

# RURAL CITY LIVING



Notice is hereby given that a meeting of the Finance and Policy Committee will be held in the Council Chambers, 29 Civic Avenue, Gore, on Tuesday 25 November 2014, following the Regulatory and Planning Committee meeting.

A handwritten signature in black ink, appearing to read 'Stephen Parry'.

**Stephen Parry**  
Chief Executive

**18 November 2014**

## Agenda

1. Debt Profile Pages 1 - 3
  
2. Financial Report for September Pages 4 - 12

## FINANCE AND POLICY COMMITTEE AGENDA

TUESDAY 25 NOVEMBER 2014

1. DEBT PROFILE

(Memo from Chief Financial Officer – 10.11.14)

This report gives a more detailed update on the Council's debt profile than the regular financial reports to the Council.

Interest rates have been relatively stable over the past couple of months with long term swap (fixed) rates becoming quite attractive. As at 30 June the Council was in temporary breach of its Liability Management Policy as only 78% of borrowings were fixed (as opposed to 80%) however this did enable the Council to take advantage of lower floating rates.

With the long term swap rates so low, our earliest expiring swap was renegotiated out to 2019 at a fixed rate of 4.82% (0.51 basis points lower than the previous agreement). An extra million dollars of debt was added to this swap bringing the total of Council's fixed debt to 87%. As the Council is planning for \$1.8million of new debt in the 2014/15 year for the Ajax pump station upgrade, it made sense to fix more debt now for a longer term taking advantage of the lower swap rates.

The small loan that was held with SBS Bank (\$223,000) in relation to the construction of the multisport complex was also repaid during the last few months. This was due to the Council's strong cash position and the relatively high interest rate of this loan compared with the borrowings from ANZ. Historically this loan was interest free and was renegotiated at market rates in 2007 when it fell due. It is the intention to redraw the funds from the ANZ facility at some point this financial year when the Council's cash position requires it. Alternatively if the cash position remains favourable Council may wish to retire the principal of \$223,000 either permanently or semi-permanently as an unbudgeted voluntary repayment. This will be monitored and another report will be brought to the Council in the new calendar year.

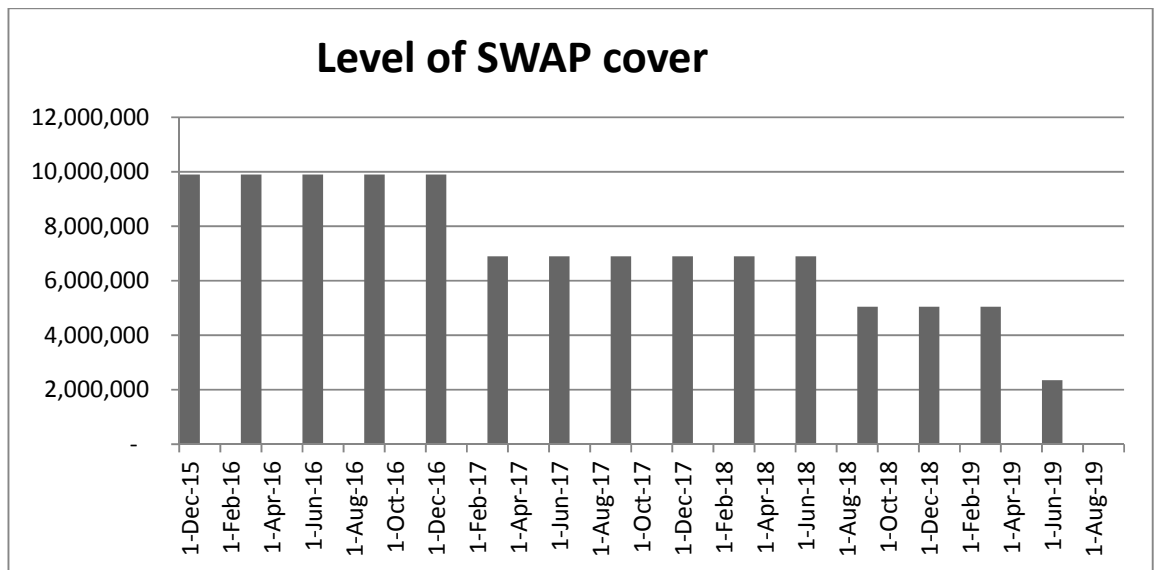
Prior to 30 June 2014 the Council also reduced the total amount we could borrow from ANZ as the Council pays a line fee for the privilege of being able to draw down funds up to that limit. Given the Council's overdraft facility of \$600,000 with Westpac and the fact that ANZ believed it could turn around an increased facility limit within a week, the extra capacity in the facility was dispensed with. Depending on when the extra funds could be required and the

use of the overdraft facility the Council may save anywhere between ten and twenty thousand dollars in line fees.

Below is some key information regarding the Council's current debt position; including a graph showing the profiles of the Council's swaps.

## Our debt:

Today's balance	11,339,891
Projected Balance 30 June 2015	13,343,678
<u>This includes:</u>	
Planned repayments	437,741
Planned borrowing (including redraw of Pool loan)	2,441,528
Weighted average interest rate (including margins)	5.49%



## RECOMMENDATION

**THAT the report be received.**

## 2. FINANCIAL REPORT FOR SEPTEMBER 2014

(Memo from Chief Financial Officer 13/11/2014)

### Summary

In total spending is tracking against budgets as can be seen by the gauges below.

Total revenue is higher than budget by 146k

Total expenses are higher than budget by 123k

Roading actual expenditure is higher than budgeted due to timing of the works programme, and therefore the associated NZTA funding means that roading revenue is also ahead of budget for this quarter.

The Solid waste area is looking like it could present some challenges this year, extra costs associated with disposal of contaminated recycling and some emergency repairs at the transfer station mean this budget will be under pressure this year and will be monitored closely.

### Total expenses at a glance...



% of Annual Budget Spent



% of year to date Budget Spent

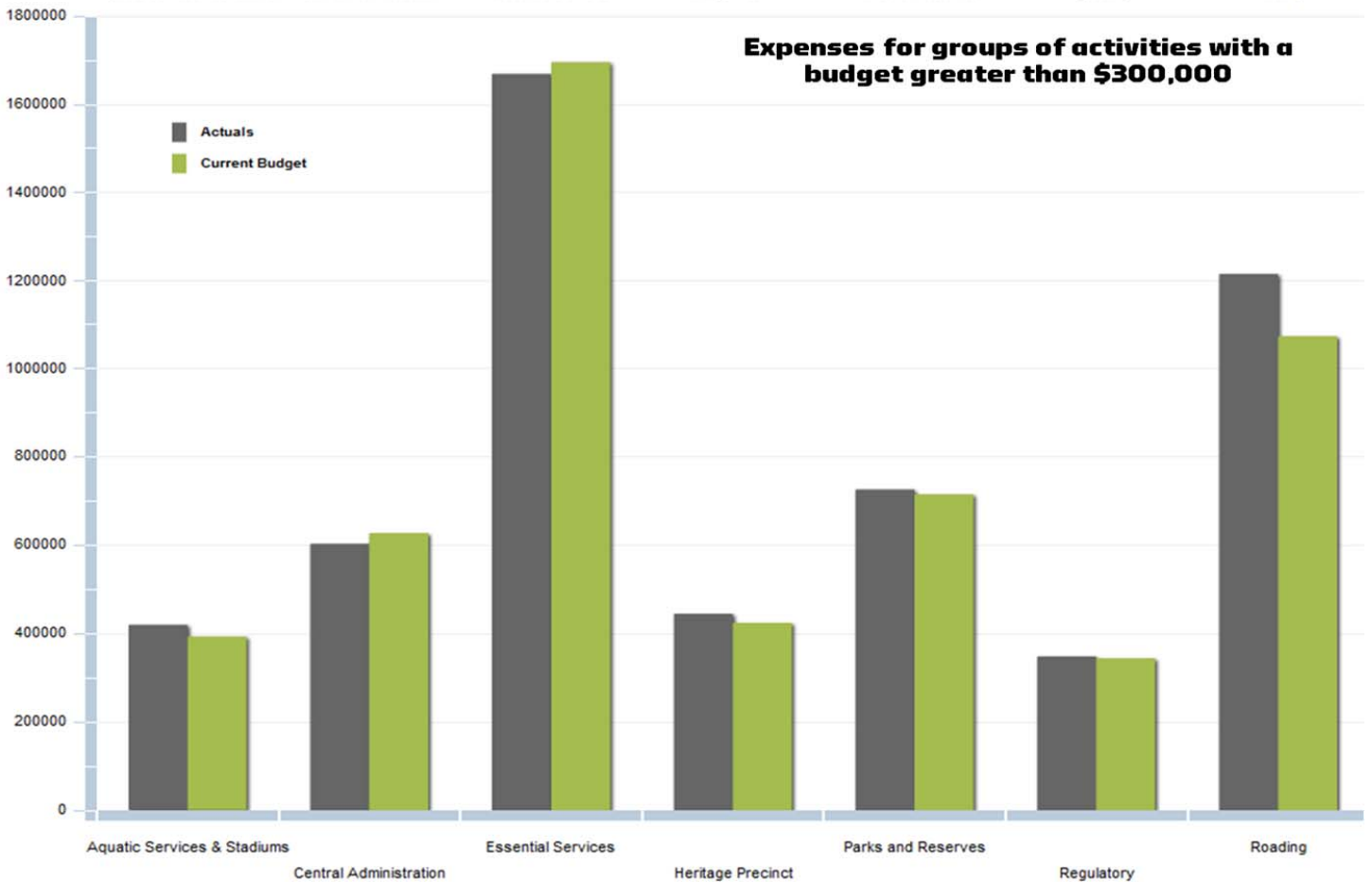
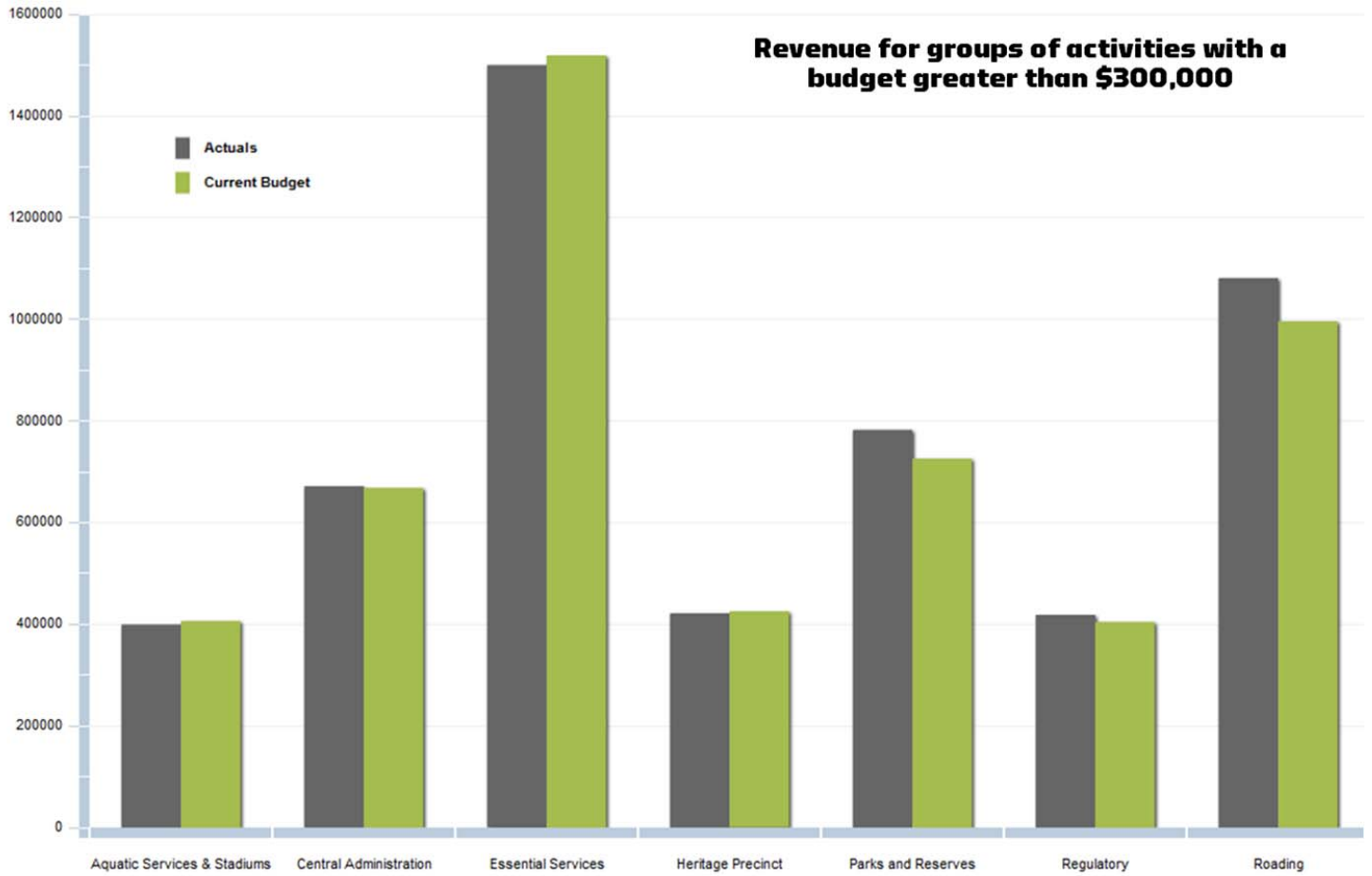
### Capital expenditure at a glance...



% of Annual Budget Spent



% of year to date Budget Spent



## Statement of Income and Expenditure for the 3 months ended 30 September 2014

Department	Actuals	Current Budget	Variance	Favourable / Unfavourable	Annual Current Budget	% of Annual Budget
<b>Income</b>						
Aquatic Services & Stadiums	399	406	7	U	1,636	24%
Cemeteries	56	62	6	U	249	23%
Central Administration	671	668	(3)	F	2,639	25%
Civil Defence	22	22	(0)	F	87	25%
Community Grants	165	154	(11)	F	616	27%
Elected Members	179	181	2	U	725	25%
Essential Services	1,500	1,519	19	U	6,262	24%
Heritage Precinct	422	425	3	U	1,700	25%
Parks and Reserves	782	726	(57)	F	2,902	27%
Property	225	212	(12)	F	849	26%
Public Conveniences	36	36	(0)	F	145	25%
Regulatory	419	404	(14)	F	1,384	30%
Roading	1,081	996	(85)	F	4,950	22%
<b>Income Total</b>	<b>5,957</b>	<b>5,811</b>	<b>(146)</b>	<b>F</b>	<b>24,144</b>	<b>25%</b>
<b>Expenditure</b>						
Aquatic Services & Stadiums	419	393	(27)	U	1,720	24%
Cemeteries	62	60	(2)	U	249	25%
Central Administration	603	627	24	F	2,641	23%
Civil Defence	21	23	2	F	91	23%
Community Grants	172	192	19	F	616	28%
Elected Members	172	174	2	F	773	22%
Essential Services	1,669	1,695	26	F	6,579	25%
Heritage Precinct	445	424	(21)	U	1,731	26%
Parks and Reserves	726	715	(11)	U	2,888	25%
Property	228	227	(1)	U	944	24%
Public Conveniences	31	43	12	F	172	18%
Regulatory	348	344	(4)	U	1,347	26%
Roading	1,216	1,073	(143)	U	4,550	27%
<b>Expenditure Total</b>	<b>6,113</b>	<b>5,990</b>	<b>(123)</b>	<b>U</b>	<b>24,302</b>	<b>25%</b>
<b>(Surplus) / Deficit</b>	<b>156</b>	<b>178</b>	<b>23</b>	<b>F</b>	<b>158</b>	

## **Commentary on the Statement of Income and Expenditure**

### **Income**

Overall income is favourable by \$146k.

The major contributor to this is the NZTA Subsidy, (\$85k ahead of budget).

Essential services income is unfavourable to timing of water charges.

Parks & Reserves income is ahead due to favourable vehicle trades-ins and income generated from the plant tender process.

There are no other material permanent variances at this point in time.

### **Expenditure**

Overall expenditure is unfavourable by \$123k. 25% of the total annual budget has currently been spent in the first quarter.

The Gore Multisport Aquatic Centre has an unfavourable variance; this is presently due to the timing of maintenance requirements. This should work its way toward the budget figure over the course of the year but will be closely monitored.

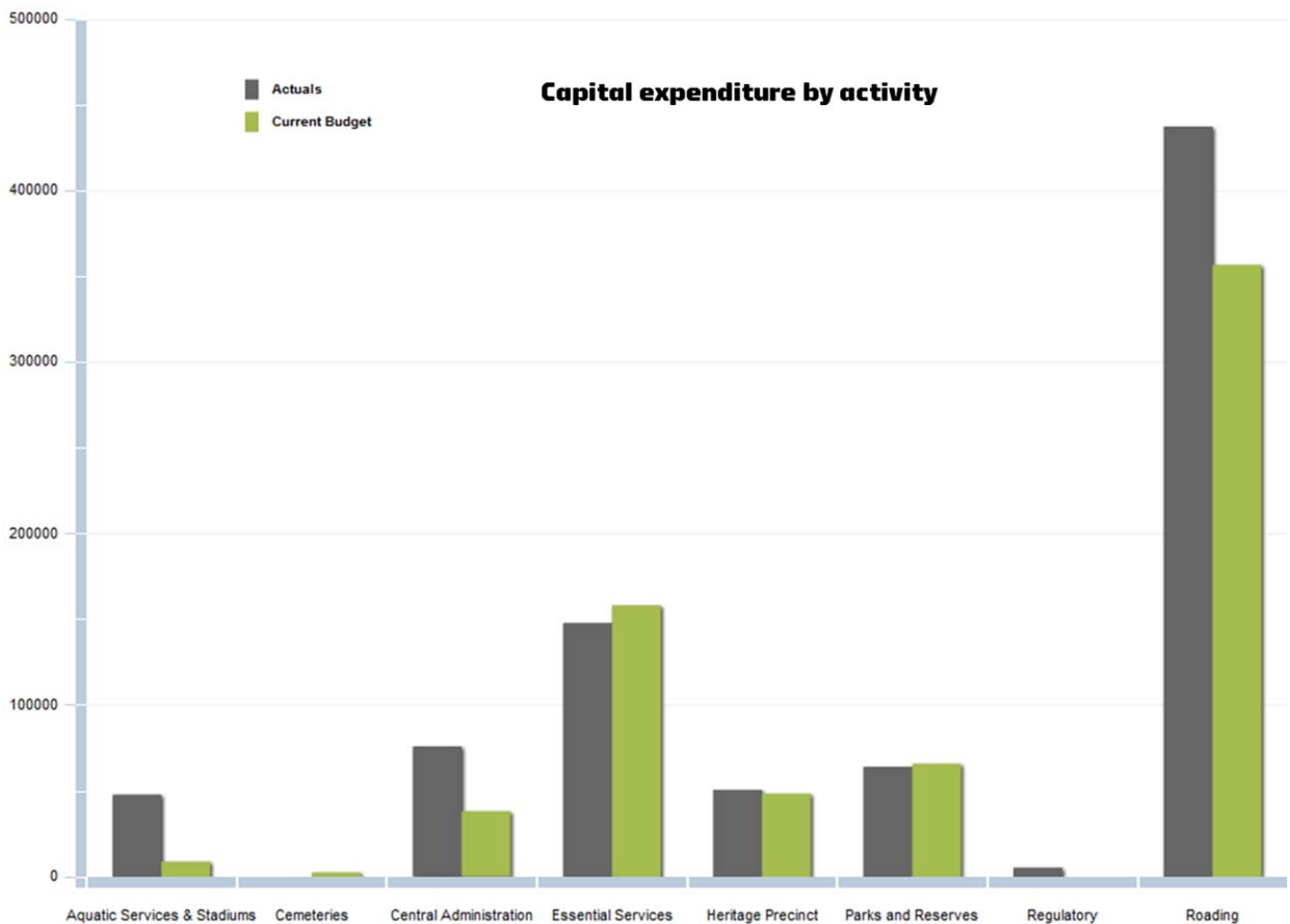
Roading expenditure is unfavourable due to timing of the maintenance work.

No other material permanent variances are noted at this point.



## Capital expenditure by department for the 3 months ended 30 September 2014

Department	Actuals	Current Budget	Variance	Annual Current Budget	% of Annual Budget Spent
Aquatic Services & Stadiums	48	9	(39)	36	134%
Cemeteries	-	3	3	10	0%
Central Administration	76	38	(38)	40	189%
Essential Services	148	158	10	2,920	5%
Heritage Precinct	51	49	(2)	157	32%
Parks and Reserves	64	66	2	277	23%
Property	-	-	-	98	0%
Roading	437	357	(81)	2,893	15%
<b>Total</b>	<b>824</b>	<b>679</b>	<b>(145)</b>	<b>6,431</b>	<b>6%</b>



**Commentary on the capital expenditure**

6% of the capital expenditure budget has been expended. All variances at this point are due to timing of the various projects with the exception of Aquatic services and Central administration.

The aquatic services department includes an invoice for \$16k which is a progress claim for the shutdown and will be loan funded in accordance with the rest of the project. This amount was included in the total previously reported to Council and is not a cost overrun. It should be noted that the retentions on this project won't be paid until June 2016 so there will be another invoice for \$6-10k before the end of the financial year. Again this was included in the previously reported total cost of the project. The other 18k relates to the replacement of the Building Management System (BMS). This was highlighted in item 4 of the Community Services Committee agenda on 2 September. It is hoped that this can be accommodated by the maintenance budget as its variance becomes more favourable but this will be monitored closely over the year.

The variance in Central Administration relates to the purchase of a vehicle that will be funded by reserves.

The following page contains a schedule of projects with a budget of \$100,000 or more and shows the percentage of the total budget spent at this early stage all variances are due to timing.

### Capital projects over \$100,000 for the 3 months ended 30 September 2014

	Actuals	Annual Current Budget	% of Annual Budget Spent	Status	Comments
<b>Roading</b>					
Rural Roads - Subsidised - Renewals	222	1,728		13%	In progress
Rural Roads - Subsidised - Increased Level of Service	3	137		2%	In progress
Urban Roads - Subsidised - Renewals	105	655		16%	In progress
Urban Roads - Non Subsidised - Renewals	97	321		30%	In progress
<b>Roading Total</b>	<b>427</b>	<b>2,841</b>	<b>15%</b>		
<b>Stormwater</b>					
Ajax Catchment Separation	-	138		0%	Not started
<b>Stormwater Total</b>	<b>-</b>	<b>138</b>	<b>0%</b>		
<b>Wastewater</b>					
Wastewater Capital   Ajax Pump Station Upgrade   Gore	12	1,917		1%	In progress Design/planning
Wastewater Capital   2014/15 Pipe replacement	-	220		0%	In progress
<b>Wastewater Total</b>	<b>12</b>	<b>2,137</b>	<b>1%</b>		
<b>Water</b>					
Water Capital   Reticulation Renewals	6	262		2%	Started Scheduled Feb/March
<b>Water Total</b>	<b>6</b>	<b>262</b>	<b>0%</b>		
<b>Total</b>	<b>445</b>	<b>5,240</b>	<b>16%</b>		

## Statement of Financial Position as at 30 September 2014

	Actuals 2014	Actuals 2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash And Cash Equivalents	1,829	1,069
Inventories	94	114
Trade & Other Receivables	642	1,586
<b>Current Assets Total</b>	<b>2,566</b>	<b>2,768</b>
<b>Non-Current Assets</b>		
Infrastructure Property Plant Equipment	372,714	373,786
Investments	1,583	1,571
Other Financial Assets	(165)	(350)
Other Non-Current Assets	69	119
<b>Non-Current Assets Total</b>	<b>374,201</b>	<b>375,126</b>
<b>Assets Total</b>	<b>376,766</b>	<b>377,894</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Borrowings	-	-
Other Current Liabilities	36	34
Short Term Provisions	497	468
Trade & Other Payables	1,225	933
<b>Current Liabilities Total</b>	<b>1,757</b>	<b>1,435</b>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	11,340	11,227
Long Term Provisions	103	105
<b>Non-Current Liabilities Total</b>	<b>11,443</b>	<b>11,332</b>
<b>Liabilities Total</b>	<b>13,200</b>	<b>12,767</b>
<b>Net Assets</b>	<b>363,567</b>	<b>365,127</b>
<b>Equity</b>		
Asset Revaluation Reserve	227,584	227,584
Other Reserves	4,280	3,712
Accumulated Surplus	131,703	133,831
<b>Equity Total</b>	<b>363,567</b>	<b>365,127</b>

### Commentary on the Statement of Financial Position

The major changes in the balance sheet from the same month in prior year:

**Assets**

- Bank is up on the same month last year due to timing of receipts from customers and due to some work from the previous financial year not being completed. Debtors are lower due to better collectability and timing of invoicing.
- Other Financial Assets are up on the same month last year due to the gain on the revaluation of the interest swaps at 30 June 2014. As interest rates rise our swaps become more valuable.
- Infrastructure, property, plant and equipment is down on the same period last year due to depreciation.

**Liabilities**

- Creditors are higher than last year due timing of expenditure
- Term debt has increased due to planned net borrowing which was made at the end of last financial year.

**RECOMMENDATION**

**THAT the financial report for the three months ended 30 September 2014 be received.**