

**FINANCE AND POLICY COMMITTEE MEETING HELD ON MONDAY 29  
JUNE 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 22*
- ◆ *Statement of Financial Position*
- ◆ *Statement of Financial Performance*
- ◆ *Corporate Services Budget Report* *page 36*
- ◆ *Library Report* *page 37*
- ◆ *Quotable Value Report* *page 38*

**4. Urgent Business**

## Finance Report

### Statement of Financial Position

Cash balances have bounced back to over \$3.6M during May – but this was only temporary. A cluster of loans fell due at the end of May, which were refinanced for their full amount, but have been fully repaid at the start of June when one of our term deposits matured.

### Statement of Comprehensive Income

At the end of May there is a surplus of \$248k, against a projected loss for the same period of \$335k. User fees and charges are up on budget, due to the claim to one of the civic centre suppliers. Other revenue is also up thanks to Marlborough Regional Forestry revenues, and financing expenses are less than budget because we have been using available cash to reduce debt.

### Statement of Activity Performance

#### Income Variances:

Income is up on budget by \$358k overall. The main variances are:

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Roading	Down \$139,612	NZTA subsidy low due to low expenditure.
Community facilities	Up \$150,344	Invoice to supplier for civic centre construction losses.
Commercial activities	Up \$261,974	Marlborough Regional Forestry joint venture capital distributions ongoing and penalty interest applied to a lessee.
Safety & wellbeing	Up \$56,001	Grants received for Family Violence coordination, new community facilities coordination, and a new youth development partnership fund.

#### Expenditure Variances:

Expenditure is under budget by \$224k overall, with the main variances as below.

<b>Activity</b>	<b>Variance</b>	<b>Main Reason</b>
Roading	Under \$140,618	Maintenance work is relatively light.
Water supplies	Over \$132,783	Maintenance and electricity costs are higher than budget for all of the water supplies, particularly the Kaikoura Urban supply (\$47k over budget) and the East Coast water supply (\$42k over budget).
Community facilities	Under \$294,536	Rates, insurance, etc, are yet to apply to the Civic Centre. The library, harbour, swimming pool and pensioner flats are operating well under budget.

## **Statement of Cash Flows**

Cash has decreased by around \$460k for the year to the end of May, but there will be significant movements in the cash balances during June, with the sale of the Pynes building, receipt of the 4<sup>th</sup> rates instalment, and term deposits repaying loans when they mature. The increase in net cash from financing activities of \$1.66 million at the end of May will reduce in the June report when the loan repayment will show on our financial statements.

## **Capital Expenditure**

Council contractors completed some drainage renewal work during May, and the Peketa and Oaro water supplies benefited from installation of flow meters. We have reached 98% of the original budget for the Civic Centre, with an extra \$500k provided for in the 2015/2016 Long Term Plan. Payments for work at the building during May have included panels, plumbing, painting, electrical work, builders labour, scaffold hire, and project management.

The Ozone IT project is progressing well. The new software has been set up on our servers and staff are busy preparing for data migration from the Authority system. Feedback from all those involved has been positive to date.

## **Income vs. Expenditure**

Expenditure was higher than income in May, due in part to the reversal of an invoice higher operating expenses (IT support) during the Ozone software implementation.

## **Working Capital & Liquidity**

Working capital is tracking normally. Liquidity is 5.51:1 meaning we have \$5.51 in cash (or assets that can quickly be converted to cash), for every \$1 of debt that needs to be paid within the next 12 months.

## **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) make up 65% of total revenue for the year to date. User fees and charges have dropped slightly to 19.5% of total revenue.

About a third of expenditure is operational expenses, with capital work making up just over a quarter. Personnel and depreciation expenses are currently of roughly equal measure.

## **Other Expenses**

We have redesigned this graph again to improve its usefulness. Last month Office Expenses were particularly high, so it has been broken down a little bit further. Electricity has been split out to a separate category, rates have been moved to operating expenses (except rates for the office), and public toilet cleaning expenses have been moved to contractors.

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 MAY 2015

### FINANCIAL STATEMENT MEASURES

#### OPERATING RESULT

*operating surplus/(deficit)*

**\$248k**

\$582k favourable v/s year-to-date budget of -\$335k

#### OPERATING COSTS

*costs to deliver existing levels of service*

**\$7.11m**

\$224k favourable v/s year-to-date budget of \$7.34m

#### TOTAL EXTERNAL DEBT

*total borrowings from bank*

**\$8.17m**

\$382k unfavourable v/s full year budget of \$7.8m

#### INTEREST ON DEBT

*cost to service debt*

**\$362k**

\$101k favourable v/s year-to-date budget of \$463k

#### CAPITAL EXPENDITURE

*cost of new &/or replacement of assets*

**\$2.64m**

\$2.6m favourable v/s year-to-date budget of \$5.3m

#### DEVELOPMENT CONTRIBUTIONS

*received for district growth*

**\$79.3k**

\$0.2k favourable v/s year to date budget of \$79k

### LONG TERM PLAN MEASURES

#### DEBT AFFORDABILITY BENCHMARK

*financing expenses as a % of rates*

**7.5%**

12.5% favourable v/s council approved limit of 20.0%

#### EBID

*earnings before interest and depreciation*

**\$2.33m**

\$486k favourable v/s year-to-date budget of \$1.84m

#### BALANCED BUDGET BENCHMARK

*revenue equal or greater than expenses*

**103%**

3% favourable v/s council benchmark of 100%

#### LONG TERM DEBT TO EQUITY

*debt as a % of equity*

**3.95%**

0.30% unfavourable v/s full year budget of 3.65%

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2015

	BUDGET	ACTUAL	ACTUAL
	to year end \$	31/05/2015	31/05/2014
<b>ASSETS</b>			
<i>Current assets</i>			
Cash & cash equivalents	3,732,225	3,672,500	4,897,679
Trade & other receivables	1,022,868	2,244,690	3,591,254
Prepayments & Inventory	71,111	60,515	61,332
Other financial assets	-	-	-
GST Refundable	14,400	-	-
Non-current assets held for sale	-	1,858,000	1,853,000
<b>Total current assets</b>	<b>4,840,604</b>	<b>7,835,705</b>	<b>10,403,265</b>
<i>Non-current assets</i>			
Other financial assets	-	1,934	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	159,816,870	158,396,157
<b>Total non-current assets</b>	<b>175,719,109</b>	<b>163,903,347</b>	<b>162,296,727</b>
<b>TOTAL ASSETS</b>	<b>180,559,713</b>	<b>171,739,052</b>	<b>172,699,992</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade & other payables	1,143,631	970,484	1,780,948
Employee liabilities	-	102,674	173,320
Borrowings - current	1,793,623	2,797,680	2,228,000
Provisions	-	-	-
<b>Total current liabilities</b>	<b>2,937,254</b>	<b>3,870,838</b>	<b>4,182,268</b>
<i>Non-current liabilities</i>			
Provisions	-	41,657	41,711
Borrowings - non current	5,999,759	5,374,240	4,947,000
Other term debt	248,912	964,607	327,217
<b>Total current liabilities</b>	<b>6,248,671</b>	<b>6,380,504</b>	<b>5,315,928</b>
<b>EQUITY</b>			
Public Equity	84,849,000	89,486,461	90,479,529
Asset revaluation reserve	84,737,637	69,317,174	69,334,577
Special funds & reserves	1,787,151	2,684,075	3,387,690
<b>Total equity</b>	<b>171,373,788</b>	<b>161,487,709</b>	<b>163,201,796</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>180,559,713</b>	<b>171,739,052</b>	<b>172,699,992</b>

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MAY 2015

	BUDGET	ACTUAL	ACTUAL
	30/04/2015	31/05/2015	31/05/2014
<b>REVENUE</b>			
Rates revenue	4,820,442	4,820,442	3,379,226
Water meter charges	89,716	98,154	73,094
User fees & charges	1,194,091	1,437,173	908,657
Grants & subsidies	586,580	507,689	953,594
Development contributions	79,112	79,306	658,619
Interest revenue	89,650	57,679	84,531
Other revenue	143,664	360,753	264,818
Gains <sup>1</sup>	-	-	-
<b>Total revenue</b>	<b>7,003,255</b>	<b>7,361,196</b>	<b>6,322,540</b>
<b>EXPENSES</b>			
Personnel	1,721,831	1,667,344	1,176,693
Depreciation	1,712,546	1,718,307	1,254,491
Financing expenditure	463,255	361,763	292,397
Other expenses	3,440,231	3,366,268	2,362,141
Losses	-	-	-
<b>Total expenses</b>	<b>7,337,863</b>	<b>7,113,682</b>	<b>5,085,721</b>
<b>Operating surplus/(deficit)</b>	<b>(334,608)</b>	<b>247,514</b>	<b>1,236,819</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Gains/(losses) on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
Ecan share of MRF	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(334,608)</b>	<b>247,514</b>	<b>1,236,819</b>

## STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 31 MAY 2015

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>30/04/2015</b>	<b>31/05/2015</b>	<b>31/05/2014</b>
<b>REVENUE</b>			
Roading	1,191,188	1,051,576	803,804
Water services	749,384	775,544	557,754
Sewerage	506,930	546,780	956,602
Stormwater	110,121	116,099	70,779
Refuse & recycling	150,531	136,667	91,077
Community facilities	850,100	1,000,444	1,202,729
Commercial activities	315,329	577,303	467,552
Leadership & governance	29,352	37,639	32,099
Regulation & control	376,673	375,175	234,804
Safety & wellbeing	208,866	264,867	142,164
District development	330,676	326,969	237,154
Hospital activities	-	-	-
Interest revenue	89,650	57,679	84,531
General rates	2,094,455	2,094,455	1,458,744
Other	-	-	(17,252)
<b>Total revenue</b>	<b>7,003,255</b>	<b>7,361,196</b>	<b>6,322,540</b>
<b>EXPENSES</b>			
Roading	1,559,658	1,419,040	1,042,706
Water services	929,422	1,062,205	708,176
Sewerage	701,151	692,726	447,220
Stormwater	136,660	131,997	76,580
Refuse & recycling	383,537	359,146	254,166
Community facilities	1,638,112	1,340,520	1,005,199
Commercial activities	112,613	153,456	95,565
Leadership & governance	443,305	471,918	425,211
Regulation & control	599,259	593,892	389,844
Safety & wellbeing	395,101	428,762	274,755
District development	432,423	441,598	352,955
Hospital activities	-	160	-
Other	6,622	18,262	13,343
<b>Total expenses</b>	<b>7,337,863</b>	<b>7,113,682</b>	<b>5,085,721</b>
<b>Activity Surplus/(Deficit)</b>	<b>(334,608)</b>	<b>247,514</b>	<b>1,236,819</b>



## STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MAY 2015

	BUDGET	ACTUAL	ACTUAL
	to year end	31/05/2015	31/05/2014
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Receipts from rates	4,554,625	4,421,855	4,104,489
Interest received	104,223	57,679	89,022
Receipts from other revenue	3,662,884	2,168,443	2,803,606
Payments to employees & suppliers	(5,976,071)	(5,770,956)	(5,125,023)
Interest Paid	(496,436)	(361,763)	(394,042)
<b>Net Cash from Operating Activities</b>	<b>1,849,225</b>	<b>515,258</b>	<b>1,478,052</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of assets	-	1,102	-
Term deposits received	-	-	777,449
Purchase of property, plant & equipment	(5,367,056)	(2,638,268)	(3,080,322)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
<b>Net Cash from Investing Activities</b>	<b>(5,367,056)</b>	<b>(2,637,166)</b>	<b>(2,302,873)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	3,847,112	3,317,000	1,270,000
Repayment of borrowings	(2,340,289)	(1,655,080)	(1,400,402)
<b>Net Cash from Financing Activities</b>	<b>1,506,823</b>	<b>1,661,920</b>	<b>(130,402)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(2,011,008)</b>	<b>(459,988)</b>	<b>(955,223)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>5,743,233</b>	<b>4,132,488</b>	<b>4,697,711</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>3,732,225</b>	<b>3,672,500</b>	<b>3,742,488</b>

## CAPITAL EXPENDITURE

FOR THE PERIOD ENDED 31 MAY 2015

Project	Budget	Actual	Percent	Status
<b>ROADING</b>				
Unsealed road renewals	60,000	62,046	103%	More to come
Drainage renewals	50,000	141,741	283%	More to come
Pavement rehabilitation	100,000	12,911	13%	Complete
Traffic service renewals	30,000	1,884	6%	Complete
Minor improvements	8,000	-	-	-
Safety improvements	50,000	14,259	29%	Still to occur
Footpath renewals	20,000	10,756	54%	More to come
Streetlights	64,500	-	-	Still to occur
	<u>382,500</u>	<u>243,597</u>		
<b>WATER SUPPLIES</b>				
Kaikoura reticulation renewals	193,000	2,558	1%	Postponed
Kaikoura reservoirs	-	43,804	XXX	Almost complete
Kaikoura water bore	15,000	-	-	-
East Coast reticulation renewals	20,000	-	-	Complete
Kincaid reticulation renewals	15,000	4,577	31%	Complete
Peketa water renewals	-	6,182	XXX	Almost complete
Oaro water treatment	10,000	4,720	47%	Almost complete
	<u>253,000</u>	<u>61,841</u>		
<b>SEWERAGE</b>				
Reticulation renewals	30,000	30,000	100%	Complete
Treatment system	20,000	-	-	Still to occur
Pump station renewals	-	2,016	XXX	Complete
New pump station	74,000	1,316	2%	Still to occur
	<u>124,000</u>	<u>33,332</u>		
<b>STORMWATER</b>				
Reticulation renewals	20,000	4,664	23%	Complete
Upgrades	25,000	35,642	143%	Complete
	<u>45,000</u>	<u>40,306</u>		
<b>REFUSE &amp; RECYCLING</b>				
Landfill cell capping & aftercare	32,500	29,882	92%	
<b>COMMUNITY PROPERTIES</b>				
Memorial hall upgrade	20,000	14,116	71%	Almost complete
Library books, CDs & DVDs	35,052	14,712	42%	More to come
Coastal management strategy	29,000	-	-	-
New public toilets	30,000	-	-	On hold
Walkway renewal	-	11,787	XXX	Complete
Esplanade council office	8,270	-	-	-
Swimming pool	-	1,934	XXX	-
Cemetery	4,000	-	-	Still to occur
Town centre carpark	15,000	-	-	Postponed

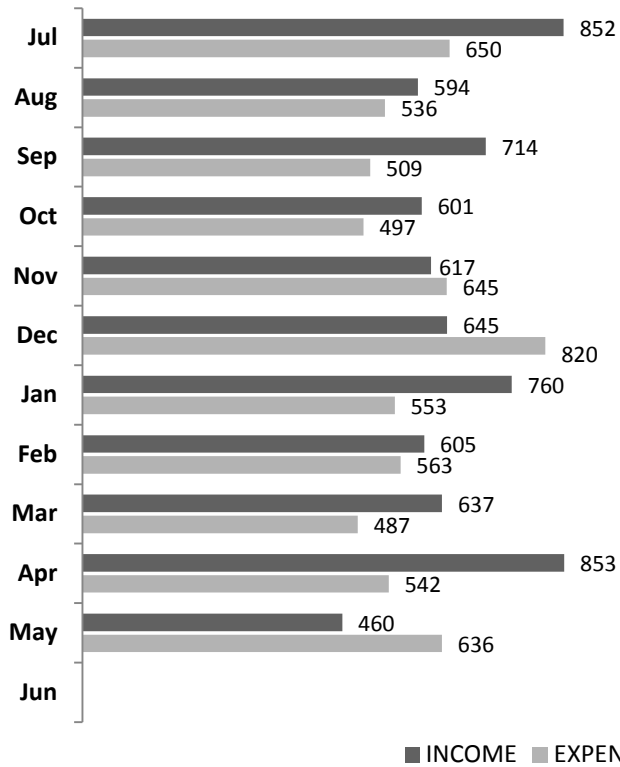
<b>Civic Centre</b>	4,400,000	4,298,511	98%	More to come
	<u>4,541,322</u>	<u>4,341,060</u>		

<b>Project</b>	<b>Budget</b>	<b>Actual</b>	<b>Percent</b>	<b>Status</b>
<b>COMMERCIAL ACTIVITIES</b>				
<b>20 Beach Rd</b>	-	995	XXX	More to come
<b>Forest pruning &amp; thinning</b>	4,370	-	-	Still to occur
	<u>4,370</u>	<u>995</u>		
<b>LEADERSHIP &amp; GOVERNANCE</b>				
<b>Office furniture &amp; equipment</b>	10,000	-	-	Still to occur
<b>Artwork</b>	-	3,565	XXX	Complete
<b>Computer equipment</b>	-	9,574	XXX	More to come
<b>Datacom Ozone project</b>	-	73,318	XXX	More to come
<b>Vehicle replacement</b>	19,300	-	-	Still to occur
	<u>29,300</u>	<u>86,457</u>		
<b>TOTAL</b>				
	<b>5,411,992</b>	<b>4,837,470</b>		

### Income v/s Expenditure - May 2015

Thousands

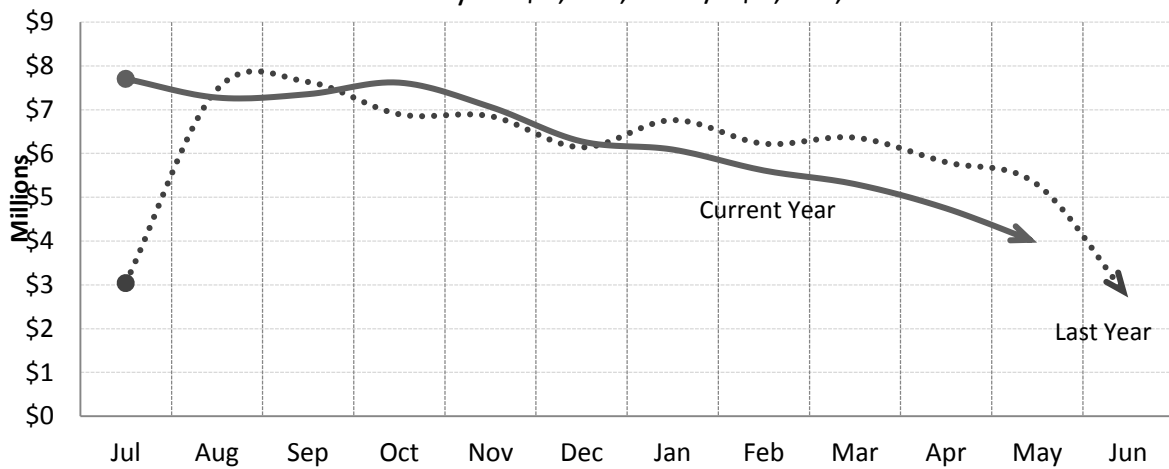
Inc \$459,993 v/s Exp \$636,213= Deficit \$176,220



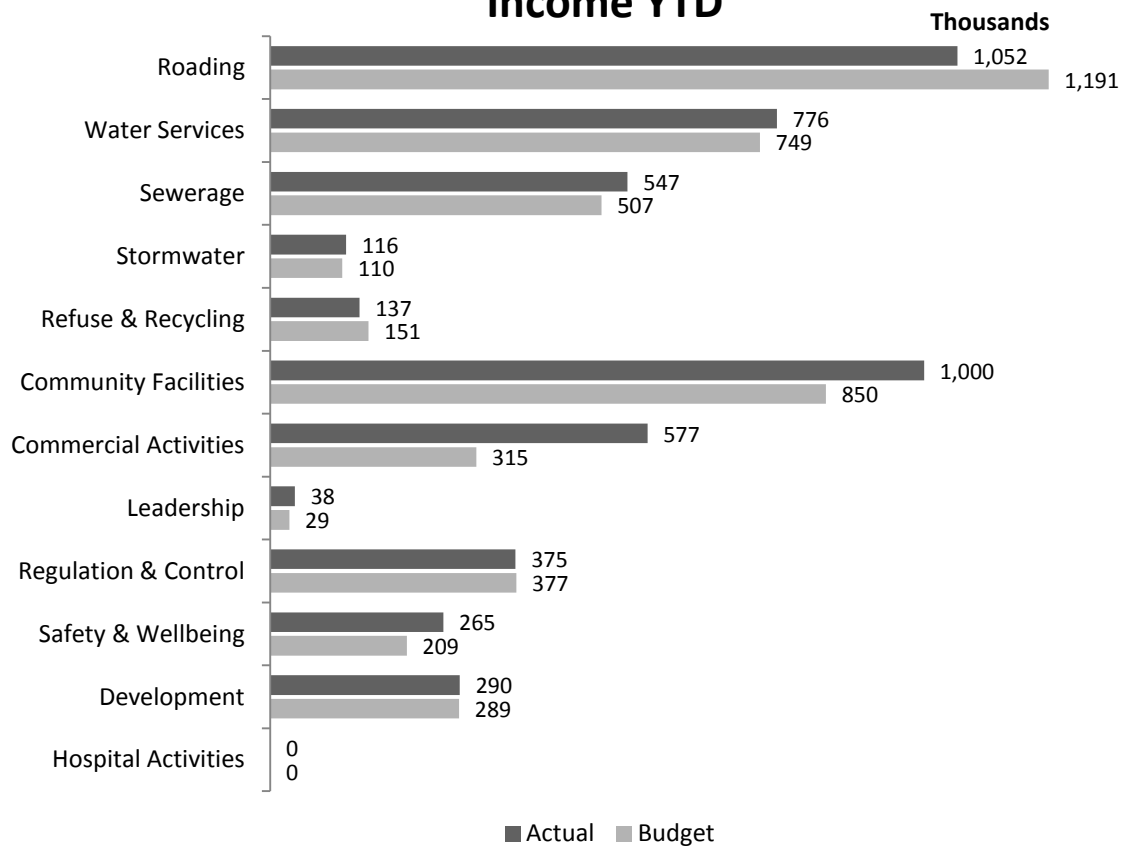
■ INCOME ■ EXPENDITURE

### Working Capital - May 2015

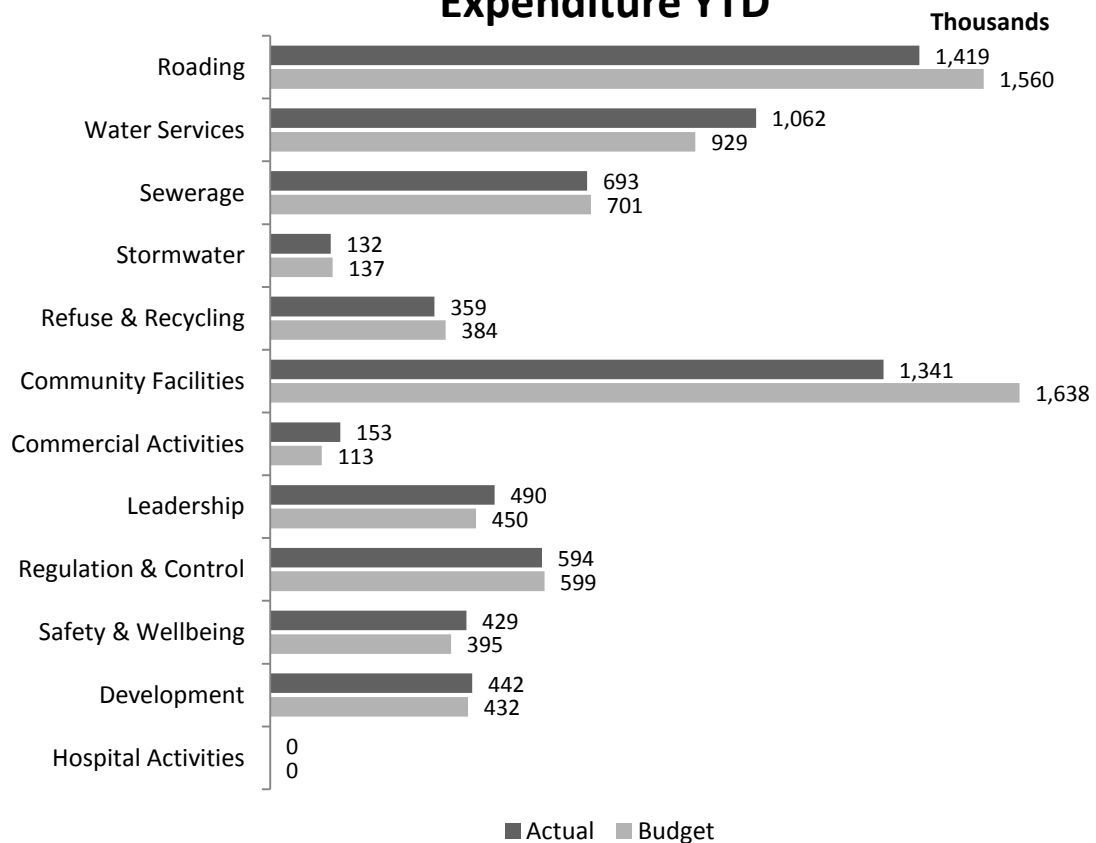
Current year \$3,964,866 v/s \$5,293,770 Last Year



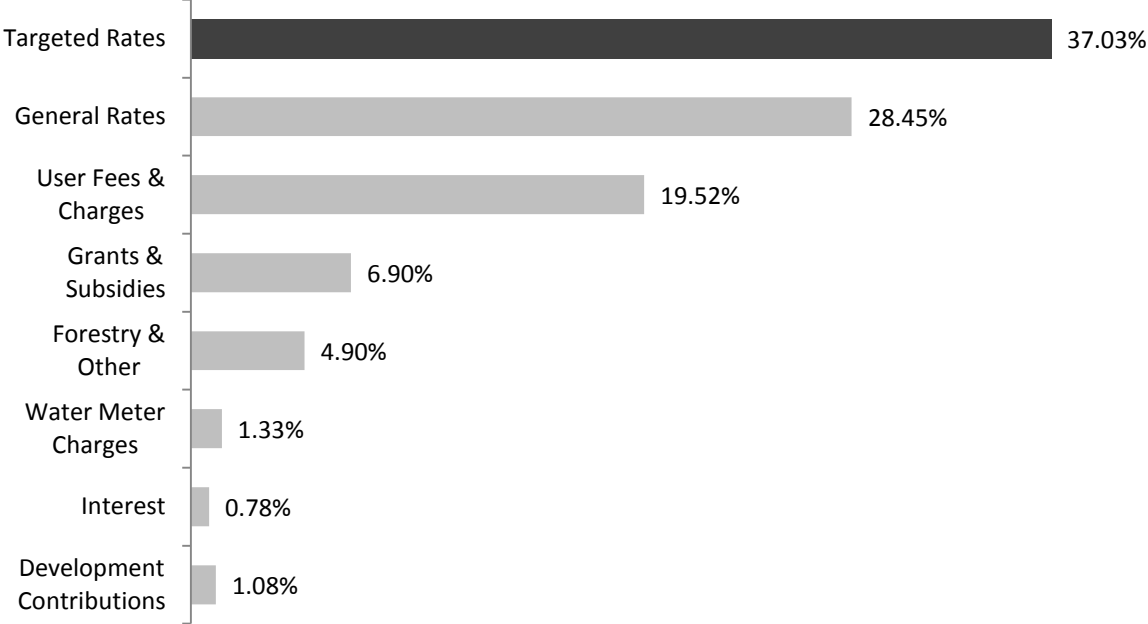
## Income YTD



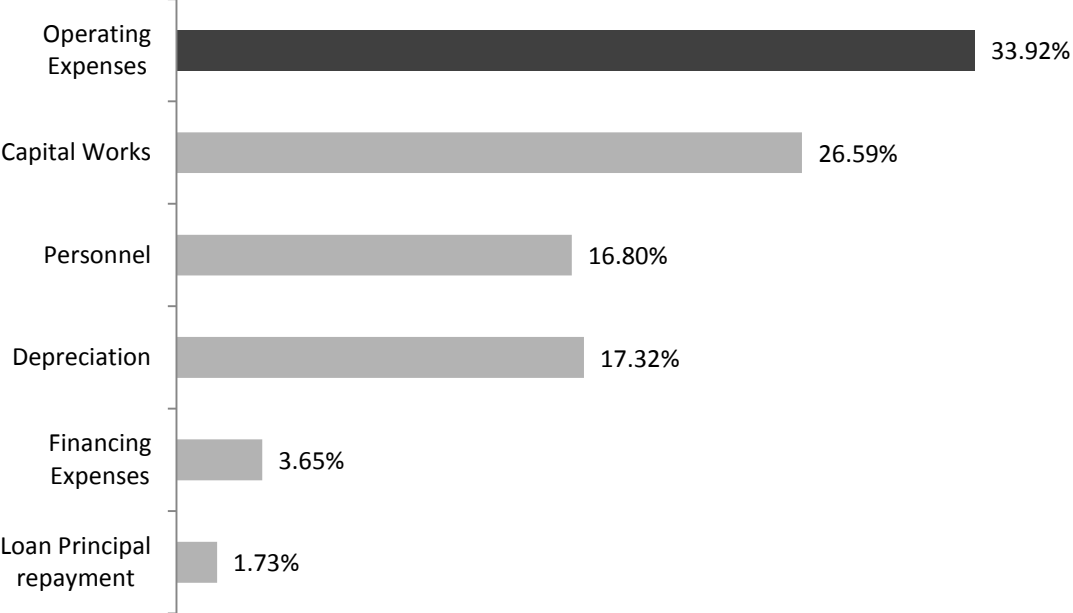
## Expenditure YTD



### Income YTD



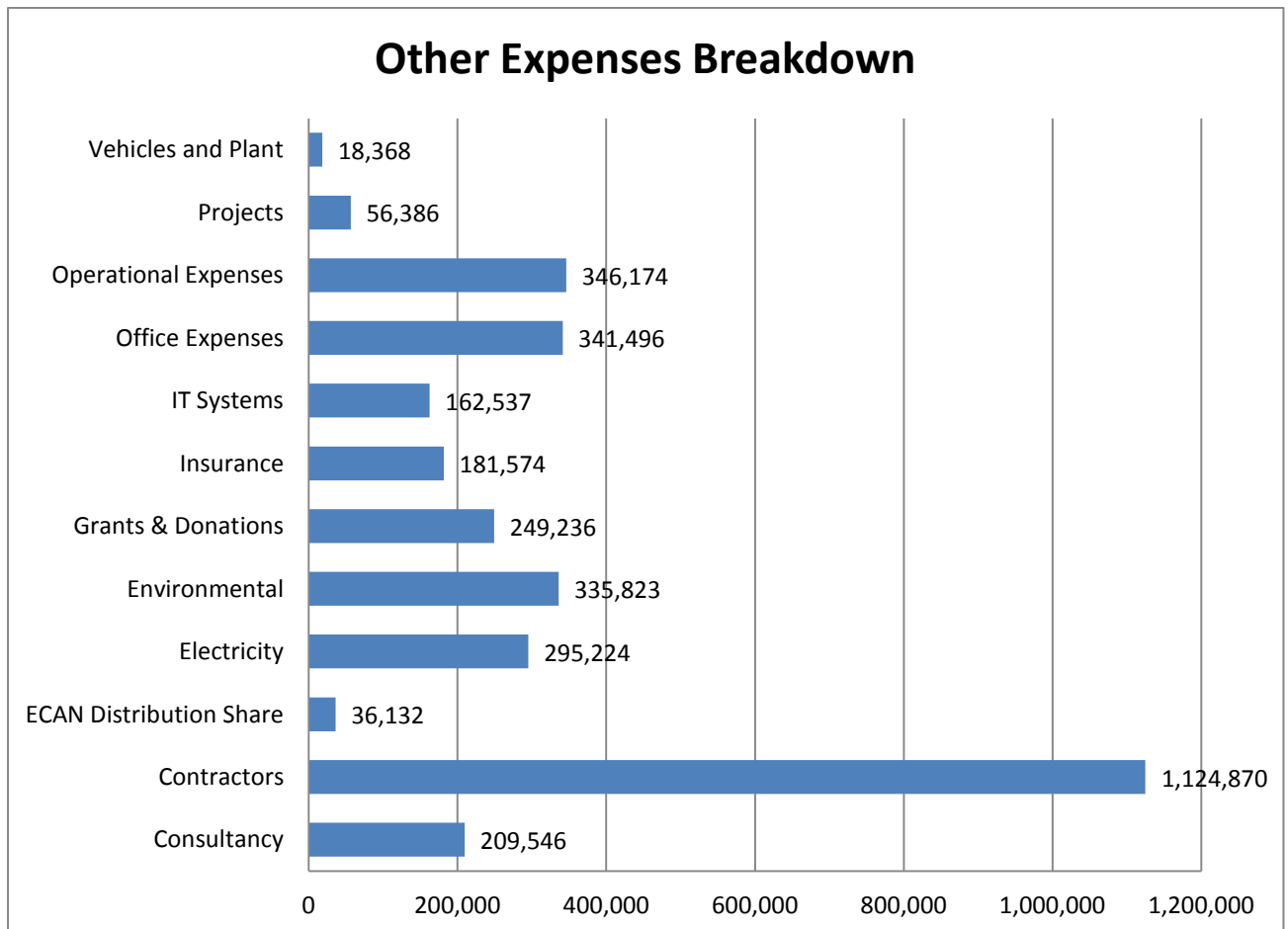
### Expenditure YTD



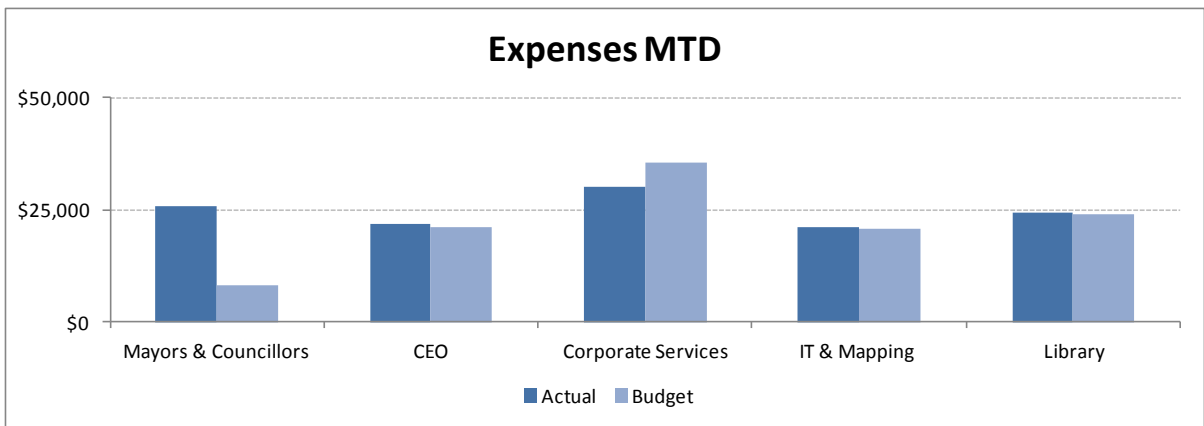
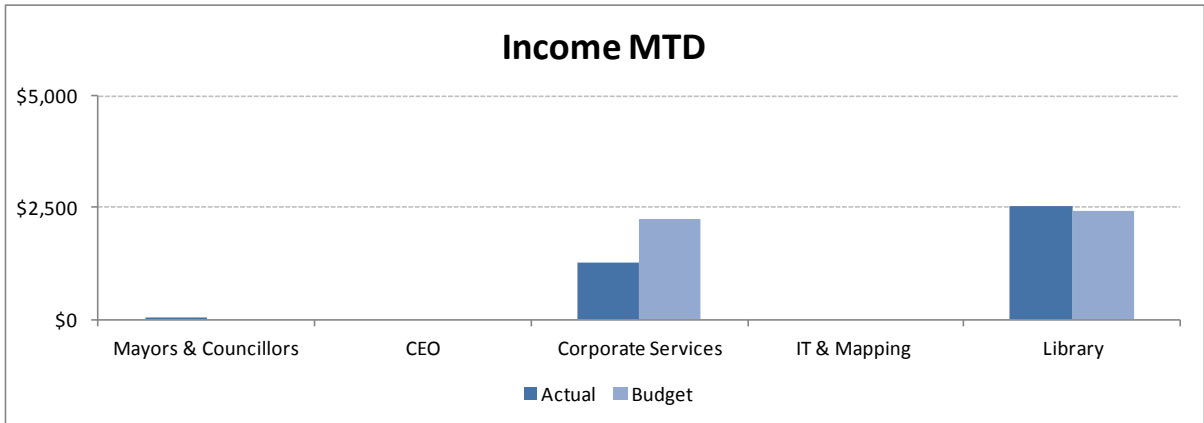
## Other Expenses breakdown

Other Expenses on the Statement of Comprehensive Income is broken down into categories as requested by Council. The categories are reporting as follows:

Consultancy	Audit fees, legal advice and other consultancy
Contractors	Contractual maintenance (roads, water, sewer, parks & reserves, public toilet cleaning, etc)
ECan Distribution	Environment Canterbury's share of the MRF capital distribution
Electricity	Electricity consumption (includes street lights, water pumps, etc)
Environmental	Landfill & recycling, litter, environmental health, biodiversity
Grants & donations	Grants paid to KITI, Museum, etc, plus Creative Communities grants etc
Insurance	Insurance premiums
IT systems	Computers, consumables, software licenses, support, website development
Office expenses	Advertising, bank fees, postage, printing, stationery, subscriptions, telecommunications, valuation fees, etc
Operational expenses	Equipment repairs & maintenance, and operating costs for activities such as dog & stock control, rural fire, forestry, library, harbour, etc
Projects	Mapping, road safety, violence free campaigns, youth projects, etc
Vehicles & plant	Fuel & oil, registration, road user charges, tyres, WOF & COF

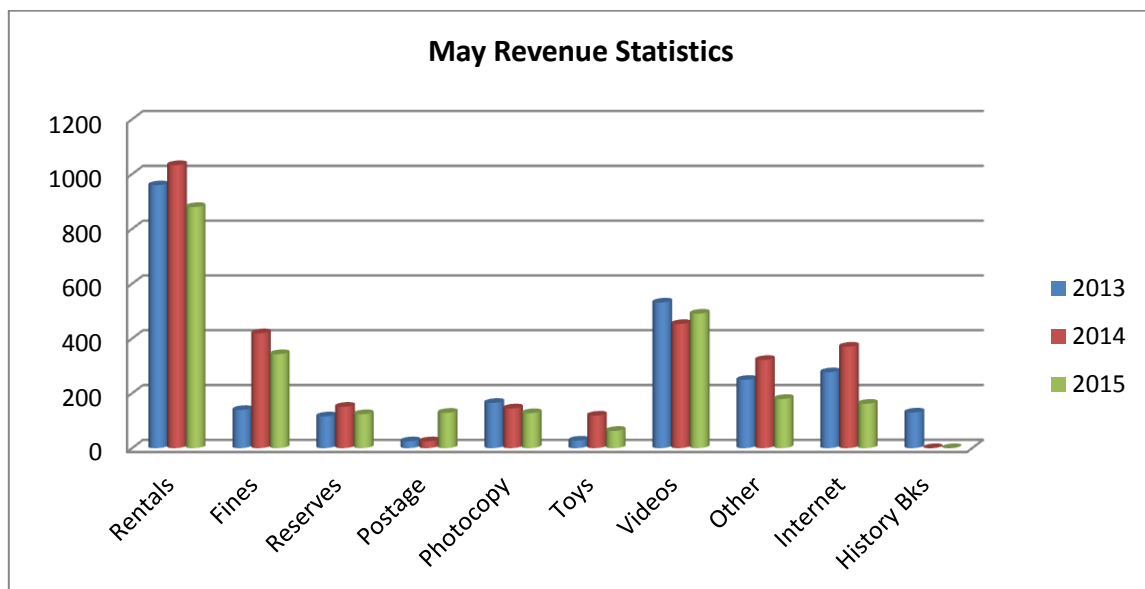
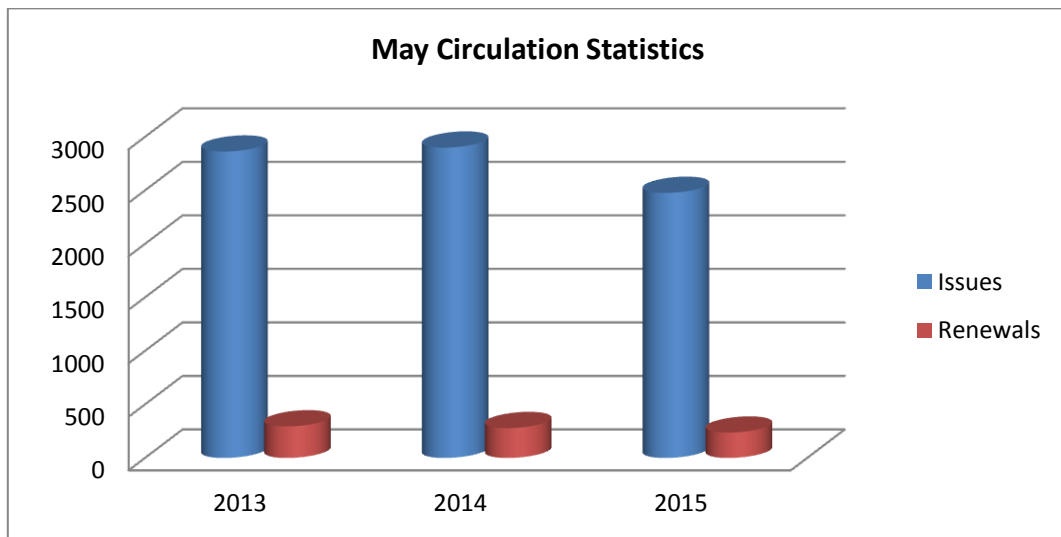


# Corporate Services Budget Report





## Library Report



### **Administration**

- New Adult Library membership cards arrived on the 20<sup>th</sup> May, a new style card which has a snap off key ring card for added convenience.

### **Class Visits**

- Children's fiction collection weeded with material no longer appropriate to the collection withdrawn.

### **Class Visits**

- Hapuku preschool enjoyed a visit on the 1 May 2015.
- Adult Learning Centre enjoyed 4 visits on the 12<sup>th</sup>, 15<sup>th</sup>, 22<sup>nd</sup> & 26 May 2015.

### **Technology**

- No on site visit May.

## Report from Quotable Value

Assessment Numbers		
Net	50% Rateable	Gross
2952	6	3206

Building Consents			
Work to Process		Work Completed	
To Check	Being Built	Actioned This Month	Actioned Year to Date
3	71	25	147

Subdivisions			
Work to Process		Work Completed	
DP's to Process	Subs to Value	Actioned This Month	Actioned Year to Date
0	0	103	141

Sales					
Work to Process				Work Completed	
No. of Sales Notices		Part Sales	Changes	Actioned This Month	Actioned Year to Date
< 3 Days	> 3 Days				
0	0	0	3	20	158

Objections				
Work to Process			Work Completed	
	Being Processed	Lodged with LVT	Actioned This Month	Actioned Year to Date
Revision	0	0	0	0
Maintenance	0	0	0	2

Revaluation			
Key Dates			
File to OVG	Implementation Date	Notices Posted	Last Day for Objections
15/10/2015	04/11/2015	18/11/2015	24/12/2015

## Property Value Trend

The chart reflects the trend in property values over time and compared with the national trend. All values were based to 1000 in Dec 03 so it shows the change in the index, not the change in average sales price.

