FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY 21 DECEMBER 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 16/11/2011 ***page 91***

4. Minutes Action and Issues List Update

MEETING	ACTION REQUIRED	BY	DATE ACTIONED
	10 NOVEMBER 2010		
Finance & Policy	Obtain a report from Merrill Ring once the current logging is completed regarding the state of the forest.	Chief Executive Officer	Refer report on page 65.

5. Reports:

- ***Finance Report*** ***page 47***
- ***Statement of Financial Position***
- ***Statement of Financial Performance***
- ***Corporate Services Budget Report*** ***page 62***
- ***Library Report*** ***page 63***

6. Clarence Forest ***page 65***

7. Urgent Business

FINANCE REPORT

Statement of Financial Position

Cash has continued to decline through November, and the high level of accounts receivable suggests that unpaid debtors may be partially responsible. The TDSS subsidy for sewer upgrade works has been invoiced but is yet to be received and this is impacting on cash. Short term finance (a cash advance) has been required to meet day to day commitments, which has taken our overall debt to the full limit of our loan facility with the bank.

Despite this, working capital is still a very healthy $6.9 million. The second rates instalment is due to be received on 20 December, and this will alleviate immediate concerns over cash balances, and enable the cash advance to be repaid.

Statement of Comprehensive Income

The net deficit of $381,601 is also a continuing decline from last month, and somewhat worse than had been budgeted for. Logging sales and interest on term deposits have boosted revenues to date, however these revenues are tagged for special purposes and are not available for day to day operations. General operating expenses ("other expenses") are substantially higher than had been forecast at this time of year.

Statement of Activity Performance

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

Income Variances:

Activity	Variance	Main Reason
Roading	Down $21,411	NZTA Subsidies yet to be claimed
Community Facilities	Down $35,808	Development Contributions less than projected
Commercial Activities	Up $67,037	Logging at Clarence forest.
Regulation & Control	Up $27,925	Cost recoveries for resource consents and building consents (relating to legal advice and use of other service providers).

Expenditure Variances:

Activity	Variance	Main Reason
Community Facilities	Under $27,888	Maintenance work less than budgeted.
Commercial Activities	Over $123,077	Forestry: arbitration, investigations into forestry purchase, weed control, and management consultancy.
Leadership & Governance	Over $73,029	Costs of migrating to new operating system, use of consultants for Annual Report, and asset management time not able to be allocated to projects.

Statement of Cash Flows

Net cash from operating activities continues to be negative at the end of November, and has worsened since last month. Revenues have continued to be very light and substantial debtors have entered into debt repayment plans which impacts on cash flow. Unbudgeted expenditure – particularly forestry and support services, coupled with high one-offs early in the financial year (such as insurance), have compounded these difficulties.

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 now for four of the last five months (July, August, October and November).

Capital Expenditure

Substantial planting of new seedlings has been completed at the Clarence forest, other than this the only capital work of note has been some minor road improvements and renewal work at the Kincaid water supply.

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 $6.9 million.

Liquidity is 4.69:1, meaning we have $4.69 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 64% of our total revenue for year to date. Our reliance upon rates continues to increase from 59% in the last quarter, and from 49% in the 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 30 NOVEMBER 2011

	FORECAST (to Year End) $	ACTUAL 30/11/11 $	ACTUAL 30/11/10 $
ASSETS			
Current Assets			
Cash & Cash Equivalents	3,041,134	4,516,997	3,495,954
Trade & Other Receivables	966,360	5,442,552	4,911,251
Prepayments & Inventory	71,111	33,140	4,092
Other Financial Assets	373,796	291,424	205,239
GST Refundable	14,400	-	-
Total Current Assets	**4,466,801**	**10,284,113**	**8,616,536**
Non-Current Assets			
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	150,684,399	150,962,266
Total Non-Current Assets	**160,104,987**	**156,782,437**	**157,850,092**
TOTAL ASSETS	**164,571,788**	**167,066,550**	**166,466,628**
LIABILITIES			
Current Liabilities			
Trade & Other Payables	944,405	2,034,888	1,920,895
Employee Liabilities	80,000	87,528	78,434
Borrowings – Current	2,145,831	1,268,000	2,304,000
Total Current Liabilities	**3,170,236**	**3,390,416**	**4,303,329**
Non-Current Liabilities			
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
Total Non-Current Liabilities	**5,508,336**	**6,543,263**	**5,014,401**
EQUITY			
Public Equity	86,450,002	89,307,168	90,175,430
Asset Revaluation Reserve	68,850,250	63,696,052	63,687,152
Special Funds & Reserves	592,964	4,129,651	3,286,316
Total Equity	**155,893,216**	**157,132,871**	**157,148,898**
TOTAL LIABILITIES & EQUITY	**164,571,788**	**167,066,550**	**166,466,628**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 NOVEMBER 2011

	BUDGET 30/11/11 $	ACTUAL 30/11/11 $	ACTUAL 30/11/10 $
REVENUE			
Rates Revenue	1,973,521	1,973,925	1,870,009
Water Meter Charges	-	12,054	-
User Fees & Charges	475,027	508,729	480,894
Grants & Subsidies	322,428	309,753	506,899
Development Contributions	119,243	50,105	35,180
Interest Revenue	50,611	91,641	62,743
Other Revenue[1]	39,231	118,755	215,405
Total Revenue	**2,980,061**	**3,064,962**	**3,171,130**
EXPENSES			
Personnel	623,224	615,572	631,994
Depreciation	725,144	742,023	690,940
Financing Expenses	196,388	189,190	189,078
Other Expenses	1,693,124	1,899,778	1,451,967
Total Expenses	**3,237,880**	**3,446,563**	**2,963,979**
Net Surplus/(Deficit)	**(257,819)**	**(381,601)**	**207,151**
OTHER COMPREHENSIVE INCOME			
Gains on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
Total Other Comprehensive Income	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(257,819)**	**(381,601)**	**207,151**

[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 NOVEMBER 2011

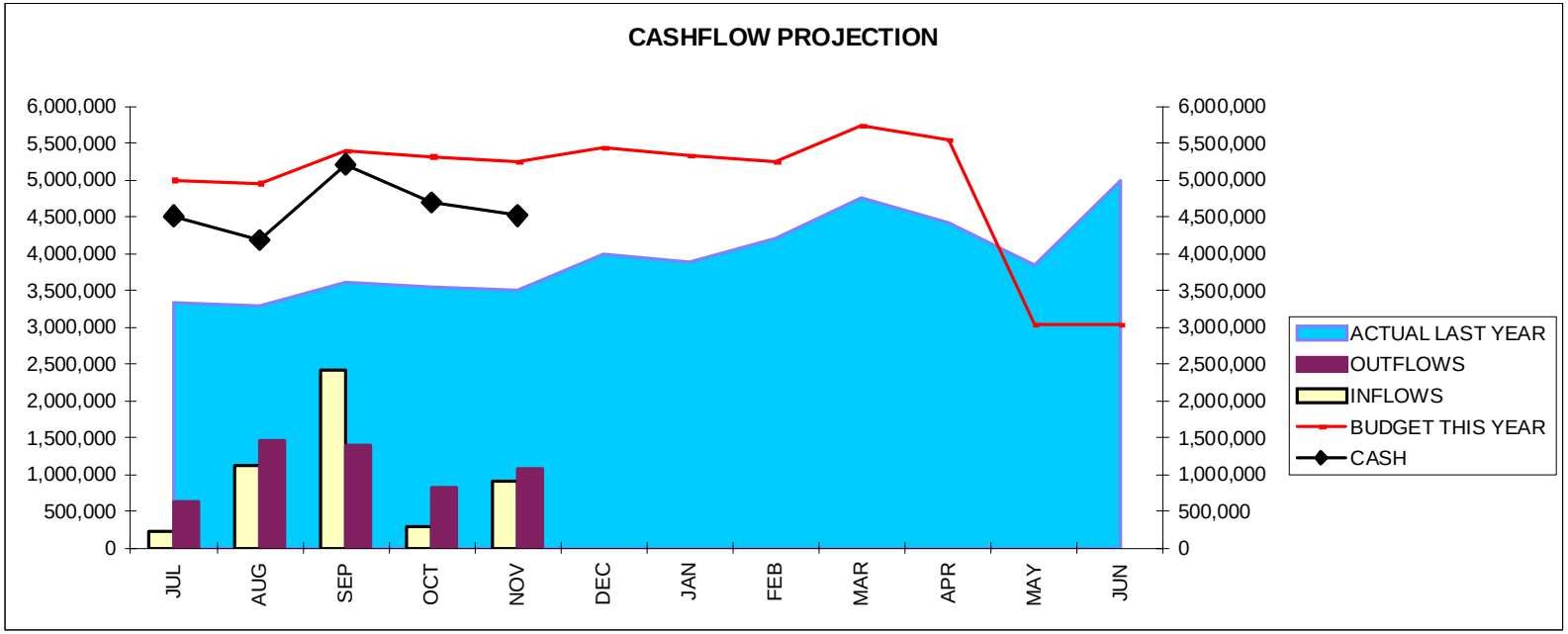
	BUDGET 30/11/11 $	ACTUAL 30/11/11 $	ACTUAL 30/11/10 $
REVENUE			
Roading	378,944	357,533	441,628
Water Services	299,355	298,040	536,718
Sewerage & Stormwater	409,948	396,626	232,606
Refuse & Recycling	65,302	70,097	52,171
Community Facilities	286,174	250,366	266,359
Commercial Activities	190,297	257,334	347,583
Leadership & Governance	22,050	23,105	29,931
Regulation & Control	147,782	175,707	136,931
Safety & Wellbeing	125,589	137,165	80,633
District Development	138,149	141,488	182,403
Interest Revenue	50,611	91,641	62,743
General Rates	865,860	865,860	801,424
	2,980,061	**3,064,962**	**3,171,130**
EXPENDITURE			
Roading	577,058	587,076	624,865
Water Services	469,266	466,037	397,126
Sewerage & Stormwater	348,297	346,167	265,642
Refuse & Recycling	178,577	194,997	151,656
Community Facilities	516,961	489,073	401,114
Commercial Activities	169,033	292,110	164,413
Leadership & Governance	280,703	353,732	310,620
Regulation & Control	274,152	255,331	246,697
Safety & Wellbeing	159,207	172,667	157,400
District Development	264,626	289,373	244,446
	3,237,880	**3,446,563**	**2,963,979**
Activity Surplus/(Deficit)	**(257,819)**	**(381,601)**	**207,151**

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 NOVEMBER 2011

	ACTUAL 30/11/11 $	ACTUAL 30/11/10 $
OPERATING ACTIVITIES		
Receipts from Rates	1,522,882	1,571,017
Interest Received	91,641	62,743
Receipts from Other Revenue	1,492,443	1,357,767
Payments to Employees & Suppliers	(3,432,579)	(2,100,437)
Interest Paid	(189,190)	(189,078)
Net Cash from Operating Activities	**(514,803)**	**702,012**
INVESTING ACTIVITIES		
Proceeds from Sale of Assets	-	-
Sinking Funds Received	49,971	88,976
Purchase of Property, Plant & Equipment	(589,404)	(861,875)
Purchase of Forestry Assets	-	-
Purchase of Investment Property	-	-
Payments into Sinking Funds	(72,400)	(62,187)
Net Cash from Investing Activities	**(611,833)**	**(835,086)**
FINANCING ACTIVITIES		
Proceeds from Borrowing	1,559,000	579,000
Proceeds from Cash Advance	250,000	450,000
Repayment of Borrowings	(1,100,000)	(749,000)
Repayment of Cash Advance	-	-
Net Cash from Finance Activities	**709,000**	**28,000**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**(417,636)**	**146,926**
CASH AT THE BEGINNING OF THE YEAR	**4,934,633**	**3,349,028**
CASH AT THE END OF THE YEAR	**4,516,997**	**3,495,954**

CASH FLOW PROJECTION FOR THE YEAR TO 30 JUNE 2012



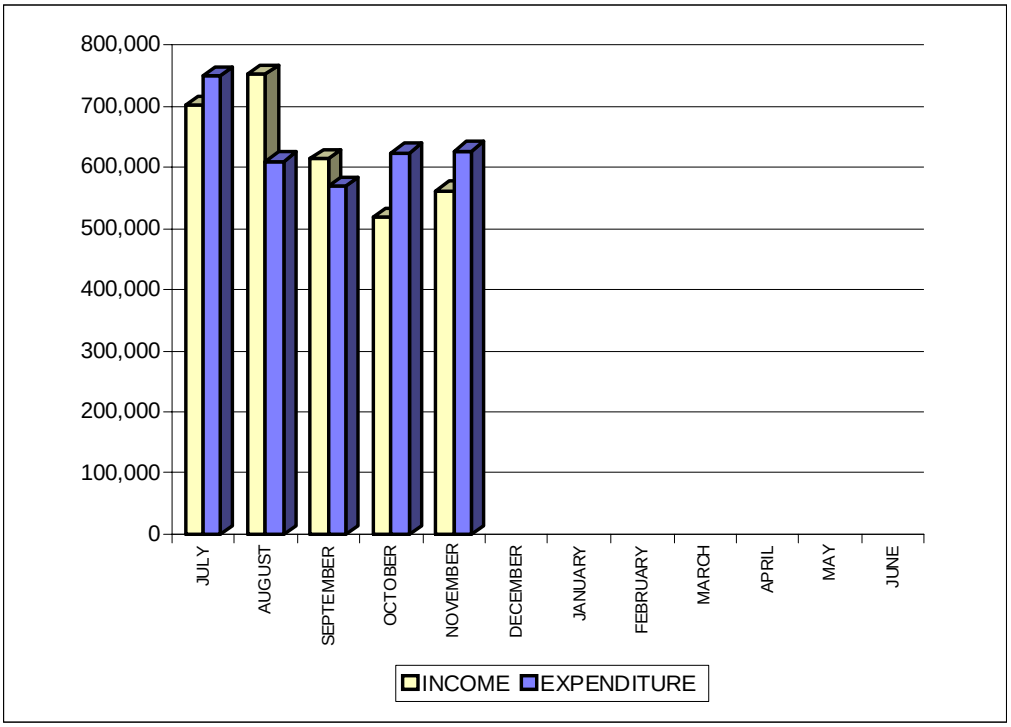
CAPITAL EXPENDITURE

FOR THE PERIOD ENDED 30 NOVEMBER 2011

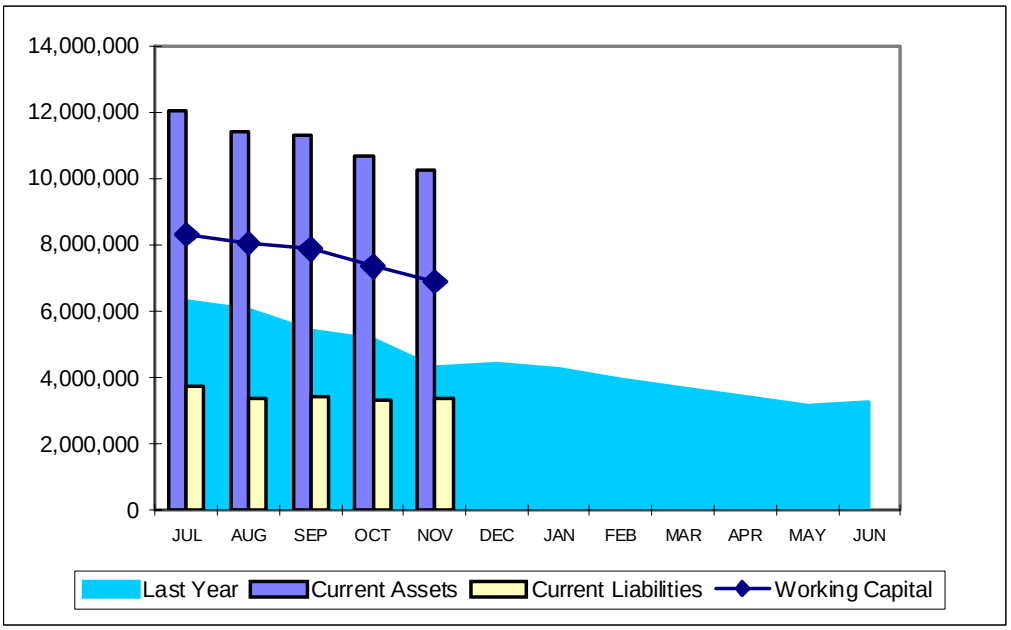
	ACTUAL 2011/2012 $	BUDGET 2011/2012 $	BUDGET BT FWD $
Office Furniture & Equipment	-	10,244	-
Vehicle Purchases & Other Plant	-	23,471	-
Emergency Storage Shed (Rural Fire)	73,385	-	70,000
Sealed Road Renewals	-	264,000	-
Unsealed Road Renewals	6,754	60,000	-
Kerb & Channel Renewals	-	50,000	-
Road Rehabilitation	-	60,000	-
Associated Road Improvements	-	6,000	-
Traffic Services	396	22,000	-
Minor Road Improvements	9,844	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 Pump Stations & Backflows	13,736	-	-
Sewerage Pipe Renewals	196,549	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	4,151	-	-
Kaikoura Water Renewals	-	128,890	-
Kincaid Water Renewals	12,852	23,349	-
Oaro Water Treatment Upgrade	-	25,000	-
Forestry Planting, Pruning & Thinning	63,951	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	8,120	32,147	-
TOTAL CAPITAL EXPENDITURE	**589,404**	**2,342,707**	**3,042,000**

INCOME AND EXPENDITURE

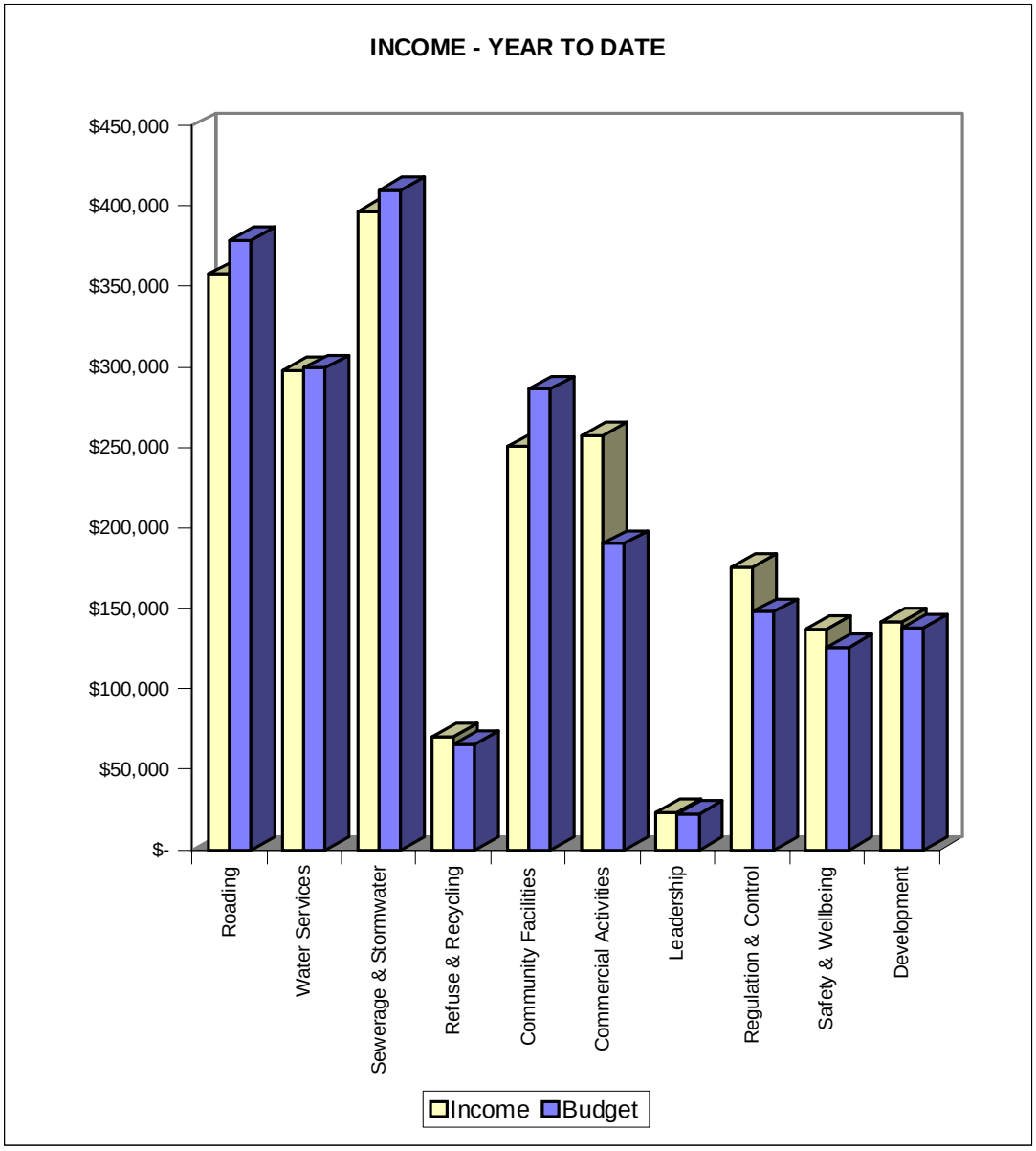
TO 30 NOVEMBER 2011

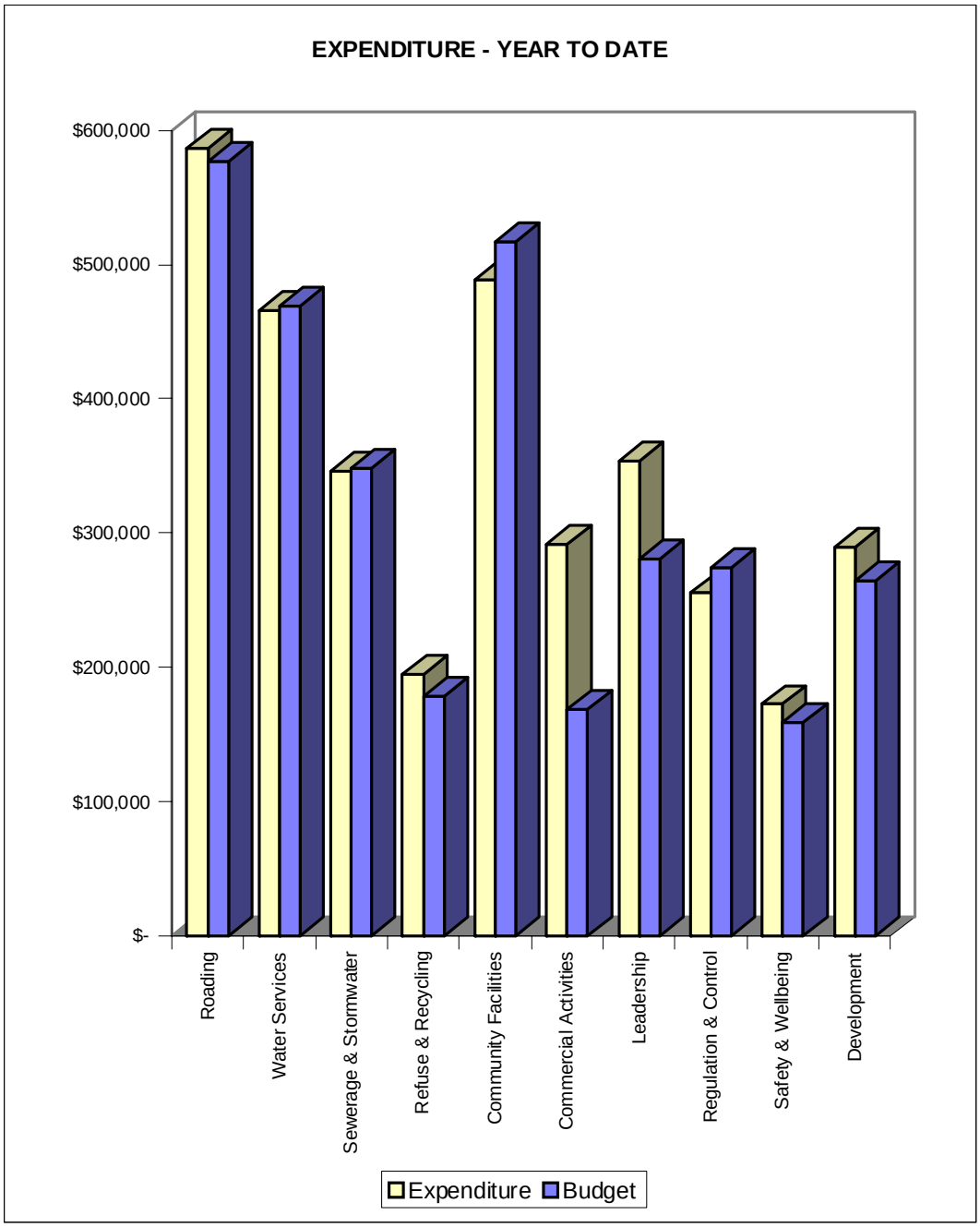


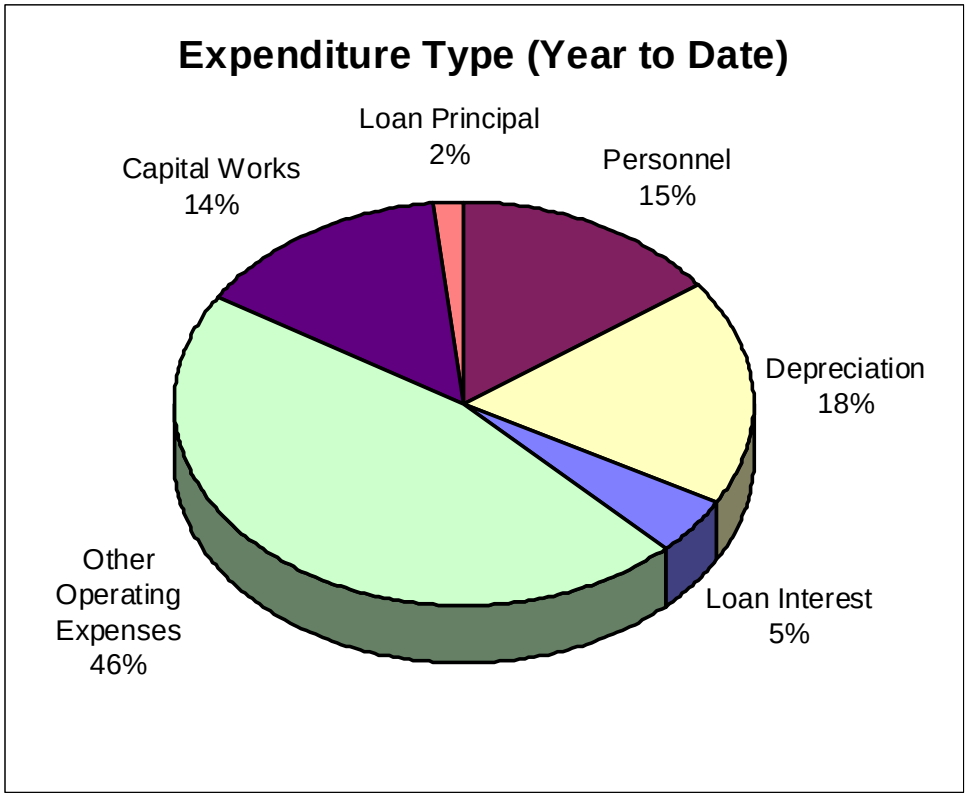
WORKING CAPITAL TO 30 NOVEMBER 2011

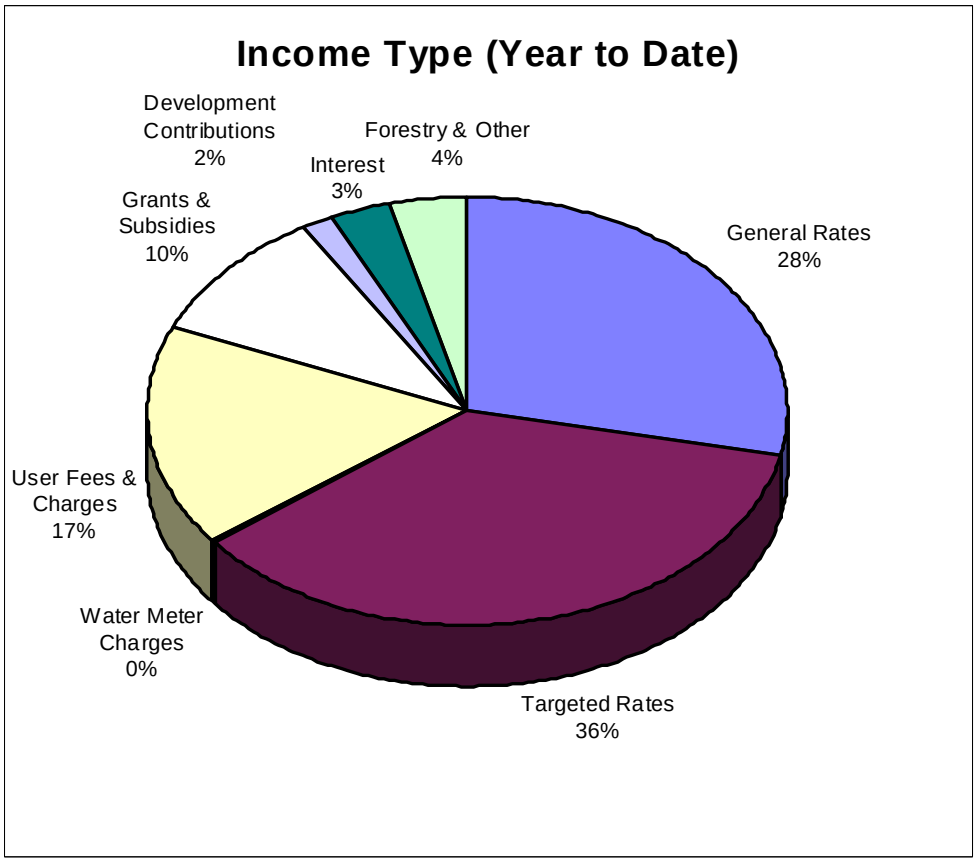


BUDGET PERFORMANCE TO 30 NOVEMBER 2011

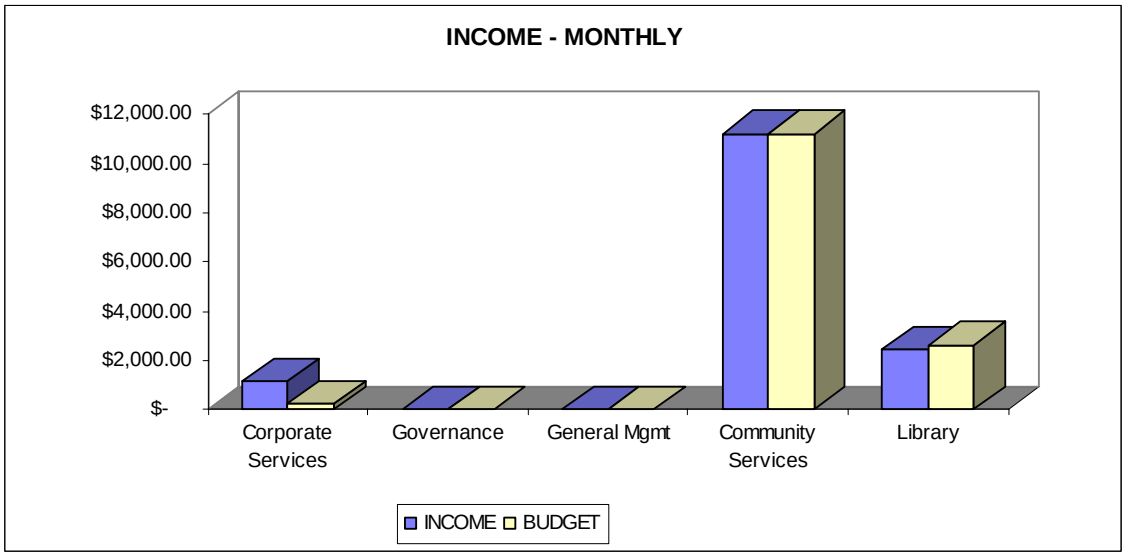


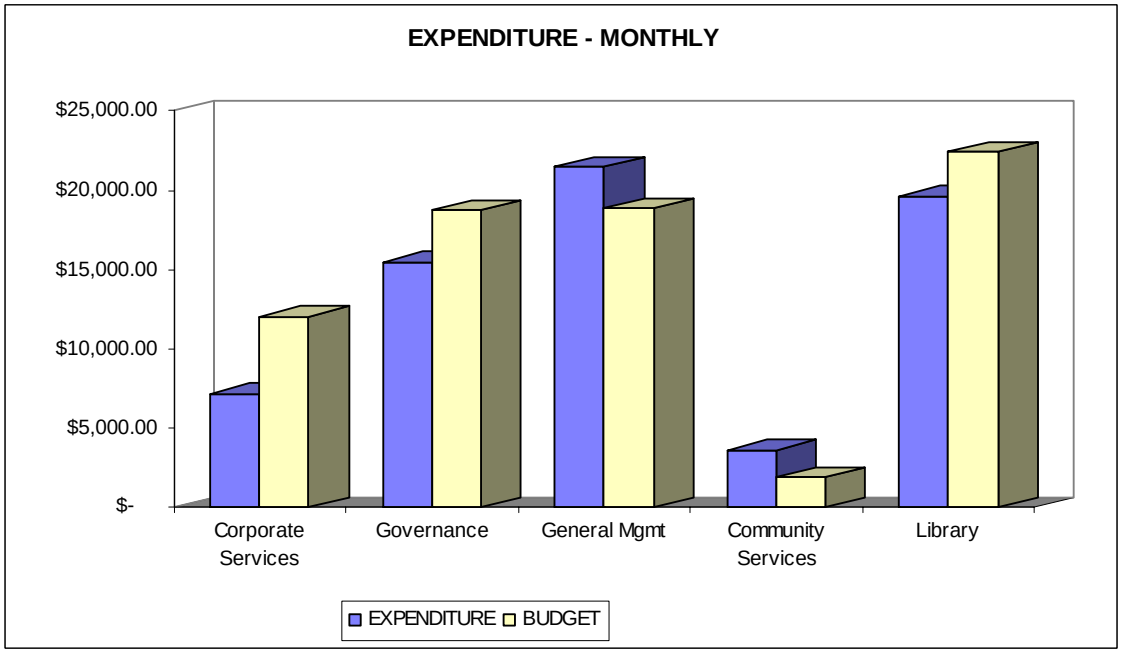

EXPENDITURE - YEAR TO DATE
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
Roading
Water Services
Sewerage & Stormwater
Refuse & Recycling
Community Facilities
Commercial Activities
Leadership
Regulation & Control
Safety & Wellbeing
Development
Expenditure
Budget


Expenditure Type (Year to Date)
Loan Principal
2%
Personnel
15%
Capital Works
14%
Depreciation
18%
Other
Operating
Expenses
46%
Loan Interest
5%

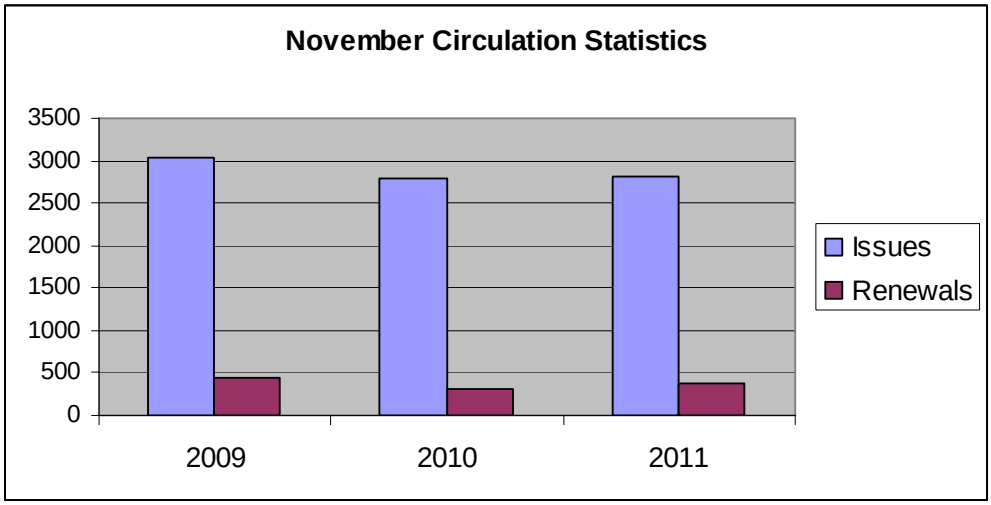

Income Type (Year to Date)
Development
Contributions
2%
Forestry & Other
4%
Interest
3%
Grants &
Subsidies
10%
General Rates
28%
User Fees &
Charges
17%
Water Meter
Charges
0%
Targeted Rates
36%

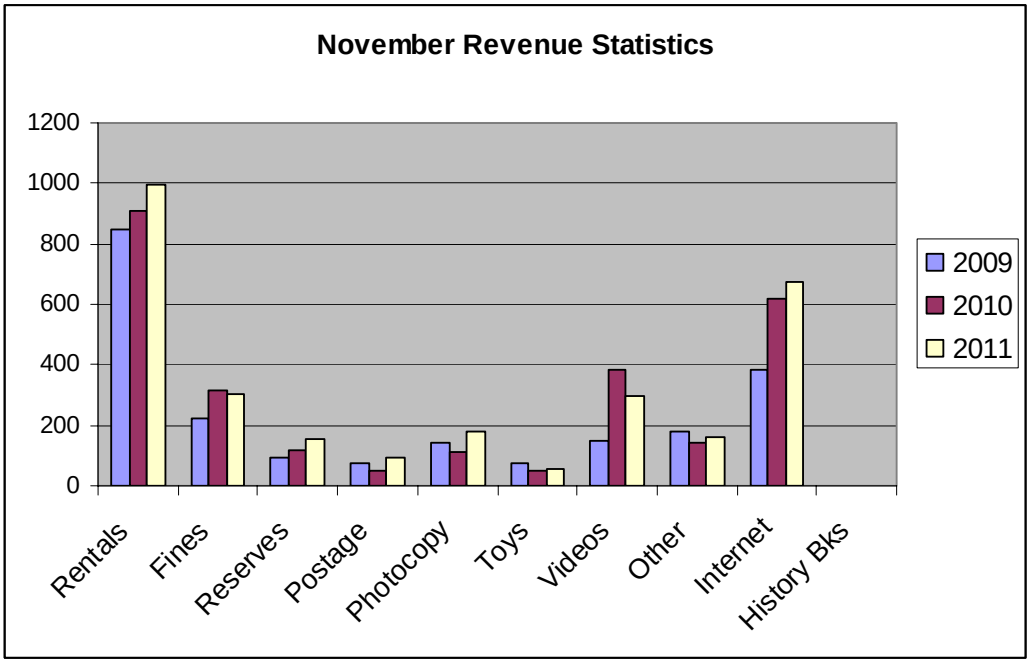
Corporate Services Budget Report

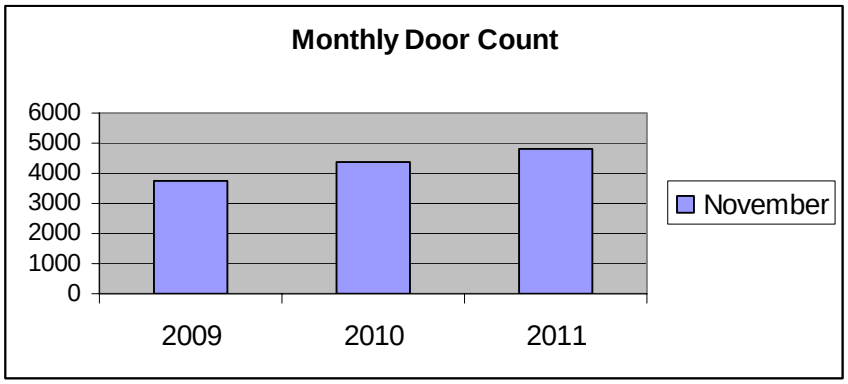




Library Report







♦ 1-30 November 2011 = 4782 (Daily average = 184)

Administration

♦ The updated 2011 Electoral Rolls arrived for public display in the library.

♦ Fire extinguisher check carried out on the 15th November followed by a fire alarm inspection carried out on the 30th November 2011.

Events & Activities

♦ Advert sent to Kaikoura Star advertising the summer reading programme, which runs between the 12th December & 20th January 2012.

♦ Planning is under way for the annual Toddler-time end of term celebrations.

Class Visits

♦ Belfast School enjoyed 8 interactive group visits on the 16th and again on the 24th November 2011 completing a Kaikoura history treasure hunt with library staff.

♦ Suburban School enjoyed a visit on the 2nd November 2011.

♦ Little Tamariki Montessori Pre-School enjoyed a visit the 7th November 2011.

♦ Adult Learning Centre enjoyed two visits this month on the 9th & 11th November 2011.

Technology

♦ Pete Tripp TLC security patched update overnight on 15th November followed by an on sight visit on the 21st November 2011.

♦ Faulty uniden centrex phone was replaced on the 23 November by Telecom technician after consultation and checks carried out. A faulty phone line was reported the 28th and fixed on the 29th November 2011.

Christmas Hours

♦ The Library opening hours between Christmas and New Year will be as follows:

Friday 23rd Dec	9.30-7pm
Saturday 24th Dec	10.00-1pm
Sunday 25th Dec	**Closed**
Monday 26th Dec	**Closed**
Tuesday 27th Dec	**Closed**
Wednesday 28th Dec	9.30-5.30pm
Thursday 29th Dec	9.30-5.30pm
Friday 30th Dec	9.30-7pm
Saturday 31 Dec	10.00-1pm
Sunday 1 Jan	**Closed**
Monday 2 Jan	**Closed**
Tuesday 3 Jan	**Closed**

Normal hours resume on Wednesday 4th January 2012.

♦ The Library will be closed for one hour on Wednesday 25th January 2012, 9.30-10.30am to accommodate the summer reading programme grand finale prize giving held in the library.

Clarence Forest

Attached is part of the report to Council as at 30 June 2011, prepared for Council by Merrill and Ring New Zealand Limited, Council's forestry manager.

The report provides a description of the forest as at 30 June 2011 and provides a description of the age of the various compartments in the forest and their maturity at the time the lease expires.

Recommendation:
It is recommended that the report be received.