

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY
17 DECEMBER 2014 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 14*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 26*
- ◆ *Library Report* *page 28*

4. Urgent Business

5. Finance & Policy Public Excluded Session

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

a. Request for Rental Reduction

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
Request for rental reduction.	The exclusion of the public from the whole or the relevant part of the proceedings of the meeting is necessary to enable the Local Authority to protect information where the making available of that information would likely unreasonably to prejudice the commercial position of the person who supplied the information or who is the subject of the information.	Section 48(1)(a) and 7(2)(b)(ii)

Finance Report

Statement of Financial Position

November has been a relatively quiet month in financial terms. Cash has decreased by around \$87k, and trade receivables have reduced by \$310k. Trade payables have increased by \$191k, and the last of the loans for the civic centre have now been drawn. Special funds have decreased by \$964k – largely attributable to repaying \$1.6M worth of loans last month. Other than these items, there has been very little other movement in the balance sheet.

Statement of Comprehensive Income

The five months to 30 November have produced a surplus of \$217k, with capital distributions from Marlborough Regional Forestry responsible for over \$155k of that. As reported last month, grants received have been higher than budget thanks to funding for our new community facilitator and increased funding for family violence. User fees and charges are up due to building consent fees (notably consent fees for the new hospital) and penalty interest being applied to an overdue tenant. All expenditure types are currently operating within budget.

Statement of Activity Performance

Income Variances:

Income is up on budget by \$199k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Commercial activities	Up \$132,150	Marlborough Regional Forestry joint venture capital distributions ongoing, and penalty interest applied to a lessee.
Safety & wellbeing	Up \$79,669	Grants received for Family Violence coordination, new community facilities coordination, and a new youth development partnership fund.

Expenditure Variances:

Expenditure is under budget by \$205k overall, with most activities coming in within budget across the board, and the main variances as below.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Under \$41,833	The focus has been on renewal work (capital expenditure), with maintenance (an operating expense) relatively light.
Community facilities	Under \$151,172	The property ownership costs associated with the new Civic Centre are yet to apply (rates, insurance, etc). The library, harbour, and pensioner flats are also operating well under budget at this stage.

Statement of Cash Flows

Cash has decreased by over \$1.1M for the year to date, and by \$87k during November. Cash from operations is negative, which is expected to be a timing issue. The second rates instalment is due to be received in December, and this will bring operating cash back into positive territory.

Despite the repayment of some \$1.63M in current loans which had been on floating terms, cash from borrowings is up thanks to the drawing of \$1.74M in loans for the civic centre.

Capital Expenditure

Payments out for the civic centre continue to be much lighter than expected for the third month in a row (only around \$248k for November). Stormwater drainage was upgraded in the Ludstone Rd/Rorrisons Rd area, and the Memorial Hall disability access for the toilets is underway. Very little other capital expenditure has occurred this month.

Working Capital & Liquidity

The graph has been modified to a new, simplified format. Working capital is tracking at normal levels for this time of year. Liquidity is 4.87:1, aided by the substantial drop in the current portion of term debt.

Budget Performance

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) make up 64% of total revenue for the year to date (up 2% from last month). User fees and charges have dropped to less than 20% of total revenue, and forestry revenue is up from last month to over 5%.

About a third of expenditure are operational expenses, with capital work (such as the new building) increasing to around 26%. Personnel is only 16% of total expenses.

Other Expenses

Contractor expenses remain by far our highest expense expressed in this graph.

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)

STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2014

	BUDGET	ACTUAL	ACTUAL
	to year end \$	30/11/14 \$	30/11/13 \$
ASSETS			
<i>Current assets</i>			
Cash & cash equivalents	3,732,225	2,977,579	3,920,469
Trade & other receivables	1,022,868	4,999,576	5,703,585
Prepayments & Inventory	71,111	59,064	91,950
Other financial assets	-	-	-
GST Refundable	14,400	-	-
Non-current assets held for sale	-	1,858,000	1,853,000
Total current assets	4,840,604	9,894,219	11,569,004
<i>Non-current assets</i>			
Other financial assets	-	3,036	4,000
Forestry assets	2,583,334	2,704,543	2,516,407
Investment Property	3,841,000	1,380,000	1,380,163
Property, plant & equipment	169,294,775	159,335,723	158,349,349
Total non-current assets	175,719,109	163,423,302	162,249,919
TOTAL ASSETS	180,559,713	173,317,521	173,818,923
LIABILITIES			
<i>Current liabilities</i>			
Trade & other payables	1,143,631	1,525,634	2,393,503
Employee liabilities	-	112,550	112,235
Borrowings - current	1,793,623	1,190,920	2,228,000
Provisions	-	-	-
Total current liabilities	2,937,254	2,829,103	4,733,738
<i>Non-current liabilities</i>			
Provisions	-	41,657	41,711
Borrowings - non current	5,999,759	5,394,160	4,947,000
Other term debt	248,912	964,607	327,217
Total non-current liabilities	6,248,671	6,400,424	5,315,928
EQUITY			
Public Equity	84,849,000	92,203,468	91,832,631
Asset revaluation reserve	84,737,637	69,317,174	69,334,577
Special funds & reserves	1,787,151	2,567,352	2,602,049
Total equity	171,373,788	164,087,994	163,769,257
TOTAL LIABILITIES & EQUITY	180,559,713	173,317,521	173,818,923

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 NOVEMBER 2014

	BUDGET	ACTUAL	ACTUAL
	30/11/14 \$	30/11/14 \$	30/11/13 \$
REVENUE			
Rates revenue	2,191,110	2,191,110	2,112,002
Water meter charges	-	7,126	(4,112)
User fees & charges	617,753	649,222	561,774
Grants & subsidies	265,024	349,754	778,292
Development contributions	33,864	21,469	652,253
Interest revenue	50,500	25,533	50,298
Other revenue	64,120	177,190	183,466
Gains ¹	-	-	-
Total revenue	3,222,371	3,421,405	4,333,973
EXPENSES			
Personnel	783,987	732,961	718,331
Depreciation	778,430	766,987	768,955
Financing expenditure	199,265	166,378	190,141
Other expenses	1,647,418	1,537,637	1,483,701
Losses	-	-	-
Total expenses	3,409,100	3,203,963	3,161,128
Operating surplus/(deficit)	(186,729)	217,442	1,172,845
OTHER COMPREHENSIVE INCOME			
Gains/(losses) on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
Ecan share of MRF	-	-	-
Total other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	(186,729)	217,442	1,172,845

STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 30 NOVEMBER 2014

	BUDGET	ACTUAL	ACTUAL
	30/11/14 \$	30/11/14 \$	30/11/13 \$
REVENUE			
Roading	500,464	514,863	451,744
Water services	298,224	301,130	300,166
Sewerage	229,346	229,189	816,031
Stormwater	50,055	49,995	45,627
Refuse & recycling	64,893	62,594	57,266
Community facilities	361,294	358,521	790,301
Commercial activities	226,895	359,045	499,703
Leadership & governance	12,760	20,279	24,209
Regulation & control	184,835	186,140	144,510
Safety & wellbeing	128,202	207,871	97,855
District development	162,878	154,221	149,182
Hospital Activities	-	-	-
Interest revenue	50,500	25,533	50,298
General rates	952,025	952,025	911,715
Other	-	-	(4,634)
Total revenue	3,222,371	3,421,405	4,333,973
EXPENSES			
Roading	711,390	669,557	647,055
Water services	440,360	469,365	428,017
Sewerage	330,993	295,176	283,807
Stormwater	61,440	55,047	59,245
Refuse & recycling	174,335	155,461	155,436
Community facilities	737,951	586,779	453,312
Commercial activities	53,333	61,222	165,541
Leadership & governance	221,855	258,584	274,447
Regulation & control	273,825	245,482	243,314
Safety & wellbeing	182,621	201,700	172,707
District development	217,987	198,184	268,745
Hospital Activities	-	160	-
Other	3,010	7,245	9,501
Total expenses	3,409,100	3,203,963	3,161,128
Activity Surplus/(Deficit)	(186,729)	217,442	1,172,845

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 NOVEMBER 2014

	BUDGET	ACTUAL	ACTUAL
	to year end	30/11/2014	30/11/2013
	\$	\$	\$
OPERATING ACTIVITIES			
Receipts from rates	4,554,625	1,771,286	1,881,429
Interest received	104,223	25,533	50,298
Receipts from other revenue	3,662,884	1,303,255	785,569
Payments to employees & suppliers	(5,976,071)	(2,957,884)	(1,465,504)
Interest Paid	(496,436)	(166,378)	(190,141)
Net Cash from Operating Activities	1,849,225	(24,188)	1,061,651
INVESTING ACTIVITIES			
Proceeds from sale of assets	-	-	-
Term deposits received	-	-	776,485
Purchase of property, plant & equipment	(5,367,056)	(1,205,801)	(3,015,618)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
Net Cash from Investing Activities	(5,367,056)	(1,205,801)	(2,239,133)
FINANCING ACTIVITIES			
Proceeds from borrowings	3,847,112	1,706,710	400,000
Repayment of borrowings	(2,340,289)	(1,631,630)	-
Net Cash from Financing Activities	1,506,823	75,080	400,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(2,011,008)	(1,154,909)	(777,482)
CASH AT THE BEGINNING OF THE YEAR	5,743,233	4,132,488	4,697,711
CASH AT THE END OF THE PERIOD	3,732,225	2,977,579	3,920,229

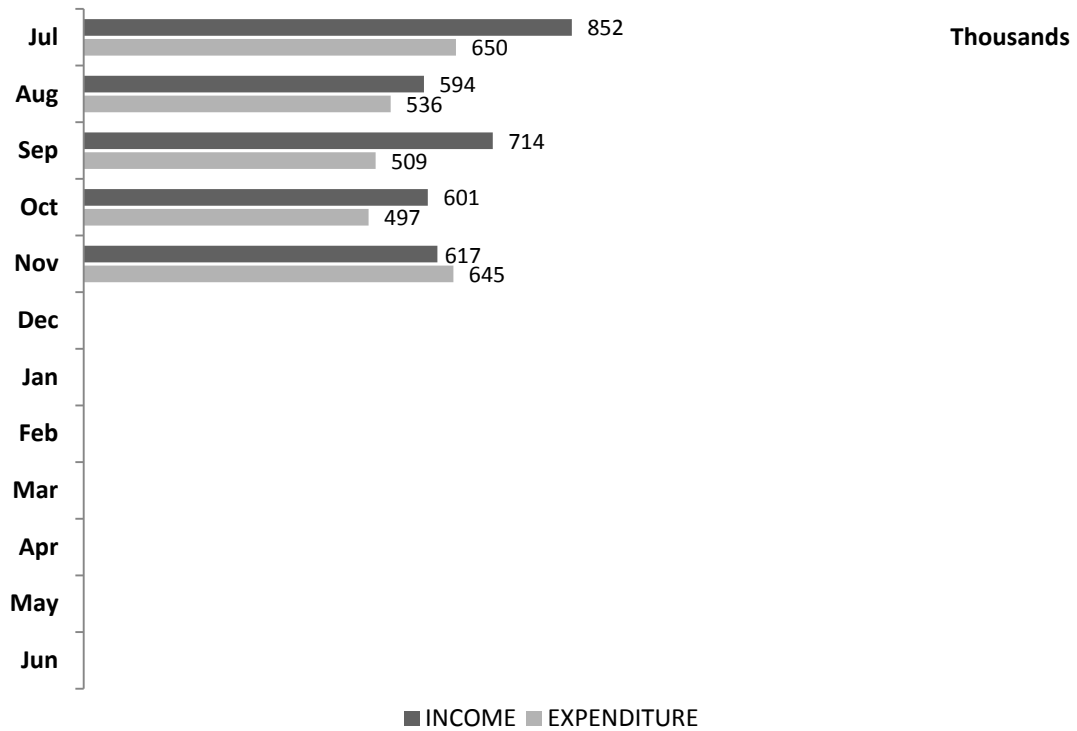
CAPITAL EXPENDITURE FOR THE PERIOD ENDED 30 NOVEMBER 2014

	BUDGET	ACTUAL	ACTUAL	PROJECT
	PROJECT \$	30/11/14 \$	%	STATUS
Unsealed pavement renewals	60,000	60,940	102	In progress
Drainage renewals	50,000	54,066	108	In progress
Pavement rehabilitation	100,000	752	1	Not required
Traffic service renewals	30,000	1,884	6	In progress
Roading improvements	8,000	-	-	Not started
Minor safety improvements	50,000	10,759	22	In progress
Footpath renewals	20,000	10,756	54	In progress
Streetlights	64,500	-	-	Not started
Kaikoura urban water renewals	193,000	2,370	1	In progress
Kaikoura upgrade water bore	15,000	16,626	111	Completed
East coast water renewals	20,000	-	-	Not started
Kincaid water renewals	15,000	-	-	Not started
Puketa reticulations renewals	-	1,463	-	In progress
Oaro water treatment	10,000	-	-	Not started
Sewer reticulation renewals	30,000	1,183	4	Not started
Sewer treatment system	20,000	-	-	Not started
Sewer new pump station	74,000	1,316	2	Not started
Stormwater reticulation renewals	20,000	4,475	22	In progress
Stormwater upgrade	25,000	35,642	143	Completed
Landfill upgrade & aftercare	32,500	-	-	In design
Memorial Hall upgrade	20,000	11,840	59	In progress
Book purchases	33,852	6,582	19	In progress
Non-book purchases	1,200	826	69	In progress
Planting, pruning & thinning	4,370	-	-	Not started
Office furniture & equipment	10,000	-	-	Not started
IT systems	-	2,577	-	Completed
Coastal management strategy	29,000	-	-	Not started
Replacement vehicles	19,300	-	-	Not started
New public toilets	30,000	-	-	Not started
Council office renewal expense	8,270	-	-	In progress
Swimming Pool	-	1,934	-	In progress
Cemetery	4,000	-	-	Not started
Town centre carpark	15,000	-	-	Not started
Museum/library/council office	4,400,000	3,179,013	72	In progress
	5,411,992	3,405,004	63	

The new public toilets and the Museum/library/council office projects are carried over from prior years.

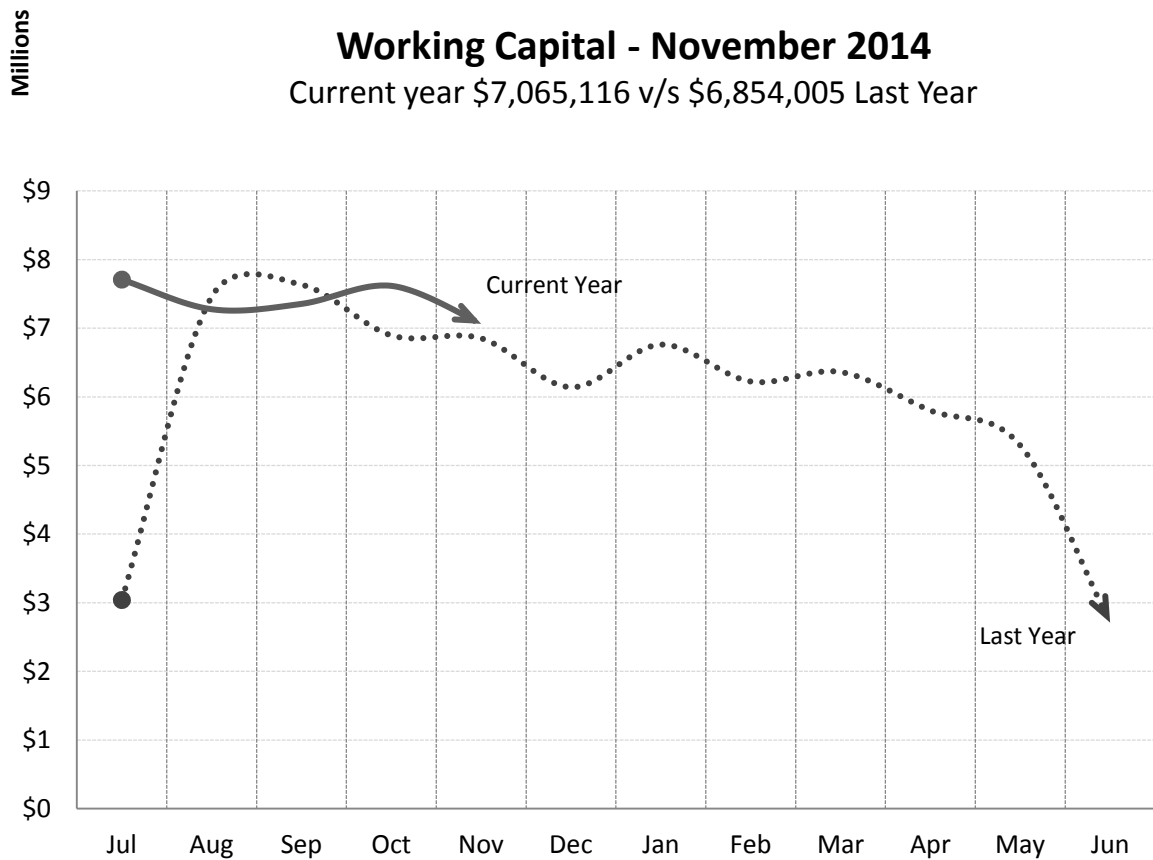
Income v/s Expenditure - November 2014

Inc \$617,109 v/s Exp \$645,004 = Deficit \$27,895

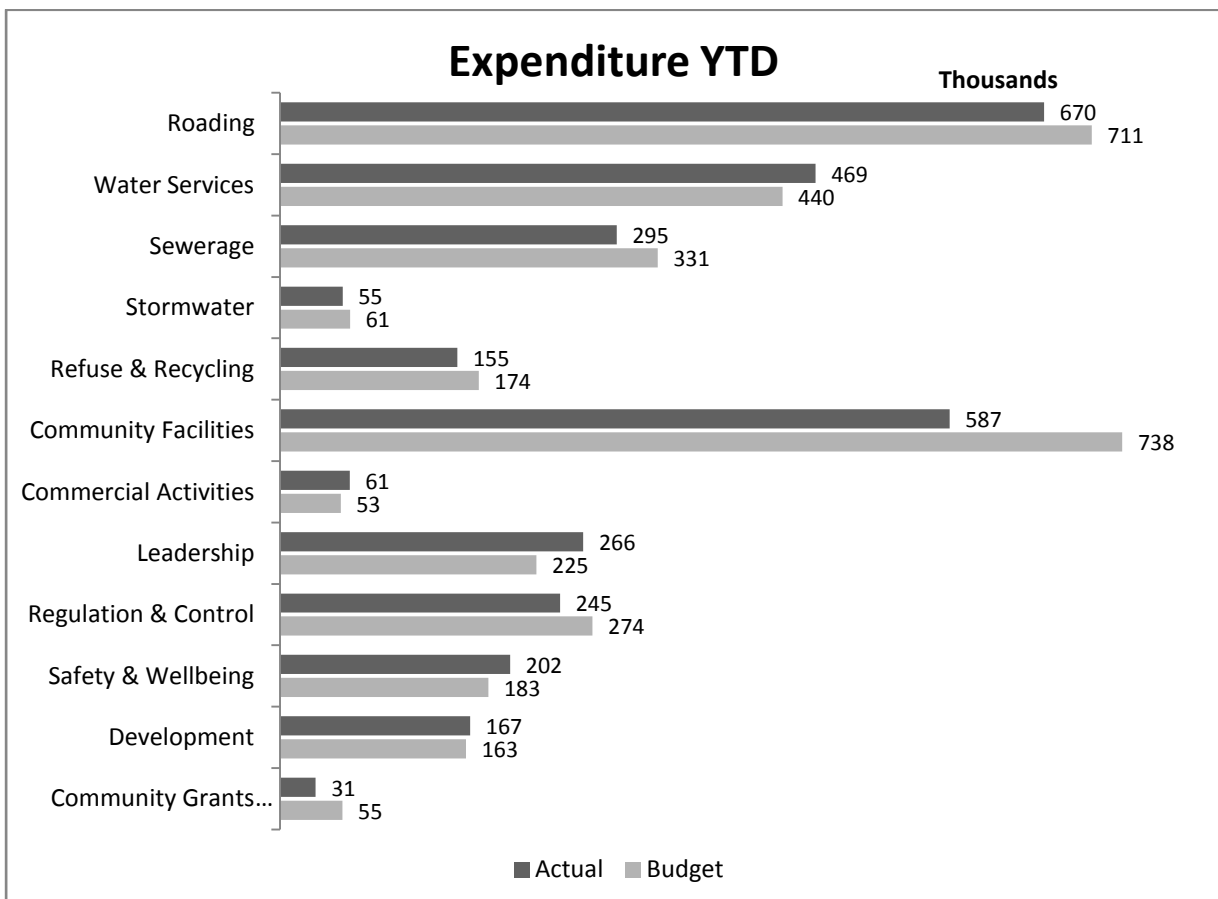
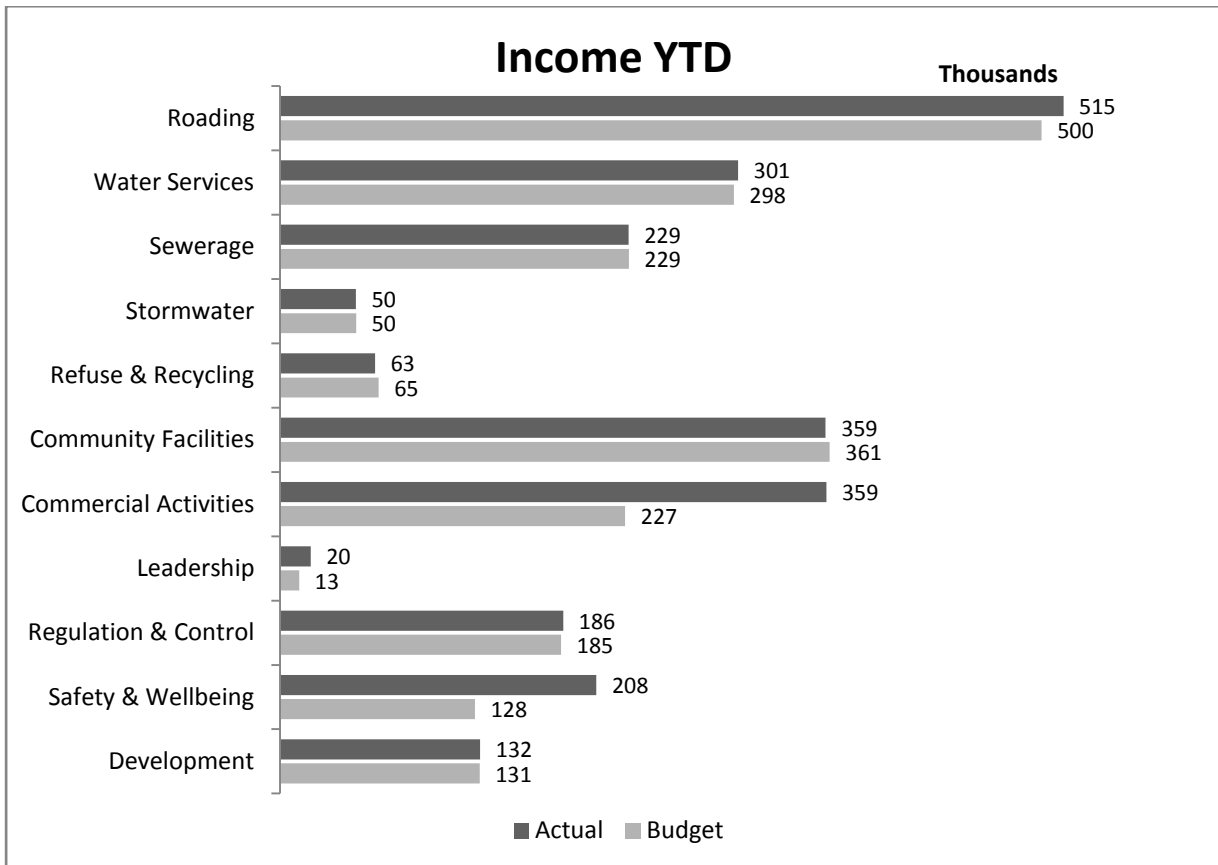


Working Capital - November 2014

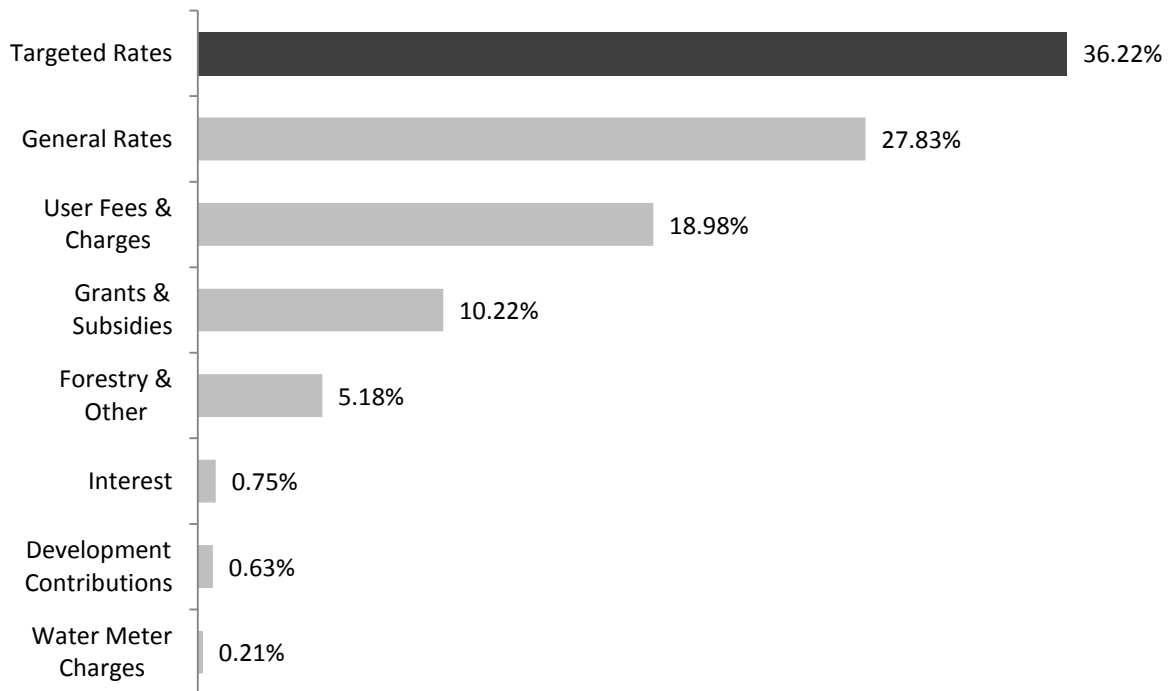
Current year \$7,065,116 v/s \$6,854,005 Last Year



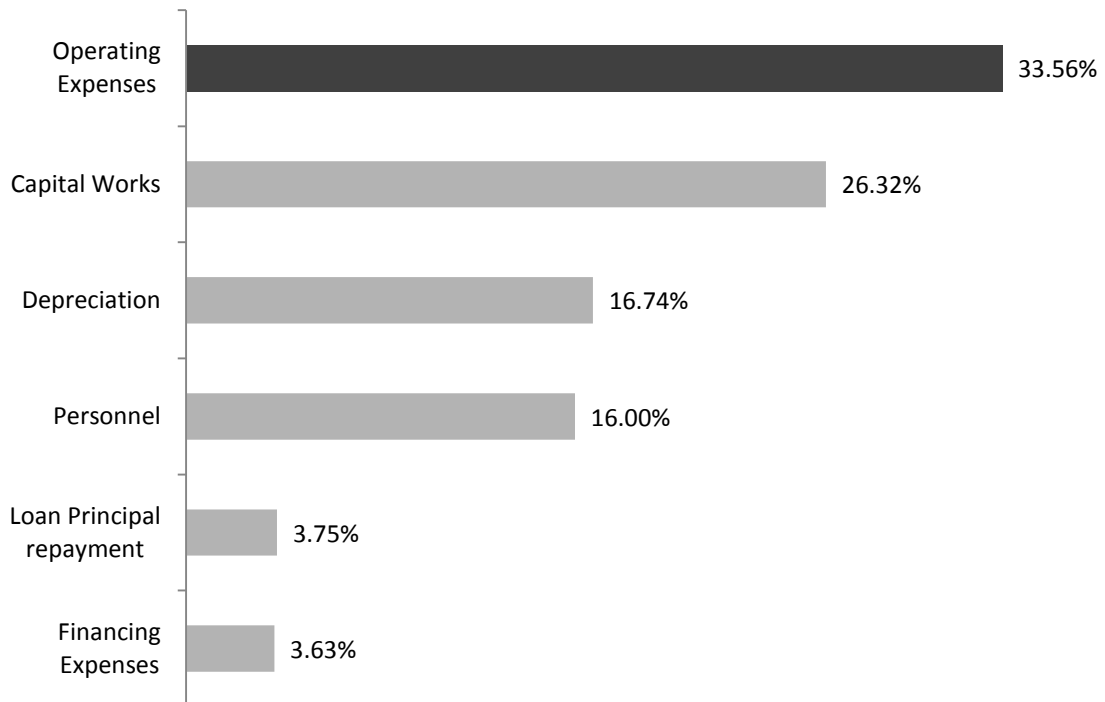
BUDGET PERFORMANCE TO 30 NOVEMBER 2014



Income YTD

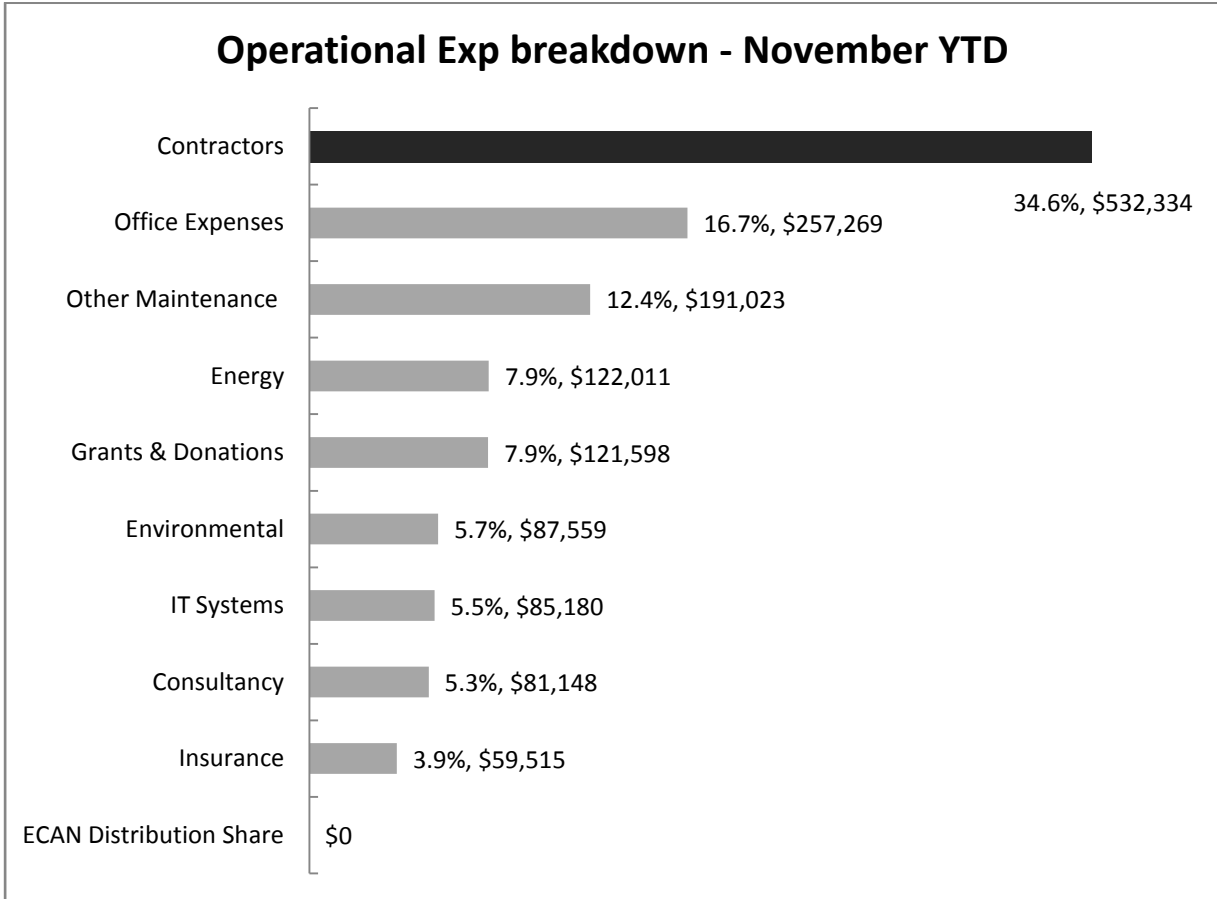


Expenditure YTD

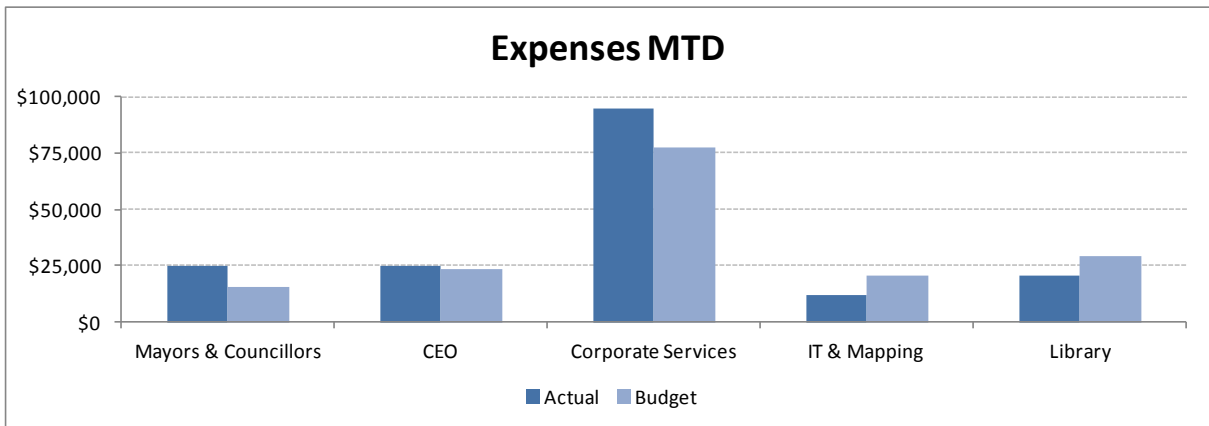
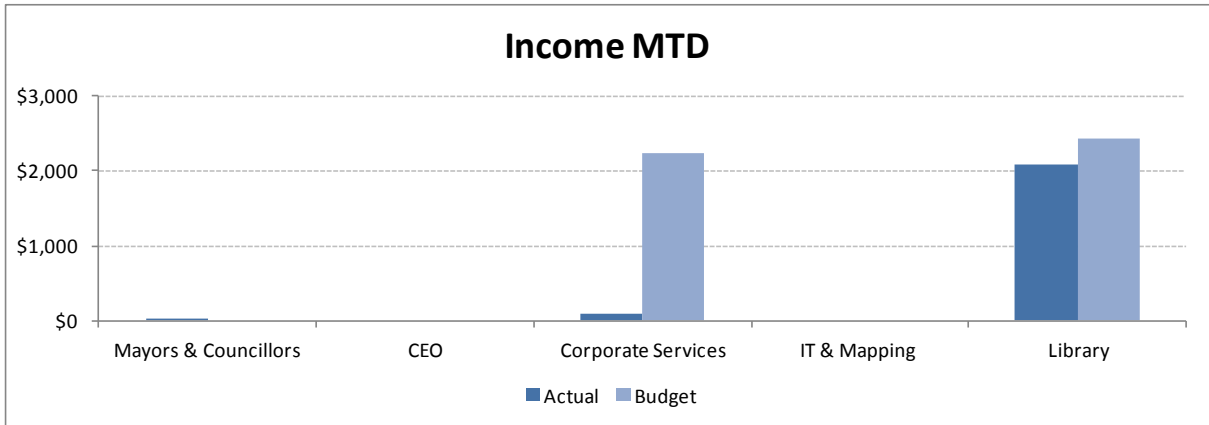


OTHER EXPENSES

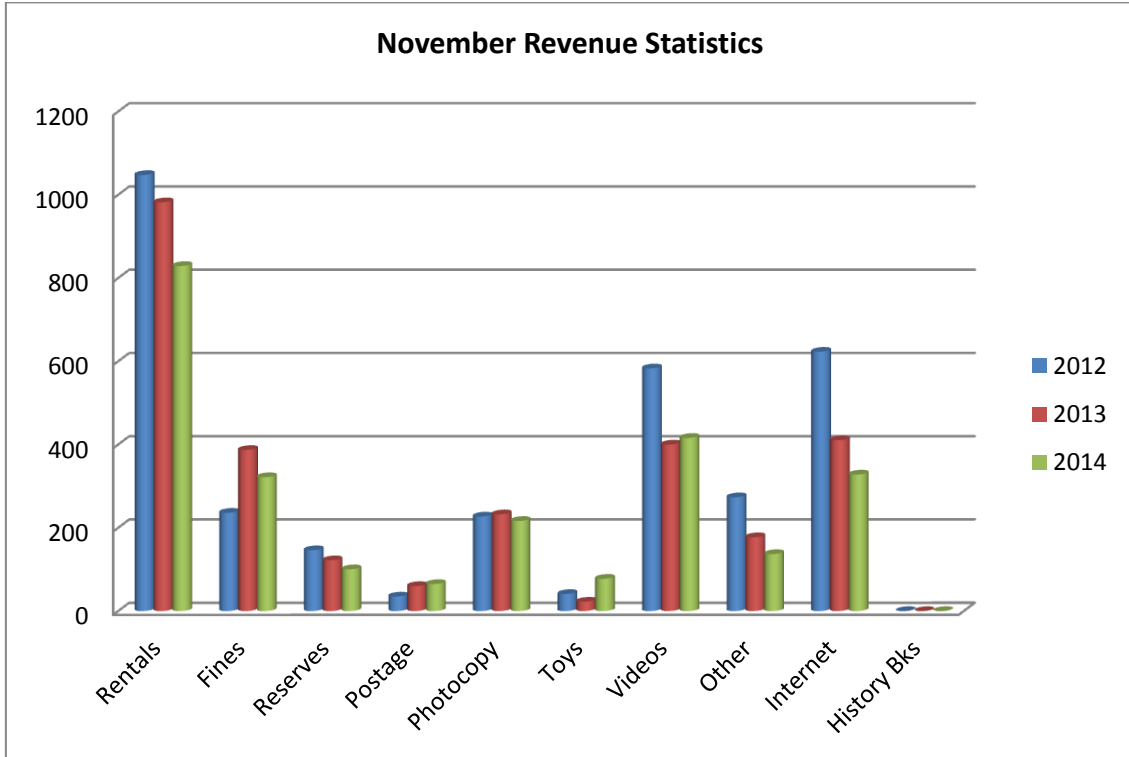
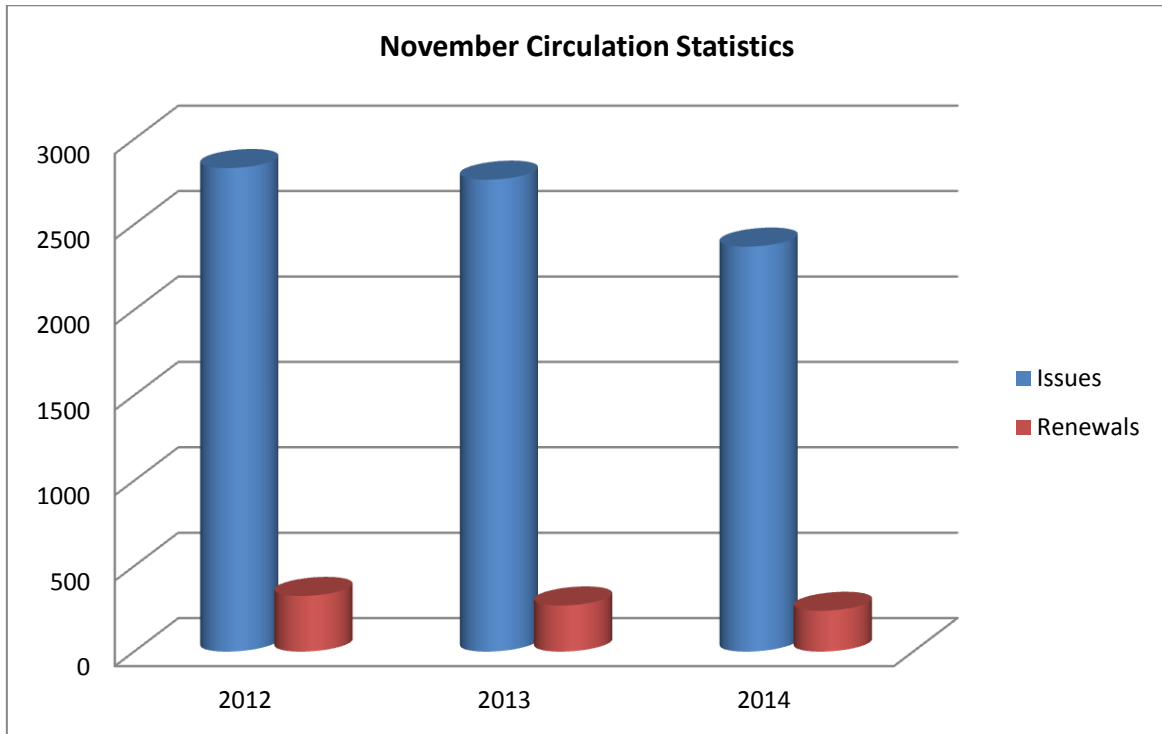
The following is a proportional breakdown of the \$1,537,637 shown as "Other Expenses" in the Statement of Comprehensive Income.



Corporate Services Budget Report



Library Report



Administration

- Roswitta Haas painted a Christmas scene and message on the library front window on 1st November 2014.

Events & Activities

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

Collection Development

- Display at the library on Christmas celebrations including craft, gift and cookery.

Class Visits

- Adult learning group enjoyed 2 visits on the 6th & 27th November 2014.

Technology

- No on site visit this month.

Christmas Hours

- The library opening hours between Christmas and New Year will be as follows:

Monday 22 nd Dec	9.30-5.30pm
Tuesday 23 rd Dec	9.30-5.30pm
Wednesday 24 th Dec	9.30-5.30pm
Thursday 25 th Dec	Closed
Friday 26 th Dec	Closed
Saturday 27 th Dec	10-1pm
Sunday 28 th Dec	Closed
Monday 29 th Dec	9.30-5.30pm
Tuesday 30 th Dec	9.30-5.30pm
Wednesday 31 st Dec	9.30-5.30pm
Thursday 1 st Jan	Closed
Friday 2 nd Jan	Closed
Saturday 3 rd Jan	10-1pm
Sunday 4 th Jan	Closed

Normal hours resume on Monday 5th January 2015.