



Te Kaunihera-ā-Rohe o Ngāmotu

NEW PLYMOUTH DISTRICT COUNCIL

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MEETING AGENDA

FINANCE SUBCOMMITTEE

Thursday 7 August 2014

at 4.30pm

Council Chamber

Chairperson

Cr Richard Handley

Members:

Cr Keith Allum

Cr Colin Johnston

Cr Craig McFarlane

Cr Marie Pearce

Mayor Andrew Judd

FINANCE SUBCOMMITTEE THURSDAY 7 AUGUST 2014

Addressing the subcommittee

Members of the public have an opportunity to address subcommittees during the public forum section or as a deputation.

A public forum section of up to 30 minutes precedes all subcommittee meetings. Each speaker during the public forum section of a meeting may speak for up to 10 minutes. In the case of a group a maximum of 20 minutes will be allowed.

A request to make a *deputation* should be made to the secretariat within two working days before the meeting. The chairperson will decide whether your deputation is accepted. The chairperson may approve a shorter notice period. No more than four members of a deputation may address a meeting. A limit of 10 minutes is placed on a speaker making a presentation. In the case of a group a maximum of 20 minutes will be allowed.

Definitions in reports

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. For the purpose of clarity, the following definitions apply:

Significance assessment refers to the degree of importance in terms of its likely impact on the current and future well-being of the district, as articulated by the seven Community Outcomes (Connected, Prosperous, Secure and Healthy, Skilled, Sustainable, Together and Vibrant); the persons likely to be affected by, or interested in, the matter; and the extent to which strength of feeling exists or is known to exist on the issue; changes or potential changes to the levels of services currently offered to the community and therefore the current and future capacity of the council to perform its roles, and the financial and other costs of doing so.

Views of those affected refers to those persons, including tangata whenua, who are likely to be affected by, or have an interest in, the issue. A description of the affected parties, a description of the processes, methods and levels of consultation used to identify their views, along with a summary of those views will provide a means of presenting the community viewpoint on the issue. Where the views of those affected have not yet been sought, the future means of seeking those views will be set out.

Tangata whenua considerations refers to those matters that the local authority must assess in relation to its undertaking of decisions. Where an option for the achievement of the objective of a decision involves a significant matter in relation to land or bodies of water, the local authority must take into account the relationship of Maori, and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna and other taonga.

APOLOGIES

None advised.

PUBLIC FORUM

None advised.

DEPUTATIONS

None advised.

A ITEMS FOR DECISION BY COMMITTEE

A1 MINUTES

Recommendation

That the minutes of the Finance Subcommittee meeting held on 5 May 2014 be confirmed as a true and accurate record.

A2 MEETING SCHEDULE 2014-2015

The matter for consideration by the Council is to determine the frequency of meetings for the Finance Subcommittee.

B ITEMS FOR RECOMMENDATION TO COUNCIL

B1 FINANCIAL UPDATE REPORT MAY 2014

The purpose of this report is to present the financial results of the Council for the eleven (11) months to the end of May 2014.

B2 FINANCIAL PRUDENCE REGULATIONS

The purpose of this report is to provide the Finance Sub Committee with a brief overview of recently introduced Financial Reporting and Prudence Regulations 2014, together with an initial summary of the measures and what the results are like for the New Plymouth District Council.

B3 PERPETUAL INVESTMENT FUND RELEASE FOR 2013/14

The purpose of this report is to put forward a proposal to the Council to defer the quarter 3 and 4 release payments and leave the funds in the Perpetual Investment Fund (PIF) and not transfer the release into general funds.



**FINANCE SUBCOMMITTEE
THURSDAY 7 AUGUST 2014**

FINANCE SUBCOMMITTEE

- FILE REFERENCE:** DP-14-02 DM 1577939
MEETING DATE: Wednesday 28 May 2014 at 4.30pm.
VENUE: Council Chamber
MEMBERS PRESENT: Councillor Richard Handley (Chairperson); Mayor Andrew Judd, Councillors Keith Allum, Marie Pearce
- APOLOGIES:** Councillor Craig McFarlane.
- NON-MEMBERS PRESENT:** Councillors Gordon Brown, John McLeod, Richard Jordan, Grant Coward, Shaun Biesiek
 TIML Representative (Warren Koia)
- STAFF IN ATTENDANCE:** Steve Taylor, Jan Higley, Cathy Thurston, Phil Armstrong

PART A**MATTERS FINALLY DETERMINED BY THE COMMITTEE UNDER DELEGATED AUTHORITY AND REFERRED TO THE COUNCIL FOR INFORMATION AND RECORD**1. **Minutes**

File Reference: DP-14-02 DM 1555868

Finance Subcommittee Resolution:

Mayor Judd)

Cr Allum)

That the minutes of the Finance Subcommittee meeting held on Monday 5 May 2014 be confirmed as a true and accurate record.

Carried**PART B****ITEMS FOR FINAL DETERMINATION BY THE COUNCIL**2. **Financial Update Report April 2014****FILE REFERENCE:** DM 1555872

The purpose of this report is to present the financial results of the Council for the 10 months to the end of April 2014.

Finance Subcommittee Recommendation:

Cr Allum)

Cr Pearce)

That having considered all matters raised in the report the Council notes and receives the report.

Carried

FINANCIAL UPDATE REPORT MAY 2014

PREPARED BY: Philip Armstrong
TEAM: Finance
APPROVED BY: Steve Taylor
WARD/COMMUNITY: District Wide
DATE: 21 July 2014
FILE REFERENCE: DM 1577940

PURPOSE

The purpose of this report is to present the financial results of the Council for the eleven (11) months to the end of May 2014.

EXECUTIVE SUMMARY

The attached financial reporting pack is to be a regular monthly high level financial summary for the Finance Committee to review and receive. If there are issues arising from the financial performance, then the Finance Committee will report those to the appropriate Standing Committee and the Council.

RECOMMENDATION

That having considered all matters raised in the report the Council notes and receives the report.

SIGNIFICANCE ASSESSMENT

In terms of the Council's Significance Policy this matter is of:

Low significance Medium significance High significance

This matter has been assessed as low significance because the report is largely for information and monitoring purposes.

BACKGROUND

The Council previously received quarterly financial updates with the quarterly performance report. The current Council has formed a new Finance Committee which will meet monthly so it is appropriate to provide monthly financial updates to facilitate timelier reporting of financial information and issues of the Council.

ITEM B1**ITEM FOR RECOMMENDATION****DISCUSSION**

The Financial reporting pack is a monthly high level financial report, highlighting the performance and forecast of the Council's finances. The report covers operational expenditure and revenue, capital expenditure, treasury and debt management of the Council. Reporting of the PIF (Perpetual Investment Fund) will be provided separately by TIML.

OPTIONS

The report is for informational and monitoring purposes. There are no specific recommendations in the report but there may be matters the Subcommittee may wish to note to the applicable Standing Committee or the Council.

IMPLICATIONS ASSESSMENT**Local Government Purpose**

The matter comes within the scope of the Council's lawful powers, including satisfying the purpose statement in section 10 of the Local Government Act 2002. The matter will enable the Council to meet the current and future needs of communities for good quality (i.e. efficient, effective and appropriate to present and anticipated future circumstances):

Local Infrastructure Local public services Performance of regulatory function

Community Outcomes

This matter contributes to the following community outcomes:

Connected Skilled Prosperous Secure and Healthy
 Together Vibrant Sustainable

Community outcomes are the outcomes that the Council aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions.

LTP / Annual Plan

Is this matter currently budgeted for? Yes No

Consistency with Policy and Plans

The matter is consistent with the Council's plans and policies, in particular the 2013/14 Annual Plan the financial performance is measured against.

Legal

N/A

Tangata Whenua Maori

There are no particular matters in this report which affect Tangata Whenua

Community Views and Preferences

N/A

Risk Analysis

N/A

APPENDICES

Financial Reporting Pack attached.

NPDC
Finance Committee Financial Performance
Report
May 2014



Contents

	Page #
• Financial Snapshot	1
• Monthly Overview	2
• Operating Summary	4
• Balance Sheet	7
• Capital summary	9
• Treasury Report	11
• Rating and Debtors	15








Monthly Overview

- Heading into the end of the year the overall operating position will be a surplus against budget due largely to finance cost savings due to the timing of our Capital expenditure as previously discussed. The surplus against budget will mean a reduction in deficit funding to meet the current years operation.
- As noted last month there will also be significant savings in ETS (Emission Trading Scheme) charges. Together with increased gate revenue, the Solid Waste activity will produce a significant surplus likely to be in excess of \$1.5 million, which will be transferred to the Solid Waste development fund.
- The 3rd quarter release from the PIF was deferred, as our cash position is currently strong and much better than forecast, primarily because the timing of our Capital spend. As at 30 June we are still in strong cash position and a report has been written to seek the deferral of receiving the 3rd and 4th quarter release for the 2013/14 financial year.



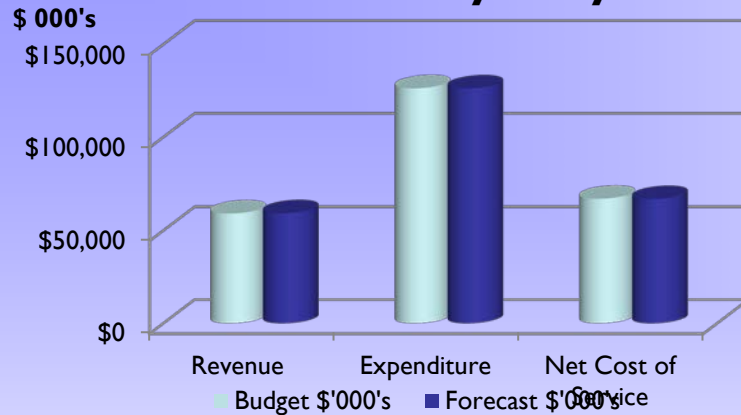
Financial Performance Highlights

- Operational performance forecasted to be inline with budget. 
- Capital projects tracking to budget but behind schedule there will be substantial carry forwards. 
- Borrowing balance less than plan due primarily to the timing of the Capital spend. 
- Borrowing and Treasury limits within policy. 
- Rating and debt collection on target to meet internal KPI's. 

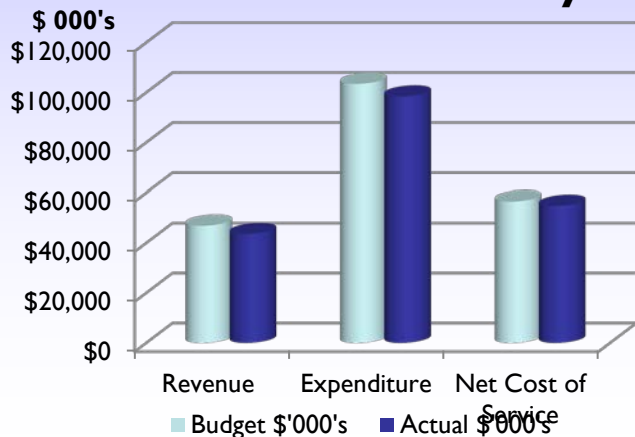


Financial Performance Snapshot

Financial Summary full year Forecast



Financial Summary YTD



- The full year financial position is currently forecasting an improved Net Cost of service of approximately \$3.0 million against budget. Largely driven by reduced borrowing costs and a surplus from the Solid Waste activity. While there are some variances in specific activities as detailed in the Operating Summary, the net impact for most activities is in line with budget.
- Both revenue and expenditure slightly behind due largely to the timing of expenditure, and the phasing of some budgets. There will be savings in interest and ETS costs.



Operating Summary Full Year Forecast Expenditure

Description	Annual Plan Revised	Projected Year End Outcome	Variance \$	Variance %	Commentary (exceptions/variance only)
EXPENDITURE					
Puke Ariki	12,315,300	11,409,700	905,600	7%	Property management and depreciation costs are below budget. Savings made within temporary exhibitions and a delay in work on the Long term gallery refreshment.
Govett Brewster Art Gallery	3,510,400	3,130,400	380,000	11%	Projected operational savings/efficiencies to offset loss of operating revenue due to full closure of GBAG and timing of grants and sponsorships.
Community Development	5,271,600	5,086,500	185,100	4%	Reduced cost and changes in timing of programmes. Budget oversight - total rates remission under budget, \$141k general rates and \$73k HFE rates. Offset with community funding grants of approx \$350k not required.
Recreation & Event Venues	9,608,300	10,165,700	(557,400)	-6%	Reduced property costs for pools, Maintenance costs for Yarrow Stadium higher than budgeted by over \$100k. Increased expenditure to deliver events resulting in increased revenue.
Parks	16,115,400	15,845,100	270,300	2%	Predominantly staff vacancies creating an under spend
Roads	23,345,600	23,796,100	(450,500)	-2%	Over run in drainage maintenance, vegetation control and Opus professional services. The Opus work is NZTA subsidised work.
Solid Waste Management	5,762,500	4,608,200	1,154,300	20%	Significant savings in ETS charges with actual unit costs well below budget due to a collapse in the ETS market.
Storm Water	2,538,500	2,533,900	4,600	0%	
Flood Control and Protection	258,200	255,400	2,800	1%	
Water	10,262,700	10,309,300	(46,600)	0%	LAPP insurance \$35k over budget
Wastewater	14,751,000	15,295,400	(544,400)	-4%	Greater overtime & sludge disposal costs due to TDF operational issues.
Regulatory Services	10,756,600	11,225,300	(468,700)	-4%	2 temp Animal Control Officers approved by Council, Increased cost in Land Use & Subdivision Consents and Monitoring (recoverable). Costs of new parking system - Depreciation and Maintenance.
Emergency Management	445,600	445,600	0	0%	
Economic Growth	2,809,600	2,809,600	0	0%	
Civic & Democracy	6,180,800	6,150,700	30,100	0%	Projected savings in Communications
Management of Investments	2,464,800	1,924,000	540,800	22%	Capital program behind budget, resulting in a reduction in borrowing requirements and therefore reduced interest costs. Offset with additional forestry harvest costs.
TOTAL EXPENDITURE	126,396,900	124,990,900	1,406,000	1%	



Operating Summary Full Year Forecast Revenue

Description	Annual Plan Revised	Projected Year End Outcome	Variance \$	Variance %	Commentary (exceptions/variance only)
REVENUE					
Puke Ariki	968,600	763,500	(205,100)	-21%	Reduction in revenue for exhibitions offset by a reduction in exhibition costs noted above.
Govett Brewster Art Gallery	4,958,900	2,962,100	(1,996,800)	-40%	Loss of operating revenue matched by operating savings. Delay in receiving capital grant revenue for LLC (Len Lye Centre) due to timing of works, no rates impact as Capital revenue.
Community Development	1,012,900	1,012,900	0	0%	
Recreation & Event Venues	2,662,100	3,515,000	852,900	32%	Driven by additional activity at our venues due to the closure of the Show Place for earthquake strengthening and successful concerts at the Bowl including Lionel Richie. The increase in revenue offsets the additional costs incurred, noted above.
Parks	2,035,900	1,933,700	(102,200)	-5%	Plot sales & Burial Fees under budget expectations,
Roads	10,847,700	11,024,860	177,160	2%	Income from Oil and Gas contributions.
Solid Waste Management	5,183,700	5,720,000	536,300	10%	This is net effect of expecting higher revenue from gate charges but lower revenue from MGB's. (Mobile garbage bins)
Storm Water	13,100	12,600	(500)	-4%	
Water	4,391,000	4,205,500	(185,500)	-4%	Reduced work from other Councils, and lower water meter revenue.
Wastewater	1,896,300	2,495,600	599,300	32%	Increased trade waste charges.
Regulatory Services	9,072,100	10,139,900	1,067,800	12%	Increase in most regulatory activities including dog registrations \$80k, land use consents \$150k, LIM's \$100k and development contributions \$240k. Offset with a reduction in parking based on current CBD occupancy.
Emergency Management	900	900	0	0%	
Civic & Democracy	136,900	260,000	123,100	90%	Increased revenue from election due to higher than anticipated voting turnout
Management of Investments	16,089,500	16,876,700	787,200	5%	Higher interest earned due to excess funds as a result of the slower than planned capital expenditure. Forestry revenue greater than budget helped by strong log prices.
TOTAL REVENUE	59,269,600	60,923,260	1,653,660	3%	



Operating Summary Full Year Forecast Net Cost of Service

Description	Annual Plan Revised	Projected Year End Outcome	Variance \$	Variance %	Commentary (exceptions/variance only)
Net Cost of Activity					
Puke Ariki	11,346,700	10,646,200	700,500	6%	Overall savings in property costs and depreciation as well as major gallery refit work that has yet to occur.
Govett Brewster Art Gallery	(1,448,500)	168,300	(1,616,800)	112%	Projected operational savings/efficiencies to offset loss of operating revenue due to full closure of GBAG and timing of grants and sponsorships being received in 2015/2016 to align with completion of project.
Community Development	4,258,700	4,073,600	185,100	4%	Reduced cost and changes in timing of programmes Budget oversight - total rates remission under budgeted, \$141k general rates and \$73k HFE rates. Offset by unallocated community funding of \$350k
Recreation & Event Venues	6,946,200	6,650,700	295,500	4%	Increase in activity resulting in increase in revenue
Parks	14,079,500	13,911,400	168,100	1%	
Roads	12,497,900	12,771,240	(273,340)	-2%	
Solid Waste Management	578,800	(1,111,800)	1,690,600	292%	Significant savings in ETS charges with actual unit costs well below budget due to a collapse in the ETS market. Also greater gate revenue.
Storm Water	2,525,400	2,521,300	4,100	0%	
Flood Control and Protection	258,200	255,400	2,800	1%	
Water	5,871,700	6,103,800	(232,100)	-4%	LAPP insurance \$35k over budget
Wastewater	12,854,700	12,799,800	54,900	0%	Expect more overtime & sludge disposal costs due to TDF operational issues.
Regulatory Services	1,684,500	1,085,400	599,100	36%	Extra costs in animal control, building, land use and consents and parking offset by increased revenue in building, development contributions, land use and consents and animal control.
Emergency Management	444,700	444,700	0	0%	
Economic Growth	2,809,600	2,809,600	0	0%	
Civic & Democracy	6,043,900	5,890,700	153,200	3%	Projected savings in Communications
Management of Investments	(13,624,700)	(14,952,700)	1,328,000	-10%	Capital program behind budget, resulting in a reduction in borrowing requirements and therefore reduced interest costs. Also greater Forestry and interest income.
NET COST OF SERVICE	67,127,300	64,067,640	3,059,660	5%	



Balance Sheet

	Date 31/05/2014	Date 31/05/2013	Variance \$	%
CURRENT ASSETS				
Cash, Bank and Investments	46,066,977	43,833,327	2,233,650	5.1
Sundry Debtors	10,718,666	5,544,055	5,174,611	93.3
Other Current Assets	115,283	115,283	-	-
Total Current Assets	56,900,926	49,492,665	7,408,261	15.0
INVESTMENTS				
Other Investments	208,975,597	227,607,178	(18,631,581)	(8.2)
Total Investments	208,975,597	227,607,178	(18,631,581)	(8.2)
FIXED ASSETS	1,967,966,899	1,953,445,499	14,521,400	0.7
	2,233,843,422	2,230,545,342	3,298,080	0.1
CURRENT LIABILITIES				
Sundry Creditors	1,016,950	636,989	(379,961)	(59.6)
Annual Leave / Other Accruals	9,786,227	10,483,806	697,579	6.7
Total Current Liabilities	10,803,177	11,120,795	317,618	2.9
TERM LIABILITIES				
Public Debt	114,243,569	116,613,000	2,369,431	2.0
Total Term Liabilities	114,243,569	116,613,000	2,369,431	2.0
PUBLIC EQUITY				
Special Funds and Reserves	77,781,852	90,086,767	12,304,915	13.7
Asset Revaluation Reserves	590,895,831	578,483,868	(12,411,963)	(2.1)
Retained Earnings	1,440,118,993	1,434,240,912	(5,878,081)	(0.4)
Total Public Equity	2,108,796,676	2,102,811,547	(5,985,129)	(0.3)
	2,233,843,422	2,230,545,342	(3,298,080)	(0.1)



Balance Sheet Commentary

The Statement of Financial Position is a snap shot of the Councils financial position at a particular point in time. It reflects the changes that have occurred during the last 12 months, which straddles the Councils last financial year end on 30 June 2013

Sundry debtors include rates outstanding for the remainder of the financial year, and this year also include dog registrations.

Other Investments of \$209 million consist primarily of the PIF \$202 million but also include the Councils share of the Airport JV \$2.8 M, longer term bonds, the Investment in the LGFA and the VTR scheme. The reduction from the prior year is primarily a result of a reduced PIF balance which was \$216 million in May 2013. The reduction in value is largely attributable to the strong New Zealand dollar.

The change in Special Funds and Reserves is due to the timing of transfers which had taken place by 31 May the previous year. Movement in reserve funds will be finalised as part of the year end process.

The Council's current ratio (the ratio of current assets to current liabilities – a measure of liquidity) stands at 5.3 to 1 as at 31 May 2014. This reflects a very strong position for the Council. The Council also has significant “stand by” facilities, so has no liquidity concerns.



Capital Works - Including Significant Projects

Description (Including Significant Projects)	Annual Plan Revised	Total Current Year to Date	Projected Year End Outcome	Variance \$	Variance %	Commentary
Puke Ariki	1,678,500	735,604	1,238,078	440,422	26%	
Govett Brewster Art Gallery & LLC (Len Lye Centre)	11,315,500	4,023,158	6,714,200	4,601,300	41%	Timing of precast concrete panels, overall building project on schedule for completion in December 2014/January 2015. Opening May/June 2015.
Community Development	86,900	63,385	86,900	0	0%	
Recreation & Event Venues	1,853,700	1,165,618	1,596,900	256,800	14%	Delay in renewals for the Todd Energy Aquatic Centre by 12 months.
Parks	5,986,000	3,227,283	5,326,211	659,789	11%	Pukekura Park Sediment Removal deferred.
Roads	14,741,300	9,947,372	12,215,744	2,525,556	17%	Marfell \$325k, Bell Block Bypass \$1million and Let's Go Projects.
Solid Waste Management	248,400	767,598	763,800	(515,400)	-207%	Purchase of Resource Recovery Facility land. Approved funding from Solid Waste Development Reserve.
Storm Water	2,886,200	680,117	1,106,200	1,780,000	62%	Ngamotu Road renewal stalled due to private land ownership issues with the Port - \$1M impact. Area N delayed \$192k.
Flood Control and Protection	215,300	83	39,800	175,500	82%	
Water	5,063,400	866,931	1,460,450	3,602,950	71%	The variance is due to works not started associated with Area Q \$1.4 million, Okato ground water augmentation as a certain supply has not been located (\$984k) and the Oakura duplicate main (\$536k) which is due to go to tender in the middle of the year.
Wastewater	19,930,100	4,510,428	6,152,767	13,777,333	69%	The variance relates to a number of works which are to be carried forward including the Waitara pipeline conversion and pump station, Wai Taatari sludge treatment solution, and a variety of works which are yet to be started.
Regulatory Services	68,700	56,170	68,700	0	0%	
Support Services	4,770,100	695,198	4,516,300	253,800	5%	Civic Centre.
Total	68,844,100	26,738,944	41,286,050	27,558,050		



Significant Capital Projects

Project Title	Current Year - 2013/14			Life of Project					Commentary
	Annual Plan Revised	Total Exp Year to Date	Projected Year End Outcome	Total Budget	Total Expenditure to Date	Total Expected Cost	Variance \$	Variance %	
Len Lye Centre & Art Gallery Earthquake Strengthening Works	11,188,800	3,990,754	6,674,200	16,928,777	7,212,833	16,928,777	-	0%	
New Cemetery Site Development	433,200	188,226	432,919	1,602,200	792,252	1,602,200	-	0%	
Pukekura Park Lake Quality Improvement	1,483,300	548,459	550,000	1,425,300	1,000,043	1,425,300	-	0%	
Colson Rd Second Lift Development	246,900	48,900	100,000	1,266,400	669,892	1,266,400	-	0%	
Cycle Strategy - Let's Go	1,823,700	870,337	1,185,550	8,283,500	5,001,180	8,283,500	-	0%	
Waitara to NP Sewer Pipe & Pump Station	4,083,000	1,033,315	2,046,700	12,877,000	6,037,330	9,109,177	3,767,823	29%	Contract savings.
WWTP Capacity Upgrade	5,863,400	2,100,819	2,170,700	23,200,000	12,679,003	23,168,000	32,000	0%	
Total	25,122,300	8,780,810	13,160,069	62,656,977	33,773,474	58,857,154	3,799,823		

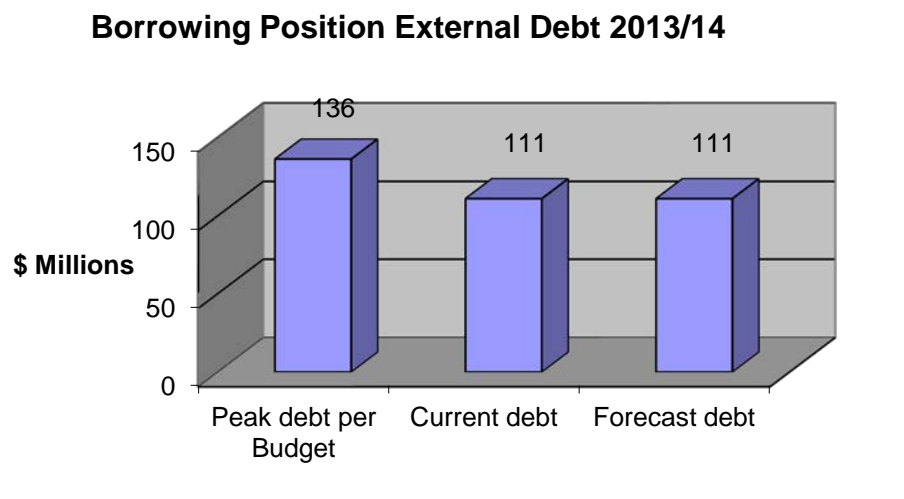


Treasury Report

May 2013



Borrowing Summary



•Overall Position

- Our current external debt stands at \$111 million, with our weighted average borrowing rate just above 5.5%.
- We have pulled back our year end forecast to \$111 million, due to the timing of our Capital programme. As a result of lower borrowing we are saving on interest costs.
- There has been a dip in long term swaps rates over the last few weeks. We have taken this opportunity to extend the duration of some swaps. This has resulted in extending the current fixed term from 4.52 years to 4.99 years with no increase in the weighted average fix rate.



Compliance Scorecard

New Plymouth District Council Interest Rate Position

12 month forecast core debt:	\$120m	31-May-14		
Policy Limits	55%-90%			
Overall Fixed:Floating Mix	89%			
Policy Compliance	Y			
Liquidity Ratio:	110%			
Actual	131%			
Policy Compliance	Y			
Fixed Rate Maturity Profile:				
Years	1 - 3 years	3 - 5 years	5 years plus	
Policy Limits	15%-60%	15%-60%	15%-60%	
Actual Hedging	20%	23%	56%	
Policy Compliance	Y	Y	Y	
Funding Maturity Profile:				
Years	0 - 3 years	3 - 5 years	5 years plus	
Policy Limits	15%-60%	15%-60%	10%-40%	
Actual Hedging	37%	49%	14%	
Policy Compliance	Y	Y	Y	



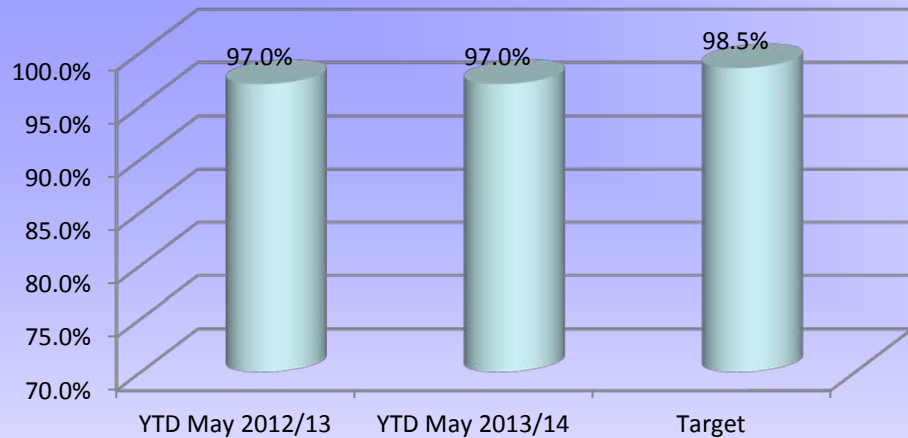
Compliance Ratios

New Plymouth City Council Treasury Reporting				
Policy Compliance Borrowing limits			May-14	
			Measure	Performance
Net External Debt** not to exceed	20% of Equity		4.2%	Achieved
Net External Debt not to exceed	135% of Total Revenues*		69.6%	Achieved
Pre-tax Funds Flow from Operations (FFO)# to Exceed Net Interest Expense by at least	2.5 times		4.9	Achieved
Net interest expense on external debt as a percentage of total revenue to be less than	10%		5.2%	Achieved
Net interest expense on external debt as a percentage of total annual rates income (debt secured under debenture) to be less than	20%		9.4%	Achieved
Liquidity (Term debt + committed loan facilities + cash or cash equivalents) over existing external debt levels to be greater than	110%		131%	Achieved
* Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue				
** Net External Debt = Gross Debt (aggregate borrowings of the council, including any capitalised finance leases, and financial guarantees provided to third parties) less any cash or near cash treasury investments held from time to time.				
#FFO = Total revenues, less capital receipts and other non recurring revenues; less total expenditure net of any capital payments and non recurring expenditure; plus depreciation and increase in provisions				

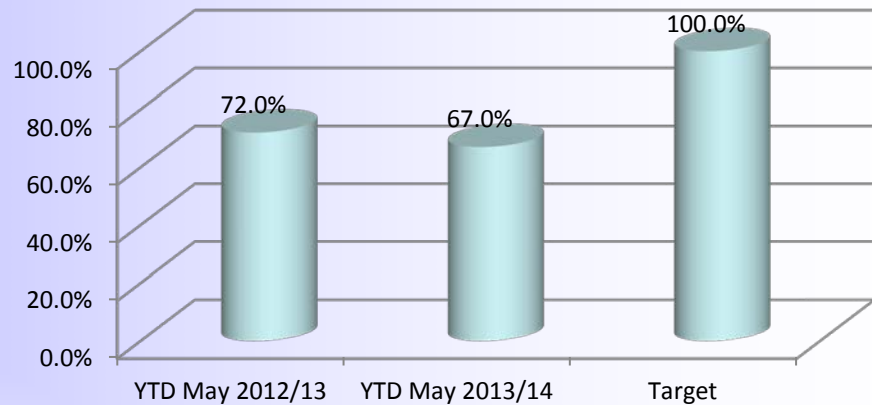


Rates and Debtors Summary

Collection Run Rate May 14



Arrears Collection May 14



Sundry Debtors					
	Current	30 Days	60 Days	90 Days	Total
	\$ 000,s				
Current Month	4,538	90	62	413	5,103
Aging	88.9%	1.8%	1.2%	8.1%	
Previous Month	2,908	92	70	441	3,512
Aging	82.8%	2.6%	2.0%	12.6%	

•Rate Rebates Processed:

- 2013/14 2,783 \$1,461,060
- 2012/13 2,906 \$1,524,106



PERPETUAL INVESTMENT FUND RELEASE FOR 2013/14

PREPARED BY: Philip Armstrong (Manager, Financial Services)
TEAM: Financial Services
APPROVED BY: Steve Taylor (General Manager Business Services)
WARD/COMMUNITY: District Wide
DATE: 25 July 2014
FILE REFERENCE: DM 1577191

PURPOSE

The purpose of this report is to put forward a proposal to the Council to defer the quarter 3 and 4 release payments and leave the funds in the Perpetual Investment Fund (PIF) and not transfer the release into general funds.

EXECUTIVE SUMMARY

This report seeks Council approval to defer the planned release from quarter 3 and 4 from the PIF of \$5.181 million into the Council's general funds given the Council's current strong cash management position. The Council's borrowing/cash position is significantly stronger at 30 June 2014 than budgeted. The release is to be held by TIML but in liquid assets and can be called during 2014/15 if and when required.

RECOMMENDATION

That having considered all matters raised in the report the 2013/14 quarter 3 and 4 releases totalling \$5.181 million be deferred and not taken from the PIF until required from an overall cash management position.

SIGNIFICANCE ASSESSMENT

In terms of the Council's Significance Policy this matter is of:

Low significance Medium significance High significance

This matter is of medium significance as while the amount of \$5.2 million is a significant sum the decision to leave the funds within the PIF is largely a cash management decision and no levels of service per the Annual Plan or LTP are impacted.

BACKGROUND & DISCUSSION

The Council is currently in a strong cash management position when compared to the budget. At year end 30 June 2014 the Council had external borrowings of \$111 million compared to a budgeted \$135 million and a net borrowing position (after accounting for cash and cash equivalents) of \$69.5 million compared to a budgeted \$107 million. The primary driver for the strong cash position is the delay in completing the budgeted capital works program which has meant a significant variance to budget of over \$20 million. There has also been some

ITEM B3**ITEM FOR RECOMMENDATION**

savings in capital budgets in particular approximately \$1.3 million on the Waste Water aeration upgrade.

By not taking the release over the medium term borrowings will increase as the current capital program is completed. The increase in borrowing however will be well within Treasury Management Policy guidelines and parameters. Over future years the Council has the ability to reduce the forecasted borrowing as per the current LTP during the development of the 2015/25 LTP by deferring projects, changing the scope of projects or seeking alternative funding for capital programs.

If the Council decides to take the release the funds will be either put on deposit at 4.0% to 4.5% or used to reduce short term borrowing with a current interest cost of approximately 3.75%.

OPTIONS

Option One – Agree to defer the 3rd and 4th quarter releases and instead retain these funds in the PIF.

This option is the recommended option as due to the current strong cash position the funds are not required at present. Depending on future financial planning and commitments the funds may not be required at all and could therefore help rebuild the PIF.

Option Two – Elect to receive the release as per the original budget

This option will result in a further erosion of the PIF's capital base. In the short term to medium term the funds will not be required by the Council and will earn a low short term rate of return.

IMPLICATIONS ASSESSMENT**Local Government Purpose**

The matter comes within the scope of the Council's lawful powers, including satisfying the purpose statement in section 10 of the Local Government Act 2002. The matter will enable the Council to meet the current and future needs of communities for good quality (i.e. efficient, effective and appropriate to present and anticipated future circumstances):

Local Infrastructure Local public services Performance of regulatory function

Community Outcomes

This matter contributes to the following community outcomes:

Connected Skilled Prosperous Secure and Healthy
 Together Vibrant Sustainable

LTP / Annual Plan

Is this matter currently budgeted for? Yes No

The full release was budgeted for in the 2013/14 Annual Plan. The recommendation to defer a portion of the release will be a departure from the budget. The decision will have no impact on levels of service in the next financial year.

Consistency with Policy and Plans

The option to defer a portion of the release will be a departure from the 2013/14 Annual Plan. However the Council has through the 2013/14 Annual Plan substantially reduced the amount to be released from the PIF now and into the future and this additional step is in accord with that stance taken.

Legal

There are no legal considerations

Tangata Whenua Maori

There are no specific impacts on Tangata Whenua.

Persons Likely to be Affected

There are no specific persons affected

Risk Analysis

This is largely a cash management issue and there are no particular risks identified.



