

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY
18 MARCH 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 8**
- ◆ **Statement of Financial Position**
- ◆ **Statement of Financial Performance**
- ◆ **Corporate Services Budget Report** **page 20**
- ◆ **Library Report** **page 21**

4. Urgent Business

Finance Report

Statement of Financial Position

Of the \$1.63 million loans that were repaid back in October last year due to having available cash, \$580k has been drawn down in February to meet payment commitments. Using available cash to repay loans this way has saved around \$30,000 in loan interest over the last four months – although it has also meant we have not earned as much interest on term deposits (of about \$16,000).

Statement of Comprehensive Income

The eight months to 28 February have produced a surplus of \$225k. Most revenue types are pleasingly above budget, except for “Grants & subsidies” because we haven’t submitted the claim for a roading subsidy from the NZTA yet. All expenditure types are currently operating within budget.

Statement of Activity Performance

Income Variances:

Income is up on budget by \$175k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Down \$124,397	NZTA subsidy not claimed yet.
Commercial activities	Up \$234,631	Marlborough Regional Forestry joint venture capital distributions on going, and penalty interest applied to a lessee.
Safety & wellbeing	Up \$64,653	Grants received for Family Violence coordination, new community facilities coordination, and a new youth development partnership fund.

Expenditure Variances:

Expenditure is under budget by \$192k overall, with variations against the budget across the board, and the main variances as below.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Under \$107,827	The focus has been on renewal work (capital expenditure), with maintenance (an operating expense) relatively light.
Water supplies	Over \$75,198	Maintenance and electricity costs higher than budget for all of the water supplies.
Community facilities	Under \$229,882	The property ownership costs associated with the new Civic Centre are yet to apply (rates, insurance, etc). The library, harbour, swimming pool and pensioner flats are also operating well under budget at this stage.
Commercial activities	Over \$43,951	Payment to Environment Canterbury for their share of the Marlborough forestry joint venture.
Leadership & governance	Over \$68,363	Additional support personnel, audit fees for subsidiary, and general office expenses (advertising, bank facility fees, postage and subscriptions).

Statement of Cash Flows

Cash from operations is positive – but only just. The loan drawdown in February was needed to pay creditors (given that \$1.63M loans were repaid in October as a cash management tool).

Capital Expenditure

The Killarney Street sewer renewal was to take leachate from the landfill, and so we have used the sewer reticulation renewal budget plus the landfill upgrade budget for that project. Tom's Track walkway needed renewal work to repair damage from slips. Work at the Civic Centre has picked up somewhat, and I note that we are now 83% through the budget for this project.

Income vs. Expenditure

February produced a surplus of \$42,020 income over expenditure.

Working Capital & Liquidity

Working capital is tracking normally. Liquidity is 6.27:1 meaning we have \$6.27 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 64% of total revenue for the year to date (no change from the last report in November). User fees and charges are less than 20% of total revenue, and grants and subsidies (notably NZTA subsidies) are our third largest revenue source.

About a third of expenditure is operational expenses, with capital work making up about a quarter. Personnel expenses have increased to 18.6% of total expenses, but this is a slight distortion until we correct the annual leave accrual.

Other Expenses

The Other Expenses graph has not been included this month due to the effort required to extract this information from our system. I am reviewing how to report this in a timelier manner.

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 28 FEBRUARY 2015

FINANCIAL STATEMENT MEASURES

OPERATING RESULT

operating surplus/(deficit)

\$225k

\$368k favourable v/s year-to-date budget of -\$142k

OPERATING COSTS

costs to deliver existing levels of service

\$5.18m

\$192k favourable v/s year-to-date budget of \$5.37m

TOTAL EXTERNAL DEBT

total borrowings from bank

\$7.15m

\$637k favourable v/s full year budget of \$7.8m

INTEREST ON DEBT

cost to service debt

\$257k

\$75k favourable v/s year-to-date budget of \$331k

CAPITAL EXPENDITURE

cost of new &/or replacement of assets

\$1.82m

\$3.2m favourable v/s year-to-date budget of \$5.1m

DEVELOPMENT CONTRIBUTIONS

received for district growth

\$78.9k

\$22.4k favourable v/s year to date budget of \$56k

LONG TERM PLAN MEASURES

DEBT AFFORDABILITY BENCHMARK

financing expenses as a % of rates

7.3%

12.7% favourable v/s council approved limit of 20.0%

EBID

earnings before interest and depreciation

\$1.73m

\$293k favourable v/s year-to-date budget of \$1.43m

BALANCED BUDGET BENCHMARK

revenue equal or greater than expenses

104%

4% favourable v/s council benchmark of 100%

LONG TERM DEBT TO EQUITY

debt as a % of equity

3.93%

0.28% unfavourable v/s full year budget of 3.65%

STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2015

	BUDGET	ACTUAL	ACTUAL
	to year end \$	28/02/15 \$	28/02/14 \$
ASSETS			
<i>Current assets</i>			
Cash & cash equivalents	3,732,225	2,984,064	4,897,679
Trade & other receivables	1,022,868	3,515,844	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
Total current assets	4,840,604	8,418,423	10,403,265
<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	159,467,351	158,396,157
Total non-current assets	175,719,109	163,554,930	162,296,727
TOTAL ASSETS	180,559,713	171,973,353	172,699,992
LIABILITIES			
<i>Current liabilities</i>			
Trade & other payables	1,143,631	859,985	1,780,948
Employee liabilities	-	175,922	173,320
Borrowings - current	1,793,623	1,769,300	2,228,000
Provisions	-	-	-
Total current liabilities	2,937,254	2,805,207	4,182,268
<i>Non-current liabilities</i>			
Provisions	-	41,657	41,711
Borrowings - non current	5,999,759	5,384,200	4,947,000
Other term debt	248,912	964,607	327,217
Total non-current liabilities	6,248,671	6,390,464	5,315,928
EQUITY			
Public Equity	84,849,000	90,192,609	90,479,529
Asset revaluation reserve	84,737,637	69,317,174	69,334,577
Special funds & reserves	1,787,151	3,267,899	3,387,690
Total equity	171,373,788	162,777,682	163,201,796
TOTAL LIABILITIES & EQUITY	180,559,713	171,973,353	172,699,992

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 28 FEBRUARY 2015

	BUDGET	ACTUAL	ACTUAL
	28/02/15 \$	28/02/15 \$	28/02/14 \$
REVENUE			
Rates revenue	3,505,776	3,505,776	3,379,226
Water meter charges	89,716	93,154	73,094
User fees & charges	906,589	938,900	908,657
Grants & subsidies	482,852	427,834	953,594
Development contributions	56,488	78,911	658,619
Interest revenue	85,000	54,989	84,531
Other revenue	103,892	306,062	264,818
Gains ¹	-	-	-
Total revenue	5,230,313	5,405,626	6,322,540
EXPENSES			
Personnel	1,252,909	1,233,011	1,176,693
Depreciation	1,245,488	1,245,595	1,254,491
Financing expenditure	331,260	256,633	292,397
Other expenses	2,542,708	2,444,927	2,362,141
Losses	-	-	-
Total expenses	5,372,365	5,180,166	5,085,721
Operating surplus/(deficit)	(142,052)	225,460	1,236,819
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	(142,052)	225,460	1,236,819

STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 28 FEBRUARY 2015

	BUDGET	ACTUAL	ACTUAL
	28/02/15 \$	28/02/15 \$	28/02/14 \$
REVENUE			
Roading	732,700	707,280	624,278
Water services	509,911	509,547	498,143
Sewerage	322,861	319,804	909,858
Stormwater	70,077	70,313	62,011
Refuse & recycling	96,675	92,988	80,905
Community facilities	524,408	511,990	1,122,845
Commercial activities	256,373	495,098	446,565
Leadership & governance	18,824	28,358	25,804
Regulation & control	248,796	241,239	204,341
Safety & wellbeing	158,756	225,400	134,548
District development	218,874	211,025	205,841
Hospital activities	-	-	-
Interest revenue	77,000	54,719	76,414
General rates	1,332,835	1,332,835	1,276,401
Other	-	-	(17,252)
Total revenue	4,568,090	4,800,595	5,650,700
EXPENSES			
Roading	994,146	910,618	878,635
Water services	604,806	669,237	622,559
Sewerage	456,015	424,284	386,573
Stormwater	87,135	74,030	65,801
Refuse & recycling	244,069	227,575	223,332
Community facilities	1,061,712	867,232	886,743
Commercial activities	74,739	118,227	84,200
Leadership & governance	293,818	372,356	424,216
Regulation & control	383,345	381,097	338,882
Safety & wellbeing	255,187	296,895	246,060
District development	290,724	295,579	314,093
Hospital activities	-	160	-
Other	4,214	8,198	13,325
Total expenses	4,749,910	4,645,489	4,484,419
Activity Surplus/(Deficit)	(181,820)	155,107	1,166,281

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 28 FEBRUARY 2015

	BUDGET	ACTUAL	ACTUAL
	to year end	28/02/2015	28/02/2014
	\$	\$	\$
OPERATING ACTIVITIES			
Receipts from rates	4,554,625	3,091,392	2,823,428
Interest received	104,223	54,989	82,950
Receipts from other revenue	3,662,884	1,574,620	2,567,917
Payments to employees & suppliers	(5,976,071)	(4,440,255)	(3,219,052)
Interest Paid	(496,436)	(256,633)	(292,397)
Net Cash from Operating Activities	1,849,225	24,113	1,962,846
INVESTING ACTIVITIES			
Proceeds from sale of assets	-	-	-
Term deposits received	-	-	776,485
Purchase of property, plant & equipment	(5,367,056)	(1,816,037)	(2,942,605)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
Net Cash from Investing Activities	(5,367,056)	(1,816,037)	(2,166,120)
FINANCING ACTIVITIES			
Proceeds from borrowings	3,847,112	2,317,000	400,000
Repayment of borrowings	(2,340,289)	(1,673,500)	-
Net Cash from Financing Activities	1,506,823	643,500	400,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(2,011,008)	(1,148,424)	196,726
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	2,984,064	4,894,437

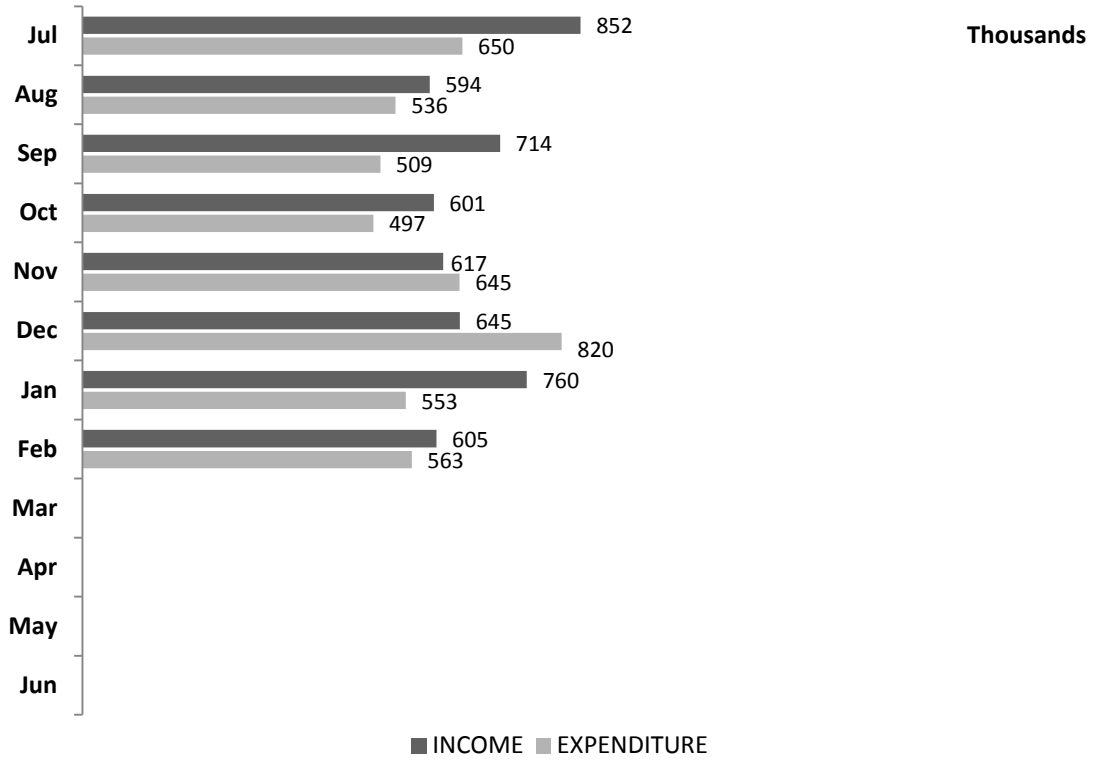
CAPITAL EXPENDITURE

FOR THE PERIOD ENDED 28 FEBRUARY 2015

	BUDGET \$	ACTUAL \$	%	STATUS
Unsealed pavement renewals	60,000	62,046	103	In progress
Drainage renewals	50,000	98,320	197	In progress
Pavement rehabilitation	100,000	12,911	13	Completed
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	-	-	In design
Kaikoura urban water renewals	193,000	2,370	1	In design
Kaikoura upgrade water bore	15,000	16,626	111	Completed
East coast water renewals	20,000	-	-	Completed
Kincaid water renewals	15,000	4,577	31	In design
Puketa reticulations renewals	-	1,463	-	Completed
Oaro water treatment	10,000	-	-	Not started
Sewer reticulation renewals	30,000	30,000	100	Completed
Sewer treatment system	20,000	2,016	10	In progress
Sewer new pump station	74,000	1,316	2	Not started
Stormwater reticulation renewals	20,000	4,664	23	Completed
Stormwater upgrade	25,000	35,642	143	Completed
Landfill upgrade & aftercare	32,500	28,987	89	In progress
Memorial Hall upgrade	20,000	13,907	70	In progress
Book purchases	33,852	9,462	28	In progress
Non-book purchases	1,200	1,125	94	In progress
Planting, pruning & thinning	4,370	-	-	Not started
Office furniture & IT equipment	10,000	2,577	26	In progress
Walkway renewals	-	8,000	-	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	-	-	In progress
Town centre carpark	15,000	-	-	Postponed
Museum/library/council office	4,400,000	3,653,897	83	In progress
	5,411,992	4,015,239	74	

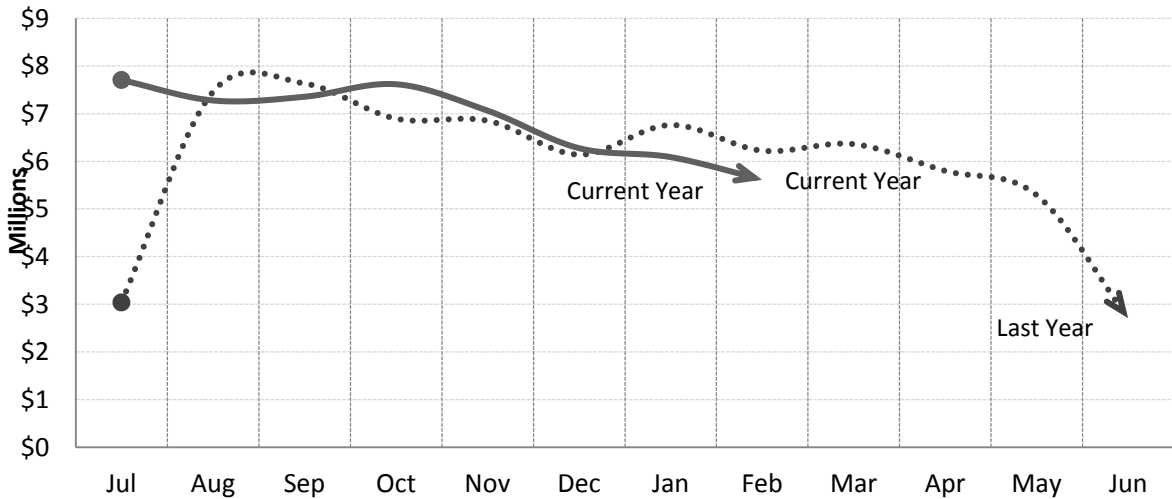
Income v/s Expenditure - February 2015

Inc \$605,187 v/s Exp \$563,167 = Surplus \$42,020

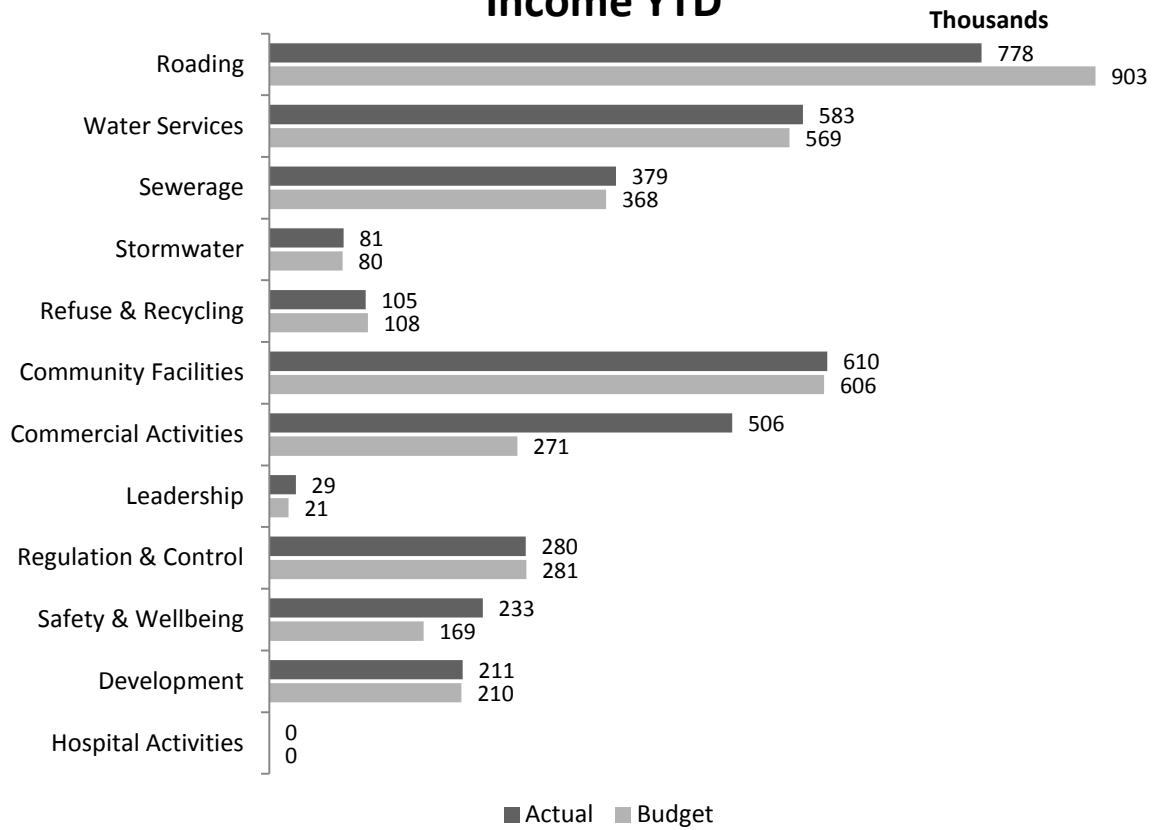


Working Capital - February 2015

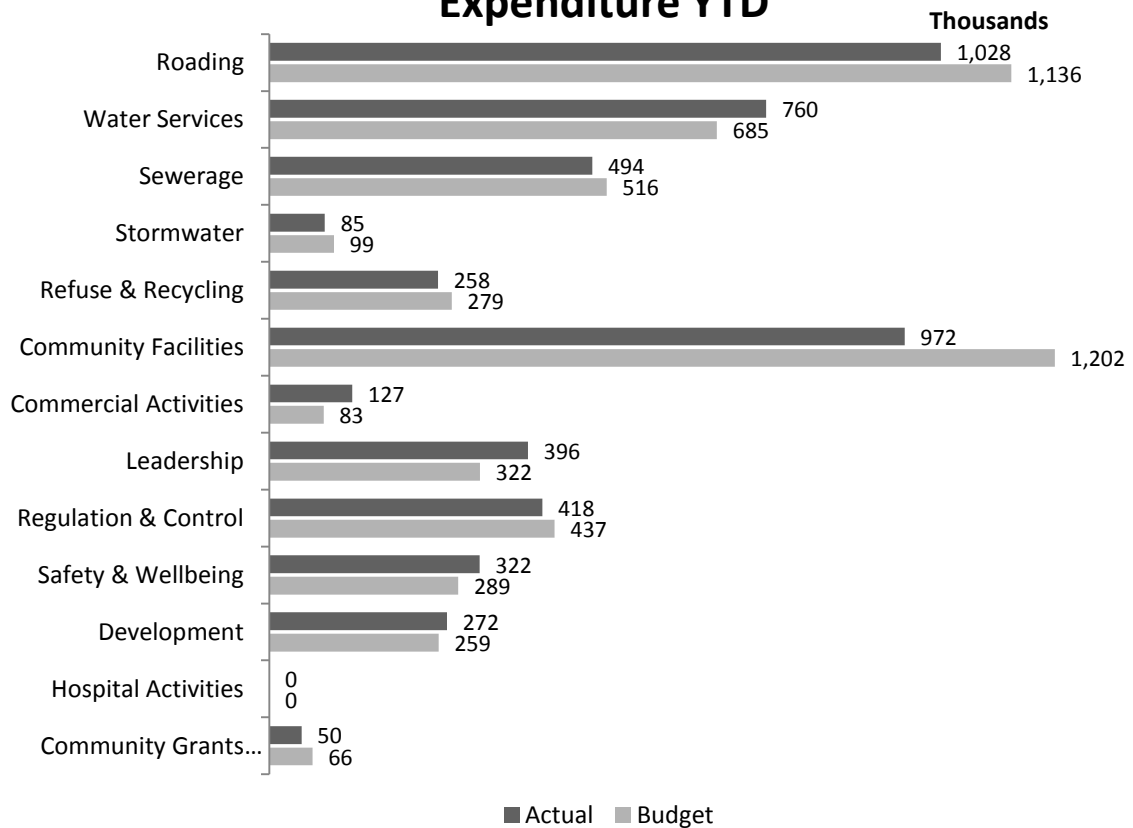
Current year \$5,613,216 v/s \$6,225,130 Last Year



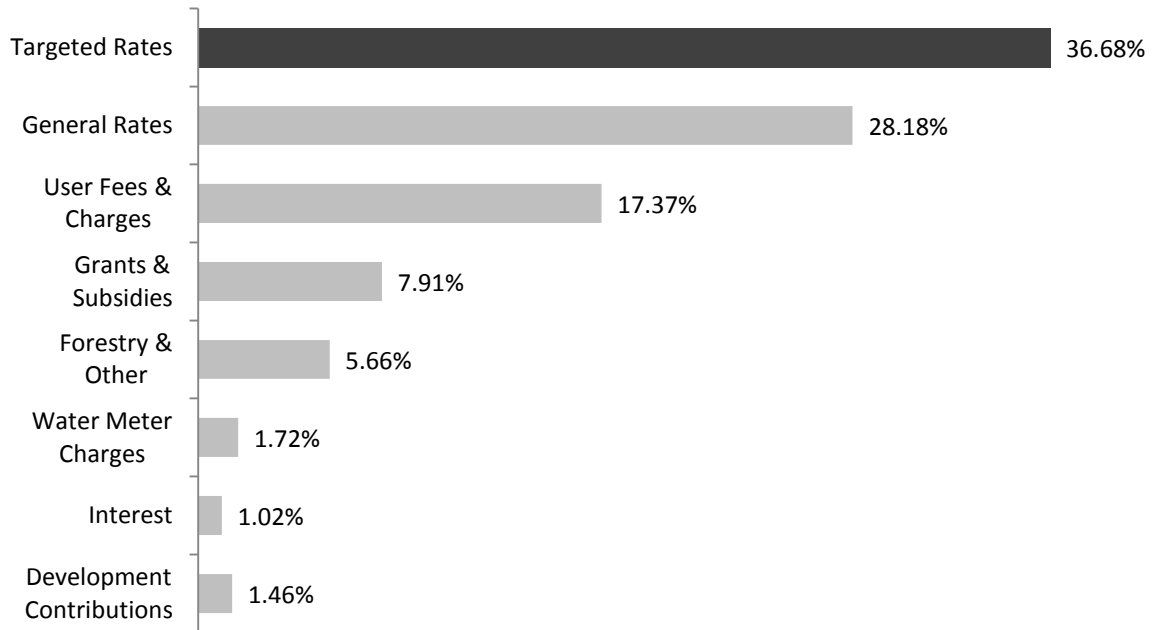
Income YTD



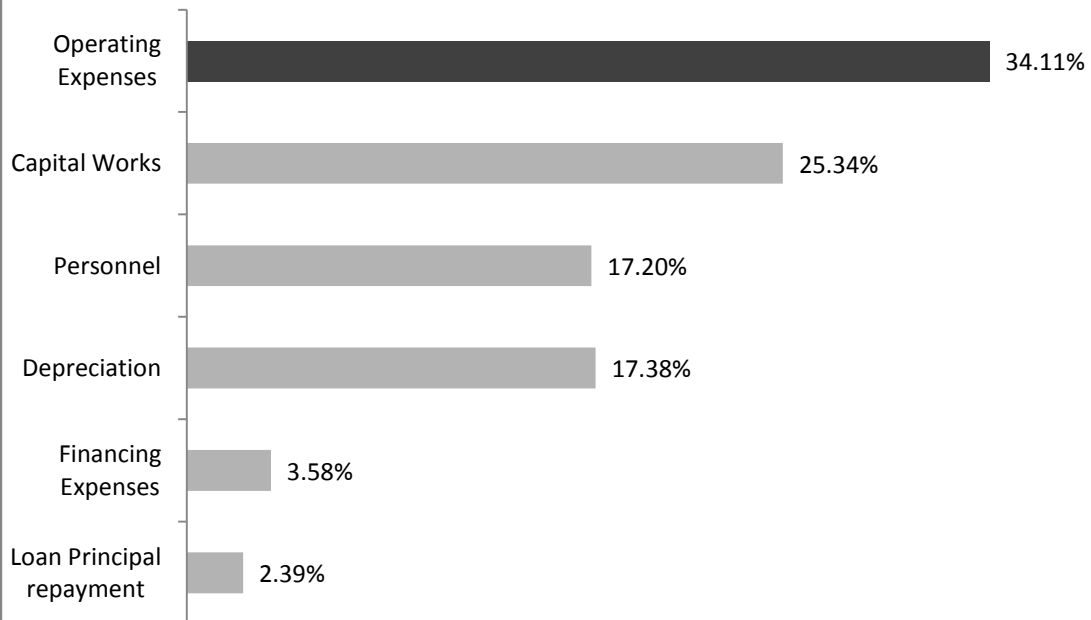
Expenditure YTD



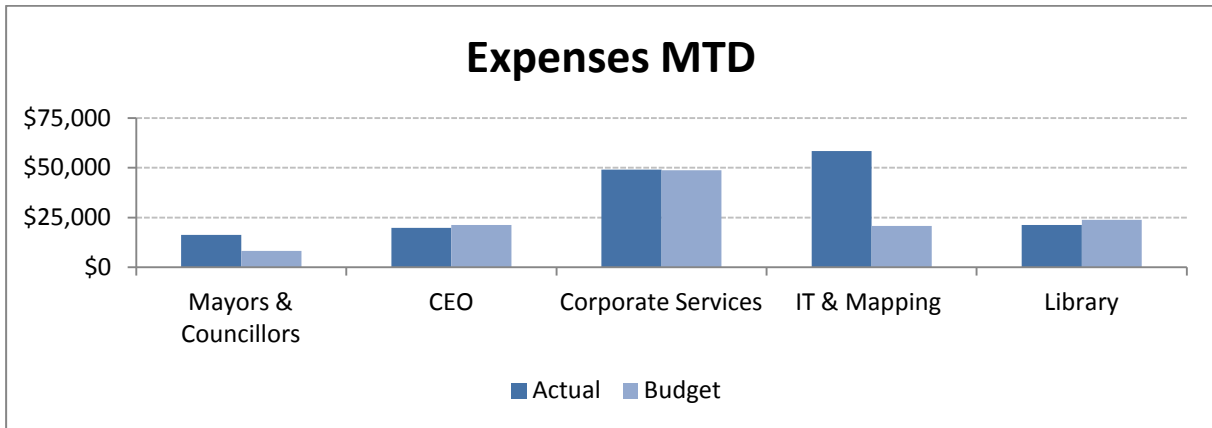
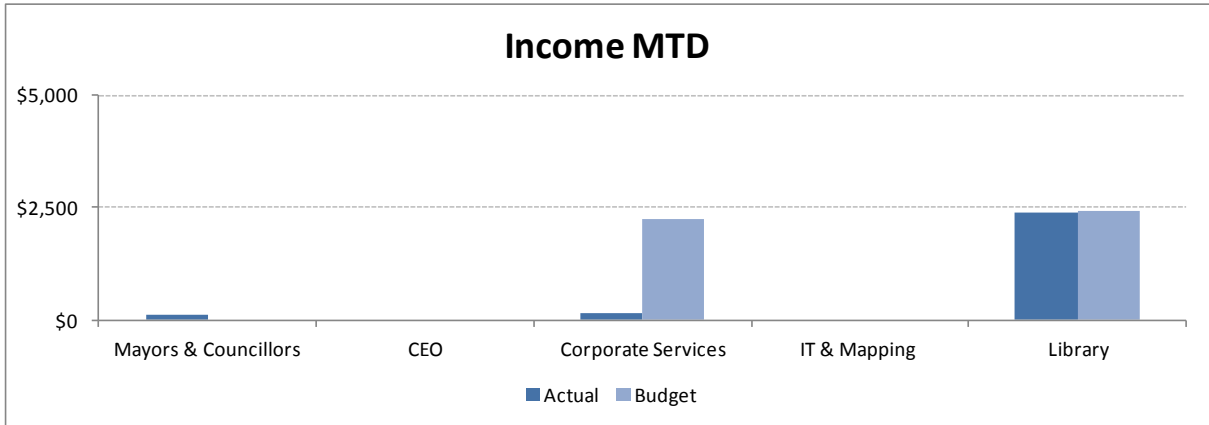
Income YTD



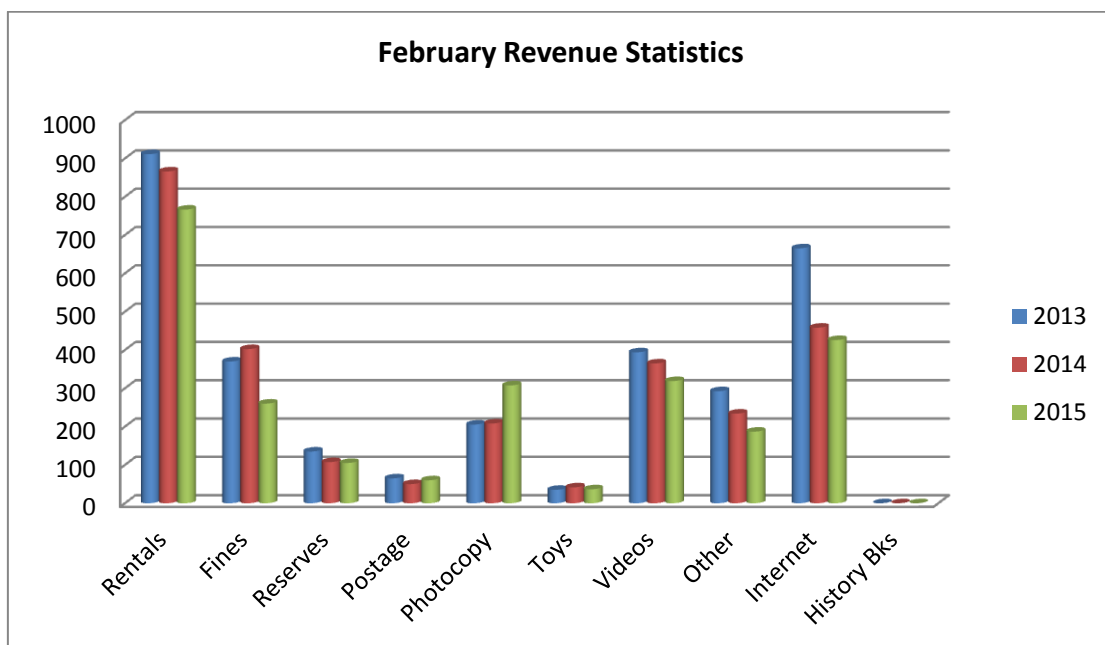
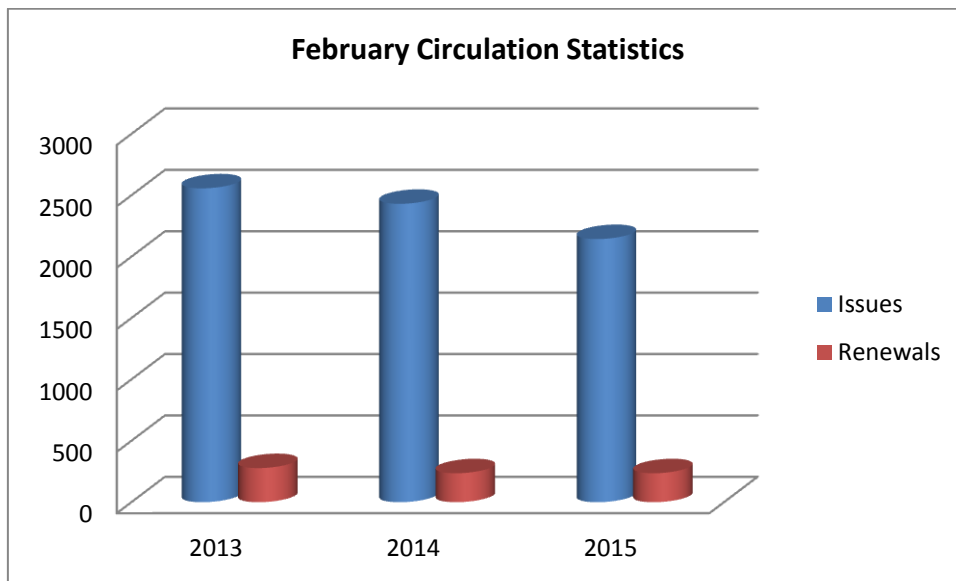
Expenditure YTD



Corporate Services Budget Report



Library Report



Events & Activities

- Toddler time sessions are well on the way again during School terms and are proving to be popular with both the toddlers and caregivers.

Collection Development

- Magazine collection weeded with outdated material withdrawn.

Class Visits

- Adult learning group enjoyed 5 visits on the 10th, 20th, 24th, 26th, 27th February 2015.

Technology

- No on sight visit February.