

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY
20 MAY 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 45*
- ◆ **Statement of Financial Position**
- ◆ **Statement of Financial Performance**
- ◆ **Corporate Services Budget Report** *page 59*
- ◆ **Library Report** *page 60*

4. Urgent Business

Finance Report

Statement of Financial Position

Cash decreased from \$3.7M to under \$3M during April, due to reasonably substantial payments to suppliers, including the Civic Centre.

Statement of Comprehensive Income

The ten months to 30 April have produced a surplus of \$470k, against a projected loss for the same period of \$260k. User fees and charges are up on budget, because during April we have invoiced one of the suppliers of the Civic Centre project for construction cost losses.

Statement of Activity Performance

Income Variances:

Income is up on budget by \$477k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Down \$132,792	NZTA subsidy low due to low expenditure (and currently a month behind in submitting claims).
Community facilities	Up \$249,412	Invoice to supplier for Civic Centre construction losses, plus an invoice to a lessee of a reserve, to secure a 30-yr extension to their lease.
Commercial activities	Up \$268,427	Marlborough Regional Forestry joint venture capital distributions on-going, and penalty interest applied to a lessee.
Safety & wellbeing	Up \$54,009	Grants received for Family Violence coordination, new community facilities coordination, and a new youth development partnership fund.

Expenditure Variances:

Expenditure is under budget by \$253k overall, with the main variances as below.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Under \$131,728	Maintenance work is relatively light.
Water supplies	Over \$109,774	Maintenance and electricity costs are higher than budget for all of the water supplies, particularly the Kaikoura Urban supply (\$30k 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 still operating well under budget.

Statement of Cash Flows

Cash has decreased over the year by almost \$1.2 million. Net cash from operations is positive, and we are increasing our term debt and using cash reserves to fund capital expenditure.

Capital Expenditure

The format of this page has changed slightly, but the information on it is the same as before. A number of projects are underway (more to occur) or yet to start (still to occur), and the Works & Services report contains an update on those projects this month. The \$4.4M budget for the civic centre is now 93% utilised, and a further \$500k has been added to the project budget for the 2015/2016 year in the Draft Long Term Plan.

Subdivision expenses have commenced for the 20 Beach Rd property to provide for pedestrian access to the land behind it. Artwork has been purchased for the civic centre, and the migration expenses for the new computer system, Ozone, have commenced; that project is expected to be ongoing until mid-December.

Income vs. Expenditure

April produced a surplus of \$311k income over expenditure, mainly due to invoicing the supplier for Civic Centre construction losses.

Working Capital & Liquidity

Working capital is tracking normally. Liquidity is 6.01:1 meaning we have \$6.01 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 63.5% of total revenue for the year to date. User fees and charges are now just over 20% 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

I am pleased to provide the Other Expenses breakdown, which is now an automated report that I can produce on demand. I have also revisited the report categories, with some changes, and have provided explanation of these categories.

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 30 APRIL 2015

FINANCIAL STATEMENT MEASURES

OPERATING RESULT

operating surplus/(deficit)

\$470k

\$730k favourable v/s year-to-date budget of -\$260k

OPERATING COSTS

costs to deliver existing levels of service

\$6.43m

\$253k favourable v/s year-to-date budget of \$6.68m

TOTAL EXTERNAL DEBT

total borrowings from bank

\$7.15m

\$644k favourable v/s full year budget of \$7.8m

INTEREST ON DEBT

cost to service debt

\$327k

\$94k favourable v/s year-to-date budget of \$420k

CAPITAL EXPENDITURE

cost of new &/or replacement of assets

\$2.36m

\$2.8m favourable v/s year-to-date budget of \$5.2m

DEVELOPMENT CONTRIBUTIONS

received for district growth

\$79.3k

\$5.8k favourable v/s year to date budget of \$73k

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

\$2.36m

\$641k favourable v/s year-to-date budget of \$1.72m

BALANCED BUDGET BENCHMARK

revenue equal or greater than expenses

107%

7% favourable v/s council benchmark of 100%

LONG TERM DEBT TO EQUITY

debt as a % of equity

3.94%

0.29% unfavourable v/s full year budget of 3.65%

STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2015

	BUDGET	ACTUAL	ACTUAL
	to year end \$	30/04/2015	30/04/2014
ASSETS			
<i>Current assets</i>			
Cash & cash equivalents	3,732,225	2,957,858	4,897,679
Trade & other receivables	1,022,868	2,557,930	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	7,434,303	10,403,265
<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	159,697,264	158,396,157
Total non-current assets	175,719,109	163,783,741	162,296,727
TOTAL ASSETS	180,559,713	171,218,044	172,699,992
LIABILITIES			
<i>Current liabilities</i>			
Trade & other payables	1,143,631	813,599	1,780,948
Employee liabilities	-	103,876	173,320
Borrowings - current	1,793,623	1,768,220	2,228,000
Provisions	-	-	-
Total current liabilities	2,937,254	2,685,696	4,182,268
<i>Non-current liabilities</i>			
Provisions	-	41,657	41,711
Borrowings - non current	5,999,759	5,377,560	4,947,000
Other term debt	248,912	964,607	327,217
Total non-current liabilities	6,248,671	6,383,824	5,315,928
EQUITY			
Public Equity	84,849,000	90,042,532	90,479,529
Asset revaluation reserve	84,737,637	69,317,174	69,334,577
Special funds & reserves	1,787,151	2,788,818	3,387,690
Total equity	171,373,788	162,148,524	163,201,796
TOTAL LIABILITIES & EQUITY	180,559,713	171,218,044	172,699,992

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 APRIL 2015

	BUDGET	ACTUAL	ACTUAL
	30/04/2015	30/04/2015	30/04/2014
REVENUE			
Rates revenue	4,382,220	4,382,220	3,379,226
Water meter charges	89,716	98,154	73,094
User fees & charges	1,102,511	1,443,735	908,657
Grants & subsidies	555,853	483,196	953,594
Development contributions	73,492	79,306	658,619
Interest revenue	88,900	57,368	84,531
Other revenue	131,490	357,224	264,818
Gains ¹	-	-	-
Total revenue	6,424,182	6,901,203	6,322,540
EXPENSES			
Personnel	1,570,647	1,516,524	1,176,693
Depreciation	1,556,860	1,561,157	1,254,491
Financing expenditure	420,340	326,578	292,397
Other expenses	3,136,761	3,027,151	2,362,141
Losses	-	-	-
Total expenses	6,684,608	6,431,410	5,085,721
Operating surplus/(deficit)	(260,426)	469,793	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	(260,426)	469,793	1,236,819

STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 30 APRIL 2015

	BUDGET	ACTUAL	ACTUAL
	30/04/2015	30/04/2015	30/04/2014
REVENUE			
Roading	1,095,112	962,320	803,804
Water services	690,633	711,239	557,754
Sewerage	461,653	501,047	956,602
Stormwater	100,110	105,140	70,779
Refuse & recycling	139,494	129,554	91,077
Community facilities	769,944	1,019,356	1,202,729
Commercial activities	300,590	569,017	467,552
Leadership & governance	27,120	35,846	32,099
Regulation & control	344,715	354,103	234,804
Safety & wellbeing	199,088	253,097	142,164
District development	302,773	299,066	237,154
Hospital activities	-	-	-
Interest revenue	88,900	57,368	84,531
General rates	1,904,050	1,904,050	1,458,744
Other	-	-	(17,252)
Total revenue	6,424,182	6,901,203	6,322,540
EXPENSES			
Roading	1,418,280	1,286,552	1,042,706
Water services	849,337	959,111	708,176
Sewerage	641,094	614,165	447,220
Stormwater	124,745	103,348	76,580
Refuse & recycling	348,670	324,972	254,166
Community facilities	1,497,109	1,202,573	1,005,199
Commercial activities	104,379	148,079	95,565
Leadership & governance	389,543	460,865	425,211
Regulation & control	546,062	532,140	389,844
Safety & wellbeing	361,427	385,192	274,755
District development	397,942	396,797	352,955
Hospital activities	-	160	-
Other	6,020	17,456	13,343
Total expenses	6,684,608	6,431,410	5,085,721
Activity Surplus/(Deficit)	(260,426)	469,793	1,236,819

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 APRIL 2015

	BUDGET	ACTUAL	ACTUAL
	to year end	30/04/2015	30/04/2014
	\$	\$	\$
OPERATING ACTIVITIES			
Receipts from rates	4,554,625	4,263,232	3,967,297
Interest received	104,223	57,368	88,628
Receipts from other revenue	3,662,884	1,975,247	3,243,671
Payments to employees & suppliers	(5,976,071)	(5,419,269)	(4,559,907)
Interest Paid	(496,436)	(326,578)	(364,259)
Net Cash from Operating Activities	1,849,225	550,000	2,375,430
INVESTING ACTIVITIES			
Proceeds from sale of assets	-	1,102	-
Term deposits received	-	-	777,449
Purchase of property, plant & equipment	(5,367,056)	(2,361,512)	(3,499,903)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
Net Cash from Investing Activities	(5,367,056)	(2,360,410)	(2,722,454)
FINANCING ACTIVITIES			
Proceeds from borrowings	3,847,112	2,317,000	1,270,000
Repayment of borrowings	(2,340,289)	(1,681,220)	(1,400,000)
Net Cash from Financing Activities	1,506,823	635,780	(130,000)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(2,011,008)	(1,174,630)	(477,024)
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	2,957,858	4,220,687

CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 30 APRIL 2015

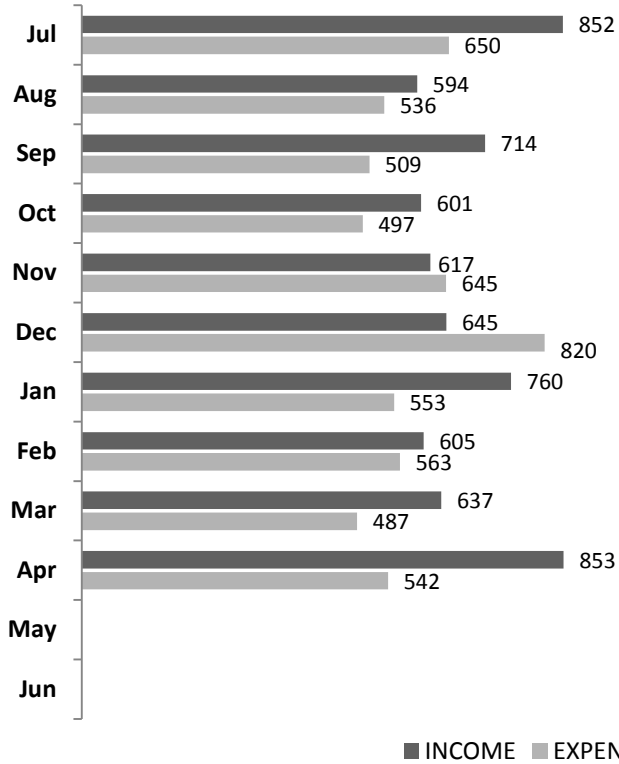
Project	Budget	Actual	Percent	Status
ROADING				
Unsealed road renewals	60,000	62,046	103%	More to come
Drainage renewals	50,000	124,379	249%	More to come
Pavement rehabilitation	100,000	12,911	13%	Complete
Traffic service renewals	30,000	1,884	6%	Complete
Minor improvements	8,000	-	-	-
Safety improvements	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>226,235</u>		
WATER SUPPLIES				
Kaikoura reticulation renewals	193,000	2,370	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	-	1,463	XXX	Still to occur
Oaro water treatment	10,000	-	-	Still to occur
	<u>253,000</u>	<u>52,214</u>		
SEWERAGE				
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>		
STORMWATER				
Reticulation renewals	20,000	4,664	23%	Complete
Upgrades	25,000	35,642	143%	Complete
	<u>45,000</u>	<u>40,306</u>		
REFUSE & RECYCLING				
Landfill cell capping & aftercare	32,500	28,987	89%	
COMMUNITY PROPERTIES				
Memorial hall upgrade	20,000	13,907	70%	Ramp to come
Library books, CDs & DVDs	35,052	13,751	39%	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
Civic Centre	4,400,000	4,075,440	93%	More to come
	<u>4,541,322</u>	<u>4,116,819</u>		

Project	Budget	Actual	Percent	Status
COMMERCIAL ACTIVITIES				
20 Beach Rd	-	995	XXX	More to come
Forest pruning & thinning	4,370	-	-	Still to occur
	4,370	995		
LEADERSHIP & GOVERNANCE				
Office furniture & equipment	10,000	-	-	Still to occur
Artwork	-	3,565	XXX	Complete
Computer equipment	-	9,574	XXX	More to come
Datacom Ozone project	-	48,687	XXX	More to come
Vehicle replacement	19,300	-	-	Still to occur
	29,300	61,826		
TOTAL	5,411,992	4,560,714		

Income v/s Expenditure - April 2015

Thousands

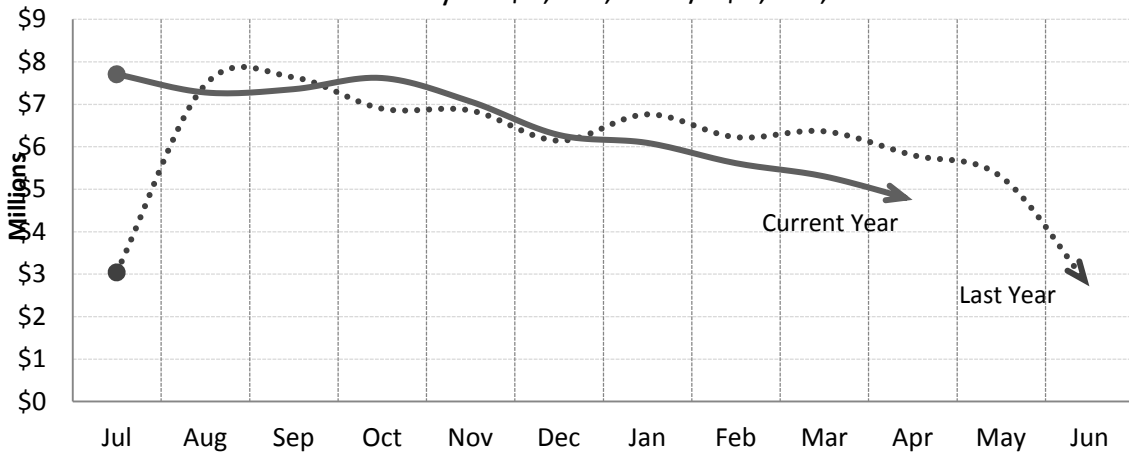
Inc \$852,924 v/s Exp \$542,098= Surplus \$310,826

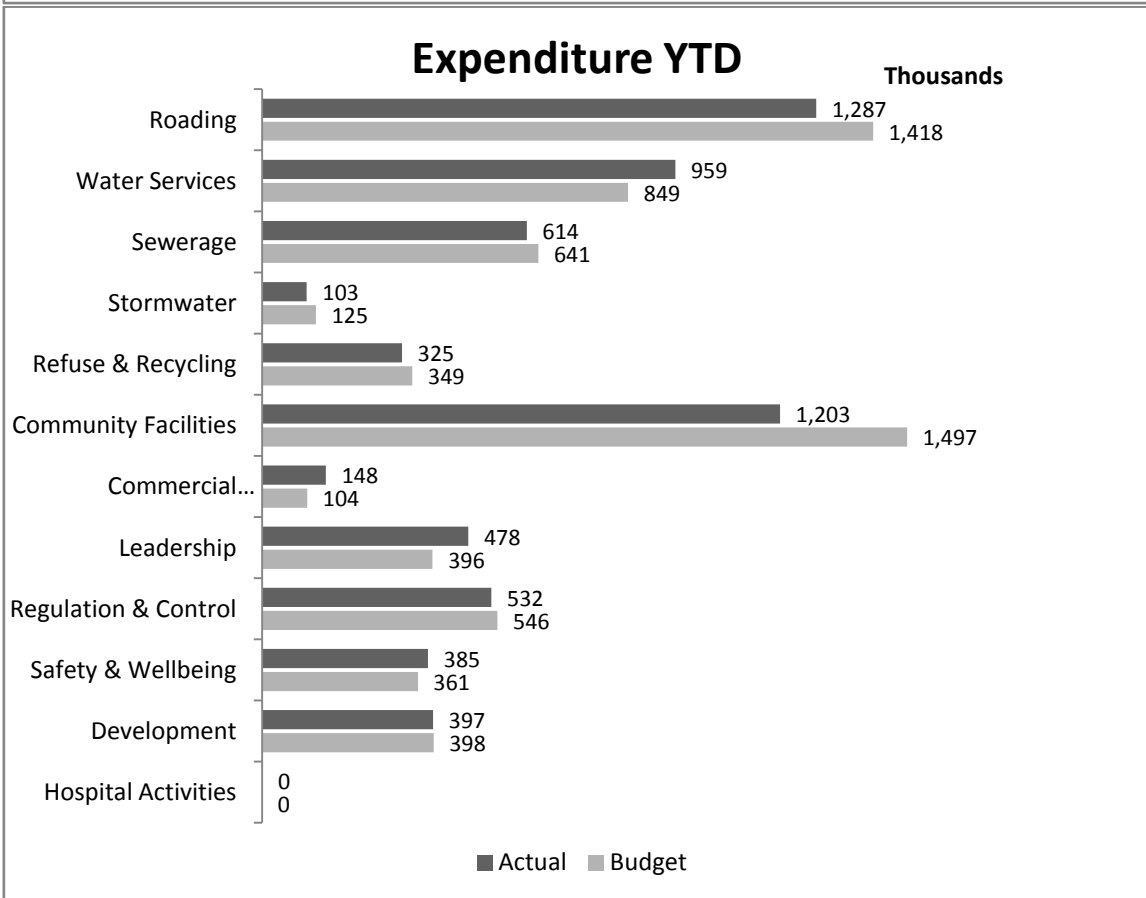
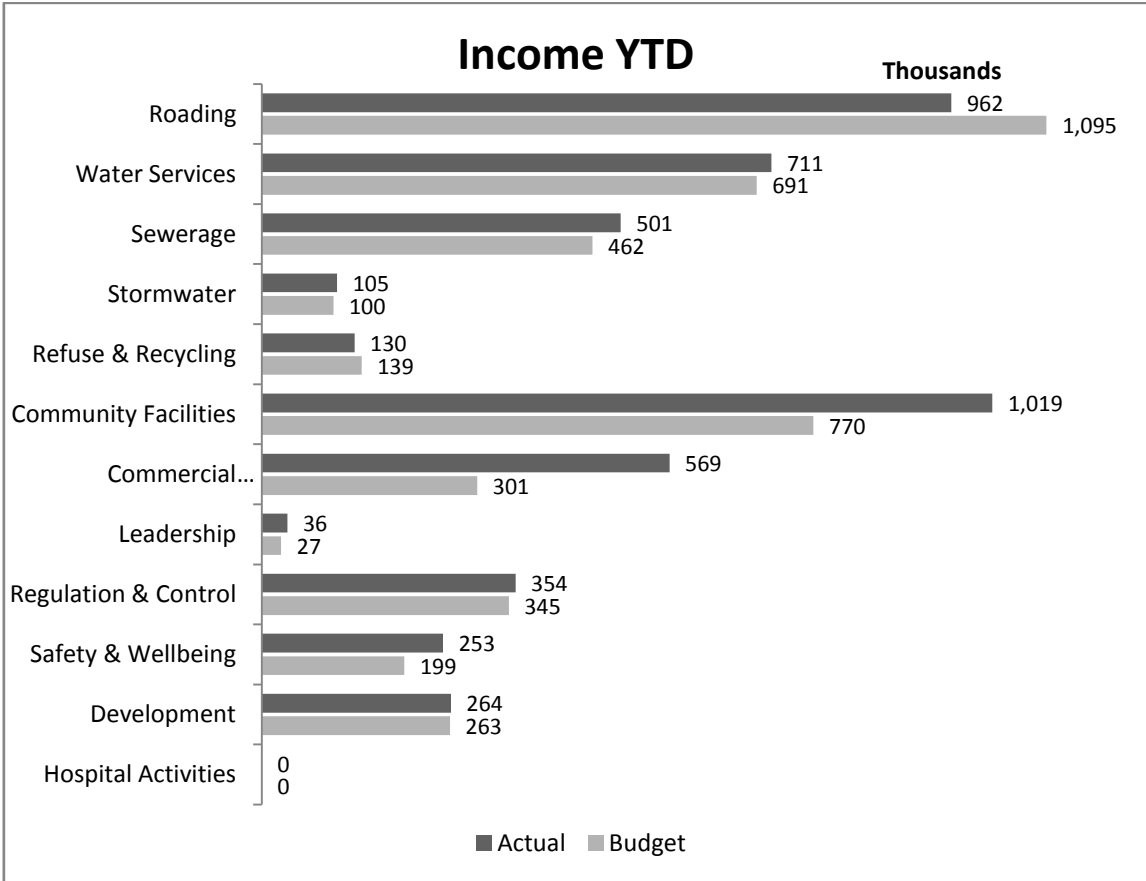


■ INCOME ■ EXPENDITURE

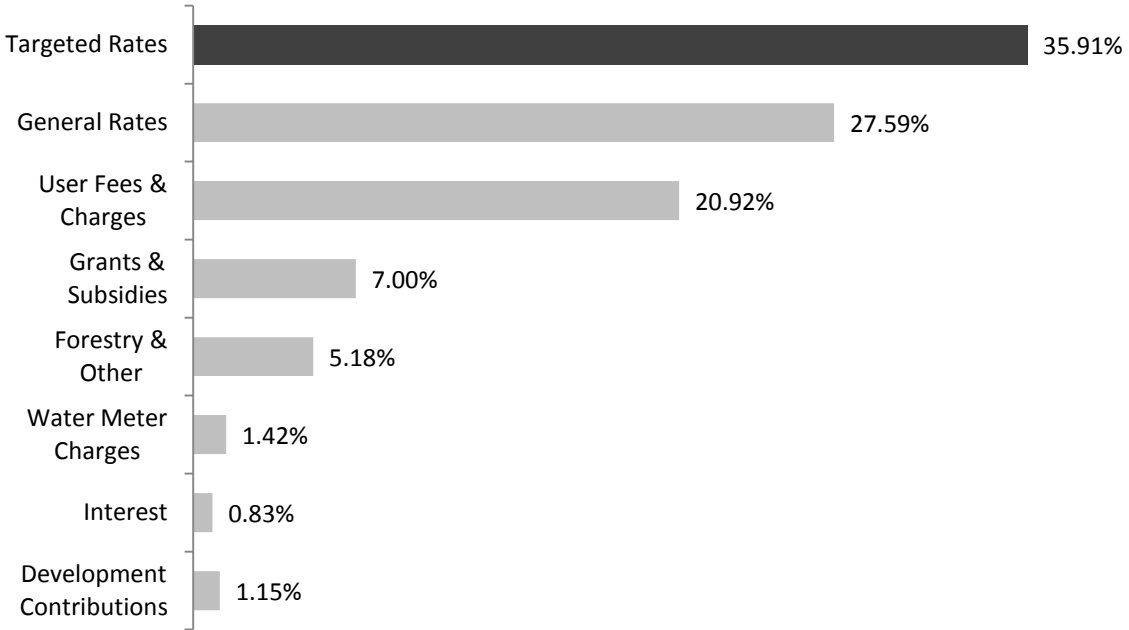
Working Capital - April 2015

Current year \$5,064,281 v/s \$5,802,662 Last Year

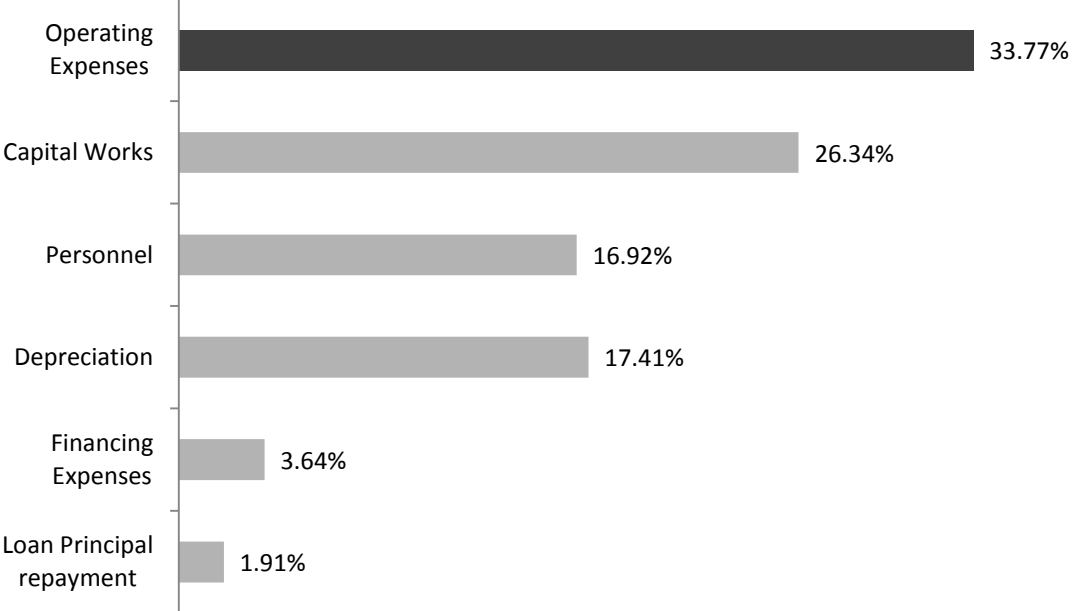




Income YTD



Expenditure YTD

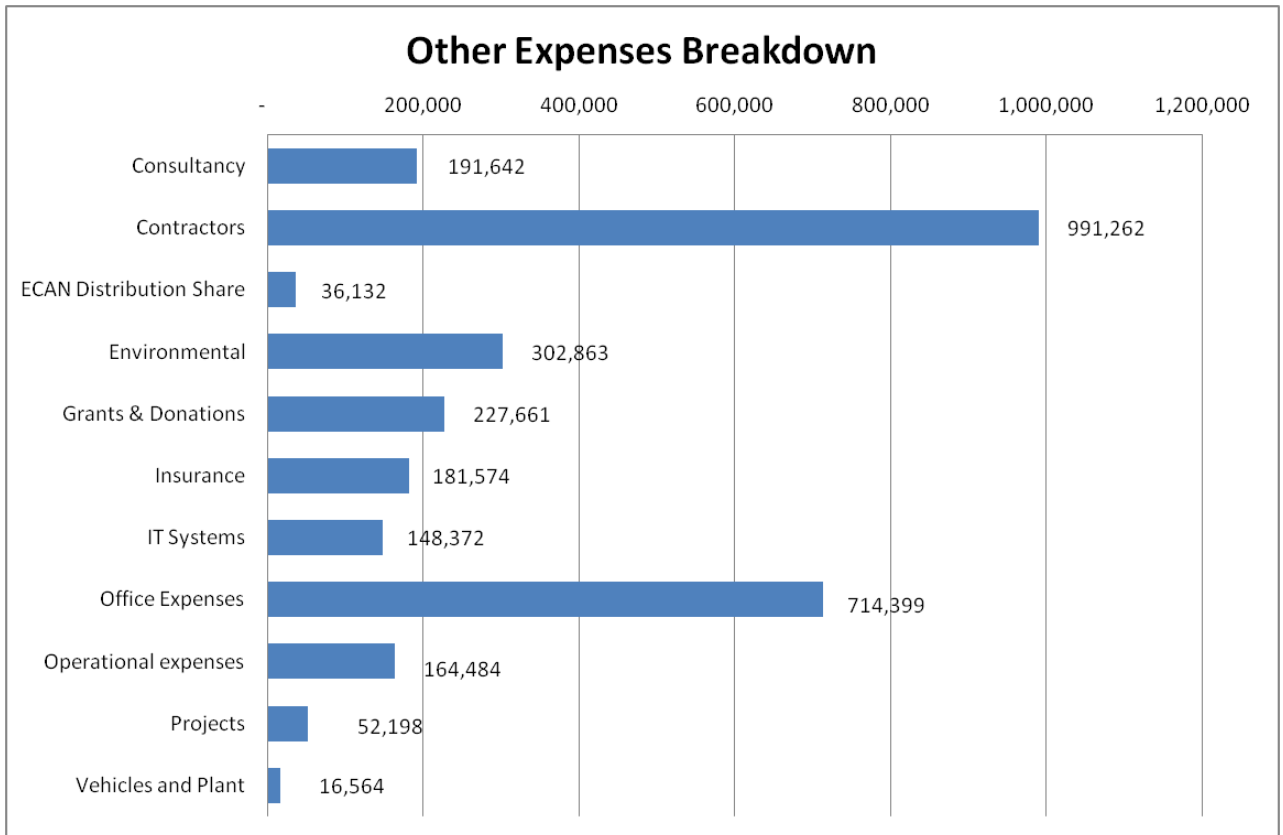


Other Expenses breakdown

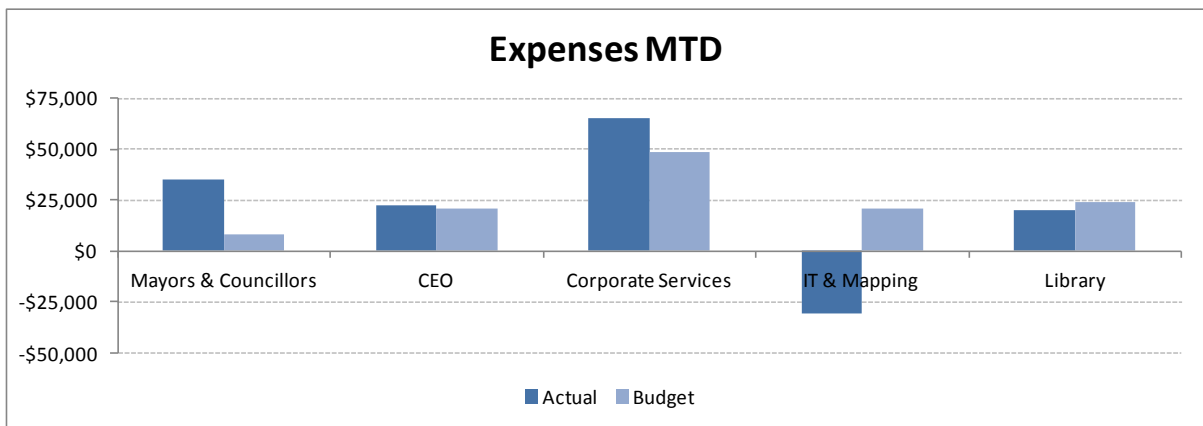
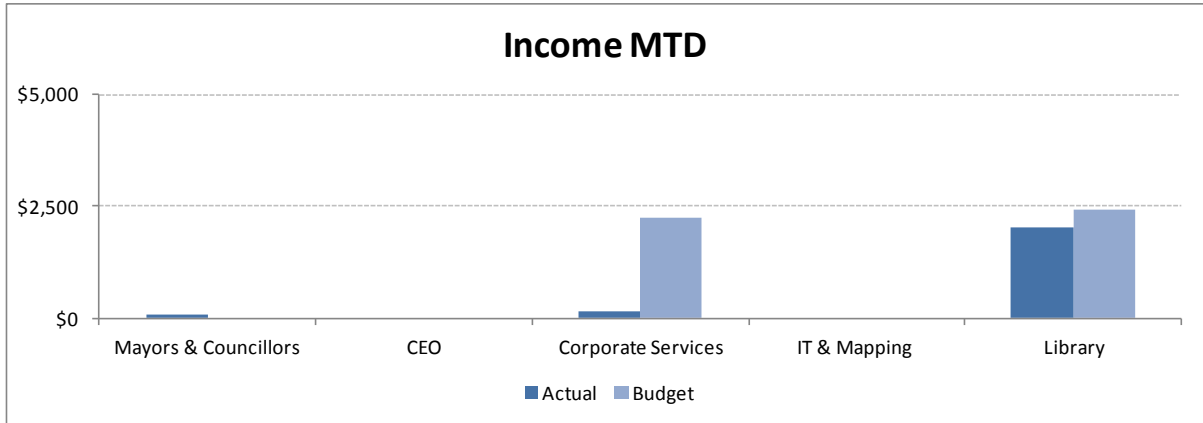
Thanks to our IT support from Hurunui District Council, the Other Expenses of \$3,027,151 is broken down into categories as requested by Council.

In doing so, the categories in which we report have been clarified, and are reported as follows:

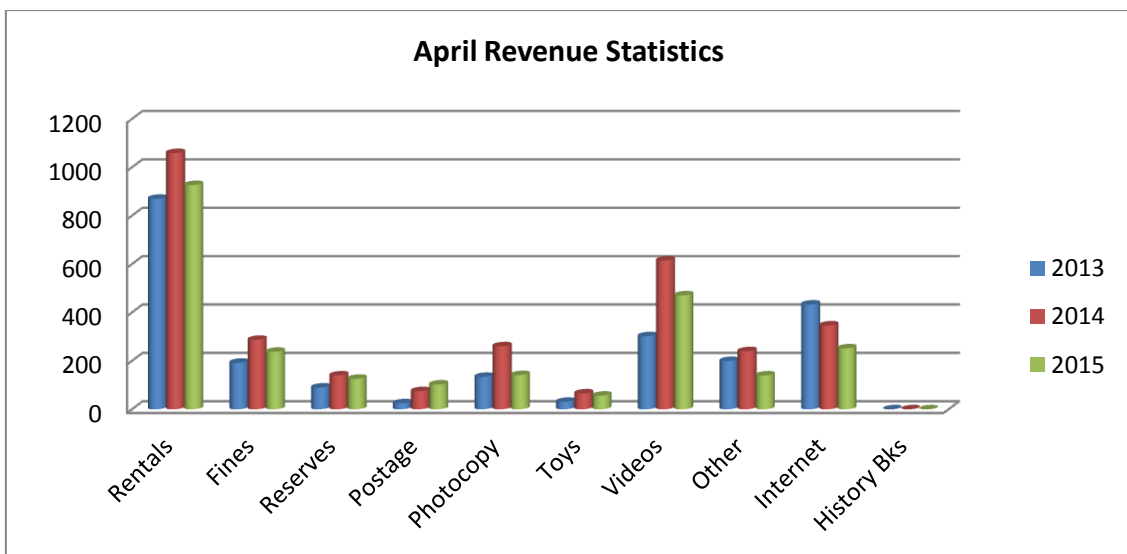
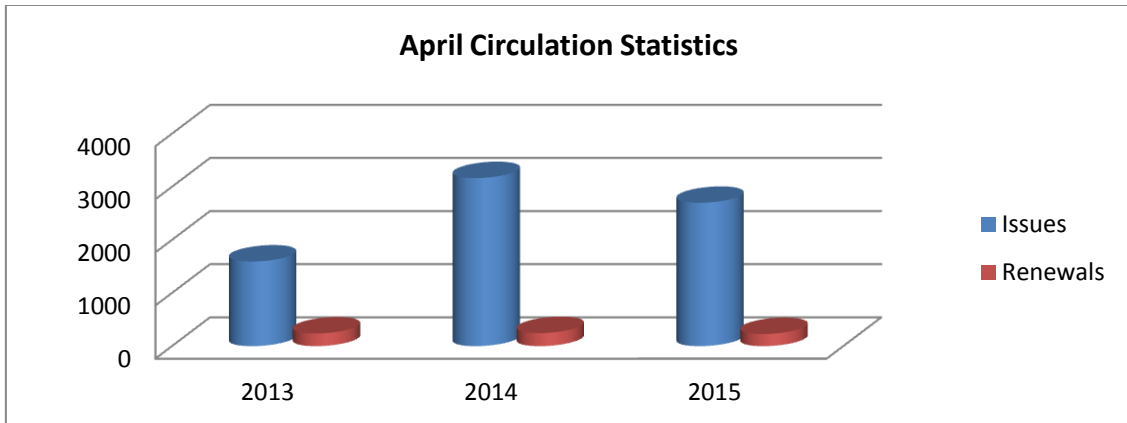
Consultancy	Audit fees, legal advice and other consultancy
Contractors	Contractual maintenance (roads, water, sewer, parks & reserves)
ECan distribution	Environment Canterbury's share of the MRF capital distribution
Environmental	Landfill & recycling, litter, environmental health, biodiversity
Grants & 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, cleaning, electricity, postage, printing, rates, stationery, subscriptions, telecommunications, valuation fees, etc
Operational expenses	Equipment repairs & maintenance, signage, 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

- The library resumed winter hours from 5th April 2015, closing at 5.30pm Friday evenings.
- 3 fire extinguishers checked by Fire Spec on the 8th April 2015.
- Evaluation of the building carried out on the 20th April 2015.
- The earthquake on Friday 24th April caused a temporary evacuation of the library building, once safe to enter items were checked then library resumed normal duties to the public.

Collection Development

- Teen's collection weeded with outdated material withdrawn.
- Display at the library for Children's and Teen's over the school holidays, which ran from the 2nd-20th April 2015.

- Display at the library for ANZAC Day, which ran from the 10th-25th April 2015.

Class Visits

- Adult Learning Centre enjoyed 7 visits 7th, 13th, 14th, 16th, 21st, 24^h & 28th April 2015.

Technology

- New monitor donated by Jill and George Boyd for children's game public computer on the 17th April 2015.
- Kyle from Hurunui IT support visited on the 16th April 2015.

Author: District Planner
Endorsed by the Chief Executive Officer