

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY  
19 AUGUST 2015 AT MEMORIAL HALL SUPPER ROOM, ESPLANADE,  
KAIKOURA.**

**AGENDA**

**1. Apologies**

**2. Matters of Importance to be raised as Urgent Business**

**3. Reports:**

- ◆ *Finance Report* *page 61*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 74*
- ◆ *Library Report* *page 75*

**4. Minutes Action and Issues List Update**

<b>MEETING</b>	<b>ACTION REQUIRED</b>	<b>BY</b>	<b>DATE</b>
Finance	Provide a breakdown of contractors on the Other Expenses Report	Finance Manager	In progress

**5. Urgent Business**

# Finance Report

## Statement of Financial Position

Cash decreased in July due to several substantial payments on the 20<sup>th</sup> – for substantial contract and maintenance completed in June, Environment Canterbury’s share of the rates instalment, and we repaid the Historical Society the funds they had deposited with us back in 2003 to secure the site at 25 Beach Road for a new museum.

Trade receivables has jumped to over \$7.6 million thanks to the setting of the rates for the financial year – the entire years’ worth of rates is created at the start of the year and reduces as instalments are paid.

## Statement of Comprehensive Income

We start the financial year with a surplus of \$366k. At least half of that is attributable to leases that are invoiced to tenants for the full amount at the beginning of the year. Personnel expenses are understated by about \$50k; and water meter charges relate to the prior year; both of these adjustments will be corrected in August. Other variances are explained below.

## Statement of Activity Performance

### Income Variances:

Income is up on budget by \$57k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Safety & Wellbeing	Up \$49,283	A \$50k grant to retain our Community Facilitator – this was not budgeted.

### Expenditure Variances:

Expenditure is under budget by \$147k overall, with the main variances as below.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Community facilities	Under \$25,857	Timing of maintenance work.
Leadership & governance	Under \$68,999	Personnel expenses understated, and timing of insurance, audit expenses, etc.

## Statement of Cash Flows

Cash has decreased by \$705k, thanks to the substantial outgoings such as major road maintenance and other work done in June (paid in July). A short term loan of \$300k was required to meet the cash demands at the 20<sup>th</sup> of the month – this will be repaid in full in September.

## Capital Expenditure

Many of the contractor invoices (Downer, Innovative Waste, etc) had not been received by the time this report was prepared. The only major capital expense relates to the ongoing Civic Centre project, the Datacom Ozone project, and new phone system. Note that the Civic Centre project budget has now increased to \$4.9 million, having added \$500k to the budget this year.

## **Income vs. Expenditure**

Operating income exceeded operating expenditure for July.

## **Working Capital & Liquidity**

The year begins with working capital sitting at \$7 million – reflecting the year's rates revenue being set at the start of the year. We anticipate a similar downward trend as the year progresses.

## **Budget Performance (Income YTD and Expenditure YTD)**

These are a graphic representation of the Statement of Activity Performance, so you can see at a glance how activities are performing against budget and in comparison with each other.

## **Income & Expenditure Types**

Rates (targeted plus general rates) only make up 46% of total revenue for this first month of the year, and user fees and charges currently make up 37%.

## **Other Expenses**

I apologise – once again the reporting system is broken and I have been unable to provide this report.

Author: Finance Manager  
Endorsed by the Chief Executive Officer

## 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 carbon credits (intangibles).
Investment property for sale	Property that the 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)

# KEY INDICATORS

AS AT 31 JULY 2015

## FINANCIAL STATEMENT MEASURES

### OPERATING RESULT

*operating surplus/(deficit)*

**\$366k**

\$204k favourable v/s year-to-date budget of \$162k

### OPERATING COSTS

*costs to deliver existing levels of service*

**\$0.62m**

\$147k favourable v/s year-to-date budget of \$0.77m

### TOTAL EXTERNAL DEBT

*total borrowings from bank*

**\$6.49m**

\$1,298k favourable v/s full year budget of \$7.8m

### INTEREST ON DEBT

*cost to service debt*

**\$21k**

\$13k favourable v/s year-to-date budget of \$33k

### CAPITAL EXPENDITURE

*cost of new &/or replacement of assets*

**\$0.10m**

\$0.5m favourable v/s year-to-date budget of \$0.6m

### DEVELOPMENT CONTRIBUTIONS

*received for district growth*

**\$0.0k**

\$1.2k unfavourable v/s year to date budget of \$1k

## LONG TERM PLAN MEASURES

### DEBT AFFORDABILITY BENCHMARK

*financing expenses as a % of rates*

**4.5%**

15.5% favourable v/s council approved limit of 20.0%

### EBID

*earnings before interest and depreciation*

**\$0.54m**

\$182k favourable v/s year-to-date budget of \$0.35m

### BALANCED BUDGET BENCHMARK

*revenue equal or greater than expenses*

**159%**

59% favourable v/s council benchmark of 100%

### LONG TERM DEBT TO EQUITY

*debt as a % of equity*

**2.59%**

1.06% favourable v/s full year budget of 3.65%

## STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2015

	BUDGET to year end \$	ACTUAL 31/07/15 \$	ACTUAL 31/07/14 \$
<b>ASSETS</b>			
<i>Current assets</i>			
Cash & cash equivalents	2,909,790	2,602,837	3,514,026
Trade & other receivables	1,077,377	7,666,327	7,234,982
Prepayments & inventory	98,200	62,361	61,332
Other financial assets	-	-	-
GST refundable	-	-	-
Non-current assets held for sale	-	1,038,000	1,853,000
<b>Total current assets</b>	<b>4,085,367</b>	<b>11,369,525</b>	<b>12,663,340</b>
<i>Non-current assets</i>			
Other financial assets	-	1,934	3,036
Forestry assets	2,583,334	2,704,543	2,516,407
Investment property	2,408,000	560,000	1,380,163
Property, plant & equipment	167,063,468	160,768,043	158,921,000
<b>Total non-current assets</b>	<b>172,054,802</b>	<b>164,034,520</b>	<b>162,820,606</b>
<b>TOTAL ASSETS</b>	<b>176,140,169</b>	<b>175,404,045</b>	<b>175,483,946</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade & other payables	1,400,004	1,171,387	1,925,317
Employee liabilities	100,000	56,903	139,575
Borrowings - current	1,985,309	3,179,610	2,890,114
<b>Total current liabilities</b>	<b>3,485,313</b>	<b>4,407,900</b>	<b>4,955,006</b>
<i>Non-current liabilities</i>			
Provisions	-	41,657	41,711
Borrowings - non current	8,191,882	3,312,590	3,618,000
Other term debt	564,606	964,607	917,124
<b>Total non-current liabilities</b>	<b>8,756,488</b>	<b>4,318,854</b>	<b>4,576,835</b>
<b>EQUITY</b>			
Public equity	80,415,371	93,517,437	93,952,952
Asset revaluation reserve	81,427,688	69,317,174	69,334,577
Special funds & reserves	2,055,309	3,842,680	2,664,576
<b>Total equity</b>	<b>163,898,368</b>	<b>166,677,291</b>	<b>165,952,105</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>176,140,169</b>	<b>175,404,045</b>	<b>175,483,946</b>

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 JULY 2015

	<b>BUDGET 31/07/15 \$</b>	<b>ACTUAL 31/07/15 \$</b>	<b>ACTUAL 31/07/14 \$</b>
<b>REVENUE</b>			
Rates revenue	458,003	458,003	438,222
Water meter charges	81,000	93,398	29
User fees & charges	331,237	362,032	321,802
Grants & subsidies	29,542	55,752	71,644
Development contributions	1,208	-	10,034
Interest revenue	4,691	-	3,417
Other revenue <sup>1</sup>	25,586	18,609	6,688
<b>Total revenue</b>	<b>931,267</b>	<b>987,794</b>	<b>851,836</b>
<b>EXPENSES</b>			
Personnel	165,441	101,001	175,981
Depreciation	157,498	148,463	148,463
Financing expenses	33,471	20,656	31,894
Other expenses	412,507	351,312	293,378
<b>Total expenses</b>	<b>768,917</b>	<b>621,432</b>	<b>649,716</b>
<b>Operating surplus/(deficit)</b>	<b>162,350</b>	<b>366,362</b>	<b>202,120</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Gains/(losses) on revaluation	-	-	-
Vested assets	-	-	-
Ecan share of MRF profit/loss	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>162,350</b>	<b>366,362</b>	<b>202,120</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 JULY 2015

	<b>BUDGET 31/07/15 \$</b>	<b>ACTUAL 31/07/15 \$</b>	<b>ACTUAL 31/07/14 \$</b>
<b>REVENUE</b>			
Roading	98,656	91,015	116,386
Water services	141,043	150,338	58,697
Sewerage	45,225	46,025	44,756
Stormwater	10,178	10,874	9,959
Refuse & recycling	14,094	13,833	14,121
Community facilities	131,258	148,167	91,462
Commercial activities	173,526	171,093	223,498
Leadership & governance	3,225	5,830	671
Regulation & control	55,312	47,319	38,415
Safety & wellbeing	27,998	77,281	32,147
District development	30,806	30,764	27,903
Hospital	11,458	11,458	-
Interest revenue	4,691	-	3,417
General rates	183,797	183,797	190,404
	<b>931,267</b>	<b>987,794</b>	<b>851,836</b>
<b>EXPENDITURE</b>			
Roading	128,343	135,224	130,061
Water services	119,535	101,724	83,296
Sewerage	85,960	69,959	49,014
Stormwater	11,790	10,930	8,394
Refuse & recycling	32,695	33,440	29,210
Community facilities	137,012	111,155	75,527
Commercial activities	12,536	11,643	26,560
Leadership & governance	82,994	13,995	108,642
Regulation & control	60,603	47,387	47,542
Safety & wellbeing	50,185	47,540	52,405
District development	46,649	38,435	38,680
Hospital	-	-	-
Other	615	-	385
	<b>768,917</b>	<b>621,432</b>	<b>649,716</b>
<b>Operating Surplus/(Deficit)</b>	<b>162,350</b>	<b>366,362</b>	<b>202,120</b>



## STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 JULY 2015

	<b>BUDGET to year end \$</b>	<b>ACTUAL 30/06/15 \$</b>	<b>ACTUAL 31/07/14 \$</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from rates	5,512,259	351,303	356,061
Interest received	56,298	-	3,417
Receipts from other revenue	3,169,769	254,186	126,246
Payments to employees & suppliers	(8,559,436)	(1,473,569)	(949,151)
Interest paid	(541,208)	(20,656)	(31,894)
<b>Net Cash from Operating Activities</b>	<b>(362,318)</b>	<b>(888,736)</b>	<b>(495,322)</b>
<b>INVESTING ACTIVITIES</b>			
Sale of investment property	-	-	-
Sinking funds & term deposits received	-	-	-
Purchase of property, plant & equipment	(2,150,515)	(112,555)	(179,831)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
<b>Net Cash from Investing Activities</b>	<b>(2,150,515)</b>	<b>(112,555)</b>	<b>(179,831)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowing	4,786,905	300,000	-
Repayment of borrowings	(2,403,095)	(3,860)	(1,886)
<b>Net Cash from Finance Activities</b>	<b>2,383,810</b>	<b>296,140</b>	<b>(1,886)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(129,023)</b>	<b>(705,151)</b>	<b>(677,039)</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<b>3,038,812</b>	<b>3,307,988</b>	<b>4,191,065</b>
<b>CASH AT END OF THE PERIOD</b>	<b>2,909,790</b>	<b>2,602,837</b>	<b>3,514,026</b>

**CAPITAL EXPENDITURE**  
FOR THE PERIOD ENDED 31 JULY 2015

<b>Project</b>	<b>Budget</b>	<b>Actual</b>	<b>Percent</b>	<b>Status</b>
<b>ROADING</b>				
<b>Bridge replacement</b>	90,000	-		
<b>Unsealed road renewals</b>	60,000	5,250	9%	
<b>Drainage renewals</b>	50,000	-		
<b>Pavement rehabilitation</b>	100,000	-		
<b>Traffic service renewals</b>	9,356	-		
<b>Safety improvements</b>	50,000	318	1%	
<b>Footpath renewals</b>	500,000	-		
<b>Streetlights</b>	27,644	-		
	797,000	5,568		Pending
<b>WATER SUPPLIES</b>				
<b>Kaikoura reticulation renewals</b>	80,000	-		
<b>Kincaid reticulation renewals</b>	15,000	-		
<b>Oaro water treatment</b>	4,179	-		
	99,179	-		Pending
<b>SEWERAGE</b>				
<b>Renewals</b>	40,000	-		
	40,000	-		
<b>STORMWATER</b>				
<b>Renewals</b>	25,000	-		
<b>Upgrades</b>	-	-		
	25,000	-		
<b>REFUSE &amp; RECYCLING</b>				
<b>Landfill cell capping &amp; aftercare</b>	7,500	-		
	7,500	-		
<b>COMMUNITY PROPERTIES</b>				
<b>Memorial hall upgrade</b>	11,500	-		
<b>Library books, CDs &amp; DVDs</b>	36,626	1,664	4%	
<b>Coastal management strategy</b>	20,000	-		
<b>New public toilets</b>	-	-		
<b>Pensioner flats</b>	-	2,000		More to come
<b>South Bay marina upgrade</b>	170,000	-		
<b>Esplanade council office</b>	8,270	-		
<b>Swimming pool</b>	200,000	-		
<b>Cemetery</b>	-	-		
<b>Civic Centre*</b>	4,900,000	4,587,951	94%	More to come
	5,346,396	4,591,615		

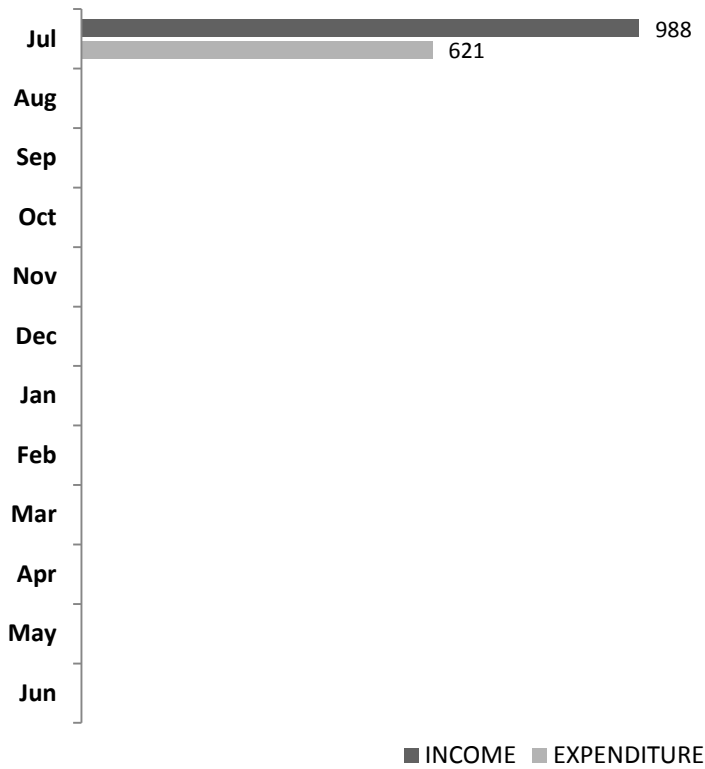
<b>Project</b>	<b>Budget</b>	<b>Actual</b>	<b>Percent</b>	<b>Status</b>
<b>COMMERCIAL ACTIVITIES</b>				
<b>20 Beach Rd</b>	-	-		
<b>Forest pruning &amp; thinning</b>	4,464	-		
	4,464	-		
<b>LEADERSHIP &amp; GOVERNANCE</b>				
<b>Office furniture &amp; equipment</b>	10,000	11,973	120%	
<b>Artwork</b>	-	-		
<b>Computer equipment</b>	20,000	-		
<b>Datacom Ozone project*</b>	-	161,342	XXX	More to come
<b>Vehicle replacement</b>	20,000	-	-	
	50,000	158,208		
<b>TOTAL</b>	<b>6,550,523</b>	<b>4,847,314</b>		

\* The Civic Centre and Datacom Ozone projects have carried over from the 2014/2015 financial year, and are the accumulative value for both years.

### Income v/s Expenditure - Jul 2015

Inc \$987,794 v/s Exp \$621,432 = Surplus \$366,362

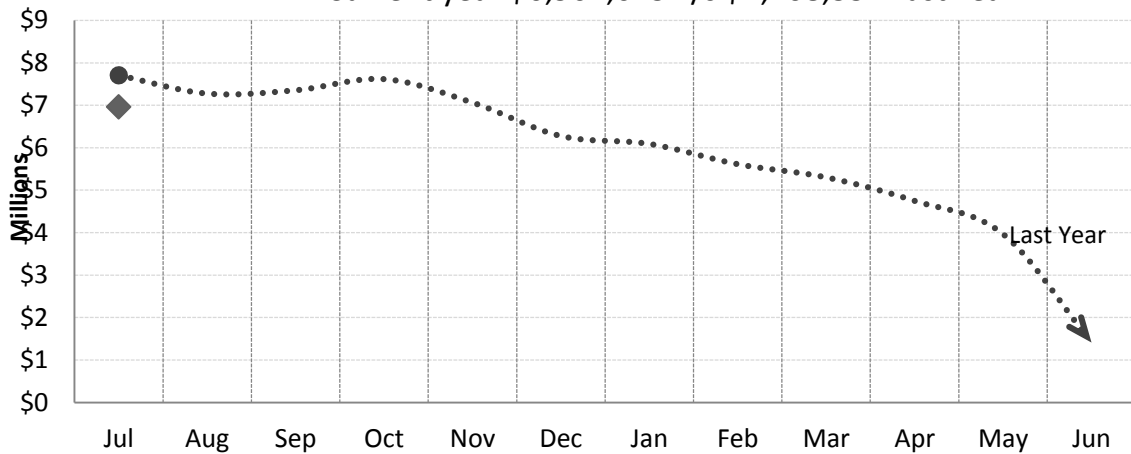
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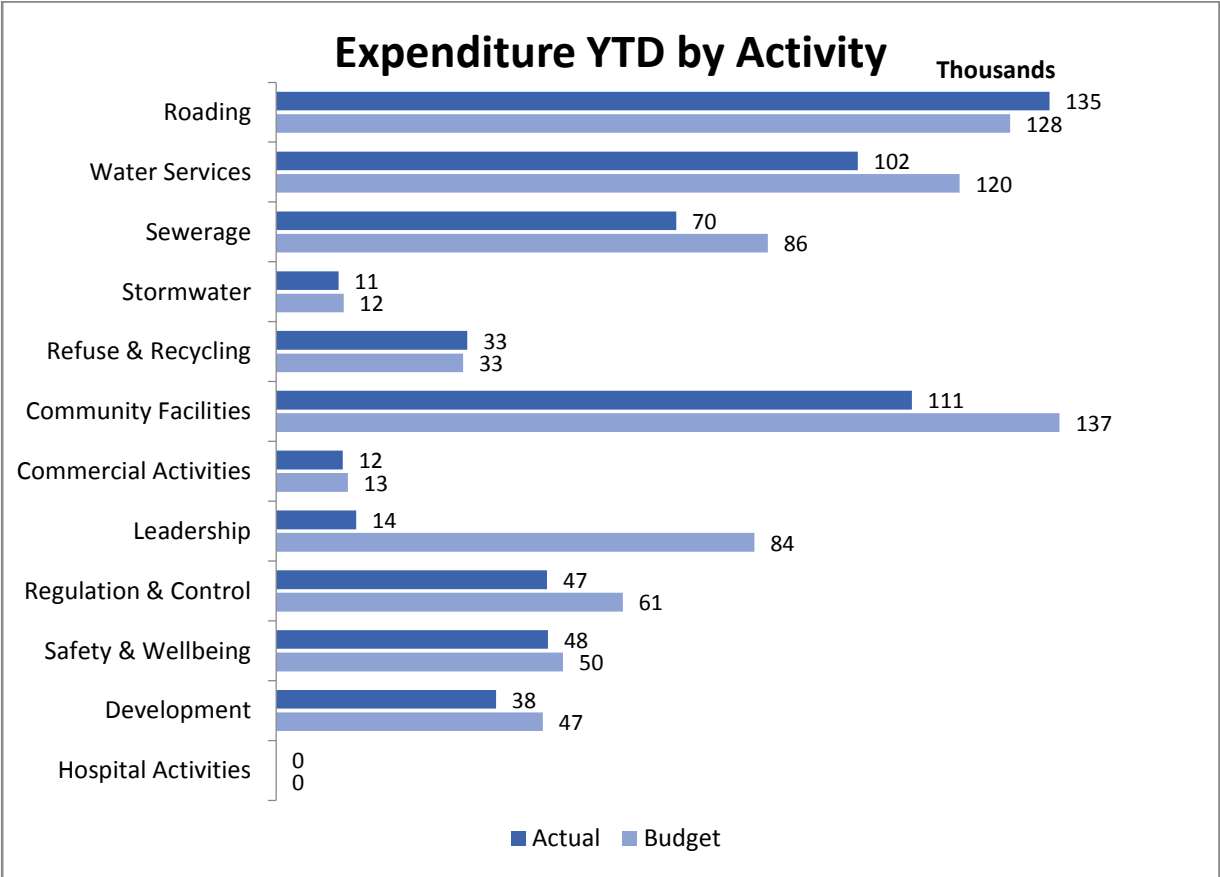
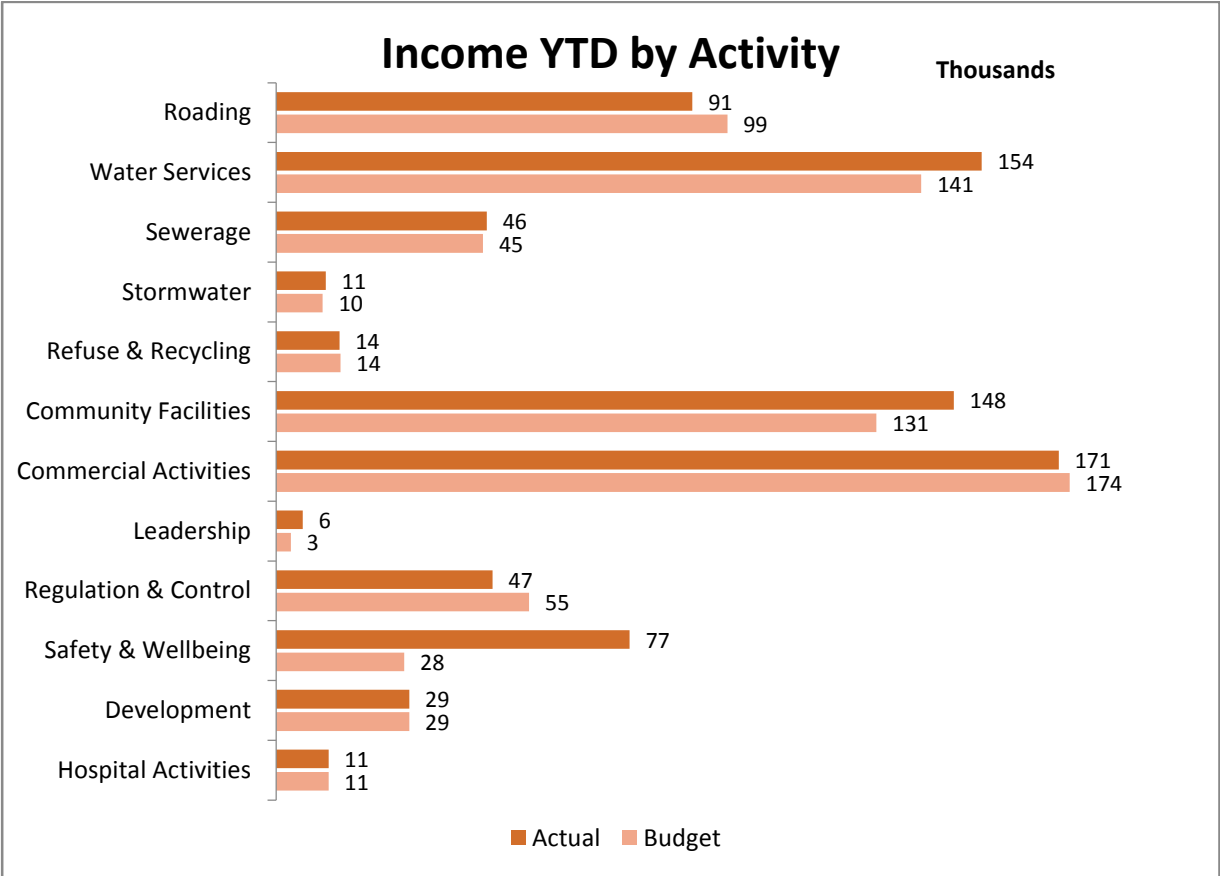


■ INCOME ■ EXPENDITURE

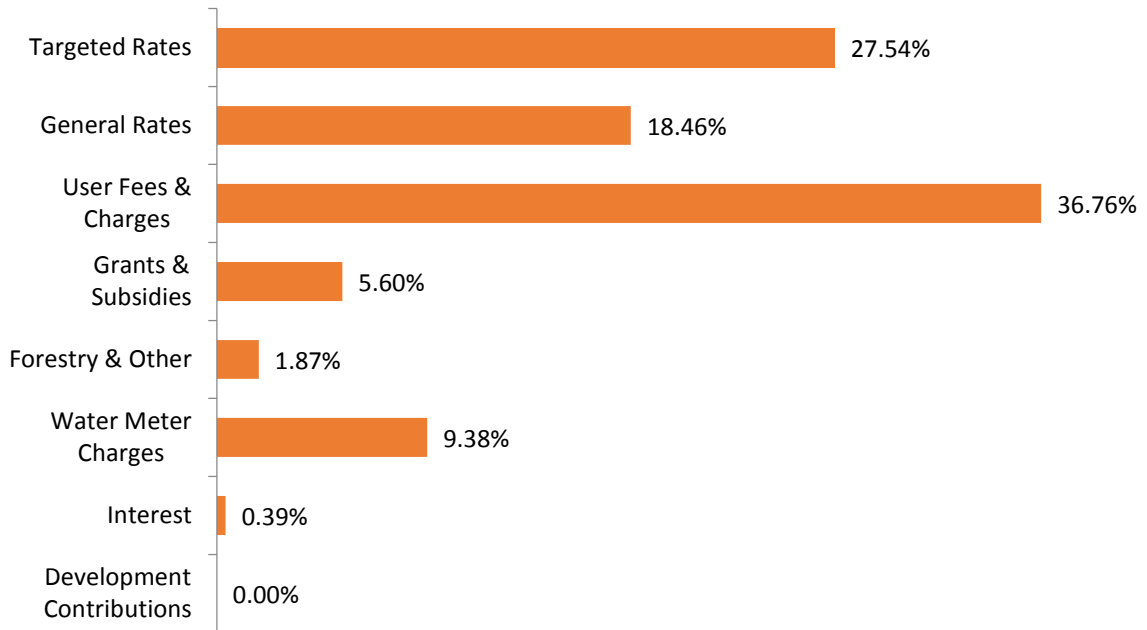
### Working Capital - Jul 2015

Current year \$6,961,625 v/s \$7,708,334 Last Year

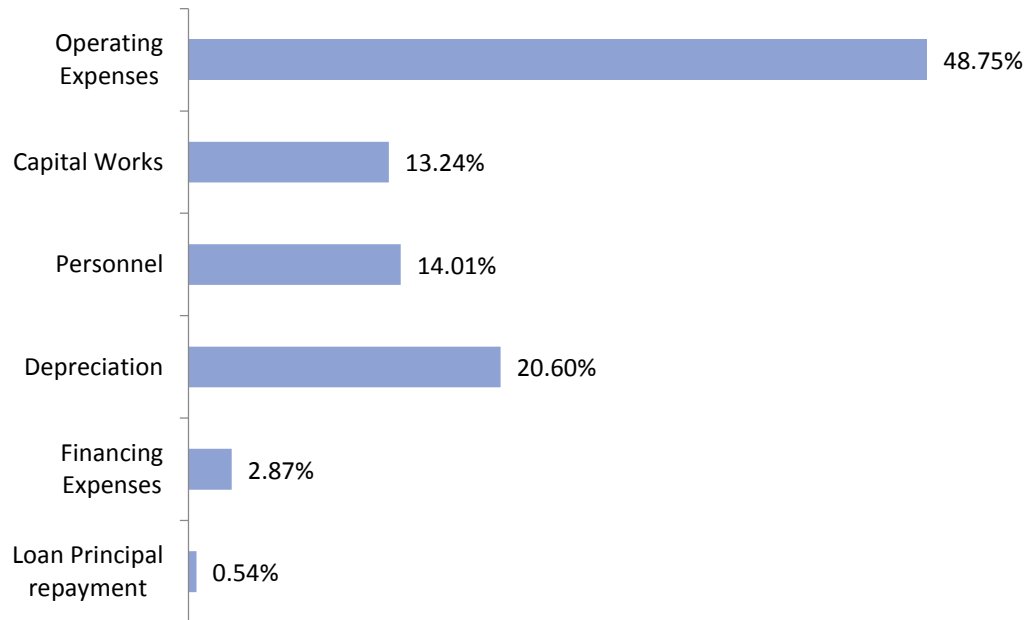




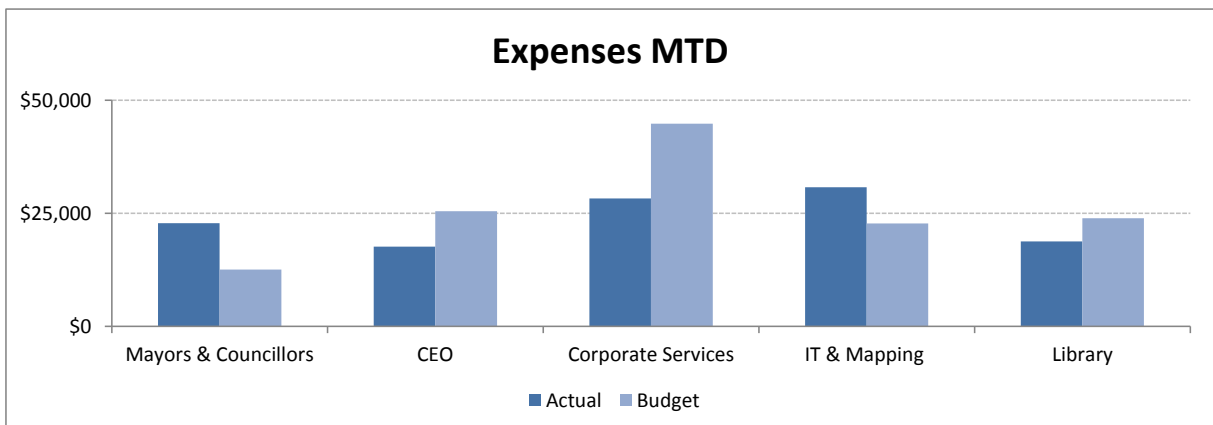
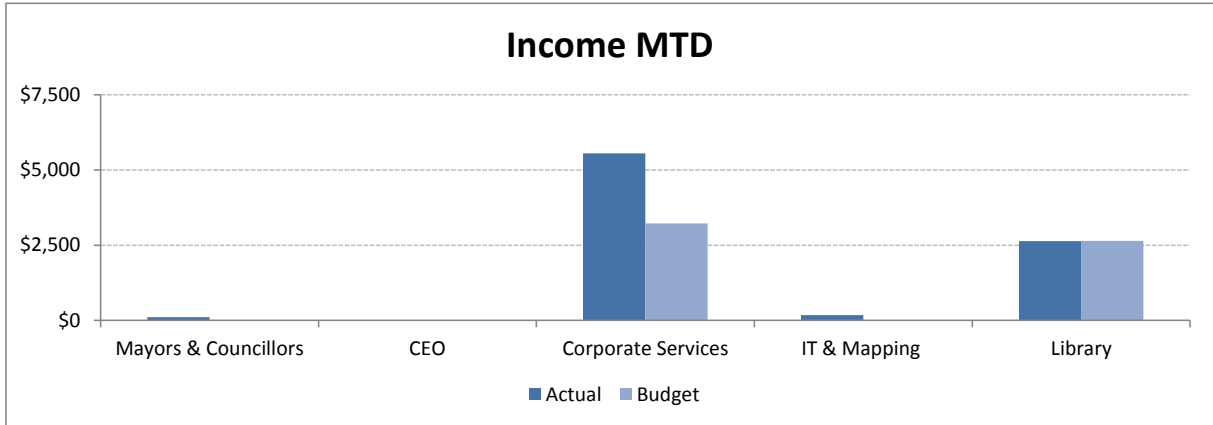
## Income YTD by Category



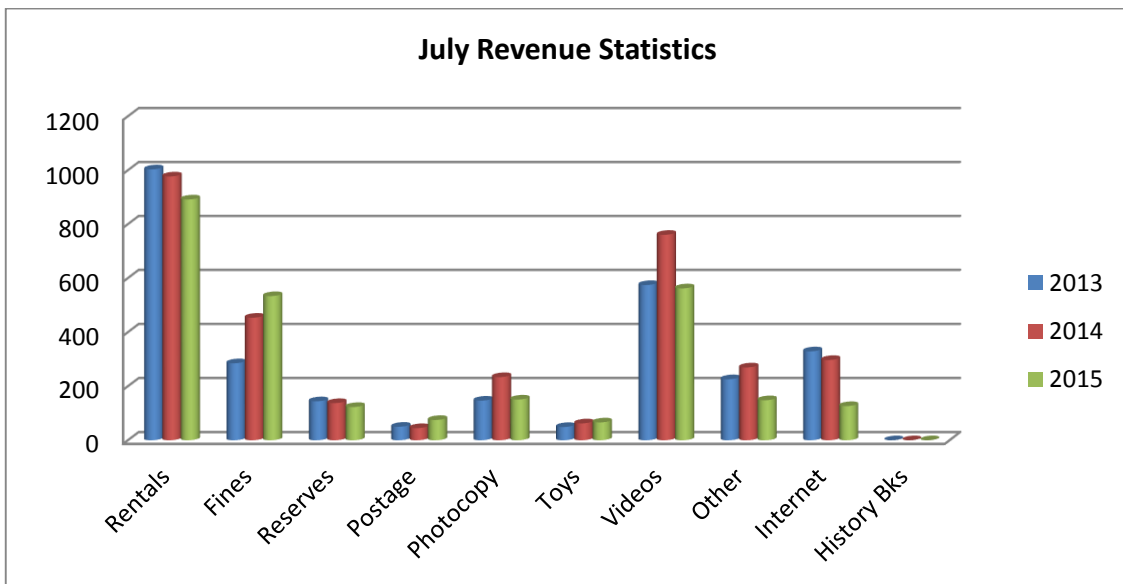
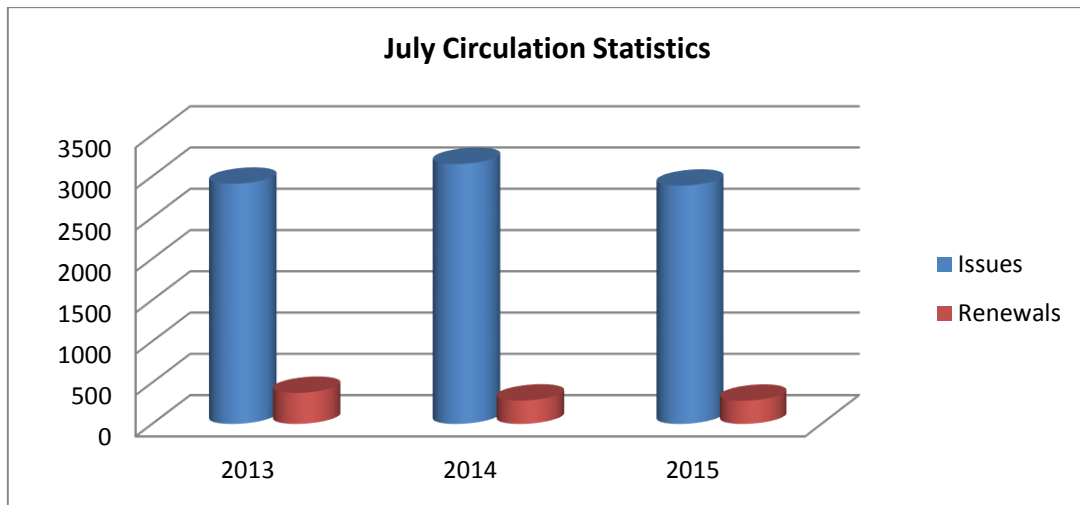
## Expenditure YTD by Category



# Corporate Services Budget Report



# Library Report



## ***Collection Development***

- Magazine collection weeded with outdated material withdrawn.
- Display at the library for Maori Language week, which ran from 27<sup>th</sup> July – 2 August 2015.

## ***Class Visits***

- Adult learning centre enjoyed 5 visits on the 2<sup>nd</sup>, 7<sup>th</sup>, 14<sup>th</sup>, 16<sup>th</sup> & 28<sup>th</sup> July 2015.

## ***Technology***

- The library server NAS drive failed. Hurunui IT support contacted. They were able to do an on sight visit quick fix on the 29<sup>th</sup> July 2015.

Author: District Librarian  
Endorsed by the Chief Executive Officer