset Revaluation Reserve	68,850,250	63,687,152	63,687,152
Special Funds & Reserves	592,964	4,119,983	3,371,159
<b>Total Equity</b>	<b>155,893,216</b>	<b>157,660,172</b>	<b>157,652,198</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>164,571,788</b>	<b>167,542,325</b>	<b>166,713,151</b>

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED 31 OCTOBER 2011

	BUDGET 31/10/11 \$	ACTUAL 31/10/11 \$	ACTUAL 31/10/10 \$
<b>REVENUE</b>			
Rates Revenue	1,578,810	1,578,852	1,496,058
Water Meter Charges	-	11,669	-
User Fees & Charges	413,322	435,384	431,042
Grants & Subsidies	285,186	265,537	451,692
Development Contributions	95,392	22,606	35,180
Interest Revenue	40,489	73,698	54,199
Other Revenue <sup>1</sup>	36,398	116,225	212,955
<b>Total Revenue</b>	<b>2,449,597</b>	<b>2,503,971</b>	<b>2,681,126</b>
<b>EXPENSES</b>			
Personnel	498,578	496,598	513,483
Depreciation	586,109	586,100	556,901
Financing Expenses	157,104	149,810	151,409
Other Expenses	1,411,024	1,494,036	1,124,906
<b>Total Expenses</b>	<b>2,652,815</b>	<b>2,726,544</b>	<b>2,346,699</b>
<b>Net Surplus/(Deficit)</b>	<b>(203,218)</b>	<b>(222,573)</b>	<b>334,427</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>(203,218)</b>	<b>(222,573)</b>	<b>334,427</b>

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

# STATEMENT OF ACTIVITY PERFORMANCE

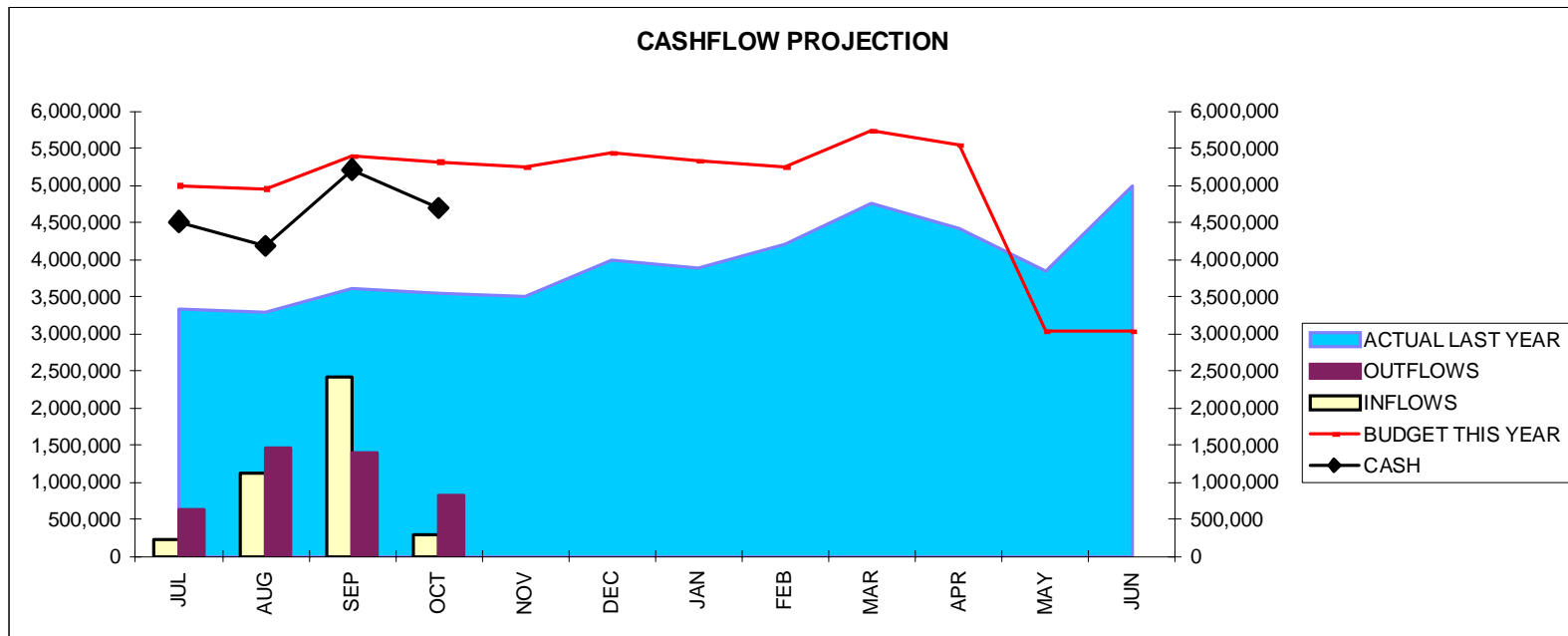
## FOR THE PERIOD ENDED 31 OCTOBER 2011

	BUDGET 31/10/11 \$	ACTUAL 31/10/11 \$	ACTUAL 31/10/10 \$
<b>REVENUE</b>			
Roading	295,955	275,386	341,021
Water Services	239,480	240,657	487,989
Sewerage & Stormwater	354,258	342,949	181,263
Refuse & Recycling	53,590	58,154	45,225
Community Facilities	241,169	192,647	232,664
Commercial Activities	163,794	231,351	325,166
Leadership & Governance	21,820	21,817	20,856
Regulation & Control	125,027	149,867	122,171
Safety & Wellbeing	117,295	119,980	75,097
District Development	104,032	104,507	154,285
Interest Revenue	40,489	73,968	54,199
General Rates	692,688	692,688	641,190
	<b>2,449,597</b>	<b>2,503,971</b>	<b>2,681,126</b>
<b>EXPENDITURE</b>			
Roading	464,046	461,116	523,073
Water Services	392,143	401,900	312,265
Sewerage & Stormwater	287,517	266,885	207,837
Refuse & Recycling	148,358	162,629	121,823
Community Facilities	406,128	378,716	286,845
Commercial Activities	136,535	163,847	131,218
Leadership & Governance	230,668	294,531	220,027
Regulation & Control	225,508	203,341	204,911
Safety & Wellbeing	126,135	139,776	129,488
District Development	235,777	253,803	209,212
	<b>2,652,815</b>	<b>2,726,544</b>	<b>2,346,699</b>
<b>Activity Surplus/(Deficit)</b>	<b>(203,218)</b>	<b>(222,573)</b>	<b>334,427</b>

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

	<b>ACTUAL 31/10/11 \$</b>	<b>ACTUAL 31/10/10 \$</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from Rates	1,306,697	1,442,684
Interest Received	73,698	54,199
Receipts from Other Revenue	1,065,930	972,805
Payments to Employees & Suppliers	(2,473,848)	(1,769,825)
Interest Paid	(149,810)	(151,409)
<b>Net Cash from Operating Activities</b>	<b>(177,333)</b>	<b>548,454</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from Sale of Assets	-	-
Sinking Funds Received	49,971	73,539
Purchase of Property, Plant & Equipment	(503,125)	(398,490)
Purchase of Forestry Assets	-	-
Purchase of Investment Property	-	-
Payments into Sinking Funds	(72,400)	(62,187)
<b>Net Cash from Investing Activities</b>	<b>(525,554)</b>	<b>(387,138)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Borrowing	1,559,000	85,000
Proceeds from Cash Advance	-	200,000
Repayment of Borrowings	(1,100,000)	(239,000)
Repayment of Cash Advance	-	-
<b>Net Cash from Finance Activities</b>	<b>459,000</b>	<b>46,000</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(243,887)</b>	<b>207,316</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>4,934,633</b>	<b>3,349,028</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>4,690,746</b>	<b>3,556,344</b>

## CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2012



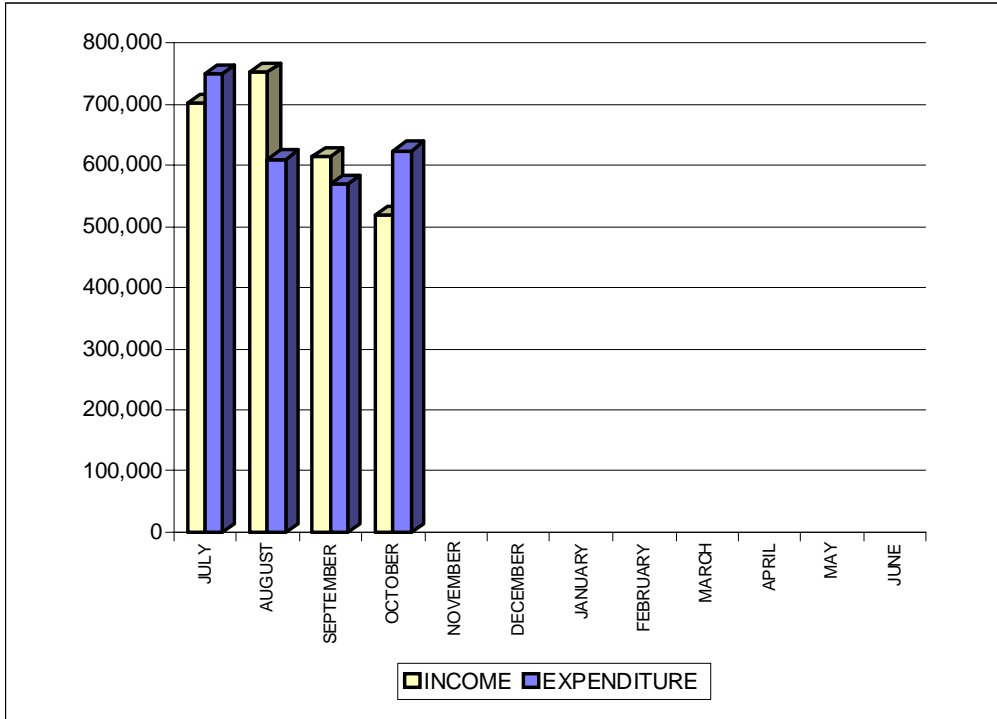
## CAPITAL EXPENDITURE

### FOR THE PERIOD ENDED 31 OCTOBER 2011

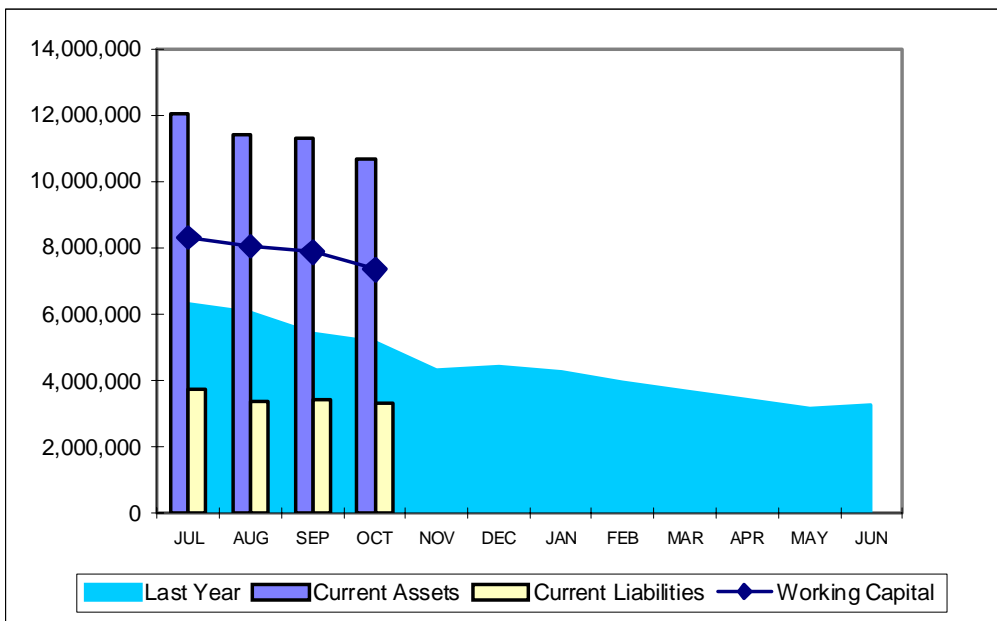
	ACTUAL 2011/2012 \$	BUDGET 2011/2012 \$	BUDGET BT FWD \$
Office Furniture & Equipment	-	10,244	-
Vehicle Purchases & Other Plant	-	23,471	-
Emergency Storage Shed (Rural Fire)	73,255	-	70,000
Sealed Road Renewals	-	264,000	-
Unsealed Road Renewals	5,558	60,000	-
Kerb & Channel Renewals	-	50,000	-
Road Rehabilitation	-	60,000	-
Associated Road Improvements	-	6,000	-
Traffic Services	396	22,000	-
Minor Road Improvements	5,035	63,000	-
New Footpaths	-	150,000	-
Footpath Renewals	-	28,922	-
New Streetlights/Underground Cabling	17,722	21,073	-
Landfill Cell Capping & Development	-	22,500	-
Sewerage Aerator Lagoon	29,760	-	-
Sewerage Backflow Preventers	11,936	-	-
Sewerage Pipe Renewals	196,143	140,000	432,000
Sewerage New Main Line	-	1,143,000	-
Stormwater Upgrade	-	5,000	44,000
Stormwater Renewals	-	12,000	-
Kaikoura New Water Reservoir	290	-	-
Kaikoura Water Renewals	345	128,890	-
Kincaid Water Renewals	4,602	23,349	-
Oaro Water Treatment Upgrade	-	25,000	-
Forestry Pruning & Thinning	-	4,000	-
Airport Hangars	133,658	-	131,000
Parks & Reserves Improvements	12,286	19,820	-
Playground Equipment	-	8,000	-
Council Office Renewals	-	20,291	-
New Museum	6,240	-	2,365,000
Library Books & Non-Books	6,245	32,147	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>503,125</b>	<b>2,342,707</b>	<b>3,042,000</b>

## INCOME AND EXPENDITURE

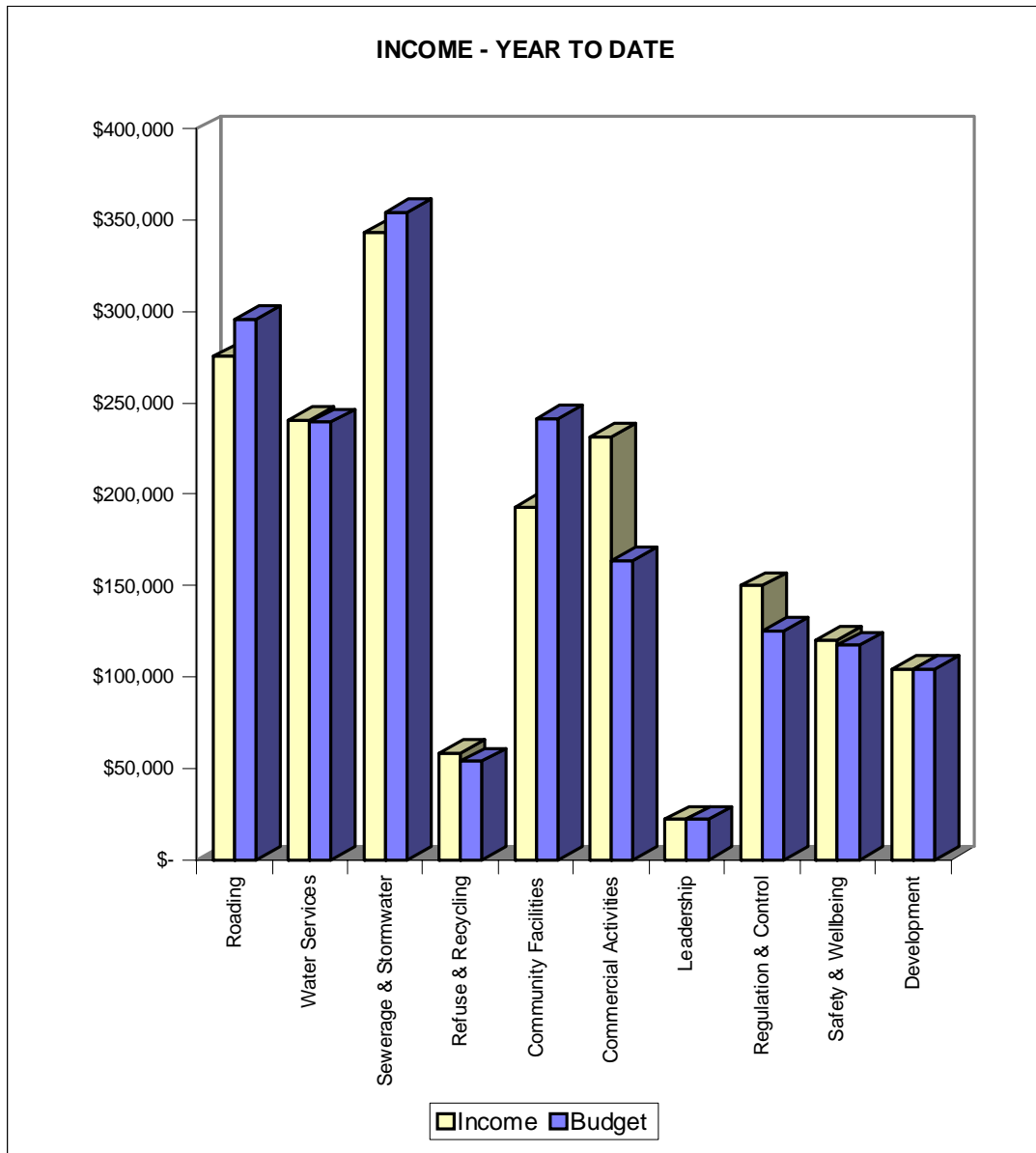
TO 31 OCTOBER 2011



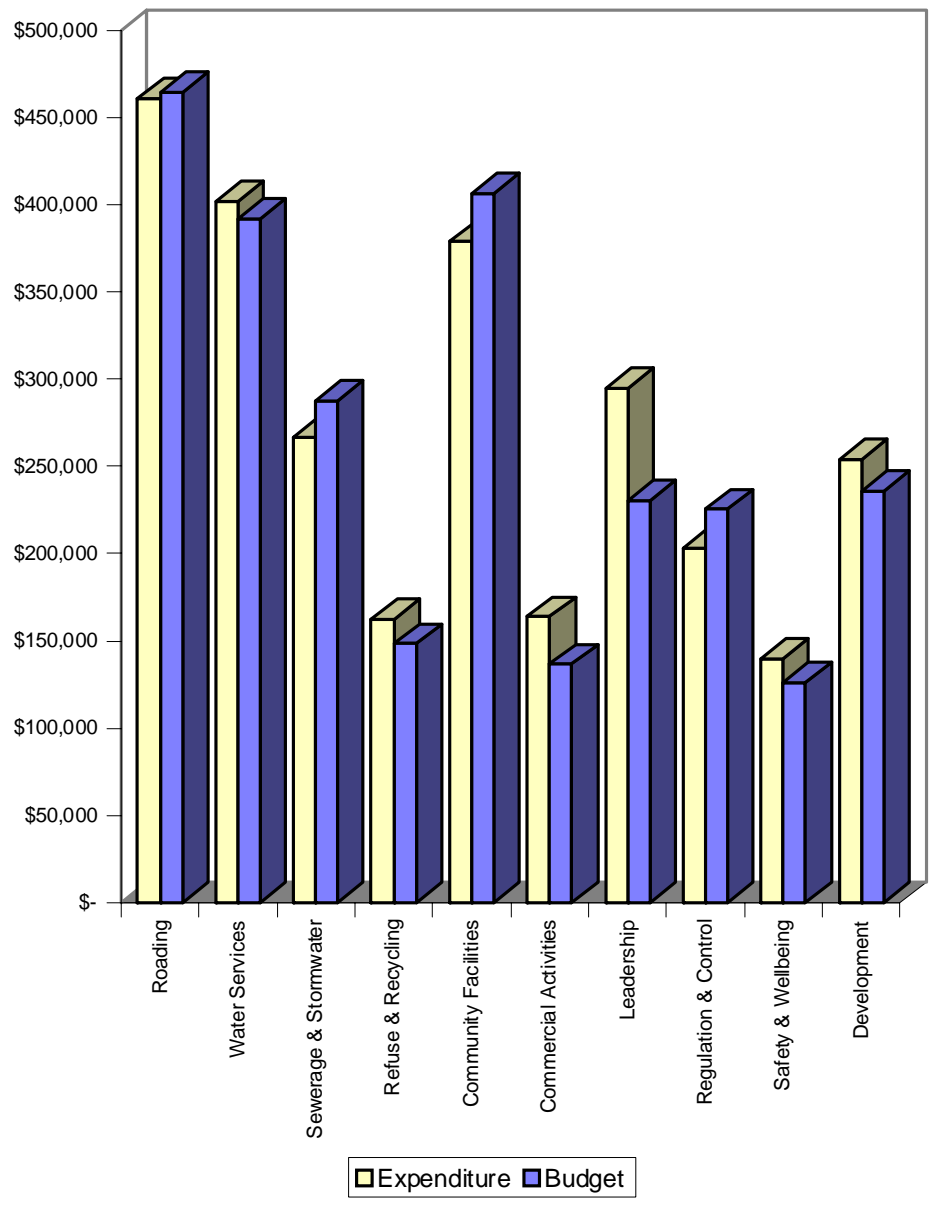
## WORKING CAPITAL TO 31 OCTOBER 2011



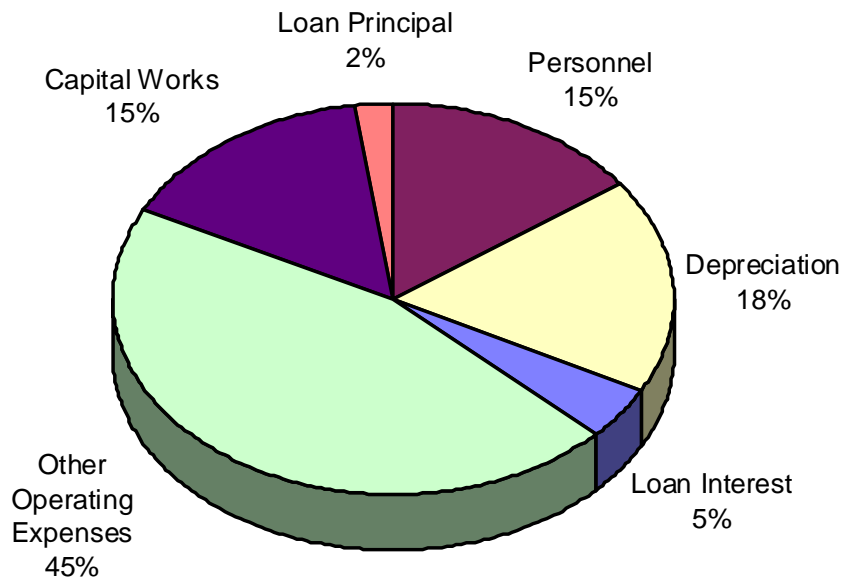
## BUDGET PERFORMANCE TO 31 OCTOBER 2011



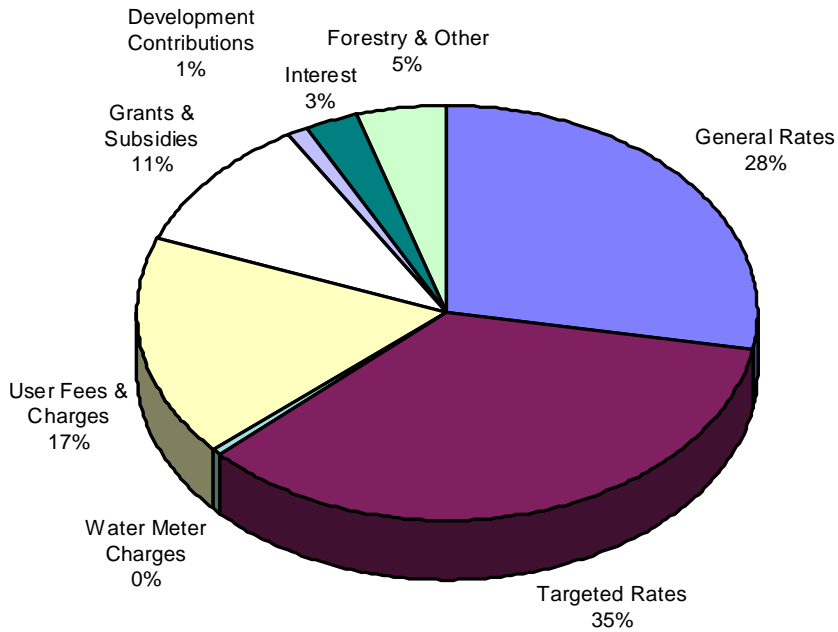
### EXPENDITURE - YEAR TO DATE



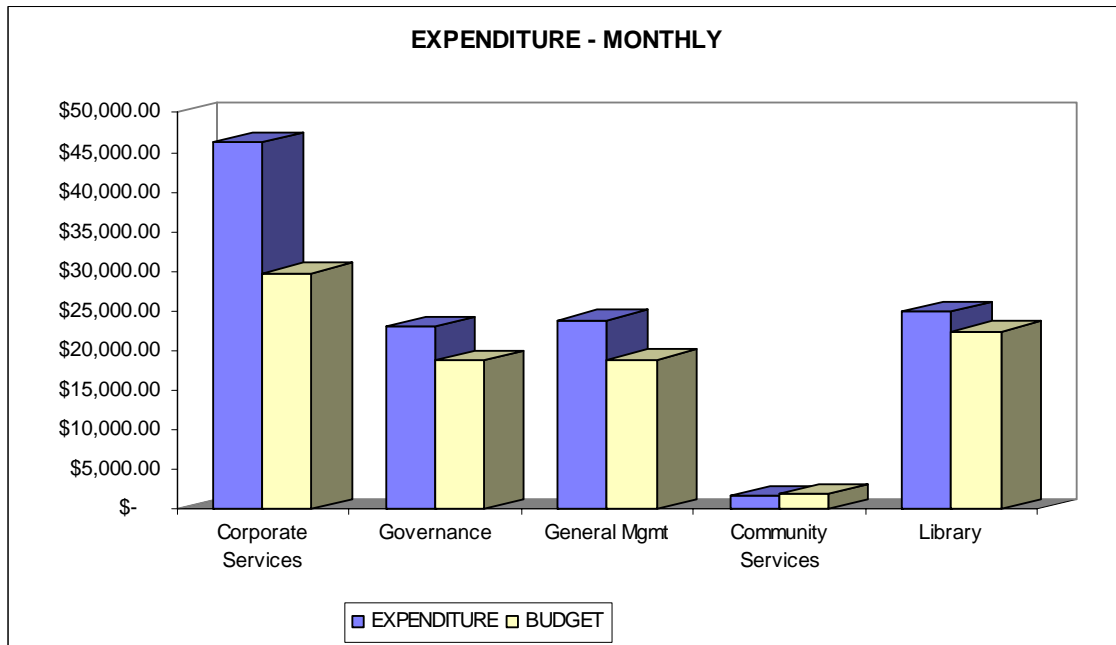
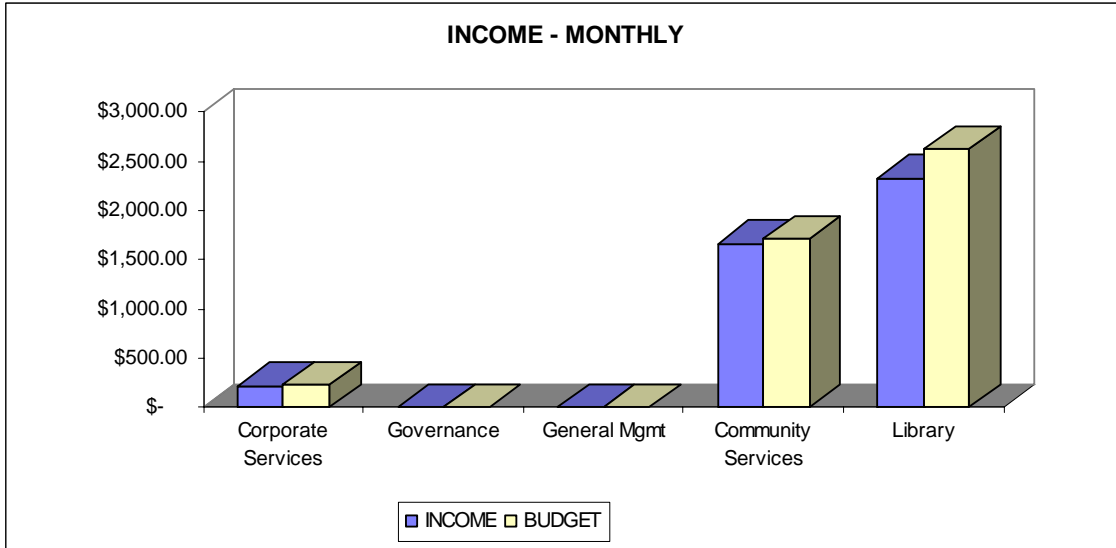
### Expenditure Type (Year to Date)



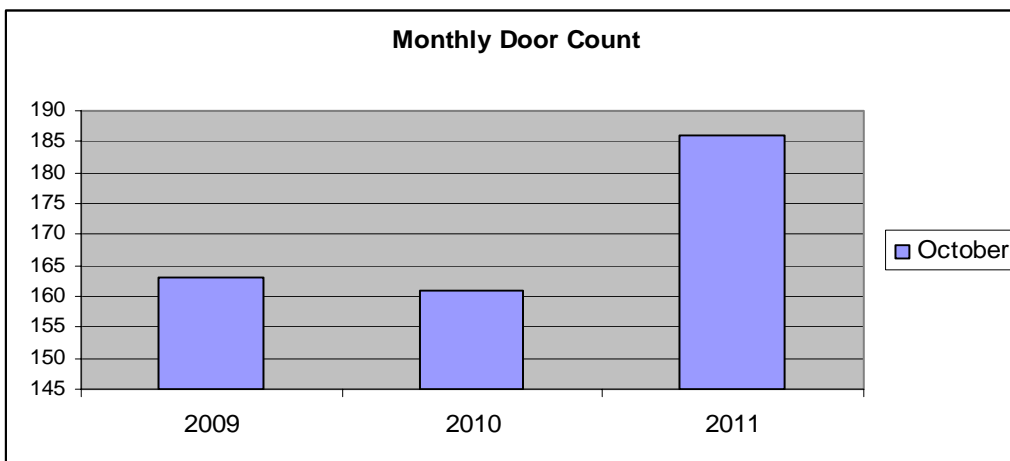
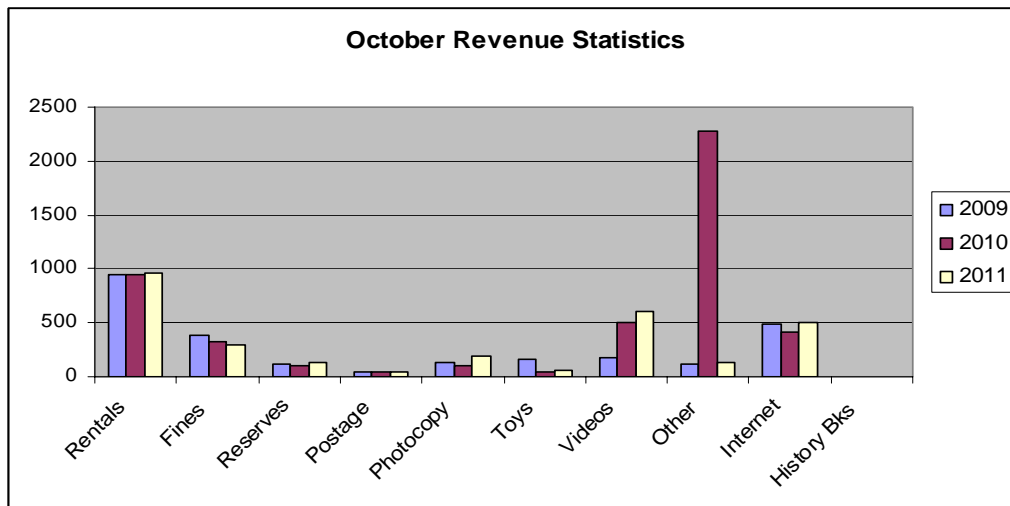
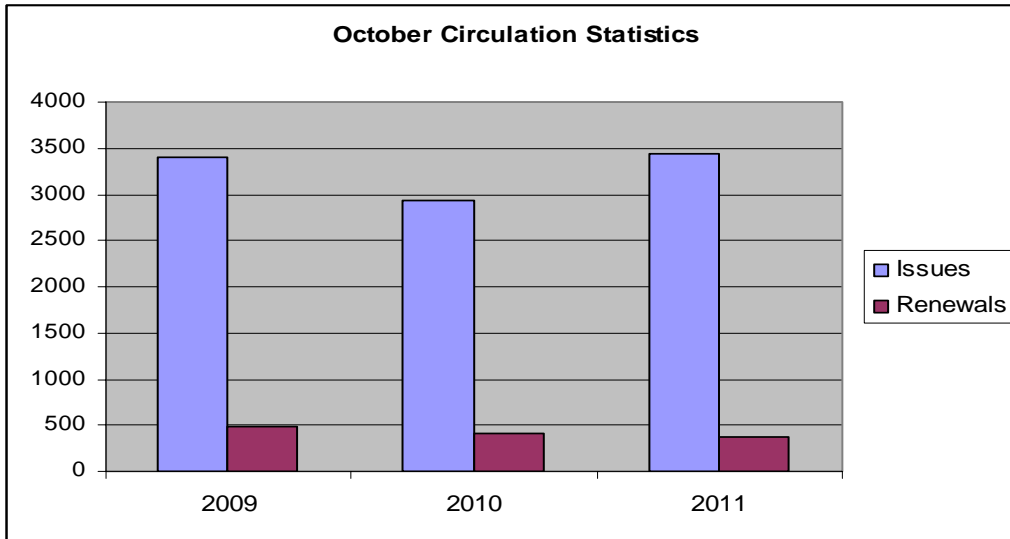
### Income Type (Year to Date)



# Corporate Services Budget Report



# Library Report



◆ 1-31 October 2011 = 4454. Daily average = 186.

### *Administration*

- ◆ 2010-2011 Public Library Statistics questionnaire has been completed & sent.

### *Events & Activities*

- ◆ Resources have begun to arrive for the Summer Reading Programme, 'Be a Legend – Read!'

### *Class Visit*

- ◆ Whales Tales Pre-School enjoyed a visit on the 7<sup>th</sup> October 2011.
- ◆ Lynton Downs School enjoyed a visit on the 28<sup>th</sup> October 2011.
- ◆ Wood Bank School enjoyed a visit on the 28<sup>th</sup> October 2011.
- ◆ Adult Learning Centre enjoyed two visits this month on the 21<sup>st</sup> & 28<sup>th</sup> October 2011.

### *Technology*

- ◆ Pete Tripp TLC visit on the 17<sup>th</sup> October 2011.
- ◆ BSM visit to fix photocopier on the 26<sup>th</sup> October 2011.