

**FINANCE AND POLICY COMMITTEE MEETING HELD ON WEDNESDAY
16 SEPTEMBER 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 35*
- ◆ *Library Report* *page 36*

4. Minutes Action and Issues List Update

MEETING	ACTION REQUIRED	BY	ACTION
Finance	Breakdown of contractors on Other Expenses Report	Finance Manager	In progress.
Finance	Add public toilets to the capital expenditure report.	Finance Manager	Included in report.

5. Urgent Business

Finance Report

Statement of Financial Position

Cash balances continue to decrease – the first payment has been made to the Canterbury District Health Board, of \$625k, and that was paid before our loan documentation was drawn up, so we used all available cash and to date have borrowed \$550k as a cash advance. The loan facility was finalised early September, but no loan has been drawn on the new facility yet.

The Clarence forest has been sold to the landowner; our forestry holdings are now only the South Bay forest and our share of the Marlborough Regional Forestry joint venture.

Statement of Comprehensive Income

Two months into the financial year we have an operating deficit of \$277k, noting that the grant to the CDHB of \$625k is an operating expense. User fees and charges are up overall on budget, but only small amounts across several activities. Interest revenue shows as a negative (this is an accrual adjustment from end of financial year), and water meter charges are also negative due to write-offs and corrections from meter readings at the end of June. Other variances are explained below.

Statement of Activity Performance

Income Variances:

Income is down on budget by \$55k overall. The main variances are:

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Up \$42,179	Subsidies and cost recoveries from NZTA
Water services	Down \$86,272	Budget includes water meter readings, which have been accrued into previous financial year

Expenditure Variances:

Expenditure is over budget by \$390k overall, with the main variances as below.

<i>Activity</i>	<i>Variance</i>	<i>Main Reason</i>
Roading	Under \$37,847	Timing of maintenance work.
Sewerage	Under \$28,970	Timing of maintenance work – exacerbated by Innovative Waste three waters work not currently coded into cost centres correctly (the entire two months work to date is coded against Kaikoura Urban water maintenance pending an accurate split of costs).
Community Facilities	Under \$55,843	Timing of maintenance work.
Leadership & Governance	Under \$57,725	Timing of audit fees, insurance, and other expenses relative to budget
Hospital	Over \$625,000	Timing of grant payment (not expected to be required until December)

Statement of Cash Flows

Cash has decreased by \$992k, reflecting significant payments including the grant to the CDHB. The Clarence forestry has been sold. A cash advance totaling \$550k has been required to meet short term cash obligations – this will be repaid in full around 20 September.

Capital Expenditure

The drainage culverts on Mt Fyffe Road have been renewed, and a new generator has been purchased as an emergency power backup for our sewer pumps. The Civic Centre project has now topped \$5million – although I anticipate a further write-off of insurance losses is due to be made soon.

Income vs. Expenditure

Expenditure exceeded income for August – due to the payment to the CDHB.

Working Capital & Liquidity

Working capital is already starting its downward trend, as cash balances and rates receivables reduce over the year.

Liquidity is 5.58:1, meaning there is \$5.58 worth of cash – or assets that can quickly be converted into cash – for every \$1.00 of liabilities that need 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. The line at the very bottom of the graph shows the payment to the CDHB, with budget of zero because we weren't expecting to be called upon for this payment until later this year.

Income & Expenditure Types

Rates (targeted plus general rates) make up 59% of total revenue so far this year, and user fees and charges currently make up 28%.

Operating expense is over 53% of total expenses – somewhat distorted by the CDHB payment.

Other Expenses

I apologise – once again the reporting system is broken and I have been unable to provide this report.

Recommendation: It is recommended that the Finance Report be received.

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 AUGUST 2015

FINANCIAL STATEMENT MEASURES

OPERATING RESULT

operating surplus/(deficit)

-\$277k

\$445k unfavourable v/s year-to-date budget of \$169k
\$498k unfavourable v/s last year actual of \$221k

OPERATING COSTS

costs to deliver existing levels of service

\$1.81m

\$390k unfavourable v/s year-to-date budget of \$1.42m
\$570k unfavourable v/s last year actual of \$1.24m

TOTAL EXTERNAL DEBT

total borrowings from bank

\$6.74m

\$1,052k favourable v/s full year budget of \$7.8m
\$228k unfavourable v/s last year actual of \$6.5m

INTEREST ON DEBT

cost to service debt

\$52k

\$12k favourable v/s year-to-date budget of \$64k
\$15k favourable v/s last year actual of \$66k

CAPITAL EXPENDITURE

cost of new &/or replacement of assets

\$0.50m

\$0.2m favourable v/s year-to-date budget of \$0.7m
\$0.0m favourable v/s last year actual of \$0.5m

DEVELOPMENT CONTRIBUTIONS

received for district growth

\$0.0k

\$13.9k unfavourable v/s year to date budget of \$14k
\$12k unfavourable v/s last year actual of \$12k

LONG TERM PLAN MEASURES

DEBT AFFORDABILITY BENCHMARK

financing expenses as a % of rates

5.6%

14.4% favourable v/s council approved limit of 20.0%
1.9% favourable v/s last year actual of 7.6%

EBID

earnings before interest and depreciation

\$0.07m

\$475k unfavourable v/s year-to-date budget of \$0.55m
\$513k unfavourable v/s last year actual of \$0.58m

BALANCED BUDGET BENCHMARK

revenue equal or greater than expenses

85%

15% unfavourable v/s council benchmark of 100%
33% unfavourable v/s last year actual of 118%

LONG TERM DEBT TO EQUITY

debt as a % of equity

3.32%

0.33% favourable v/s full year budget of 3.65%
0.35% unfavourable v/s last year actual of 2.97%

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2015

	BUDGET to year end \$	ACTUAL 31/08/15 \$	ACTUAL 31/08/14 \$
ASSETS			
<i>Current assets</i>			
Cash & cash equivalents	2,909,790	2,325,728	2,838,444
Trade & other receivables	1,077,377	7,311,917	6,962,053
Prepayments & inventory	98,200	63,544	57,691
Other financial assets	-	-	-
GST refundable	-	-	-
Non-current assets held for sale	-	1,025,000	1,853,000
Total current assets	4,085,367	10,726,189	11,711,187
<i>Non-current assets</i>			
Other financial assets	-	1,934	3,036
Forestry assets	2,583,334	2,160,709	2,627,516
Investment property	2,408,000	1,330,000	1,385,000
Property, plant & equipment	167,063,468	161,197,190	159,140,255
Total non-current assets	172,054,802	164,689,833	163,155,807
TOTAL ASSETS	176,140,169	175,416,022	174,866,995
LIABILITIES			
<i>Current liabilities</i>			
Trade & other payables	1,400,004	1,515,024	1,636,040
Employee liabilities	100,000	181,677	195,150
Borrowings - current	1,985,309	2,644,610	2,602,000
Total current liabilities	3,485,313	4,341,311	4,433,190
<i>Non-current liabilities</i>			
Provisions	-	390,509	41,657
Borrowings - non current	8,191,882	4,093,730	3,908,000
Other term debt	564,606	976,988	925,279
Total non-current liabilities	8,756,488	5,461,227	4,874,937
EQUITY			
Public equity	80,415,371	93,778,943	93,401,850
Asset revaluation reserve	81,427,688	69,333,563	69,317,174
Special funds & reserves	2,055,309	2,500,979	2,839,845
Total equity	163,898,368	165,613,485	165,558,869
TOTAL LIABILITIES & EQUITY	176,140,169	175,416,022	174,866,995

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 AUGUST 2015

	BUDGET 31/08/15 \$	ACTUAL 31/08/15 \$	ACTUAL 31/08/14 \$
REVENUE			
Rates revenue	916,006	916,006	867,444
Water meter charges	81,000	(2,399)	8,035
User fees & charges	395,412	436,437	392,270
Grants & subsidies	127,792	145,582	122,462
Development contributions	13,943	-	12,081
Interest revenue	9,382	(3,902)	20,336
Other revenue ¹	47,852	44,810	32,739
Total revenue	1,591,387	1,536,534	1,464,368
EXPENSES			
Personnel	294,876	218,784	308,670
Depreciation	314,996	296,926	296,926
Financing expenses	63,622	51,651	66,278
Grants paid out	33,511	657,500	30,000
Other expenses	715,780	588,361	541,168
Total expenses	1,422,785	1,813,222	1,243,042
Operating surplus/(deficit)	168,602	(276,688)	221,326
OTHER COMPREHENSIVE INCOME			
Gains/(losses) on revaluation	-	-	-
Vested assets	-	-	-
Ecan share of MRF profit/loss	-	-	-
Total other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	168,602	(276,688)	221,326

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

STATEMENT OF ACTIVITY PERFORMANCE

FOR THE PERIOD ENDED 31 AUGUST 2015

	BUDGET 31/08/15 \$	ACTUAL 31/08/15 \$	ACTUAL 31/08/14 \$
REVENUE			
Roading	195,430	237,609	225,351
Water services	206,523	120,251	125,371
Sewerage	96,372	92,918	93,188
Stormwater	20,356	21,748	19,918
Refuse & recycling	24,868	24,364	24,828
Community facilities	188,838	197,854	199,584
Commercial activities	193,848	200,814	194,332
Leadership & governance	6,450	6,165	6,860
Regulation & control	85,624	84,528	63,044
Safety & wellbeing	104,401	86,077	50,364
District development	68,785	77,598	60,382
Hospital	22,916	22,916	-
Interest revenue	9,382	(3,902)	20,336
General rates	367,594	367,594	380,810
	1,591,387	1,536,534	1,464,368
EXPENDITURE			
Roading	256,686	218,837	254,014
Water services	204,456	195,520	186,449
Sewerage	151,370	122,400	127,569
Stormwater	25,580	21,202	19,320
Refuse & recycling	65,390	62,188	58,522
Community facilities	267,832	211,989	204,606
Commercial activities	22,531	27,899	26,039
Leadership & governance	139,418	81,693	119,278
Regulation & control	118,440	90,485	91,489
Safety & wellbeing	85,266	68,212	80,932
District development	84,586	87,398	74,439
Hospital	-	625,000	-
Other	1,230	399	385
	1,422,785	1,813,222	1,243,042
Operating Surplus/(Deficit)	168,602	(276,688)	221,326

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2015

	BUDGET to year end \$	ACTUAL 31/08/15 \$	ACTUAL 31/08/14 \$
OPERATING ACTIVITIES			
Receipts from rates	5,512,259	333,821	363,161
Interest received	56,298	-	20,336
Receipts from other revenue	3,169,769	534,680	571,301
Payments to employees & suppliers	(8,559,436)	(2,185,448)	(1,654,079)
Interest paid	(541,208)	(51,651)	(66,278)
Net Cash from Operating Activities	(362,318)	(1,368,598)	(765,559)
INVESTING ACTIVITIES			
Sale of investment property	-	-	-
Sale of forestry	-	330,000	-
Purchase of property, plant & equipment	(2,150,515)	(495,528)	(529,351)
Purchase of forestry assets	-	-	-
Purchase of investment property	-	-	-
Payment into term deposits	-	-	-
Net Cash from Investing Activities	(2,150,515)	(165,528)	(529,351)
FINANCING ACTIVITIES			
Proceeds from borrowing	4,786,905	550,000	-
Repayment of borrowings	(2,403,095)	(7,720)	-
Net Cash from Finance Activities	2,383,810	542,280	-
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(129,023)	(991,846)	(1,294,910)
CASH AT BEGINNING OF THE YEAR	3,038,812	3,317,574	4,133,354
CASH AT END OF THE PERIOD	2,909,790	2,325,728	2,838,444

CAPITAL EXPENDITURE

FOR THE PERIOD ENDED 31 AUGUST 2015

Project	Budget	Actual	Percent	Status
ROADING				
Bridge replacement	90,000	-		
Reseals	100,000	-		
Unsealed road renewals	60,000	5,250	9%	More to come
Drainage renewals	50,000	45,840	92%	More to come
Pavement rehabilitation	100,000	-		
Traffic service renewals	9,356	-		
Safety improvements	50,000	318	1%	
Footpath renewals	500,000	-		Report required
Streetlights	27,644	-		
	987,000	60,099	6%	
WATER SUPPLIES				
Kaikoura reticulation renewals	80,000	1,883	2%	
Kincaid reticulation renewals	15,000	-		
Oaro water treatment	4,179	-		
	99,179	1,883	2%	Pending
SEWERAGE				
New generator	-	22,899	Xxx	
Renewals	40,000	-		
	40,000	22,899	57%	
STORMWATER				
Renewals	25,000	-		
Upgrades	-	-		
	25,000	-	-	
REFUSE & RECYCLING				
Landfill cell capping & aftercare	7,500	-		
	7,500	-	-	
COMMUNITY PROPERTIES				
Memorial hall upgrade	11,500	-		
Library books, CDs & DVDs	36,626	1,664	4%	
Coastal management strategy	20,000	-		
New public toilets*	30,000	-		
Pensioner flats	-	11,361	xxx	More to come
South Bay marina upgrade	170,000	-		
Swimming pool	200,000	-		
Civic Centre*	4,900,000	5,033,046	103%	More to come
	5,368,126	5,046,071	94%	

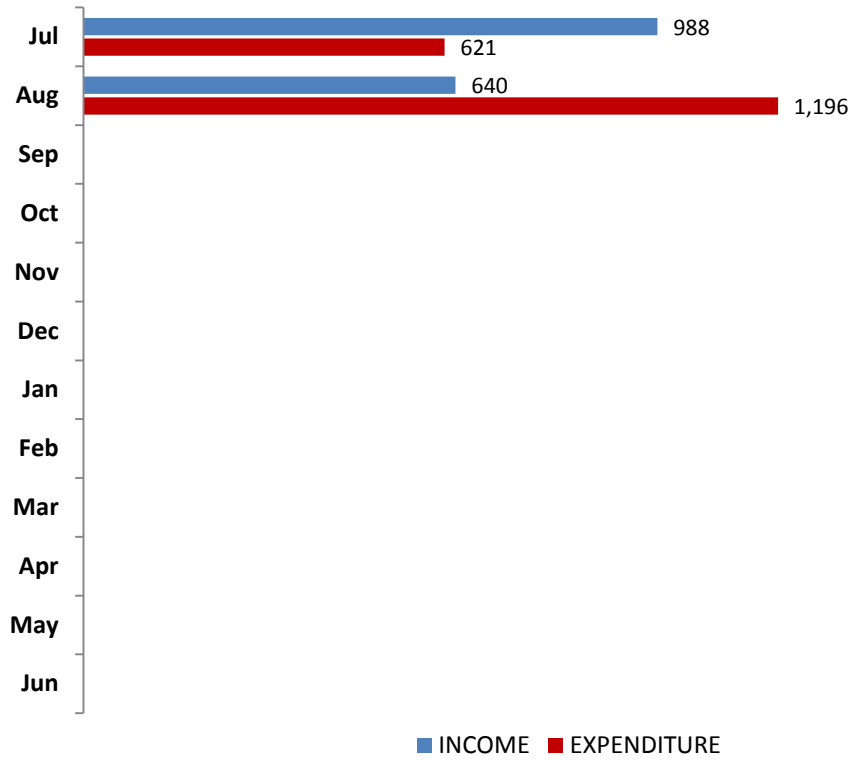
Project	Budget	Actual	Percent	Status
COMMERCIAL ACTIVITIES				
20 Beach Rd	-	-		
Forest pruning & thinning	4,464	-		
	4,464	-	-	
LEADERSHIP & GOVERNANCE				
Office furniture & equipment	10,000	11,973	120%	
Computer equipment	20,000	-		
Datacom Ozone project*	-	170,973	XXX	More to come
Vehicle replacement	20,000	-	-	
	50,000	182,946	365%	
TOTAL	6,581,269	5,313,897	81%	

* The Civic Centre, new public toilet, and Datacom Ozone projects have carried over from the 2014/2015 financial year, and are the accumulative value for both years.

Income v/s Expenditure - Aug 2015

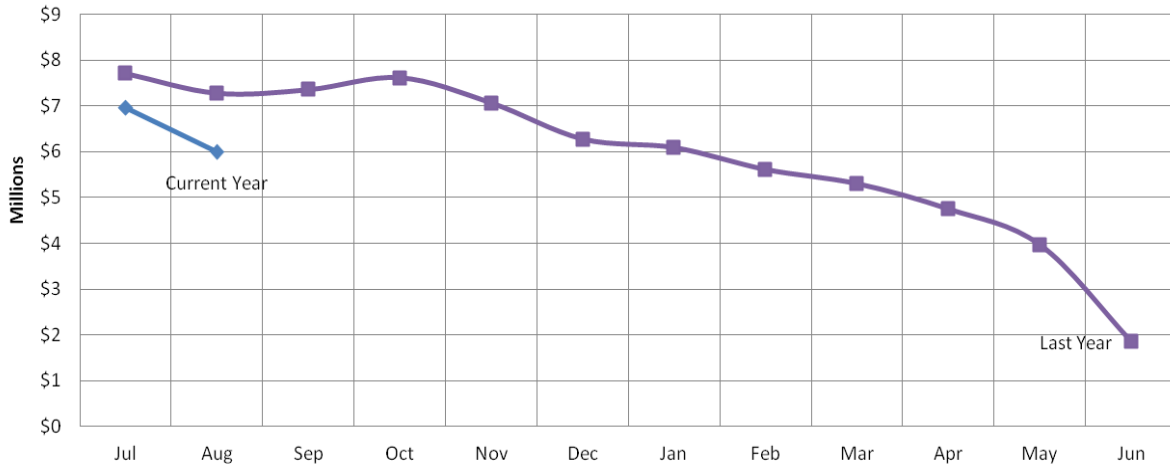
Inc \$640,301 v/s Exp \$1,195,522= Deficit \$555,221

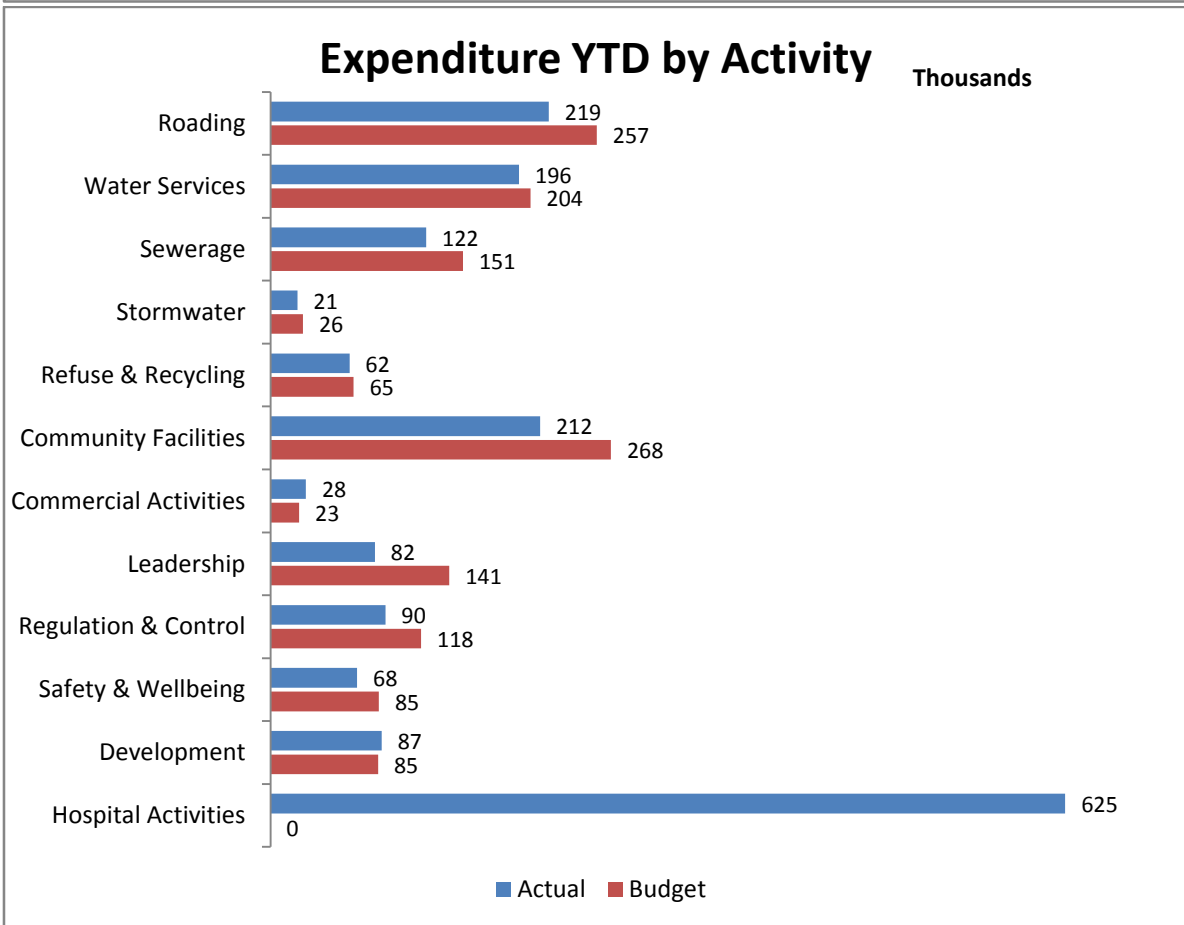
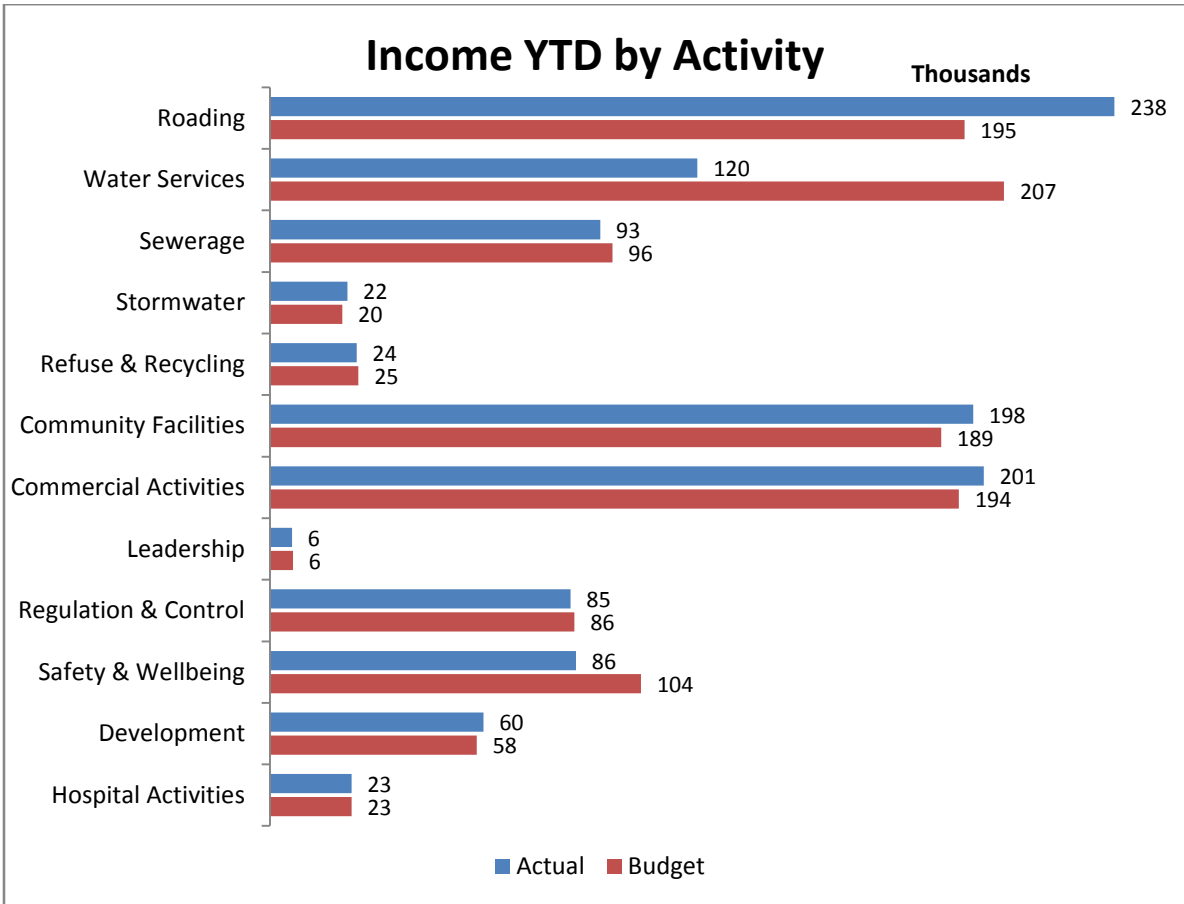
Thousands



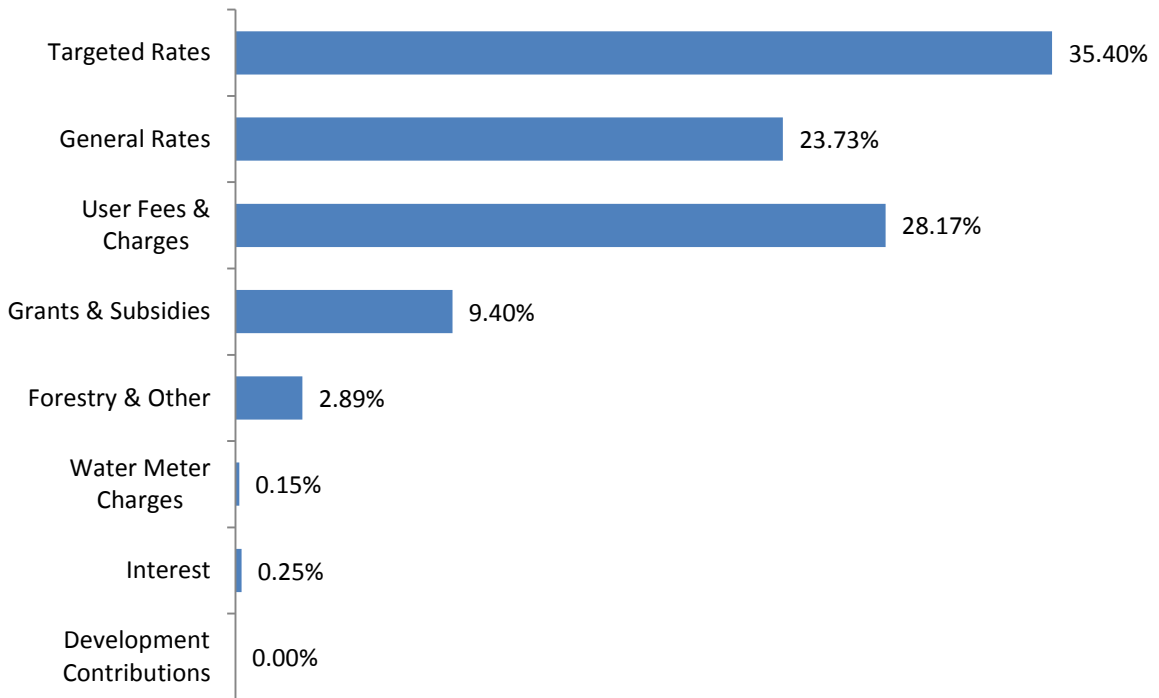
Working Capital - Aug 2015

Current year \$5,987,878 v/s \$7,277,997 Last Year

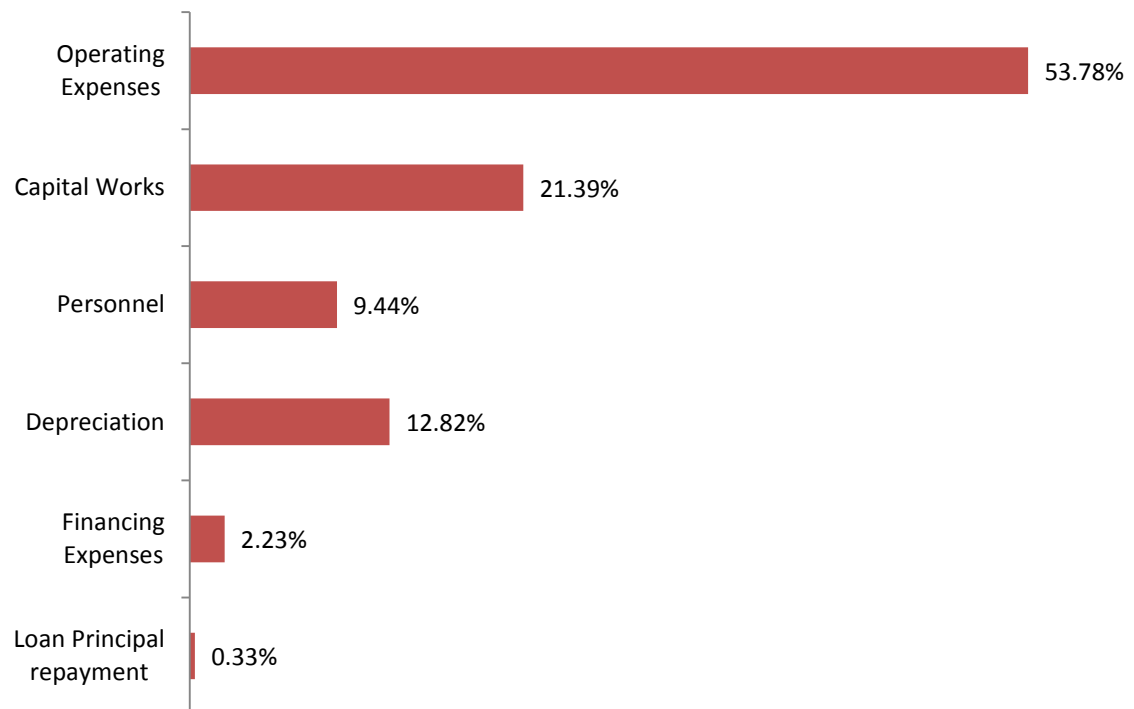




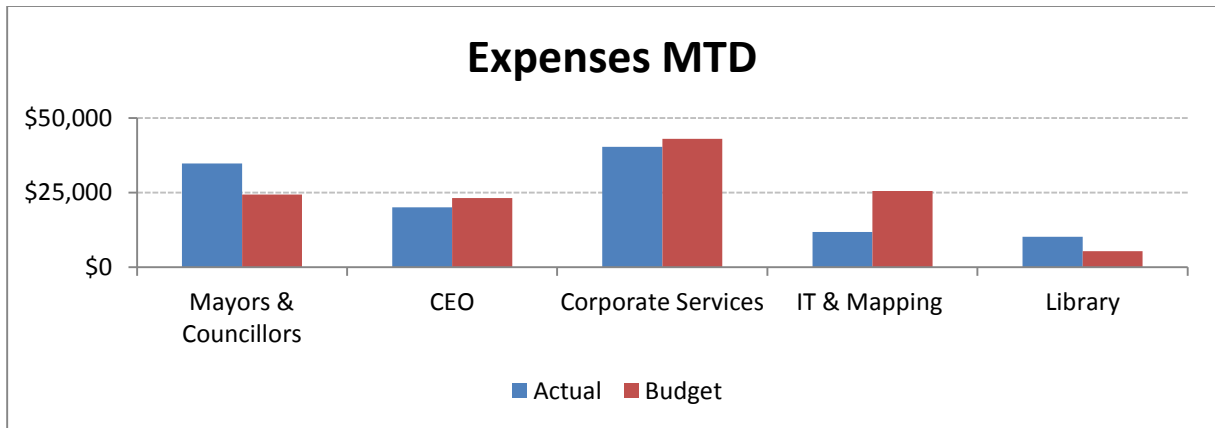
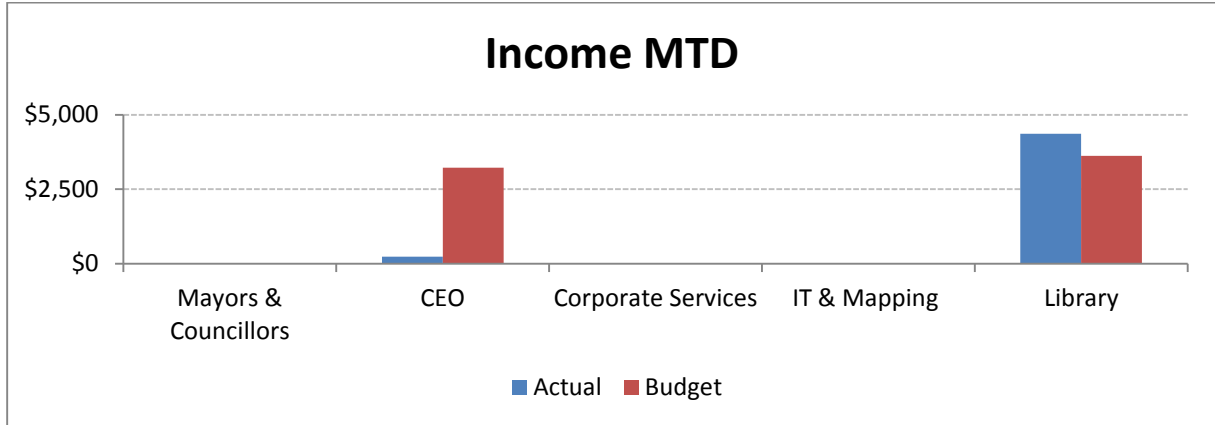
Income YTD by Category



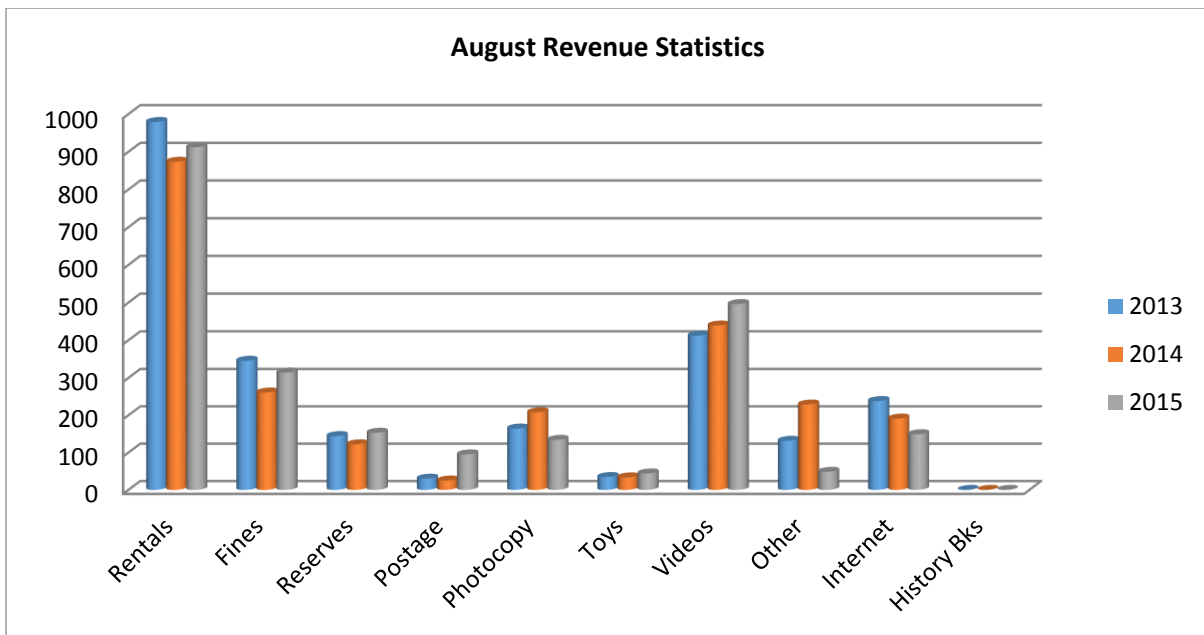
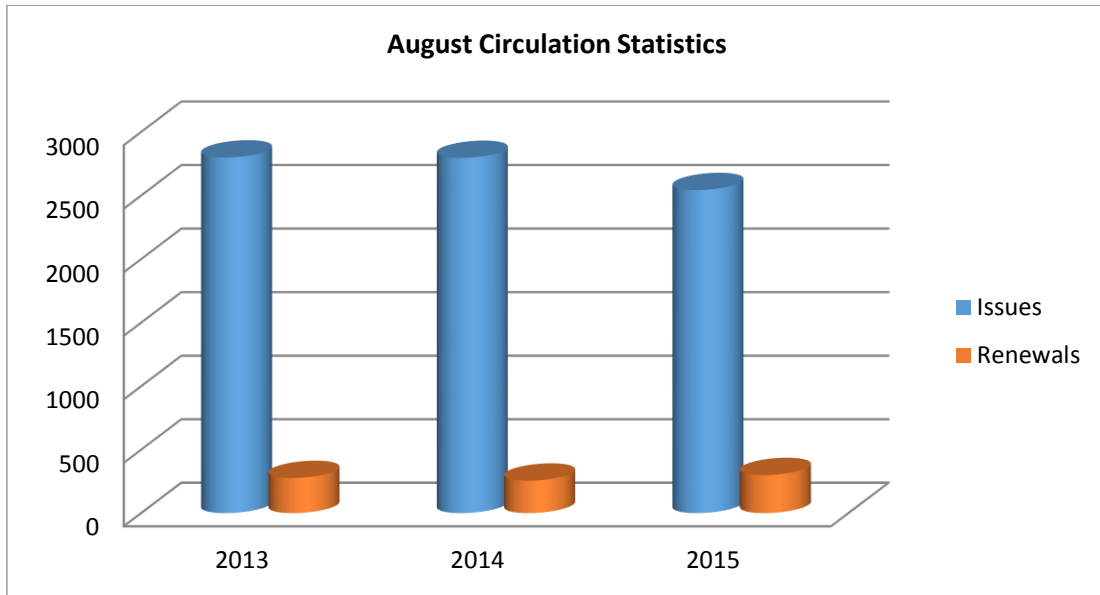
Expenditure YTD by Category



Corporate Services Budget Report



Library Report



Administration

- First onsite visit to Civic building on the 13th August 2015, including afterhours returns bin consultation between Library Manager and builder Simon Guthrie.

Class Visits

- Adult Learning Centre enjoyed 5 visits on the 4th, 11th, 14th, 19th & 28th August 2015.

Technology

- Problem with Library backup drive on the 26th August 2015. Hurunui IT support Kyle was contacted with advice given.