

REPORT OF THE FINANCE & POLICY MEETING HELD AT 9.42AM ON WEDNESDAY 20 AUGUST 2014 AT MEMORIAL HALL SUPPER ROOM, ESPLANADE, KAIKOURA.

PRESENT: Councillor J Howden (Chair), Mayor W Gray, Councillors T Blunt, J Diver, G Harmon, C Mackle, D Millton, D Morgan.

IN ATTENDANCE: S Grant (Chief Executive Officer), S Syme (Committee Secretary), S Poulsen (Finance Manager), A Limbdiwala (Assistant Accountant).

1. FINANCE REPORTS

The Finance Manager advised the accounts were for the first month of the new financial year and Council had started the year in a sound financial position. The accounts were on track with a surplus of just over \$200,000.

The new Customised Average Loan facility was signed and in place. Advantages of the facility were the ability to select fixed or floating loans and to repay principle on a monthly basis. The previous sinking fund regime had limited how loans could be repaid.

Cash had decreased by \$677,000. It was noted expenses incurred in June were paid in July. Rates made up 52% of revenue with fees and charges a strong source of revenue due to lease invoices raised in July.

A discussion was held regarding the treatment of rates for accounting purposes, non-current assets and capital expenditure.

Moved by Councillor Howden, seconded by Councillor Millton and resolved that the Finance Reports be received.

2. QUARTERLY REPORTS

Investment Quarterly Report

The Finance Manager advised there were some historic ratios in Council's Investment Policy, for example the forestry cap set at 75%. Currently forestry investments made up 25% of Council's portfolio. It was suggested this could be looked at as part of the Long Term Plan process. Council had budgeted to receive \$70,000 from the Marlborough Regional Forestry joint venture but had received \$324,000 in the 2013/14 financial year.

An enquiry was made as to what income was anticipated from forestry in the 2014/15 financial year given log prices had decreased substantially. Councillor Diver advised it was anticipated revenue would be similar to the 2013/14 financial year. It was noted the domestic market was still strong and it was anticipated the logging price should

remain at a similar level. Revenue was not anticipated to reduce for seven years when it would reduce due to tree rotation. Within the forest all of the roads (184km) and skid sites had been built. Only maintenance would be required in future therefore costs would be reducing. Councillor Diver advised Marlborough Regional Forestry was quite small in logging market terms and as such was able to change markets quickly.

It was noted no logging was expected to take place between 2021 and 2026 and it was something which Council would need to bear in mind during the long term planning process. The Chief Executive Officer advised projections received from Marlborough Regional Forestry were entered into the Long Term Plan.

Liability Management Report

Council was non-compliant with its Interest Rate Exposure Policy as at 30 June 2014. A large block of loans were in the 0-1 year level which had been deliberate while the BNZ Customised Average Rate Loan facility was finalised. Work was being undertaken to have interest rate exposure back within the Policy levels.

The Finance Manager advised the Policy may require some rewording in terms of debt repayment to show Council could pay off loans on a monthly basis. An explanation of the new Customised Average Rate Loan facility was given.

Development Contributions Report

Levied development contribution had remained at less than \$100,000 in the 2013/14 financial year.

The Finance Manager advised the Local Government Amendment Act had just been enacted and had some big changes. One of the key changes was the set up of an independent committee to hear requests for a review of contributions levied.

The Chief Executive Officer advised to date Council was able to determine different levels of contributions it wanted to raise and this remained under the new legislation however the focus of what Council's could raise contributions for had been narrowed.

A report on the changes to the legislation would be prepared and a review of the Development Contributions Policy was to be undertaken.

Depreciation vs. Capital Expenditure

The Finance Manager advised the timing of major renewal and upgrade work meant there could be significant upgrades in certain years followed by several years of low expenditure because the assets were in excellent condition. This meant depreciation versus capital expenditure

had little meaning when reported on an annual basis and should be considered over the life of the asset. There was now a requirement for reporting in the Annual Report to show a timeframe of at least five years.

A discussion was held regarding unexpended capital expenditure budgets and spending and raising money through rates. A request was made for footpath and streetlight expenditure to be reported separately.

Housing for the Elderly

The rental amounts had been increased which would allow for future renewals and upgrades. In terms of the waiting list there were now two couples on the list. There had not been any couples on the list for a long time. The number of people on the list had also increased.

Moved by Councillor Howden, seconded by Councillor Harmon and resolved that the Quarterly Finance Reports be received.

There being no further business the meeting closed at 10.50am.