

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY
21 MAY 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 15*
- *Statement of Financial Position*
- *Statement of Financial Performance*
- *Corporate Services Budget Report* *page 28*
- *Library Report* *page 29*

4. Urgent Business

Finance Report

Statement of Financial Position

The main movements in the balance sheet have been the ongoing capital work – mainly for the new Civic building. Cash has reduced, property assets have increased, and the amount held in special funds (equity) for the project has also reduced. Other than these transactions, there are only minor differences between this month's report and that of March.

Statement of Comprehensive Income

The ten months to the end of April have produced an operating surplus of over \$1.4m, almost \$1m ahead of budget. The key items are \$575k grant revenue for the sewerage project, \$590k in prior year development contributions transferred from liabilities to revenue, and \$374k in Marlborough Regional Forestry distributions.

Personnel expenses are well under budget, and financing expenses are lower than forecast because we haven't needed the Civic Centre loan yet. "Other expenses" are \$151k over budget, the bulk of which is attributable to road maintenance (which is a reprioritisation of maintenance vs. capital work), plus unbudgeted support for the GODZone event which had been agreed to in the 2012/13 tourism budget and was funded from the carryover of the surplus in the 2012/13 tourism fund. Other variances are explained in more detail (by activity) below.

Statement of Activity Performance

Income Variances:

Income is up on budget by \$947k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Down \$50,033	Timing of NZTA claims.
Sewerage	Up \$597,335	Grant funds for the sewer upgrade (this project was not provided for in the Long Term Plan budget)
Community Facilities	Up \$151,742	Development contribution revenue for the Museum building (\$590k), offset by the \$400k grant funds budgeted for but yet to be received
Commercial Activities	Up \$360,905	Capital distributions just keep coming from the Marlborough Regional Forestry venture, with \$373,750 received for the year.
Safety & Wellbeing	Down \$47,609	Timing of grants for Strengthening Families, and only minor subsidies received for Land Transport Safety projects.
Interest revenue	Down \$62,542	No sinking funds and over-estimated forecasts.
Other	Down \$17,252	This is bad debts written off – we have changed the way this is reported (in prior years it was disclosed within each group of activities)

Expenditure Variances:

Expenditure is under budget by \$48k overall and the main reasons follow.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Over \$54,441	Roading maintenance work is well over budget, particularly seal and drainage maintenance.
Sewerage	Under \$73,394	Maintenance, depreciation and loan interest less than forecast.
Community Facilities	Under \$79,811	Delays in the Civic Centre project mean the loans are yet to be drawn, depreciation yet to apply, etc.
Commercial Activities	Over \$46,301	Payment to Environment Canterbury for their share of the Marlborough Regional Forestry distributions.
Leadership & Governance	Over \$62,458	Additional corporate personnel, plus overspends in printing, postage, audit fees, subscriptions, etc.
Regulation & Control	Under \$58,828	Less staff time allocated to resource consents, fewer consultancy costs for consent processing, etc, and fewer staff involved in building consents than budgeted.
Safety & Wellbeing	Under \$42,463	Minimal costs for Land Transport Safety, and also for Family Violence coordination, mainly due to gaps in projects due to staffing.
District Development	Over \$43,379	Financial support for the GODZone event using carry over funds from Tourism (surplus prior to handover to KITI)

Almost all activities are showing minor ups and downs against budget for the period, but for simplicity only those variances greater than \$40k are explained.

Statement of Cash Flows

Cash has decreased for the ten month period by \$477k. Comparison with the same time last year shows that rates receipts are up a little – in part due to rate increases, but also due to a good take up of people paying by direct debit. Receipts from other revenue are particularly high compared to last year, thanks to the sewerage grant plus funds from the Marlborough Regional Forestry. Under Investing Activities, the sinking funds paid out to us in July last year are clearly shown. Purchase of property includes the Civic Centre work. In Financing, we are still reducing our debt – until such time as the loans for the new building start to be drawn down.

Capital Expenditure

As mentioned in explanations for variances in Roothing expenditure, roading work has been widely reprioritised meaning more has been spent on maintenance and less on capital work than had been forecast. This is most noticeable under pavement rehabilitation and minor safety improvements, where only 2% of budget has been spent. Notwithstanding this, the reseals and seal extension work did continue in April (prior to the floods and slips). Construction of the Civic Centre is ongoing, and a new Pay & Display machine was installed in the West End Carpark to replace the oldest one.

Income & Expenditure (Monthly)

This graph clearly highlights the sewerage subsidy invoiced to MBIE in December. It is pleasing to see that income has exceeded expenditure for seven of the ten months to date.

Working Capital & Liquidity

Working capital is expected to reduce as we approach the end of the financial year, due to rates instalments being received. Liquidity is comfortable at 4.6:1 (meaning there is \$4.60 available for every \$1 we owe within the next 12 months).

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) only make up 54% of total revenue for the year to date (normally around 65%), because other revenue types (development contributions and grant revenue) are proportionally much higher this year. User fees and charges are currently less than 14% of total income.

We are spending almost the same amount on capital work as we are on general operating expenses. Loan principal payments reflect the extent to which loans have been repaid as they mature, using the sinking fund balances and any surplus funds set aside in reserves.

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 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 APRIL 2014

	BUDGET to year end \$	ACTUAL 30/04/14 \$	ACTUAL 30/04/13 \$
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	2,636,611	4,220,687	3,983,184
Trade & Other Receivables	950,992	2,261,409	2,053,120
Prepayments & Inventory	71,111	61,332	77,598
Other Financial Assets	399,852	-	300,979
GST Refundable	14,400	-	-
Non-Current Assets held for sale	-	1,853,000	-
Total Current Assets	4,072,966	8,396,428	6,414,881
<i>Non-Current Assets</i>			
Other Financial Assets	742,583	3,036	421,006
Forestry Assets	2,583,334	2,516,407	2,015,957
Investment Property	3,841,000	1,380,163	3,850,000
Property, Plant & Equipment	170,179,840	158,662,668	150,841,228
Total Non-Current Assets	177,346,757	162,562,274	157,128,190
TOTAL ASSETS	181,419,723	170,958,702	163,543,072
LIABILITIES			
<i>Current Liabilities</i>			
Trade & Other Payables	1,029,513	1,298,993	875,286
Employee Liabilities	-	109,774	164,728
Borrowings – Current	2,148,847	1,185,000	1,398,540
Provisions	-	-	35,887
Total Current Liabilities	3,178,360	2,593,766	2,474,442
<i>Non-Current Liabilities</i>			
Provisions	-	41,711	99,521
Borrowings – Non Current	6,219,606	5,460,000	4,705,000
Other Term Debt	248,912	327,217	798,419
Total Non-Current Liabilities	6,468,518	5,828,928	5,602,940
EQUITY			
Public Equity	85,653,996	90,208,677	88,169,055
Asset Revaluation Reserve	84,737,637	69,334,577	63,713,521
Special Funds & Reserves	1,381,212	2,992,754	3,583,113
Total Equity	171,772,845	162,536,008	155,465,689
TOTAL LIABILITIES & EQUITY	181,419,723	170,958,702	163,543,072

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 APRIL 2014

	BUDGET 30/04/14 \$	ACTUAL 30/04/14 \$	ACTUAL 30/04/13 \$
REVENUE			
Rates Revenue	4,229,064	4,224,042	4,051,729
Water Meter Charges	85,444	67,912	105,448
User Fees & Charges	996,770	1,064,476	1,016,571
Grants & Subsidies	1,025,216	1,131,003	432,743
Development Contributions	87,314	658,619	11,047
Interest Revenue	151,170	88,628	90,325
Other Revenue ¹	114,614	401,879	195,371
Gains	-	-	-
Total Revenue	6,689,592	7,636,558	5,903,234
EXPENSES			
Personnel	1,558,478	1,440,352	1,527,295
Depreciation	1,546,914	1,531,000	1,413,465
Financing Expenses	428,564	364,259	352,944
Other Expenses	2,730,605	2,881,404	2,946,664
Losses	-	-	-
Total Expenses	6,264,561	6,217,014	6,240,368
Operating Surplus/(Deficit)	425,031	1,419,544	(337,134)
OTHER COMPREHENSIVE INCOME			
Gains/(Losses) on asset revaluation	-	-	-
Financial assets at fair value through equity	-	-	-
ECAN share of MRF profit/loss	-	-	-
Total Other Comprehensive Income	-	-	-
TOTAL COMPREHENSIVE INCOME	425,031	1,419,544	(337,134)

¹ Other Revenue includes forestry logging sales, Marlborough Regional Forestry joint venture revenue, and petrol tax

STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 30 APRIL 2014

	BUDGET 30/04/14 \$	ACTUAL 30/04/14 \$	ACTUAL 30/04/13 \$
REVENUE			
Roading	1,148,700	1,098,667	816,733
Water Services	652,646	664,057	696,613
Sewerage	466,362	1,063,697	528,353
Stormwater	87,675	88,315	94,990
Refuse & Recycling	136,096	114,023	106,764
Community Facilities	840,735	992,477	374,561
Commercial Activities	564,052	924,957	605,942
Leadership & Governance	31,864	40,440	44,372
Regulation & Control	292,797	295,145	286,055
Safety & Wellbeing	206,764	159,155	197,592
District Development	287,301	300,821	317,188
Interest Revenue	151,170	88,628	90,325
General Rates	1,823,430	1,823,430	1,743,749
Other	-	(17,252)	-
	6,689,592	7,636,558	5,903,234
EXPENDITURE			
Roading	1,254,005	1,308,446	1,337,144
Water Services	828,756	855,200	779,973
Sewerage	617,352	543,958	549,025
Stormwater	113,323	92,750	101,851
Refuse & Recycling	325,675	307,164	333,236
Community Facilities	1,030,189	950,378	974,120
Commercial Activities	328,593	374,894	399,021
Leadership & Governance	469,559	532,017	382,901
Regulation & Control	535,142	476,314	597,488
Safety & Wellbeing	361,774	319,311	400,300
District Development	394,363	437,742	376,013
Other	5,830	18,839	9,295
	6,264,561	6,217,014	6,240,368
Activity Surplus/(Deficit)	425,031	1,419,544	(337,134)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 APRIL 2014

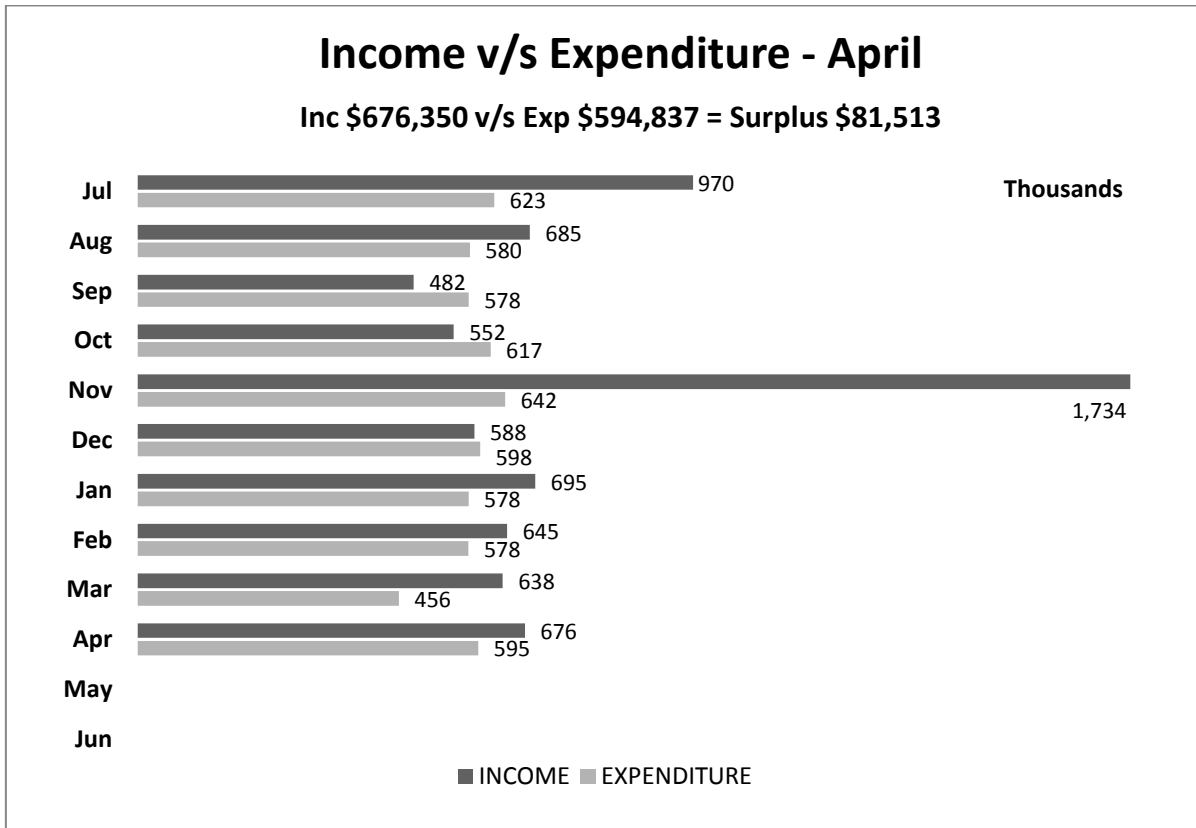
	BUDGET to year end \$	ACTUAL 30/04/14 \$	ACTUAL 30/04/13 \$
OPERATING ACTIVITIES			
Receipts from Rates	4,399,971	3,967,297	3,414,049
Interest Received	181,401	88,628	90,325
Receipts from Other Revenue	3,199,521	3,243,671	2,193,827
Payments to Employees & Suppliers	(5,089,932)	(4,559,907)	(4,680,275)
Interest Paid	(502,563)	(364,259)	(352,944)
Net Cash from Operating Activities	2,188,398	2,375,430	664,982
INVESTING ACTIVITIES			
Proceeds from Sale of Assets	-	-	-
Sinking Funds & Deposits Received	634,260	776,449	177,860
Purchase of Property, Plant & Equipment	(5,939,531)	(3,499,903)	(1,416,558)
Purchase of Forestry Assets	-	-	-
Purchase of Investment Property	-	-	-
Payments into Sinking Funds & Term Deposits	(568,789)	-	(154,106)
Net Cash from Investing Activities	(5,874,060)	(2,722,454)	(1,392,804)
FINANCING ACTIVITIES			
Proceeds from Borrowing	4,120,817	1,270,000	1,333,000
Repayment of Borrowings	(2,615,077)	(1,400,000)	(1,706,000)
Net Cash from Finance Activities	1,505,740	(130,000)	(373,000)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(2,179,922)	(477,024)	(1,100,822)
CASH AT BEGINNING OF THE YEAR	5,816,533	4,697,711	5,082,824
CASH AT END OF THE PERIOD	2,636,611	4,220,687	3,982,003

CAPITAL EXPENDITURE

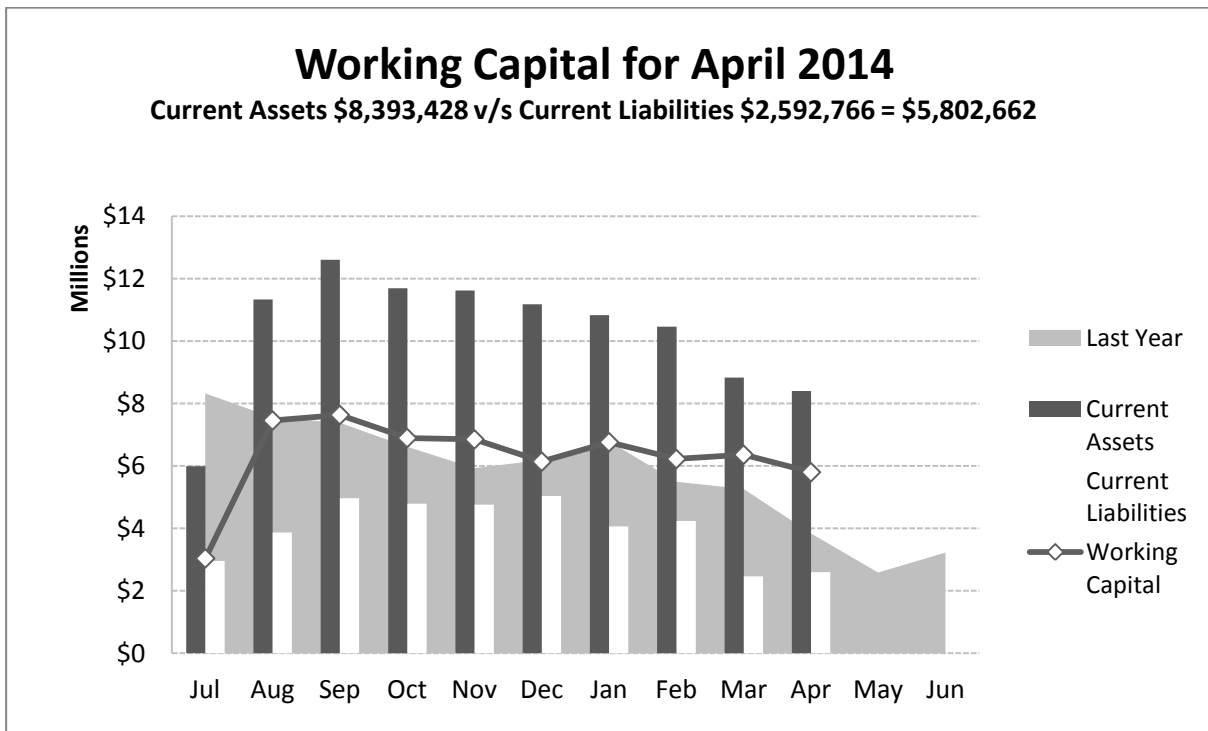
FOR THE PERIOD ENDED 30 APRIL 2014

	BUDGET (PROJECT) (\$)	ACTUAL 30/04/14 (\$)	ACTUAL vs BUDGET (%)	PROJECT STATUS
Unsealed Pavement Renewals	55,000	16,921	31%	
Sealed Pavement Renewals	410,000	367,010	90%	In progress
Drainage Renewals	45,000	58,436	130%	
Pavement Rehabilitation	95,000	2,256	2%	
Structures/Component Renewals	-	12,233	xxx	
Traffic Service Renewals	25,000	8,188	33%	
Roading Improvements	7,000	-	-	
Minor Safety Improvements	52,000	842	2%	
Seal Extensions Unsubsidised	100,000	82,074	82%	In progress
Footpath Renewals	26,676	1,650	6%	
Streetlights	24,061	-	-	
Kaikoura Urban Water Renewals	50,000	27,985	56%	
Kaikoura Urban New Reservoir	-	29,666	xxx	
East Coast Water Renewals	10,657	1,900	18%	
Kincaid Water Renewals	14,546	-	-	
Sewer Reticulation Renewals	1,829,400	1,503,539	82%	Completed
Sewer Pump Station Renewals	-	6,784	xxx	
Sewer New Pump Station	1,143,000	1,299,686	114%	Completed
Stormwater Reticulation Renewals	-	13,542	xxx	
Stormwater Upgrade	5,000	4,980	99%	
Book Purchases	32,772	14,273	44%	In progress
Non-Book Purchases	1,200	2,634	219%	In progress
Planting, Pruning & Thinning	4,227	-	-	
Office Furniture & Equipment	10,000	14,874	149%	Completed
Coastal Management Strategy	40,900	-	-	
Replacement Vehicles	18,118	-	-	
New Public Toilets	30,000	-	-	
Pay & Display Machine	12,000	14,079	117%	Completed
Council Office Renewal Expense	5,760	-	-	
Museum/Library/Council Office	4,400,000	2,111,343	48%	In progress
TOTAL CAPITAL EXPENDITURE	8,447,317	5,594,895		

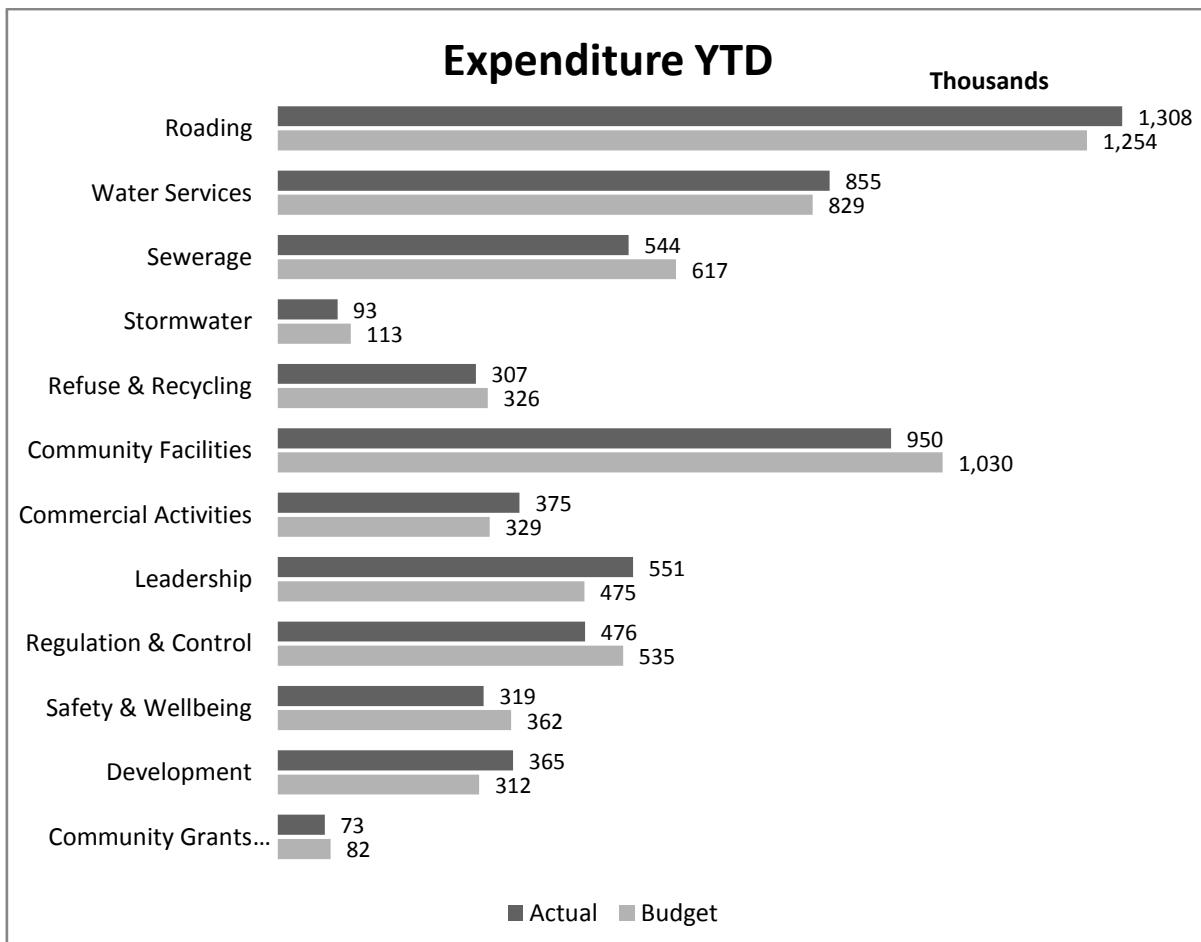
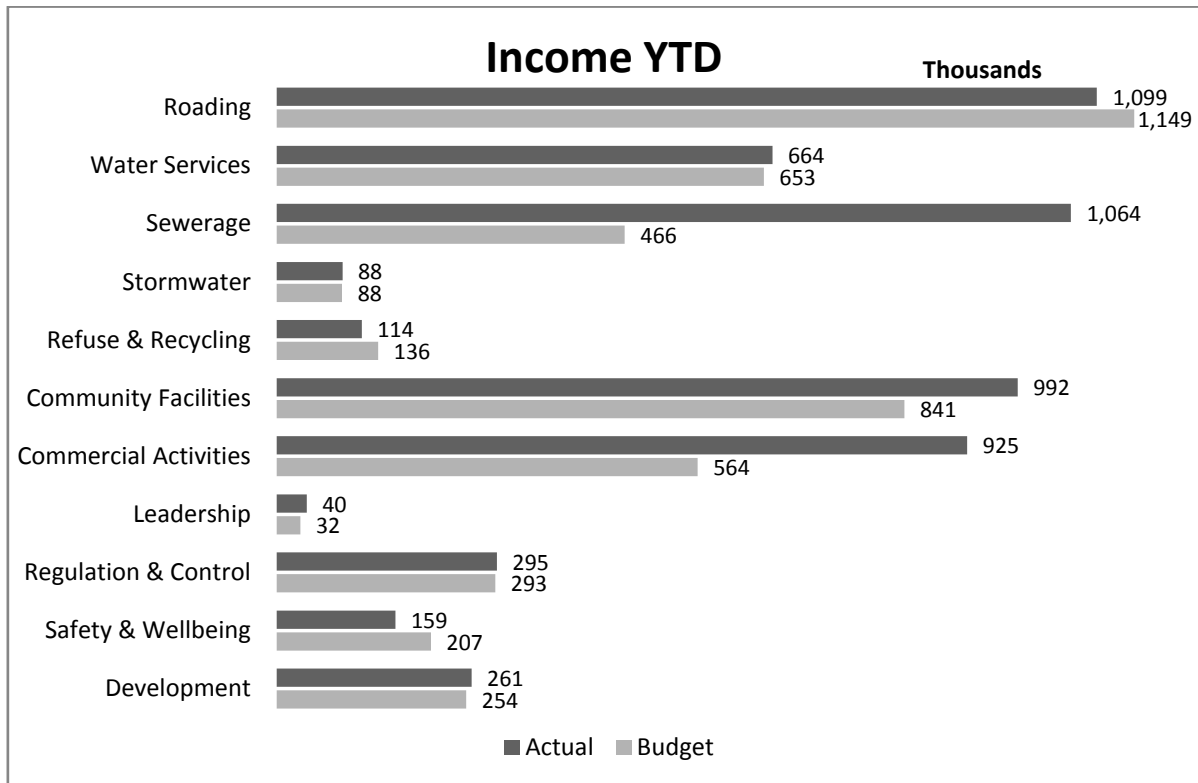
INCOME AND EXPENDITURE 2013/2014



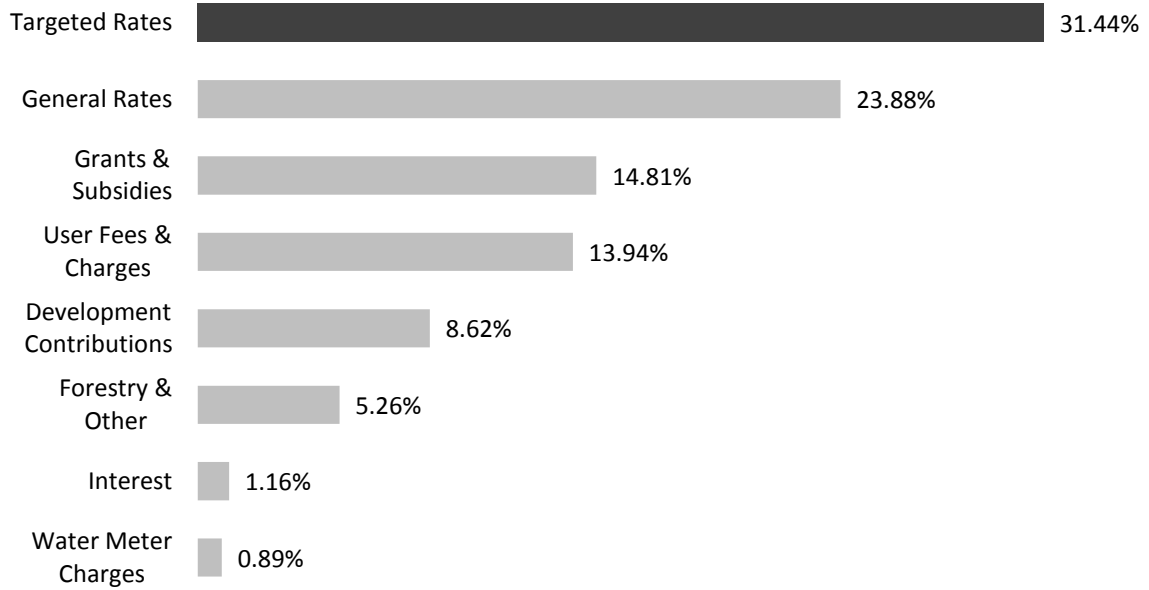
WORKING CAPITAL TO 2013/2014



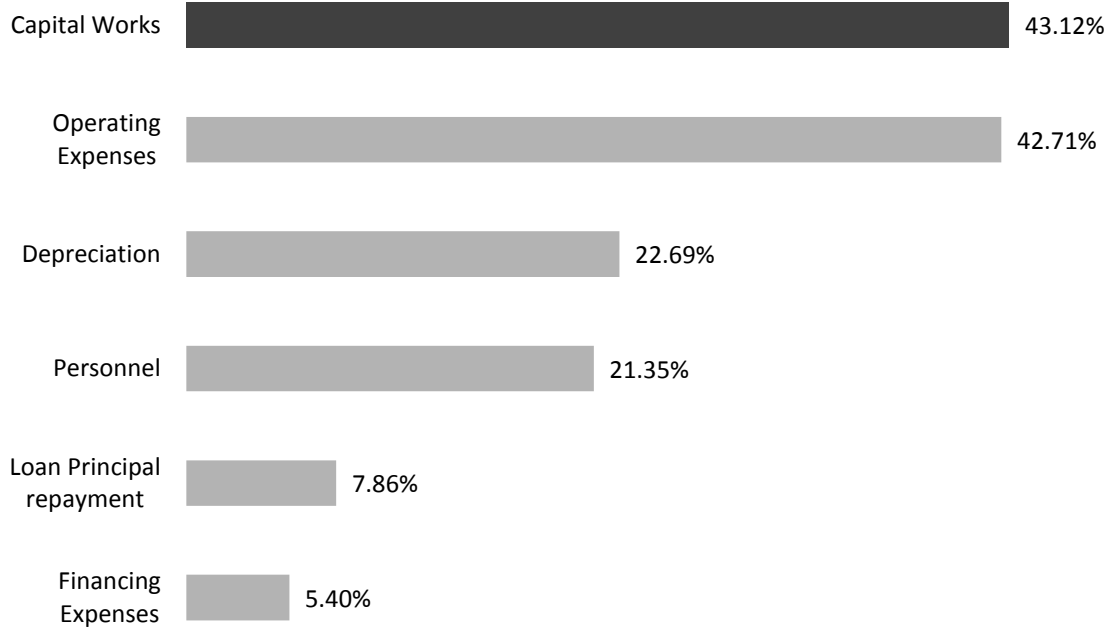
BUDGET PERFORMANCE TO 30 APRIL 2014



Income YTD

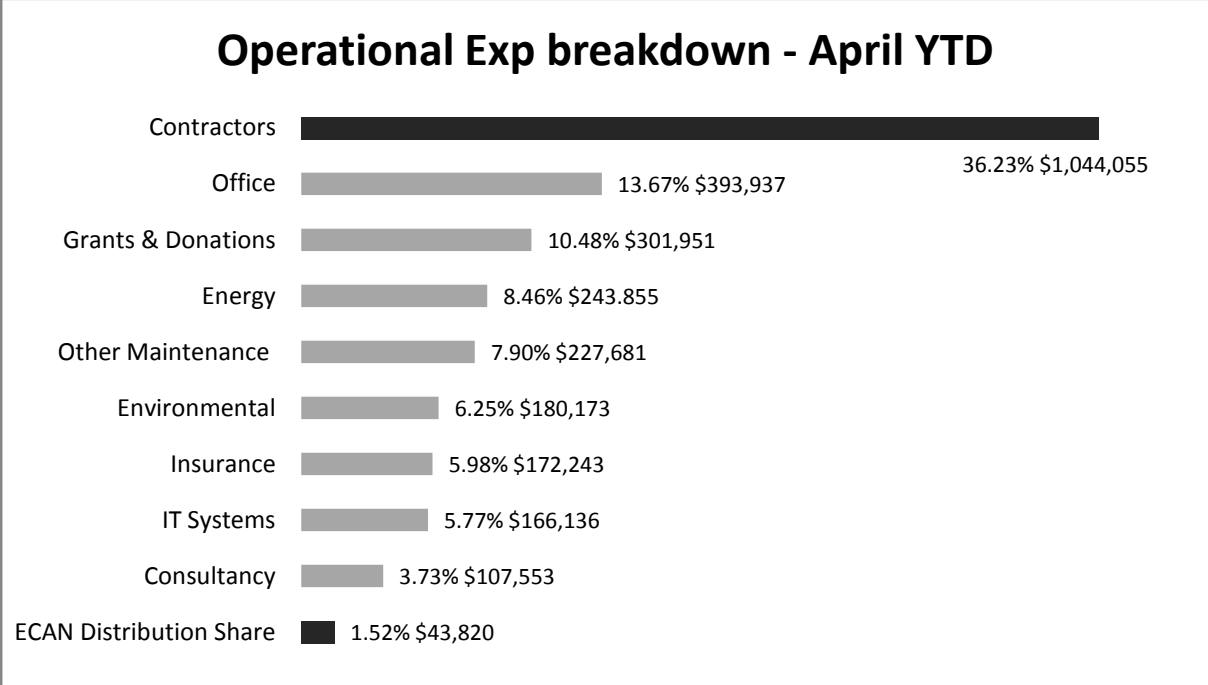


Expenditure YTD

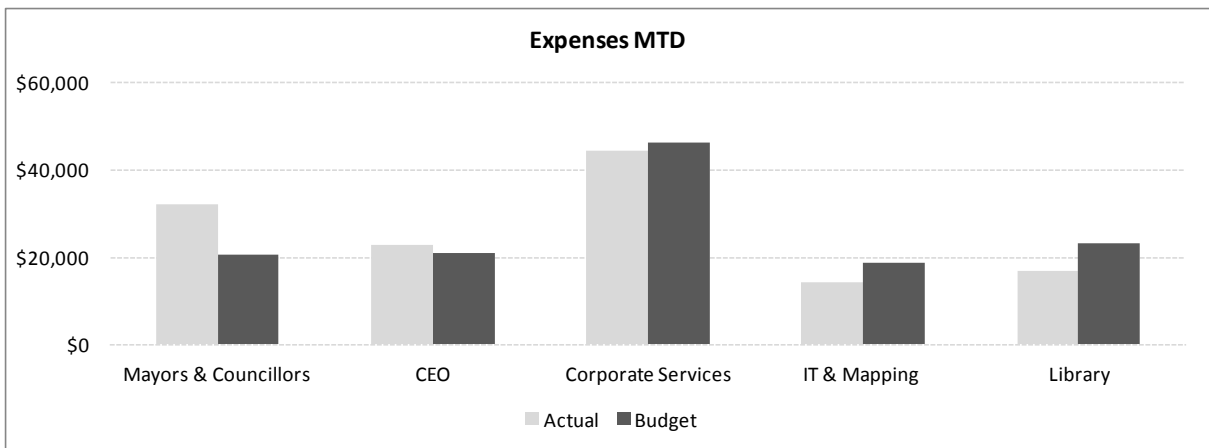
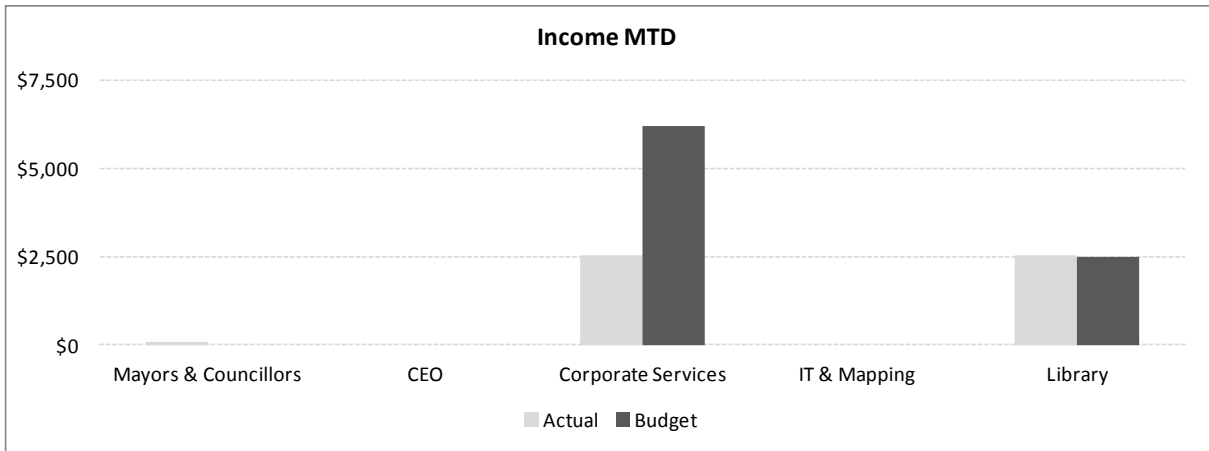


OTHER EXPENSES

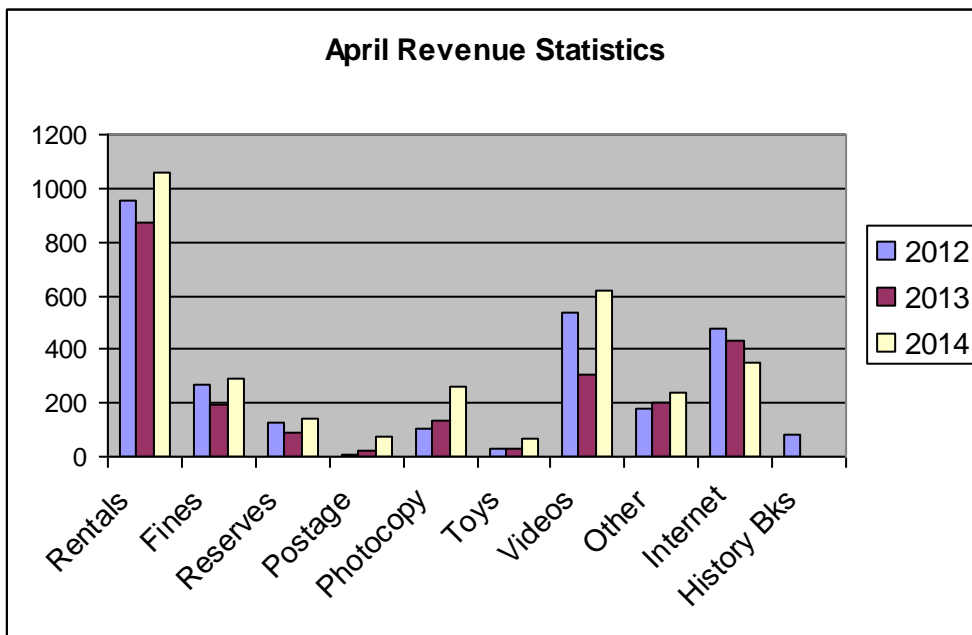
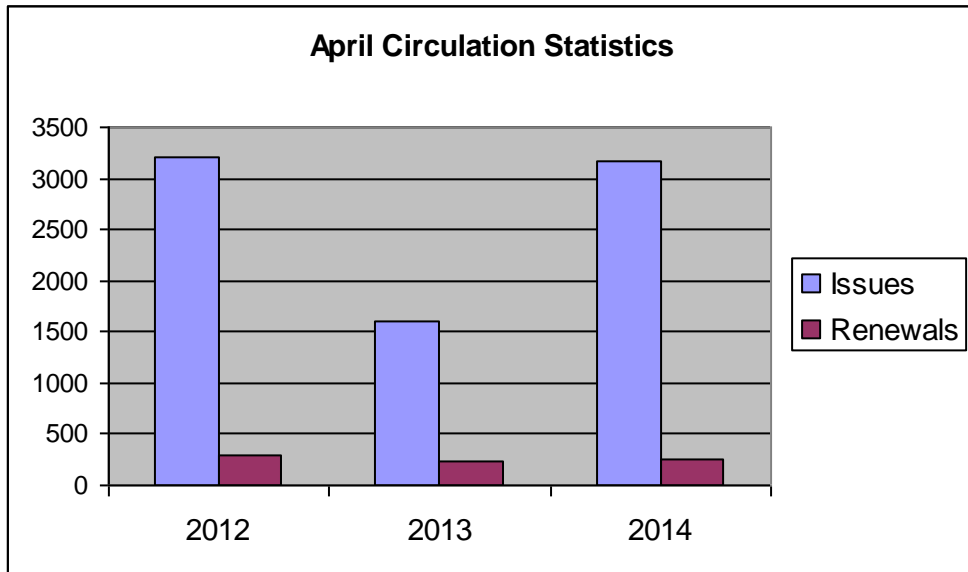
The following is a proportional breakdown of the \$2,881,404 shown as "Other Expenses" in the Statement of Comprehensive Income.



Corporate Services Budget Report



Library Report



Note: The library was closed to the public from 22nd April to 5th May 2013 while it continued to relocate to temporary location at Harakeke Mall.

Administration

- ◆ The library resumed winter hours from 6th April, closing at 5.30pm Friday evenings.

Collection Development

- ◆ Display at the library for Children's & Teens over the school holidays, which ran from the 14th April to 3rd May 2014
- ◆ Display at the library for ANZAC Day, which ran from the 21st to 26th April.

Class Visits

- ◆ Adult Learning Centre enjoyed 3 visits 3rd, 10th & 11th April 2014.

Technology

- ◆ Brendon from Hurunui IT support visited on the 17th April completing some checks on the public computers.

Author: District Librarian
Endorsed by the Chief Executive Officer