



AGENDA

**Ordinary meeting of the
Nelson City Council**

Audit, Risk and Finance Committee

**Tuesday 19 March 2013
Commencing at 9.00am
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

Membership:

Councillor Ian Barker (Chair), His Worship the Mayor Aldo Miccio, Councillors Gail Collingwood, Ruth Copeland and Paul Matheson, and Mr Graeme Thomas

19 March 2013

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Page No.

Apologies

1. Interests

- 1.1 Updates to the Interests Register
- 1.2 Identify any conflicts of interest in the agenda

2. Confirmation of Minutes – 26 February 2013 5-8

Document number 1463795

Recommendation

THAT the minutes of the meeting of the Nelson City Council – Audit, Risk and Finance Committee, held on 26 February 2013, be confirmed as a true and correct record.

3. Status Report – Audit, Risk and Finance Committee 9

Document number 1374515 v4

Recommendation

THAT the Status Report – Audit, Risk and Finance Committee (1374515 v4) be received.

4. Finance Report for the Period Ending 31 January 2013 10-26

Document number 1464090

Recommendation

THAT the Finance Report for the Period Ending 31 January 2013 (1464090) be received and the variations noted.

5. Review of Financial Reserves

27-32

Document number 1452691

Recommendation

THAT the funds held in the following reserves or on behalf of the following trusts be transferred to the activity that they relate to as set out in document 1452534:

- ***New Book Reserve***
- ***City Library Donations Reserve***
- ***Children's Library Donations Reserve***
- ***Stoke Library Donations Reserve***
- ***Nightingale Donations Reserve***
- ***Marsden Valley Cemetery Maintenance Trust***
- ***Wakapuaka Cemetery Maintenance Trust***
- ***Cafe Asset/Civic House Reserve***
- ***Festival Reserve***
- ***Loan Repayment Reserve***
- ***Tahunanui Dunes Restoration***
- ***Aldinga Park Donation Fund***
- ***Maitai Valley Trust***
- ***Kain Bequest***
- ***RB Jackson Bequest***
- ***FM Knight Bequest***
- ***Millar Bequest***
- ***Good Driving Incentive Reserve***
- ***Marsden Recreation Trust;***

AND THAT the Plunket Land Sale Fund be used to fund the new toilet development on the 1903 site;

AND THAT the balance of the Hamilton and Jean Rudman bequests be transferred to the City of Nelson Civic Trust on trust and the income to be used for beautifying the city;

AND THAT the Walker bequest be used to fund outdoor seating at the Stoke Community housing complexes with the balance being transferred to the Play Facilities activity;

AND THAT the Bartell Bequest and the Tui Endowment Trust be combined as the Nelson Institute Fund Reserve with the income to be transferred to the Library activity.

Minutes of a meeting of the Audit, Risk and Finance Committee
Held in the Council Chamber, Trafalgar Street, Civic House, Nelson
On Tuesday 26 February 2013, commencing at 9.05am

- Present: Councillors I Barker (Chairperson), G Collingwood, R Copeland and P Matheson
- In Attendance: Councillor R Reese, Chief Financial Officer (N Harrison), Executive Manager Support Services (H Kettlewell), Acting Executive Manager Community Services (R Ball), Manager Resource Consents (M Bishop), Manager Community Development (K Inwood) and Administration Adviser (L Laird)
- Apologies: His Worship the Mayor Aldo Miccio, Mr G Thomas and Councillor Copeland (for lateness)

1. Apologies

Resolved

THAT an apology be accepted from His Worship the Mayor and Mr Graeme Thomas.

Barker/Collingwood

Carried

2. Conflicts of Interest

Councillor Barker read out Standing Orders 3.49 relating to conflicts of interest and reminded Councillors to declare any conflicts with any agenda items as they arose over the course of the meeting.

3. Confirmation of Minutes – 2 October and 13 November 2012

Document number 1381616, agenda pages 4-14 refer.

Resolved

THAT the minutes of a meeting of the Audit, Risk and Finance Committee, held on 2 October and 13 November 2012, be confirmed as a true and correct record.

Matheson/Collingwood

Carried

4. **Status Report – Audit, Risk and Finance Committee**

Document number 1374515 v3, agenda pages 15-16 refer.

Resolved

THAT the Status Report – Audit, Risk and Finance Committee (1374515 v3) be received.

Matheson/Barker

Carried

5. **Finance Report for the Period Ending 31 December 2012**

Document number 1442931, agenda pages 17-37 refer.

The Chief Financial Officer, Nikki Harrison, presented the report and highlighted the key information.

The Committee discussed the report by section and asked questions relating to the variances of each budget, particularly the large variance associated with 'Environment' (page 21 of the agenda).

Attendance: Councillor Copeland joined the meeting at 9.20am

It was noted that the City Development Strategy referred to in clause 14.4 (page 24 of the agenda) is now called the Nelson Development Strategy and the report should reflect this.

The Committee discussed development contributions being \$275,000 under budget and noted that historically development contributions track over budget. The Chief Financial Officer confirmed staff were looking into this matter.

5.1 Elected members training and travel to 31 December 2012

The Chief Financial Officer noted that Councillors Reese's training budget was overstated by about \$1000 as she received a discount due to her role as a speaker at the LGNZ conference.

Councillor Barker tabled a report (1464667) on the Benchmarking Consultation Forum Conference and spoke about the upcoming Department of Internal Affairs consultation process.

In response to a question, Ms Harrison said staff had done some work on these new benchmarks and would support the SOLGM submission on this.

Resolved

THAT the report be received and the variations noted.

Matheson/Collingwood

Carried

6. Events Resource Consents Update

Document number 1431189, agenda pages 38-43 refer.

Attendance: Councillor Copeland declared an interest and took no part in the discussions and voting on the matter.

The Manager Community Development, Kath Inwood, presented the report.

The Committee discussed the report, particularly relating to the budget overspend. There was concern that the \$170,000 overspend was significant. Ms Inwood said the original allocated budget was insufficient due to the complexity of the resource consent application. Ms Inwood confirmed that the costs would be recovered from anticipated savings in the current year budget, as detailed in the report.

The Committee discussed what the resource consents would cover. Ms Inwood confirmed that all Council events would be covered as well as community events and private operators, where they fall within the specified terms of the consents.

The Committee recognised the benefit in obtaining this resource consent and agreed that there needed to be a scheme of charges, including possibly a user pays system, which could assist in recouping some of the costs.

The Acting Executive Manager, Roger Ball, said staff had initiated a review to highlight deficiencies in the process that may have caused this situation to arise. The Chief Financial Officer added that an electronic purchase order system would soon be implemented to track all commitments and highlight any issues before the invoices are sent to Council.

Resolved

THAT staff consider the direction from the Audit, Risk and Finance Committee, as discussed at the 26 February 2013 meeting, and report back to the Council with options on how to best cover the actual overspend for the events resource consent application including via user pays options and/or savings from other areas (report 1431189).

Barker/Collingwood

Carried

7. Regulatory Report for 1 October and 31 December 2012

Document number 1436826, agenda pages 44-51 refer.

The Manager Resource Consents, Mandy Bishop, joined the meeting and presented the report.

It was agreed subsequent regulatory reports would present the median results as well as the average results.

The Committee expressed concern with the results detailed in 3.8 of the report (page 45 of the agenda) relating to the decline in the number of building consents for commercial buildings.

Resolved

THAT the Regulatory Report for 1 October to 31 December 2012 (1436826) be received.

Copeland/Collingwood

Carried

8. Appointment of New Trustee for Debenture Trust Deed

Document number 1437520, agenda pages 52-54 refer.

Recommendation to Council

THAT the Council approve the appointment of Corporate Trust Limited as trustee of the Nelson City Council Debenture Trust deed signed on or about 10 December 2010;

AND THAT the Chief Executive be delegated authority to take all necessary steps to give effect to this appointment.

Matheson/Collingwood

Carried

There being no further business the meeting ended at 10.26am.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

AUDIT, RISK AND FINANCE COMMITTEE STATUS REPORT – 19 March 2013

No	Meeting Date	Document Number	Report Title/Item Title	Officer	Resolution or Action	Status
1	29/5/2010	1244247	Review of Financial Reserves	Nikki Harrison	<u>THAT</u> where appropriate staff take reasonable steps to contact the providers or Trustees of the bequests and trusts and consult the Council's Senior Legal Adviser, and report back to the Committee on the transfer of financial reserves.	19/03/13 A report is on this agenda Complete
2	26/2/2013	1431189	Events Resource Consents Update	Roger Ball/ Kath Inwood	<u>THAT</u> staff consider the direction from the Audit, Risk and Finance Committee, as discussed at the 26 February 2013 meeting, and report back to the Council with options on how to best cover the actual overspend for the events resource consent application including via user pays options and/or savings from other areas (report 1431189).	19/03/13 A further report will be brought back once appeal costs are known. The appeal mediation has been set for 23 April 2013.

Finance Report for the Period Ending 31 January 2013

1. Purpose of Report

- 1.1 To inform the members of the Audit, Risk and Finance Committee on the financial results of activities for the seven months ending 31 January 2013 compared to budget and to highlight and explain any material variations.

2. Recommendation

THAT the report be received and the variations noted.

3. Background

- 3.1 The commentary is prepared comparing actual amounts with year to date budgets. Budgets are phased evenly throughout the year for operating revenue and expenses, and weighted in the second half of the year for capital. Timing variances against budget are caused when seasonality is a factor (for instance with some classes of maintenance), and when total budgeted income or expenditure occurs within a very short space of time (for example, grants). Projections have been updated in preparation for the Annual Plan 2013/14.

4. Discussion

- 4.1 For the seven months ending 31 January 2013, there is an operating surplus of \$6,000, compared with the budgeted deficit of \$3.021 million, a \$3.026 million favourable variance.
- 4.2 Operating income and expenditure are discussed by activity.
- 4.3 Staff expenditure shows overspends in some activities, and underspends in others. This is a reflection of how staff are spending their time against where it was budgeted to be spent. Overall, staff expenditure is under budget year to date.

5. Transport

- 5.1 The transport activity reports a \$966,000 deficit year to date January, \$1.068 million better than the budgeted deficit.

Transport activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(4,316,686)	(672,964)	(672,964)	(4,710,750)	(4,710,750)	0	(8,075,572)	(7,824,588)	
Operating Income	(2,735,252)	(533,407)	(651,825)	(4,035,073)	(4,562,772)	(527,699)	(7,821,894)	(5,984,467)	5.2
Total Income	(7,051,938)	(1,206,372)	(1,324,789)	(8,745,823)	(9,273,522)	(527,699)	(15,897,466)	(13,809,055)	
Expenses									
Staff	1,018,320	205,665	166,791	1,175,282	1,167,538	(7,744)	2,001,494	1,854,025	
Base Service Provision	2,768,045	707,244	576,640	4,174,835	4,036,477	(138,358)	6,919,675	6,627,510	5.3
Unprogrammed Maintenance	26,493	86,441	343,875	990,426	2,407,125	1,416,699	4,126,500	856,500	5.4
Programmed Maintenance	71,425	8,392	33,583	41,256	235,083	193,828	403,000	353,000	5.5
Financial Charges	596,751	85,770	95,054	586,137	665,381	79,244	1,140,653	1,072,347	
Depreciation	2,627,528	391,930	399,436	2,743,510	2,796,049	52,538	4,793,226	4,735,723	
Total Expenses	7,108,562	1,485,441	1,615,379	9,711,446	11,307,653	1,596,207	19,384,548	15,499,105	
Net Surplus/Deficit	56,624	279,070	290,590	965,623	2,034,131	1,068,508	3,487,082	1,690,050	5.1

5.2 New Zealand Transport Agency grants are under budget by \$729,000 mainly due to the timing of the Cable Bay Road project. Parking income is \$280,000 (29%) under budget. This is mainly in off-street meters and is a similar variance to the same time last year. Parking is subject to seasonality however this is an area that we will investigate further after summer. Offsetting this, Public Transport revenue is \$174,000 above budget and unsubsidised roading recoveries is \$172,000 above budget also.

5.3 Public Transport costs are \$115,000 over budget which is offset by above budget revenue (see 5.2 above).

5.4 The Cable Bay Road reinstatement is under budget by \$1.43 million at this time. Work is now expected to start April 2013 with the bulk of the work being completed in the next financial year. Please note that this work has been reclassified as capital expenditure as per the projections.

5.5 Programmed Maintenance is \$194,000 under budget mainly in the Studies and Strategies budgets.

6. Water

6.1 The water activity reports a \$493,000 surplus year to date January, \$704,000 better than budgeted.

Water supply activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	0	0	0	0	0	0	0	0	
Operating Income	(6,444,139)	(932,472)	(920,580)	(6,341,717)	(6,444,059)	(102,342)	(11,046,958)	(11,072,066)	6.2
Total Income	(6,444,139)	(932,472)	(920,580)	(6,341,717)	(6,444,059)	(102,342)	(11,046,958)	(11,072,066)	
Expenses									
Staff	553,874	47,653	55,210	353,879	386,473	32,594	662,525	614,971	
Base Service Provision	1,230,283	207,579	232,759	1,476,144	1,629,312	153,168	2,793,106	2,733,312	6.3
Unprogrammed Maintenance	975,039	164,721	209,974	982,152	1,469,821	487,669	2,519,693	2,106,693	6.4
Programmed Maintenance	16,692	956	9,876	8,363	69,133	60,770	118,513	38,513	
Financial Charges	892,600	108,292	114,577	748,554	802,042	53,488	1,374,929	1,424,777	
Depreciation	2,219,035	325,720	328,433	2,280,042	2,299,029	18,987	3,941,192	3,915,636	
Total Expenses	5,887,522	854,922	950,830	5,849,133	6,655,809	806,676	11,409,958	10,833,902	
Net Surplus/Deficit	(556,617)	(77,550)	30,250	(492,584)	211,750	704,334	363,000	(238,164)	6.1

- 6.2 Water revenue is under budget by \$102,000 to January, however given the dry summer it is expected revenue will be higher in the second half of the year and should meet budget. The six monthly residential meter readings start in April.
- 6.3 Maintenance is under budget by \$153,000. Headworks maintenance accounts for \$150,000 of this and this budget is anticipated to be largely spent in quarter four.
- 6.4 \$203,000 of the underspend in un-programmed maintenance is due to there being no expenditure year to date on the emergency recovery. Reactive maintenance for water reticulation is currently under budget by \$284,000. Urgent maintenance is undertaken as needed, with less urgent maintenance such as pump station overhauls completed in quarter four.

7. Wastewater

- 7.1 The wastewater activity reports a \$518,000 deficit year to date January, \$387,000 worse than budgeted.

Wastewater activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(3,641,420)	(536,352)	(536,352)	(3,754,465)	(3,754,465)	(0)	(6,436,225)	(6,457,000)	
Operating Income	(2,819,767)	(195,099)	(304,813)	(1,535,413)	(2,133,688)	(598,275)	(3,657,750)	(3,470,750)	7.2
Total Income	(6,461,187)	(731,451)	(841,165)	(5,289,877)	(5,888,152)	(598,275)	(10,093,975)	(9,927,750)	
Expenses									
Staff	368,321	42,794	43,746	315,564	306,219	(9,346)	524,946	505,538	
Base Service Provision	4,473,016	281,519	513,560	3,439,979	3,594,918	154,939	6,162,716	6,490,897	7.3
Unprogrammed Maintenance	0	49,377	60,792	335,857	425,542	89,684	729,500	659,500	
Programmed Maintenance	1,412	3,255	16,917	27,192	118,417	91,224	203,000	173,000	
Financial Charges	0	0	0	0	0	0	0	0	
Depreciation	1,514,897	241,293	224,901	1,689,059	1,574,308	(114,752)	2,698,813	2,912,356	
Total Expenses	6,357,646	618,237	859,915	5,807,652	6,019,402	211,750	10,318,975	10,741,291	
Net Surplus/Deficit	(103,541)	(113,214)	18,750	517,775	131,250	(386,525)	225,000	813,541	7.1

- 7.2 The Nelson Regional Sewerage Business Unit investment return, year to date \$522,000 will not be received until the end of the financial year. Trade waste income is \$78,000 under budget as a result of a prior year rebate adjustment, and the closing down of the Sealord shellfish facility earlier than anticipated.
- 7.3 Base service provisions expenses are \$154,000 mainly due to the Nelson Regional Sewerage Business Unit (NRSBU) charge to the Council being \$137,000 under budget to January.

8. Stormwater

- 8.1 The stormwater activity reports a \$755,000 deficit year to date January, \$696,000 worse than budgeted.

Stormwater activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(2,425,110)	(317,823)	(317,823)	(2,224,763)	(2,224,763)	(-)	(3,813,880)	(3,661,522)	
Operating Income	0	0	0	(23,489)	0	23,489	0	0	
Total Income	(2,425,110)	(317,823)	(317,823)	(2,248,253)	(2,224,763)	23,489	(3,813,880)	(3,661,522)	
Expenses									
Staff	320,482	42,704	39,342	329,257	275,395	(53,862)	472,105	556,200	
Base Service Provision	290,727	16,219	25,035	155,333	175,245	19,912	300,420	275,155	
Unprogrammed Maintenance	12,059	46,813	25,583	1,018,116	179,083	(839,032)	307,000	1,159,000	8.2
Programmed Maintenance	0	0	0	0	0	0	0	0	
Financial Charges	694,625	74,213	76,470	532,024	535,291	3,267	917,641	907,501	
Depreciation	1,075,718	138,305	159,726	968,138	1,118,083	149,945	1,916,714	1,668,334	8.3
Total Expenses	2,393,611	318,254	326,157	3,002,868	2,283,097	(719,771)	3,913,880	4,566,190	
Net Surplus/Deficit	(31,498)	431	8,333	754,615	58,333	(696,282)	100,000	904,668	8.1

8.2 There is a \$819,000 overspend in emergency response. The major projects report to the 21 February 2013 Council meeting agreed reallocations from water, wastewater and roading for the emergency event to cover this.

8.3 Depreciation on Flood Protection assets was incorrectly budgeted in this activity. This has been corrected in the projections.

9. Flood Protection

9.1 The flood protection activity reports an \$88,000 deficit year to date January, \$88,000 worse than budgeted.

Flood protection activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	0	(10,179)	(10,179)	(71,252)	(71,252)	(-)	(122,146)	(285,078)	
Operating Income	0	0	0	0	0	0	0	0	
Total Income	0	(10,179)	(10,179)	(71,252)	(71,252)	0	(122,146)	(285,078)	
Expenses									
Staff	0	(990)	0	228	0	(228)	0	0	
Base Service Provision	0	575	750	2,167	5,250	3,083	9,000	9,000	
Unprogrammed Maintenance	0	34,951	8,583	83,172	60,083	(23,089)	103,000	103,000	
Programmed Maintenance	0	0	0	0	0	0	0	0	
Financial Charges	0	397	846	1,607	5,919	4,311	10,146	43,689	
Depreciation	0	10,354	0	72,476	0	(72,476)	0	129,389	9.2
Total Expenses	0	45,286	10,179	159,649	71,252	(88,397)	122,146	285,078	
Net Surplus/Deficit	0	35,107	0	88,397	0	(88,397)	0	0	9.1

9.2 Depreciation on flood protection assets was incorrectly budgeted in the Stormwater activity. This has been corrected in the projections.

10. Environment

10.1 The environment activity reports a \$1.206 million surplus year to date January, \$1.2 million better than budgeted.

Environment activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(3,012,696)	(511,313)	(515,534)	(3,616,359)	(3,608,739)	7,620	(6,186,410)	(6,031,662)	
Operating Income	(3,360,339)	(860,537)	(799,153)	(5,033,945)	(5,594,074)	(560,129)	(9,589,841)	(9,194,612)	10.2
Total Income	(6,373,035)	(1,371,850)	(1,314,688)	(8,650,305)	(9,202,813)	(552,508)	(15,776,251)	(15,226,274)	
Expenses									
Staff	2,401,414	402,326	520,900	3,050,266	3,646,302	596,035	6,250,803	6,373,633	10.3
Base Service Provision	3,277,207	697,835	659,892	3,702,224	4,619,246	917,022	7,918,708	7,518,800	10.4
Unprogrammed Maintenance	52,308	6,255	17,417	52,340	121,917	69,577	209,000	163,853	
Programmed Maintenance	197,702	42,017	66,483	250,524	465,383	214,859	797,800	650,069	10.5
Financial Charges	312,439	21,400	20,272	152,714	141,905	(10,809)	243,265	257,582	
Depreciation	228,384	33,857	28,825	235,968	201,773	(34,195)	345,896	408,032	
Total Expenses	6,469,452	1,203,689	1,313,789	7,444,037	9,196,525	1,752,489	15,765,472	15,371,969	
Net Surplus/Deficit	96,417	(168,160)	(898)	(1,206,268)	(6,288)	1,199,981	(10,779)	145,695	10.1

- 10.2 Building consent fees are \$281,000 under budget, offset partially in lower staff costs (\$113,000). Landfill fees are under budget \$250,000 as well as transfer station fees \$56,000. Offsetting this Resource consent fees are \$90,000 over budget year to date.
- 10.3 There has been less staff time spent than budgeted particularly in Resource Consents, Environmental Advocacy, Building Services, and Resource management planning. There is some reflection in revenue particularly in the Building unit.
- 10.4 Resource management planning development is \$264,000 under year to date. There is projected to be a full year underspend of \$120,000 at this time. Monitoring the Environment is under budget by \$118,000 as most of the invoices are due later in the year once projects are completed. The Emissions Trading Scheme levy for Landfill is under budget by \$212,000 as this liability commences January 2013. It is projected that this liability will be under \$50,000 for the year due to the depressed price of carbon. Toe Embankment Maintenance with a year to date budget of \$146,000 is currently being designed with works commencing late March. The remaining variance in Solid waste reflects lower volumes. The Riskpool claim provision is \$99,000 under budget and it is now unlikely another claim will be made this year.
- 10.5 The capital grant for the Emergency Operations Centre has not yet been issued, resulting in an underspend year to date of \$88,000. The Emergency Operations Centre will now not be finished until December 2013. Waste Minimisation programmed expenditure is under budget by \$77,000, due largely to low expenditure to date against the waste management and minimisation plan budget.

11. Social

- 11.1 The social activity reports a \$477,000 deficit year to date January, \$189,000 worse than budgeted.

Social activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(5,281,411)	(832,818)	(832,818)	(5,829,726)	(5,829,726)	0	(9,993,816)	(10,314,180)	
Operating Income	(1,612,499)	(310,179)	(233,628)	(1,682,455)	(1,635,397)	47,058	(2,803,538)	(2,931,987)	
Total Income	(6,893,911)	(1,142,997)	(1,066,446)	(7,512,181)	(7,465,123)	47,058	(12,797,354)	(13,246,167)	
Expenses									
Staff	2,531,868	483,384	396,748	2,879,588	2,777,233	(102,355)	4,760,970	4,733,473	
Base Service Provision	1,903,207	273,784	321,976	2,136,898	2,253,832	116,934	3,863,712	3,990,085	11.2
Unprogrammed Maintenance	170,276	17,929	21,191	172,235	148,336	(23,899)	254,290	349,640	
Programmed Maintenance	1,930,594	240,200	239,618	1,980,504	1,677,324	(303,180)	2,875,413	3,354,826	11.3
Financial Charges	170,907	22,945	31,747	159,107	222,228	63,122	380,963	323,235	
Depreciation	596,334	89,151	96,304	660,413	674,128	13,715	1,155,648	1,195,179	
Total Expenses	7,303,185	1,127,393	1,107,583	7,988,745	7,753,081	(235,664)	13,290,996	13,946,438	
Net Surplus/Deficit	409,274	(15,604)	41,137	476,564	287,958	(188,606)	493,642	700,271	11.1

11.2 Maintenance costs for the Theatre Royal and the School of Music are not yet the responsibility of Nelson City Council, generating a \$110,000 saving year to date. The overspend of the Noise Consent fees \$140,000 is offset by contract savings of \$94,000 at Marsden Valley Cemetery and Public Toilets \$51,000.

11.3 There is a timing variance of \$64,000 underspend relating to The Suter capital grant and \$50,000 underspend in Community Housing maintenance. Offsetting this, Festivals expenditure is \$340,000 overspent year to date January, partly due to timing of events. Budget in Base Service Provision of \$105,000 offsets this and also extra targeted grants cover some of this expenditure. Community Assistance grants are over budget by \$139,000 due to phasing of budgets.

12. Parks and Active Recreation

12.1 The parks and active recreation activity reports a \$997,000 surplus year to date January, \$1.658 million better than budgeted.

Parks and active recreation activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(6,445,186)	(1,017,218)	(1,017,218)	(7,120,524)	(7,120,524)	()	(12,206,613)	(11,411,212)	
Operating Income	(1,563,257)	(265,648)	(231,439)	(1,574,305)	(1,620,072)	(45,767)	(2,777,266)	(2,788,655)	
Total Income	(8,008,444)	(1,282,866)	(1,248,657)	(8,694,829)	(8,740,596)	(45,767)	(14,983,879)	(14,199,867)	
Expenses									
Staff	580,036	59,284	116,123	532,324	812,863	280,538	1,393,479	1,168,488	
Base Service Provision	2,454,205	384,907	411,103	2,475,430	2,877,720	402,290	4,933,234	5,000,043	12.2
Unprogrammed Maintenance	215,171	118,747	79,634	801,265	557,436	(243,829)	955,604	973,329	12.3
Programmed Maintenance	969,985	121,123	243,328	999,856	1,703,296	703,440	2,919,936	2,963,261	12.4
Financial Charges	1,762,302	198,477	220,475	1,386,848	1,543,327	156,479	2,645,703	2,495,310	12.5
Depreciation	1,391,802	214,647	272,492	1,502,233	1,907,441	405,208	3,269,899	2,684,816	12.6
Total Expenses	7,373,501	1,097,187	1,343,155	7,697,955	9,402,082	1,704,127	16,117,855	15,285,247	
Net Surplus/Deficit	(634,942)	(185,679)	94,498	(996,874)	661,486	1,658,360	1,133,976	1,085,380	12.1

- 12.2 Seasonality is a major factor in respect of Parks, with maintenance contracts and water by meter showing underspends of \$212,000 and \$88,000, Natureland grant \$29,000 and Saxton Stadium \$20,000 respectively at the end of January.
- 12.3 The emergency event recovery has resulted in a \$262,000 overspend year to date.
- 12.4 Saxton Cycle Track grant not yet paid, resulting in \$499,000 year to date underspend. \$135,000 underspent in programmed maintenance due to seasonality.
- 12.5 Financial charges are under budget to January due to the phasing of the interest charges and to lack of spend in this activity year to date (mainly Marina hardstand and Saxton capital works).
- 12.6 Depreciation \$291,000 year to date was double counted (in both Sports Parks and Saxton Capital works) in the budget with the remaining variance due to revaluations and timing of the capital programme.

13. Economic

- 13.1 The economic activity reports a \$151,000 surplus year to date December, \$151,000 better than budgeted.

Economic activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	(1,638,300)	(121,048)	(121,048)	(847,334)	(847,334)	0	(1,452,572)	(1,350,561)	
Operating Income	(557,725)	0	0	0	0	0	0	0	
Total Income	(2,196,026)	(121,048)	(121,048)	(847,334)	(847,334)	0	(1,452,572)	(1,350,561)	
Expenses									
Staff	340,930	4,354	2,152	14,953	15,062	109	25,820	25,810	
Base Service Provision	2,182,738	66,545	58,045	414,817	406,317	(8,500)	696,544	696,544	
Unprogrammed Maintenance	2,714	0	0	0	0	0	0	0	
Programmed Maintenance	293,311	15,222	59,843	259,201	418,902	159,701	718,118	616,117	13.2
Financial Charges	13,878	1,012	1,008	7,081	7,053	(28)	12,090	12,090	
Depreciation	0	0	0	0	0	0	0	0	
Total Expenses	2,833,572	87,132	121,048	696,052	847,334	151,282	1,452,572	1,350,561	
Net Surplus/Deficit	637,546	(33,916)	0	(151,282)	0	151,282	0	0	13.1

- 13.2 There has been no spending on Economic Impact Assessment (a tool for assessing economic impacts of events), Facilities Marketing, Economic Development fund or FIFA under 20s to the end of January.

14. Corporate

- 14.1 The corporate activity reports a \$38,000 deficit year to date January, \$759,000 worse than budgeted.

Corporate activity performance for the period ending 31 January 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
Income									
Rates	557,392	(19,100)	(18,334)	(125,561)	(128,338)	(2,777)	(220,008)	209,954	
Operating Income	(7,407,012)	(1,041,658)	(1,096,836)	(7,096,670)	(7,677,853)	(581,182)	(13,162,033)	(13,658,587)	14.2
Total Income	(6,849,620)	(1,060,758)	(1,115,170)	(7,222,232)	(7,806,191)	(583,959)	(13,382,041)	(13,448,633)	
Expenses									
Staff	2,751,173	845,519	357,883	3,244,914	2,505,178	(739,736)	4,294,591	4,360,055	
Base Service Provision	585,442	95,597	156,900	798,779	1,098,299	299,521	1,882,799	1,885,741	14.3
Unprogrammed Maintenance	838,370	2,930	6,156	28,309	43,093	14,784	73,874	73,974	
Programmed Maintenance	62,028	3,423	43,729	41,357	306,100	264,743	524,742	530,242	14.4
Financial Charges	2,101,904	534,303	361,480	2,401,703	2,530,360	128,657	4,337,760	3,865,233	14.5
Depreciation	610,674	175,769	86,119	745,374	602,835	(142,539)	1,033,432	1,116,595	14.6
Total Expenses	6,949,591	1,657,540	1,012,267	7,260,435	7,085,866	(174,570)	12,147,198	11,831,840	
Net Surplus/Deficit	99,971	596,782	(102,904)	38,204	(720,325)	(758,529)	(1,234,843)	(1,616,793)	14.1

14.2 Internal interest under budget \$418,000, reflecting prior year capital delays and underspends. There is also a \$248,000 variance in forestry revenue which is a budget phasing issue for the Marsden Forest, although the Maitai Forest harvest is on hold due to access issues. This is offset by Rental properties income being \$52,000 over budget to January.

14.3 Contingency budget year to date of \$88,000 has not been used, Civic House maintenance savings of \$92,000, Prego remediation \$63,000 and administration and meeting expenditure is \$66,000 less than budget at this stage.

14.4 The Nelson Development Strategy work is \$146,000 under budget. This work is due to start early in 2013. Forestry programmed maintenance is under budget year to date by \$80,000 as well as Civic House \$46,000.

14.5 Financial charges are under budget by \$129,000 in Investment Management due to interest savings on lower debt and interest rates.

15. Capital Related Income

15.1 This includes Capital related grants and subsidies from external parties (New Zealand Transport Agency, Tasman District Council, sports bodies, Housing New Zealand and development contributions), and in 2012/13 gifts of property. This continues to be shown below the line this financial year as it often distorts operating results and is only treated as income for Annual Report purposes. It is tracking \$5.7 million under budget year to date, \$4 million due to the fact that the property transfers of the School of Music and Theatre Royal have not yet taken place.

15.2 New Zealand Transport Agency 'R' funding has not been claimed so far this year, against a year to date budget of \$982,000. New Zealand Transport Agency funding for Capital improvements is currently running \$324,000 below budget reflecting the timing of Capital expenditure.

- 15.3 Development contributions are \$395,000 under budget year to date. Development contributions have historically tracked over budget. Current year performance reflects both lack of activity and the budget been set \$700,000 higher than in previous years.

16. Capital Expenditure

- 16.1 Capital expenditure is \$6.1 million below budget year to date. Please see Attachment 2 for more information on this variance.

17. Outstanding Rates

- 17.1 The second instalment was due on 27 February 2013. Of this instalment, \$704,633 was still outstanding at 1 March 2013 (94.83% collected) and \$6,414 was still outstanding for the previous rating year.

18. Borrowings

- 18.1 A summary of the borrowings and interest rate position as at 31 January 2013 is attached (Attachment 8).

19. Conclusion

- 19.1 The net operating surplus of \$6,000 is \$3 million better than budget for the seven months ending 31 January 2012. Capital expenditure is below budget by \$6.1 million, largely related to the timing of the budgeted Theatre Royal and School of Music assets transfers.

Tracey Hughes
Senior Accountant

Attachments

- Attachment 1: Nelson City Council Summary Performance [1463721](#)
Attachment 2: Capital Expenditure by Activity [1463721](#)
Attachment 3: Capital Expenditure Over \$750,000 [1463721](#)
Attachment 4: Capital Expenditure Graph [1463721](#)
Attachment 5: Outstanding Rates [1463721](#)
Attachment 6: Balance Sheet [1462398](#)
Attachment 7: Council Borrowings [1463721](#)
Attachment 8: Interest Rate Position Report [1463721](#)

No supporting information follows.

Nelson City Council summary performance for the period ending 31 January 2013

	YTD Actual Prior yr 000s	YTD Actual 000s	YTD Budget 000s	YTD Budget Var 000s	YTD Budget Var % 000s	Full year Budget 000s	Full year Proj 000s	Projection Budget Var 000s
Revenue								
Rates	26,203	28,301	28,296	5	0.0%	48,507	47,126	(1,381)
Water supply	6,395	6,289	6,425	(136)	-2.1%	11,015	11,015	0
Activity income								
Transport	2,735	4,035	4,563	(528)	-11.6%	7,822	5,984	(1,837)
Water supply	49	53	19	34	180.1%	32	57	25
Wastewater	2,820	1,535	2,134	(598)	-28.0%	3,658	3,471	(187)
Stormwater	0	23	0	23	N/A	0	0	0
Flood protection	0	0	0	0	N/A	0	0	0
Environment	3,360	5,034	5,594	(560)	-10.0%	9,590	9,195	(395)
Social incl arts and heritage	1,612	1,682	1,635	47	2.9%	2,804	2,932	128
Parks and active recreation	1,563	1,574	1,620	(46)	-2.8%	2,777	2,789	11
Economic	558	0	0	0	N/A	0	0	0
Corporate	7,407	7,097	7,678	(581)	-7.6%	13,162	13,659	497
Total revenue	52,703	55,624	57,964	(2,340)	-4.0%	99,367	96,227	(3,140)
Activity Expense								
Transport	7,109	9,711	11,308	(1,596)	-14.1%	19,385	15,499	3,885
Water supply	5,888	5,849	6,656	(807)	-12.1%	11,410	10,834	576
Wastewater	6,358	5,808	6,019	(212)	-3.5%	10,319	10,741	422
Stormwater	2,394	3,003	2,645	358	13.5%	4,535	4,566	31
Flood protection	-	160	71	88	124.1%	122	285	163
Environment	6,469	7,444	9,197	(1,752)	-19.1%	15,765	15,372	394
Social incl arts and heritage	7,303	7,989	7,753	236	3.0%	13,291	13,946	655
Parks and active recreation	7,374	7,698	9,402	(1,704)	-18.1%	16,118	15,285	833
Economic	2,834	696	847	(151)	-17.9%	1,453	1,351	102
Corporate	6,950	7,260	7,086	175	2.5%	12,147	11,832	315
Total expense	52,677	55,618	60,984	(5,366)	-8.8%	104,545	99,712	(4,833)
Net operating (surplus)/deficit	(27)	(6)	3,021	3,026	100.2%	5,178	3,485	(1,693)
Capital related income	2,975	1,718	7,463	(5,745)	-77.0%	12,793	11,507	(1,286)

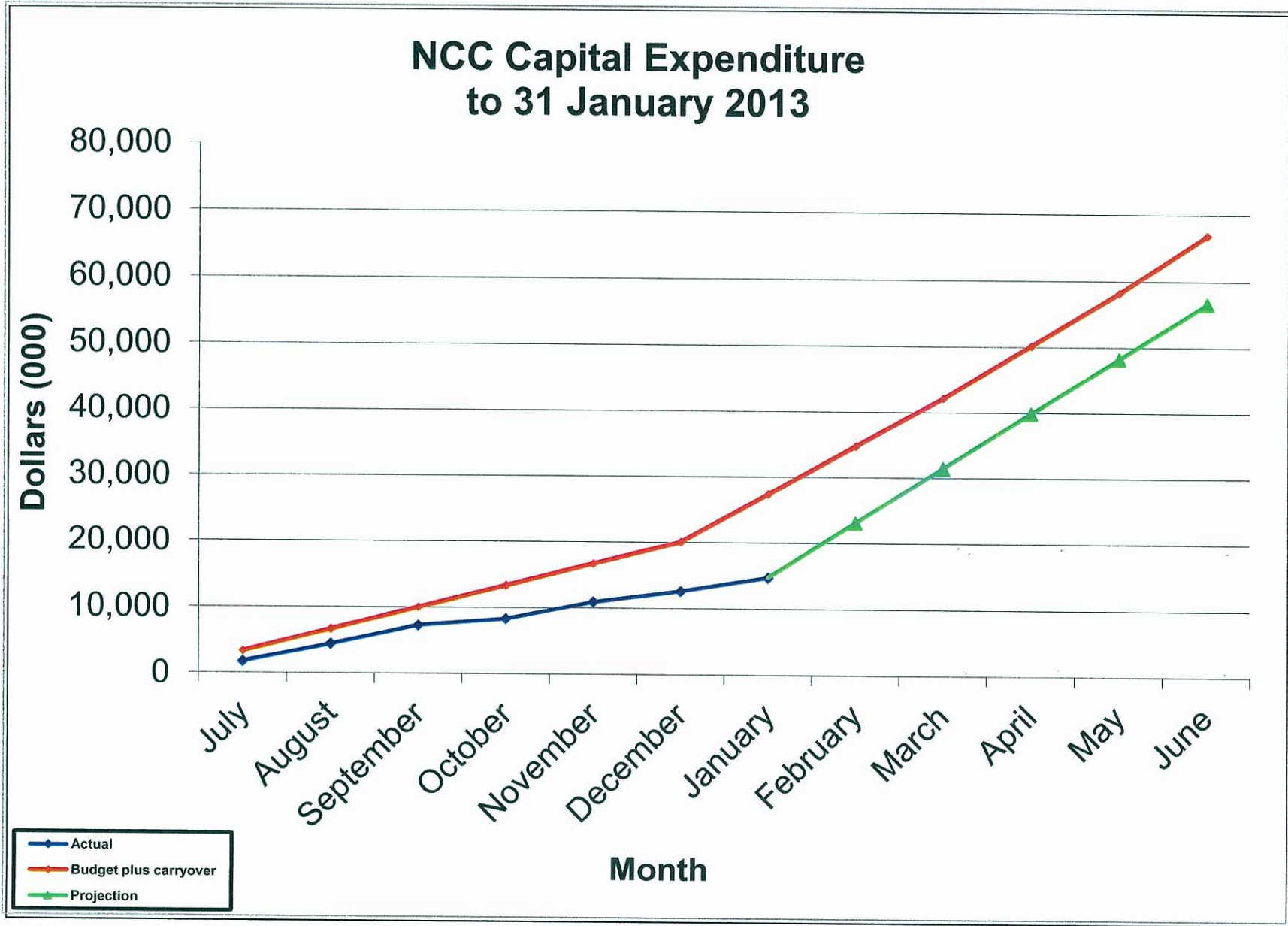
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Capital Expenditure
Total Council - by Activity

Activity	Actual YTD \$(000)	Budget YTD \$(000)	Variance YTD \$(000)	Annual Budget plus C/fwd \$(000)	Latest Forecast \$(000)	Within +or-5% Proj.	Comments
Transport	3,673	3,283	390	10,943	9,952	N	Queens Rd , Tasman (Halifax-Grove), Cleveland Tce retaining walls
Water supply	3,513	2,347	1,167	7,823	7,844	Y	AC renewals/ The Ridgeway
Wastewater	584	1,464	-880	4,881	3,413	N	NNWWTP Upgrade, growth projects
Stormwater	310	842	-533	2,808	1,907	N	Queens Rd plus many various.
Flood protection	89	126	-37	419	963	N	
Environment	184	115	69	384	356	N	
Social incl arts and heritage	491	3,319	-2,828	11,063	11,069	Y	SoM, Theatre Royal
Parks and active recreation	2,327	4,723	-2,396	15,743	11,730	N	Marina Hardstand, Wakefield Quay, Play Facilities, Land Purchase, Saxton hockey turf
Economic	0	0	0	0	0	N/A	
Corporate	480	1,515	-1,036	5,052	1,818	N	IT projects, land purchases
Financial reserves	2,274	2,274	0	7,578	7,578	Y	
	<u>13,925</u>	<u>20,008</u>	<u>-6,084</u>	<u>66,693</u>	<u>56,631</u>	N	
					<u>(10,063)</u>		
Nelson Regional Sewerage BU	227	277	-50	1,109	1,109	N	

Attachment 2

Capital Expenditure		7 Months to 31 January 2013			
Total Council	Annual		Contract	Latest	Comments
	Actual YTD	Budget plus C/fwd	Completion Date	Forecast	
	\$(000)	\$(000)		\$(000)	
Major projects (over \$750,000 in any column)					Within +or-5% Proj.
Infrastructure					
Maitai Pipeline Duplication	2,859	5,132		5,132	Y
Princes Drive	48	1,076		500	N
Queens Road	904	1,073		1,073	Y
Road: Waimea/Motueka Jct	17	1,194		94	N
Strategic Land Purchase	1	2,400		0	N
Nelson North Wastewater Treatment	97	2,251		1,000	N
Road Renewals: Friction Course	296	989		989	Y
Emergency 2011 Cable Bay Road	14	0		800	N
Emergency 2011 Response	0	0		738	N
Maitai Shared Path	246	791		915	N
Marsden Valley Trunk Main	29	578		995	N
York Stream Channel Upgrade	82	98		823	N
Community Services					
Theatre Royal	8	6,590		6,590	Y
Nelson School of Music	0	2,406		2,406	Y
Marina Hardstand	31	2,400		1,500	N
Trafalgar Center North Upgrade	335	1,438		785	N
Land Purchase: General Reserve	0	1,189		1,189	Y
Replace Hockey Turf	4	950		950	Y
Reserves					
Vested Assets	2,274	4,769		4,769	Y
Total other (under \$750,000)	6,680	31,371		25,383	N
Council Total	13,925	66,693		56,631	N
Nelson Regional Sewerage business unit	227	1,109		1,109	Y



Outstanding Rates

Attachment 5

Date	Total Rates Outstanding	Latest Instalment	Previous instalments	Previous Years	incl commercial
30 June 2007	180,780	0	180,780	0	
30 June 2008	340,391	0	340,391	0	
1 September 2008	907,606	633,127	0	274,479	
1 December 2008	677,694	591,693	?	86,001	
1 March 2009	852,643	644,579	169,842	38,222	
4 June 2009	607,313	425,511	181,802	0	
30 June 2009	294,833	0	294,833	0	
1 September 2009	907,209	711,869	0	195,340	
13 October 2009	355,162	246,305	0	108,857	
31 December 2009	337,758	175,274	106,774	55,710	
1 March 2010	630,376	445,311	175,929	9,136	
1 June 2010	660,645	464,202	195,213	1,230	
30 June 2010	337,253	0	337,030	223	
1 September 2010	835,862	650,520	0	185,342	
1 November 2010	260,349	161,242	0	99,107	
1 December 2010	688,461	528,857	129,635	29,969	
31 December 2010	245,476	150,655	78,443	16,378	
1 March 2011	644,113	498,068	141,592	4,453	
1 June 2011	601,476	421,150	178,873	1,453	
30 June 2011	338,162	0	338,162	0	
October 2011	373,025	252,535	0	120,490	
November 2011	246,409	0	166,278	80,131	
1 December 2011	777,480	578,542	150,757	48,181	145,274
5 March 2012	649,187	514,491	129,140	5,556	58,517
30 May 2012	816,798	592,400	224,213	185	181,182
30 August 2012	923,938	753,415	0	170,523	187,299
3 December 2012	793,522	593,648	165,742	34,132	175,194
1 March 2013	1,117,653	704,633	406,606	6,414	198,492

Nelson City Council

Abbreviated Balance Sheet

		31/01/2013	31/12/2012	30/06/2012
Current Assets				
	Cash and Bank	304,517	34,229	37,333
Bank Deposits	Investments	0	0	2,200,000
	Rates Debtors	8,207,839	(4,192,747)	(653,063)
Amounts due from customers.	Trade Debtors	6,761,911	7,696,413	12,687,563
	Debtors and Accruals	<u>2,377,749</u>	<u>2,262,414</u>	<u>984,948</u>
		<u>17,652,017</u>	<u>5,800,308</u>	<u>15,256,781</u>
Current Liabilities				
	Bank Overdraft	0	(2,156,771)	(409,863)
Cash Book Balance	Creditors	(8,659,826)	(8,205,902)	(14,234,354)
Amounts owed to suppliers.	Commercial paper	(39,709,898)	(39,694,236)	(39,686,764)
	Current Portion of Term Liabilities	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>
Term Loans to be paid in 12 months		<u>(48,399,724)</u>	<u>(50,086,909)</u>	<u>(54,360,980)</u>
	Net Working Capital	(30,747,707)	(44,286,600)	(39,104,199)
Non Current Assets				
	Investments	29,308,872	29,302,769	29,290,709
Shares in Subsidiaries etc	Fixed Assets	<u>1,189,925,103</u>	<u>1,190,288,761</u>	<u>1,185,646,627</u>
Total value, net of depreciation of all		<u>1,219,233,975</u>	<u>1,219,591,530</u>	<u>1,214,937,336</u>
Non Current Liabilities				
	Bank Term Loans	(20,271,690)	(14,921,690)	(21,286,690)
	Other Term Liabilities	<u>(1,030,075)</u>	<u>(1,021,649)</u>	<u>(971,824)</u>
Money borrowed that requires payment after 12 months		<u>(21,301,765)</u>	<u>(15,943,340)</u>	<u>(22,258,514)</u>
		<u>1,167,184,503</u>	<u>1,159,361,590</u>	<u>1,153,574,623</u>
Shareholder Funds				
	Ratepayers Equity	335,202,533	327,941,699	326,373,674
	Reserves	<u>831,981,970</u>	<u>831,419,891</u>	<u>827,200,949</u>
		<u>1,167,184,503</u>	<u>1,159,361,590</u>	<u>1,153,574,623</u>

Council Borrowings & Swaps

The Council borrowing as at 31 January 2013, with maturity dates are as follows:

		NCC	NRSBU	Total	Interest rate
		\$000	\$000	\$000	\$000
Feb 2013	Call	2,000		2,000	3.80%
Feb 2013	CP	9,920		9,920	3.06%
Feb 2013			2,650	2,650	3.67%
Feb 2013			200	200	3.70%
Feb 2013		5,320		5,320	3.61%
Feb 2013		3,000		3,000	3.63%
Mar 2013	CP	9,930		9,930	2.85%
Mar 2013			4,000	4,000	3.71%
Mar 2013		3,110		3,110	3.61%
Mar 2013		2,600		2,600	3.61%
Mar 2013			2,000	2,000	3.70%
April 2013	CP	19,861		19,861	2.84%
Total Borrowings		55,741	8,850	64,591	

The weighted average interest rate was **3.19%**

Made up of:

NCC	3.11%
NRSBU	3.70%

Council Interest rate swaps

Deal Date	Pay/Rec Fixed	Bank	Amount (\$millions)	Start Date	Maturity Date	Swap Rate	extend: Actual	
							Start Date	Maturity Date
29-Jul-10	pay	WPC	4.00	26-Oct-10	28-Apr-16	4.300%		28-Oct-14
29-Jul-10	pay	WPC	3.00	27-Aug-10	27-May-15	4.835%		
29-Jul-10	pay	WPC	3.00	27-Aug-10	27-Aug-21	4.835%	27-May-15	27-Aug-21
29-Jul-10	pay	WPC	4.00	27-Sep-10	27-Sep-18	5.250%		
29-Jul-10	pay	WPC	5.00	27-Aug-10	27-May-20	5.365%		
4-Aug-10	pay	WPC	4.00	27-Jan-11	27-Jan-17	5.080%		
3-Sep-10	pay	WPC	5.00	27-Mar-11	27-Jun-19	4.980%		
3-Sep-10	pay	WPC	6.00	27-Apr-11	27-Oct-17	4.820%		
12-Mar-12	pay	WPC	5.00	27-May-11	27-Aug-14	4.000%		27-Aug-13
3-Mar-11	pay	BNZ	3.00	27-Nov-11	27-Nov-15	4.560%		
11-May-11	pay	ANZ	5.00	27-Sep-11	27-Sep-16	4.710%		
11-May-11	pay	ANZ	4.00	27-Jan-12	27-Apr-16	4.780%		
11-May-11	pay	ANZ	3.00	27-Jan-12	27-Jan-15	4.440%		
11-May-11	pay	ANZ	3.00	27-Sep-11	27-Mar-14	3.960%	27-Mar-14	27-Mar-22
2-Aug-12	pay	ANZ	2.00	27-Mar-13	27-Jun-22	3.860%		
2-Aug-12	pay	ANZ	2.00	27-Apr-13	27-Oct-21	3.820%		
2-Aug-12	pay	ANZ	2.00	27-May-13	27-Nov-20	3.770%		
2-Aug-12	pay	ANZ	2.00	27-Jun-13	27-Sep-19	3.660%		
12-Nov-12	pay	BNZ	3.50	21-Dec-12	21-Dec-14	2.620%		
NRSBU								
16-May-12	pay	WPC	2.00	22-Dec-12	22-Mar-21	3.830%		
16-May-12	pay	WPC	2.00	22-Dec-12	22-Mar-19	3.570%		
16-May-12	pay	WPC	2.00	22-Mar-13	22-Mar-17	3.220%		
16-May-12	pay	WPC	2.00	22-Mar-13	22-Mar-15	2.770%		
			76.50					

Nelson City Council Interest Rate Position			
12 month forecast core debt:	\$96.4m	31-Jan-13	
Policy Limits	55%-90%		
Overall Fixed:Floating Mix	79%		
Policy Compliance	Y		
Liquidity Ratio:	110%		
Actual	151%		
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	15%	43%	42%
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	74%	26%	0%
Policy Compliance	X	Y	X
Nelson City Council Interest Rate Performance			
Market Rates	90 Day Rate (ave of month) =	5yr Swap Rate (end of month) =	
	3.09%	4.80%	
Interest Cost (incl margin)	This Month	Last Month	
Weighted Av. Cost of Funds			
Benchmark Rate (incl margin of bp)	0.00%	0.00%	
Budget Rate			
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest Rate Risk Management Instruments Only)		10,000,000	
Minimum Credit Rating is A-1+/A+	Notional (\$m)	Credit Exposure (\$m)	
Bank			
WPC	47.0	7.2	Within Policy
ANZ	23.0	4.1	Within Policy
BNZ	6.5	0.5	Within Policy
Total (NZ\$m)	76.5	11.7	

Specific borrowing limits		
Net interest expense on external debt as a percentage of total revenue to be less than 15%	2.94%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	5.06%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	64%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	6%	Y
Explanation of Funding maturity policy breach		
This policy ensures that Council have a spread of bank facilities and bonds across the maturity profile. With the inclusion of the NRSBU facility and swaps at 30 June 2012, Council now have too much maturing in the 0-3 year band and continue to be outside of policy in the 5 year + band.		
Remedial action		
To meet the 5 year plus band, Council will wait to issue bonds through the Local Government Funding Agency (LGFA) as it is too expensive currently as an unrated Council to issue in our own name. Issuing bonds will also resolve the 0-3 year band as Council will no longer have to hold committed facilities if it has term bonds and can start cancelling unused facility limits in the 0-3 year band.		

Review of Financial Reserves

1. Purpose of Report

- 1.1 To approve recommendations for future use of some of Council's Financial Reserves.

2. Recommendation

THAT the funds held in the following reserves or on behalf of the following trusts be transferred to the activity that they relate to as set out in document 1452534:

- ***New Book Reserve***
- ***City Library Donations Reserve***
- ***Children's Library Donations Reserve***
- ***Stoke Library Donations Reserve***
- ***Nightingale Donations Reserve***
- ***Marsden Valley Cemetery Maintenance Trust***
- ***Wakapuaka Cemetery Maintenance Trust***
- ***Cafe Asset/Civic House Reserve***
- ***Festival Reserve***
- ***Loan Repayment Reserve***
- ***Tahunanui Dunes Restoration***
- ***Aldinga Park Donation Fund***
- ***Maitai Valley Trust***
- ***Kain Bequest***
- ***RB Jackson Bequest***
- ***FM Knight Bequest***
- ***Millar Bequest***
- ***Good Driving Incentive Reserve***
- ***Marsden Recreation Trust;***

AND THAT the Plunket Land Sale Fund be used to fund the new toilet development on the 1903 site;

AND THAT the balance of the Hamilton and Jean Rudman bequests be transferred to the City of Nelson Civic Trust on trust and the income to be used for beautifying the city;

AND THAT the Walker bequest be used to fund outdoor seating at the Stoke Community housing complexes with the balance being transferred to the Play Facilities activity;

AND THAT the Bartell Bequest and the Tui Endowment Trust be combined as the Nelson Institute Fund Reserve with the income to be transferred to the Library activity.

3. Background

- 3.1 Report 1244247 was considered at the 29 May 2012 meeting of the Audit, Risk and Finance Committee and it was resolved

THAT where appropriate staff take reasonable steps to contact the providers or Trustees of the bequests and trusts and consult the Council's Senior Legal Adviser, and report back to the Committee on the transfer of financial reserves.

- 3.2 Changes to the Local Government Act 2002 have increased reporting requirements for Financial Reserves.

- 3.3 The following nine Financial Reserves are the result of historical Council accounting practices which are no longer appropriate and it is recommended that these accounts are closed by way of transfer to the appropriate activities. No Trusts are involved.

- New Book Reserve
- City Library Donations Reserve
- Children's Library Donations Reserve
- Stoke Library Donations Reserve
- Nightingale Donations Reserve
- Cafe Asset/Civic House Reserve
- Festival Reserve
- Loan Repayment Reserve
- Good Driving Incentive Reserve

- 3.4 The objectives for the following nine Trusts have been met but the funds were not transferred at the time. It is recommended that these funds be transferred to the appropriate activities.
- Marsden Valley Cemetery Maintenance Trust
 - Wakapuaka Cemetery Maintenance Trust
 - Tahunanui Dunes Restoration
 - Aldinga Park Donation Fund
 - Maitai Valley Trust
 - Kain Bequest
 - RB Jackson Bequest
 - FM Knight Bequest
 - Millar Bequest
- 3.5 The Marsden Recreation Trust fund was received from the Waimea County in 1958. The income from this fund has been historically for the maintenance of the Marsden Recreation Ground. As the purposes are met out of ongoing Council operations it is recommended that the Trust be transferred to the Sports Parks Activity due to the minor amount involved.
- 3.6 The Plunket Land Sales fund arose from the sale of land in 1993 with the intention that the funds were to be used towards toilet facilities in the area. It is recommended that these funds be used to fund the new toilet facilities on the 1903 site.
- 3.7 Two bequests for the Nelson Beautifying Society were passed to the Council as the Society did not exist as a legal entity. It is recommended that these funds be transferred to the City of Nelson Civic Trust on trust and the income to be used for beautifying the city.
- 3.8 The Walker Bequest has several objectives in the Southern Stoke area. It is recommended that the funds in this Trust be used to fund outdoor seating at the Stoke Community housing complexes and the balance be transferred to the Playground activities in recognition of the playgrounds developed in southern Stoke since the bequest was received.
- 3.9 The Council received two trusts, the Bartell Bequest and the Tui Endowment Reserve, from the Nelson Institute for the Library. We do not have access to the original source documents. The Library Committee minutes of 4 May 1966 records the "Town Clerk reporting that the Bartell bequest of £850 is invested and the income is to be applied in the purchase of Library books other than theological books or books of fiction". The Nelson Institute Act 1907 which has since been repealed provided for the proceeds from the sale of endowment land (section 11) "towards the objects and purposes of the Institute" (section 10).

4. Conclusion

- 4.1 The report be received and the recommendation to utilise the named reserves be approved.

Nikki Harrison
Chief Financial Officer

Attachments

Attachment 1: Reserves December 2012 [1452534](#)

Supporting Information

1. Fit with Purpose of Local Government

Due to cost of the increased reporting requirements it is appropriate that the Financial Reserves be reviewed to streamline Council's management and reporting for the Reserves included in this report.

Section 14 (g) of the Local Government Act 2002 requires that "a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district..."

Section 101 (1) of the Local Government Act 2002 requires that "A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".

2. Fit with Community Outcomes and Council Priorities

The recommendations in this report are not inconsistent with Community Outcomes and Council Priorities.

3. Fit with Strategic Documents

The recommendations in this report are in line with the Draft Annual Plan 2013/14 which amends the Long Term Plan 2012-2022.

4. Sustainability

The re-allocation of funds held on trust and as part of bequests when properly applied to relevant activities will assist in the sustainable delivery of those activities from a funding point of view, and in some cases will create legacy assets that will promote sustainable community outcomes.

5. Consistency with other Council policies

The recommendations are consistent with the Council's Accounting Policies.

6. Long Term Plan/Annual Plan reference and financial impact

Long Term Plan 2012-2022 pages 182, 188, 198 and 199. Annual Plan 2013/14 references to be confirmed.

7. Decision-making significance

This is not a significant decision in terms of the Council's Significance Policy.

8. Consultation

The Council's Senior Legal Adviser has reviewed and supports the recommendations as meeting the Council's legal obligations.

9. Inclusion of Māori in the decision making process

Not applicable.

10. Delegation register reference

Council decision.

<u>Acc No</u>	<u>Name</u>	<u>Activity</u>	<u>Dec 12 Balance</u>	<u>Background Clause</u>	<u>Description / Comment</u>	<u>Recommendation</u>
25309920	New Book Reserve	Nelson Library	36,634	3.3	From Sale of Library books.	Use to repay library debt
25309978	City Library Donations Reserve	Nelson Library	55,243	3.3	General (mainly large print books)	Use to repay library debt
25309982	Children Library Donations Res	Nelson Library	1,361	3.3	Furniture in Childrens section	Use to repay library debt
25309979	Stoke Library Donations Reserv	Stoke Library	88,342	3.3	General (mainly books)	Use to repay library debt
25309980	Nightingale Donations Reserve	Tahuna Library	6,744	3.3	General (mainly large print books)	Use to repay library debt
25309992	MV Cemetery Maintenance Trust	Marsden Cemetery	268,234	3.3	Originally Plot fees for maintenance. Income should be used for maintenance	Use to repay Cemetery debt
25309993	Wakapuaka Cemetery Maintenance Trust	Historic Cemeteries	3,464	3.3	Originally Plot fees for maintenance. Income should be used for maintenance	Use to repay Cemetery debt
25309950	Cafe Asset/Civic House Reserve	Civic House	42,292	3.3	Balance from Tenants funds	Repay Civic House Debt
25309930	Festival Reserve	Festivals	2,422	3.3	Interest from 2004 Surplus	Fund Lantern cancelation 2011/2
25309905	Loan Repayment Reserve	Balance Sheet - Equity	-9,711,001	3.3	Activity Funding Reserve	Close to Equity
25309926	Tahunanui Dunes Restoration	Esplanade Reserves	338	3.4	Ex Motels green miles	Transfer to Espanade & Foreshore
25309986	Aldinga Park Donation Fund	Neighbourhood Reserves	25,963	3.4	Aldinga Park	Transfer to activity as park developed
25309988	Maitai Valley Trust	Neighbourhood/Esplanade	6,243	3.4	Maitai Valley / Branford park	Transfer to activity as park developed
25309977	Kain Bequest	Nelson Library	19,154	3.4	Services for elderly	Transfer to activity as services provided
25309996	RB Jackson Bequest	Play Facilities	16,550	3.4	Childrens Playgrounds	Transfer to activity as playgrounds provided
25309995	FM Knight Bequest	Shrubs and trees	21,087	3.4	Capital \$9,645. No restriction	Transfer to Hoticultural Parks as services provided
25309976	Millar Bequest	Stoke Library	38,584	3.4	Wide purpose. Capital \$20,251	Use to repay Stoke Library debt
25309952	Good Driving Incentive Reserve	Transport	313	3.4	Spot prizes for MOT	Transfer to Road Safety
25309989	Marsden Rec Trust	Sports parks	2,975	3.5	Marsden Rec. Capital \$1754	Transfer to Sports Parks
25309924	Plunket Land Sales Fund	Free Toilets (or Parks)	128,602	3.6	Toilet Facilities Capital Work	Use to rfund new toilet development 1903 site.
25309994	Hamilton Bequest	Beautifying Nelson	61,262	3.7	Historically income for Isel.	Transfer to Civic Trust
25309973	Rudman Bequest	Nelson Beautifying Society	312,830	3.7	For Permanent beautifying the City \$106,734	Transfer to Civic Trust
25309975	Walker Bequest	Parks & Reserves	60,843	3.8	Southern Stoke Play area,seating for elderly and Landscaping	Use towards Community Housing Seating and balance to Play Facilities
25309972	Bartell Bequest	Nelson Library	4,034	3.9	Bequest to Nelson Institute Capital \$1,700	Use Income
25309981	Tui Endowment Reserve	Nelson Library	3,796	3.9	ex Nelson Institute Capital \$1,600	Use Income