



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Finance and Policy Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Tuesday 27 June 2017 at 4.00 pm**

His Worship the Mayor Mr T R Shadbolt JP
Cr D J Ludlow (Chairman)
Cr G D Lewis (Deputy Chair)
Cr R L Abbott
Cr R R Amundsen
Cr I R Pottinger
Cr L S Thomas

EIRWEN HARRIS MITCHELL
MANAGER, SECRETARIAL SERVICES

A G E N D A

	Page
1. APOLOGIES	
2. PUBLIC FORUM	
3. MONITORING OF SERVICE PERFORMANCE	
3.1 LEVELS OF SERVICE 1 JULY 2016 TO 30 MAY 2017	3
4. MONITORING OF FINANCIAL PERFORMANCE	
4.1 REPORT OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES	6
4.1.1 <i>Financials 30 April 2017</i>	7
5. ACTIVITY PLAN REVIEW	
N/A.	
6. DEVELOPMENT OF POLICIES/BYLAWS	
N/A.	
7. OTHER BUSINESS	
7.1 REPORT OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES	
7.1.1 <i>Update on City Centre Activities</i>	21
7.1.2 <i>Invercargill City Holdings Limited – Statement of Intent</i>	24
7.1.2.1 Appendix 1	25
8. URGENT BUSINESS	

9. **PUBLIC EXCLUDED SESSION**

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely

(a) *Report of the Director of Finance and Corporate Services*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
CBD Rejuvenation	Enable any local authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations)	Section 7(2)(i)

TO: FINANCE AND POLICY COMMITTEE

FROM: DIRECTOR OF FINANCE AND CORPORATE SERVICES

MEETING DATE: TUESDAY 27 JUNE 2017

LEVELS OF SERVICE REPORT – 1 JULY 2016 TO 30 MAY 2017
--

Report Prepared by: Melissa Short – Strategy and Policy Manager

SUMMARY

Reporting on the Corporate Services levels of service measures for the period comprising 1 July 2016 to 30 May 2017.
--

RECOMMENDATIONS

That the report be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> The report monitors performance in relation to levels of service measures identified in the Long Term Plan and Annual Plan.
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> No – not relevant

FINANCIAL IMPLICATIONS

No financial implications result from this report.

DEMOCRATIC PROCESS

Democratic Activities	1 July 2016 to 30 May 2017
2015/16 Annual Report adopted before 30 October 2016.	Annual Report adopted on 26 October 2016. Unmodified audit report received.

Consultation:

- Consultation Document for the 2017/18 Annual Plan.
- Proposed Fee Increase - Second or Subsequent Certificate of Public Use for Commercial Buildings under the Building Act 2004
- Equity and Access for People with Disabilities Policy.
- Easter Trading.
- Library Layout.

INVESTMENT PROPERTY

	1 July 2016 to 30 May 2017
Investment Property Activity	
May 2017	<p>Sale Lot 2, Bond Street Sub-Division, Invercargill (Fulton Hogan) Settlement: 19 May 2017</p> <p>Sale 257 Etrick Street, Invercargill Settlement: 29 May 2017</p>
April 2017	No Purchase or Sale Transactions
March 2017	<p>All Property Transactions in March 2017 are Freeholding Sales to Lessees - 154/156 was a Deferred Settlement from 2016.</p> <p>Sale 25 Etrick Street, Invercargill Settlement: 7 March 2017</p> <p>Sale 88 Foyle Street, Bluff Settlement: 7 March 2017</p> <p>Sale 154/156 Clyde Street, Invercargill Settlement: 7 March 2017</p> <p>Sale 241 Crinan Street, Invercargill Settlement: 15 March 2017</p>
February 2017	No Purchase or Sale Transactions
January 2017	No Purchase or Sale Transactions

December 2016	No Purchase or Sale Transactions
November 2016	No Purchase or Sale Transactions
October 2016	No Purchase or Sale Transactions
Investment Property transactions (Purchases and Sales) September 2016	Purchase of Buildings and Lease (Council Owned Land): 13 and 17 Clyde Street, Invercargill 26 Liddell Street, Invercargill Settlement: 29 September 2016
August 2016	No Purchase or Sale Transactions
July 2016	No Purchase or Sale Transactions

TO: FINANCE AND POLICY COMMITTEE
FROM: DIRECTOR OF FINANCE & CORPORATE SERVICES
MEETING DATE: TUESDAY, 27 JUNE 2017

MONITORING OF FINANCIAL PERFORMANCE
--

Report Prepared by: Dale Booth – Financial Controller

SUMMARY

The Finance and Corporate Services area is \$910,448 under budget for the first ten months to 30 April 2017.
--

RECOMMENDATIONS

That the report be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes

FINANCIAL IMPLICATIONS

Financial commentary and reports are provided for the Committee’s information.

Business Unit **200000 - Finance and Corporate Services**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	5,482,004	5,416,199	65,805	1,017,434	6,499,439
Fees & Charges Revenue	2,379,450	2,127,188	252,262	116,198	2,495,648
Grants & Subsidies Revenue	1,304,872	1,268,011	36,860	290,071	1,594,942
Rates Revenue	496,707	518,652	(21,945)	118,293	615,000
Financial Revenue	1,736,271	1,945,519	(209,247)	6,827,007	8,563,278
Total Revenue	11,399,304	11,275,569	123,735	8,369,003	19,768,307
Internal Expenditure	3,412,403	3,405,178	7,225	673,811	4,086,214
Staff Expenditure	5,872,446	6,167,813	(295,367)	1,503,785	7,376,230
Administration Expenditure	1,649,051	1,639,775	9,276	234,228	1,883,279
Financial Expenditure	1,188,355	1,429,367	(241,013)	752,886	1,941,241
Grants & Subsidies Expenditure	4,249,327	4,253,892	(4,565)	1,262,719	5,512,046
Repairs & Maintenance Expenditure	183,313	209,676	(26,363)	68,698	252,011
Operational Expenditure	1,603,385	1,828,922	(225,537)	710,631	2,314,016
Depreciation Expenditure	428,419	328,319	100,100	(34,436)	393,983
Total Expenditure	18,586,698	19,262,941	(676,244)	5,172,322	23,759,020
Operating Surplus / (Deficit)	(7,187,393)	(7,987,372)	799,979	3,196,680	(3,990,713)
Capital Expenditure	8,856,951	9,030,859	(173,908)	4,402,174	13,259,125
Capital Funding	(6,703,046)	(6,766,190)	63,144	(6,523,744)	(13,226,790)
Cash Back Depreciation	442	737	(295)	442	884
Rates Required	9,340,856	10,251,304	(910,448)	(5,318,693)	4,022,163

Commentary:

The Finance and Corporate Services Committee is \$910,448 under budget for the first ten months of the year. A departmental breakdown and commentary is provided.

Business Unit **150000 - Museum Operations**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Fees & Charges Revenue	1,023,074	1,064,267	(41,193)	276,436	1,299,509
Grants & Subsidies Revenue	946,690	893,400	53,289	183,253	1,129,942
Financial Revenue	6,686	17,302	(10,616)	13,599	20,285
Total Revenue	1,976,449	1,974,969	1,480	473,288	2,449,737
Internal Expenditure	557,011	557,011	0	111,402	668,413
Staff Expenditure	935,312	1,042,927	(107,614)	299,026	1,234,338
Administration Expenditure	81,756	64,702	17,054	(4,114)	77,643
Financial Expenditure	3	726	(722)	868	871
Grants & Subsidies Expenditure	15,250	12,500	2,750	(250)	15,000
Repairs & Maintenance Expenditure	18,981	12,977	6,004	(3,409)	15,572
Operational Expenditure	300,029	354,971	(54,942)	125,936	425,965
Depreciation Expenditure	12,742	6,612	6,130	(4,807)	7,935
Total Expenditure	1,921,085	2,052,426	(131,341)	524,652	2,445,737
Operating Surplus / (Deficit)	55,364	(77,456)	132,821	(51,364)	4,000
Capital Expenditure	18,301	3,667	14,634	(14,301)	4,000
Cash Back Depreciation	(0)	0	(0)	0	0
Rates Required	(37,063)	81,123	(118,186)	37,063	0

Commentary:

The Museum Department is \$118,186 under budget for the first ten months of the year. This is primarily due to: 1) Step increase of income from Regional Heritage Rate, 2) Delay in ramp-up of expenditure to equal the new income amount. 3) Expenditure will be increased by employment of staff, however this cannot be done until the increase of income is sustained into next year. The unexpended sum this year will be used to acquire mobile and fixed shelving for re-housing of the collection, this has been discussed with and approved by the Trust Board to be done by the end of this financial year.

Business Unit **210000 - Finance and Corporate Services Director**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	(141,667)	(141,667)	(0)	(28,333)	(170,000)
Grants & Subsidies Revenue	365,751	374,611	(8,860)	99,249	465,000
Rates Revenue	496,707	518,652	(21,945)	118,293	615,000
Financial Revenue	91,966	128,990	(37,024)	5,408,034	5,500,000
Total Revenue	812,757	880,586	(67,829)	5,597,243	6,410,000
Internal Expenditure	539,003	539,003	(0)	107,801	646,804
Staff Expenditure	386,557	385,517	1,041	72,743	459,300
Administration Expenditure	10,210	11,583	(1,373)	3,690	13,900
Repairs & Maintenance Expenditure	1,118	2,083	(966)	1,382	2,500
Operational Expenditure	8,900	101,417	(92,516)	112,800	121,700
Depreciation Expenditure	20,789	13,333	7,456	(4,789)	16,000
Total Expenditure	966,579	1,052,937	(86,358)	293,625	1,260,204
Operating Surplus / (Deficit)	(153,822)	(172,350)	18,529	5,303,618	5,149,796
Capital Expenditure	1,477	0	1,477	3,523	5,000
Capital Funding	0	0	0	(75,000)	(75,000)
Rates Required	155,299	172,350	(17,052)	(5,375,095)	(5,219,796)

Commentary:

The Finance Director department is \$17,052 under budget for the first ten months of the year.

Business Unit **219000 - Finance and Corporate Services - Human Resources**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	746,514	746,514	0	149,303	895,817
Financial Revenue	2,773	854	1,919	(1,748)	1,025
Total Revenue	749,287	747,368	1,919	147,555	896,842
Internal Expenditure	16,233	16,233	(0)	3,247	19,480
Staff Expenditure	550,752	610,781	(60,029)	217,406	768,159
Administration Expenditure	33,745	27,687	6,058	(520)	33,225
Grants & Subsidies Expenditure	600	0	600	(600)	0
Repairs & Maintenance Expenditure	512	2,561	(2,049)	2,561	3,074
Operational Expenditure	33,903	103,156	(69,252)	89,883	123,787
Depreciation Expenditure	10,739	7,598	3,141	(1,621)	9,118
Total Expenditure	646,485	768,017	(121,531)	310,356	956,842
Operating Surplus / (Deficit)	102,801	(20,649)	123,450	(162,802)	(60,000)
Capital Expenditure	22,379	0	22,379	1,696	24,076
Capital Funding	0	0	0	(84,076)	(84,076)
Cash Back Depreciation	0	0	0	0	0
Rates Required	(80,422)	20,649	(101,071)	80,422	0

Commentary:

The Human Resources department is \$101,071 under budget for the first ten months of the year. This is predominantly as a result of the department being one staff member down (new staff member joined organisation in late April) for the past 5 months which has reduced staff expenditure, this will result in savings at year end. The operational expenditure area is also under budget, mainly due to legal fees and contractors being under budget. It is difficult to assess whether these budgets will be fully spent at year end as they are only utilised if needed.

Business Unit **220000 - Finance and Corporate Services -
Investment Property**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	20,833	20,833	(0)	4,167	25,000
Fees & Charges Revenue	1,144,751	878,740	266,011	(171,053)	973,698
Financial Revenue	23,853	41,870	(18,016)	730,771	754,625
Total Revenue	1,189,438	941,443	247,995	563,885	1,753,323
Internal Expenditure	5,857	0	5,857	(5,857)	0
Staff Expenditure	97,943	114,187	(16,244)	37,076	135,019
Administration Expenditure	128,601	108,462	20,139	14,416	143,017
Financial Expenditure	352,529	423,923	(71,394)	156,179	508,708
Repairs & Maintenance Expenditure	116,755	136,824	(20,069)	47,434	164,189
Operational Expenditure	455,357	515,736	(60,380)	163,527	618,884
Depreciation Expenditure	14,353	20,290	(5,937)	9,995	24,348
Total Expenditure	1,171,393	1,319,422	(148,029)	422,771	1,594,164
Operating Surplus / (Deficit)	18,045	(377,979)	396,024	141,114	159,158
Capital Expenditure	8,468,670	8,664,802	(196,132)	4,284,452	12,753,122
Capital Funding	(6,993,400)	(7,139,807)	146,407	(5,810,831)	(12,804,231)
Cash Back Depreciation	442	737	(295)	442	884
Rates Required	1,456,783	1,902,238	(445,455)	(1,667,934)	(211,151)

Commentary:

The Investment Property department is \$445,455 under budget for the first ten months of the year. This is predominantly due to the Awarua farm operation showing a \$350,000 surplus ahead of budget, on the back of much improved global milk prices. This surplus will go back into the Economic Development reserve to offset the holding cost of the total Awarua Industrial Estate. The holding cost are also running below budget by \$108,000. The remaining departments of Investment Property are on budget to April 2017.

Business Unit **230000 - Finance and Corporate Services -
Accounting and Finance**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	1,017,891	1,017,896	(5)	203,584	1,221,475
Financial Revenue	203,981	178,430	25,551	15,019	219,000
Total Revenue	1,221,871	1,196,325	25,546	218,604	1,440,475
Internal Expenditure	8,333	8,333	(0)	1,667	10,000
Staff Expenditure	745,969	772,052	(26,083)	173,304	919,273
Administration Expenditure	142,877	134,585	8,292	16,025	158,902
Financial Expenditure	95,188	142,750	(47,562)	203,112	298,300
Grants & Subsidies Expenditure	435	0	435	4,565	5,000
Repairs & Maintenance Expenditure	621	2,417	(1,796)	2,279	2,900
Operational Expenditure	61,384	76,158	(14,774)	163,516	224,900
Depreciation Expenditure	18,099	30,167	(12,068)	18,101	36,200
Total Expenditure	1,072,907	1,166,462	(93,555)	582,568	1,655,475
Operating Surplus / (Deficit)	148,965	29,864	119,101	(363,965)	(215,000)
Capital Expenditure	0	0	0	5,000	5,000
Capital Funding	0	0	0	(220,000)	(220,000)
Rates Required	(148,965)	(29,864)	(119,101)	148,965	0

Commentary:

The Accounting and Finance department is \$119,101 under budget for the first 10 months of the year. This is predominantly due to the following: 1) Bank fees are lower due to the Council joining the "all of government bank fees scheme", this has resulted in \$42,000 of savings year to date. 2) Debt recovery expenses are tracking below budget by \$10,000. 3) Interest income is \$15,000 ahead of budget. 4) Contractors are \$17,000 below budget, due to internal audit programme not being carried out in 2017/18, but some larger expenditure items are expected within the last two months. 5) Depreciation expense is \$12,000 below budget and expected to result in a saving at year end.

Business Unit **236000 - Accounting and Finance - Treasury**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	26,239	0	26,239	(26,239)	0
Financial Revenue	1,275,630	1,456,286	(180,655)	663,062	1,938,692
Total Revenue	1,301,870	1,456,286	(154,416)	636,822	1,938,692
Administration Expenditure	565	0	565	(565)	0
Financial Expenditure	685,310	765,146	(79,836)	331,865	1,017,175
Operational Expenditure	60,457	0	60,457	(60,457)	0
Total Expenditure	746,332	765,146	(18,814)	270,843	1,017,175
Operating Surplus / (Deficit)	555,538	691,140	(135,602)	365,979	921,517
Capital Funding	444,877	578,640	(133,763)	326,640	771,517
Rates Required	(110,660)	(112,500)	1,840	(39,340)	(150,000)

Commentary:

The Treasury department is \$1,840 over budget for the first ten months of the year.

Business Unit **240000 - Finance and Corporate Services -
Corporate Services**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	2,172,812	2,143,017	29,795	398,809	2,571,621
Fees & Charges Revenue	171,890	154,857	17,033	15,361	187,252
Financial Revenue	14,583	10,450	4,134	(1,931)	12,652
Total Revenue	2,359,286	2,308,324	50,962	412,239	2,771,524
Internal Expenditure	841,678	843,036	(1,358)	169,965	1,011,643
Staff Expenditure	1,071,695	1,117,558	(45,862)	256,374	1,328,070
Administration Expenditure	159,373	165,118	(5,745)	38,768	198,142
Financial Expenditure	0	427	(427)	512	512
Repairs & Maintenance Expenditure	3,181	19,253	(16,072)	19,922	23,103
Operational Expenditure	158,070	169,538	(11,468)	45,376	203,446
Depreciation Expenditure	58,220	18,611	39,609	(35,887)	22,333
Total Expenditure	2,292,217	2,333,540	(41,323)	495,031	2,787,248
Operating Surplus / (Deficit)	67,069	(25,216)	92,285	(82,793)	(15,724)
Capital Expenditure	157,126	135,315	21,811	(9,811)	147,315
Capital Funding	0	0	0	(163,039)	(163,039)
Cash Back Depreciation	0	(0)	0	(0)	(0)
Rates Required	90,057	160,531	(70,474)	(90,057)	(0)

Commentary:

The Corporate Service department is \$70,474 under budget for the first ten months of the year. This is mainly because maintenance expenses are under for the year to date and these are likely to be held. Salary and wages are also under budget YTD through some personnel changes & management savings.

Business Unit **250000 - Finance and Corporate Services -
Information Services**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	1,164,009	1,164,009	0	232,802	1,396,811
Fees & Charges Revenue	265	29,324	(29,059)	34,924	35,189
Financial Revenue	106,274	103,667	2,608	2,726	109,000
Total Revenue	1,270,549	1,297,000	(26,451)	270,451	1,541,000
Staff Expenditure	457,972	431,154	26,818	64,528	522,500
Administration Expenditure	692,042	696,833	(4,791)	47,958	740,000
Repairs & Maintenance Expenditure	20,959	21,333	(374)	5,041	26,000
Operational Expenditure	84,045	111,667	(27,621)	43,955	128,000
Depreciation Expenditure	192,045	139,583	52,462	(24,545)	167,500
Total Expenditure	1,447,063	1,400,571	46,493	136,937	1,584,000
Operating Surplus / (Deficit)	(176,514)	(103,571)	(72,944)	133,514	(43,000)
Capital Expenditure	172,920	200,000	(27,080)	77,080	250,000
Capital Funding	(304,520)	(273,000)	(31,520)	11,520	(293,000)
Cash Back Depreciation	(0)	0	(0)	0	0
Rates Required	44,913	30,571	14,343	(44,913)	0

Commentary:

The Information Services department is \$14,343 over budget for the first ten months of the year.

Business Unit **260000 - Finance and Corporate Services -
Secretarial Services**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	475,372	465,596	9,776	83,343	558,715
Fees & Charges Revenue	700	0	700	(700)	0
Financial Revenue	8,437	7,672	765	(437)	8,000
Total Revenue	484,509	473,268	11,242	82,206	566,715
Internal Expenditure	42,134	40,514	1,620	6,483	48,617
Staff Expenditure	697,015	759,233	(62,218)	200,620	897,635
Administration Expenditure	171,043	241,272	(70,229)	118,483	289,526
Repairs & Maintenance Expenditure	4,489	6,250	(1,761)	3,011	7,500
Operational Expenditure	153,481	134,250	19,231	7,619	161,100
Depreciation Expenditure	44,039	47,958	(3,920)	13,511	57,550
Total Expenditure	1,112,200	1,229,477	(117,277)	349,728	1,461,928
Operating Surplus / (Deficit)	(627,690)	(756,210)	128,519	(267,523)	(895,213)
Capital Expenditure	10,080	10,000	80	29,920	40,000
Capital Funding	0	0	0	(86,326)	(86,326)
Cash Back Depreciation	0	0	0	(0)	0
Rates Required	637,770	766,210	(128,439)	211,117	848,887

Commentary:

The Secretarial Services (which includes Secretarial Services, Communications & Records Departments) department is \$128,439 under budget for the first ten months of the year. This is due to some timing variances within the Departments, mainly the subscriptions budget (which covers LGNZ work programmes) which tends to be lumpy during the year. The Public Relations budget is also under, due to the Retail Strategy, which is currently taking place and being invoiced in instalments. The City Centre Co-ordinator area is currently under budget, but is expected to even out as planning is underway for events during mid year. Salary and wages are under budget, this is due to the time it takes between staff vacating a position and a replacement starting work.

Business Unit **280000 - Hall and Theatre Operations**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	891,256	891,255	0	178,251	1,069,507
Grants & Subsidies Expenditure	33,484	41,994	(8,511)	16,909	50,393
Repairs & Maintenance Expenditure	11,192	0	11,192	(11,192)	0
Operational Expenditure	34	0	34	(34)	0
Depreciation Expenditure	12,513	20,490	(7,977)	12,075	24,588
Total Expenditure	948,478	953,740	(5,262)	196,010	1,144,488
Operating Surplus / (Deficit)	(948,478)	(953,740)	5,262	(196,010)	(1,144,488)
Capital Expenditure	4,214	17,075	(12,862)	16,277	20,490
Capital Funding	0	0	0	(20,490)	(20,490)
Rates Required	952,691	970,815	(18,123)	191,796	1,144,488

Commentary:

The Halls and Theatre department is \$18,123 under budget for the first ten months of the year.

Business Unit **300000 - Finance and Corporate Services -
Democratic Responsibility**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Fees & Charges Revenue	38,769	0	38,769	(38,769)	0
Grants & Subsidies Revenue	(7,569)	0	(7,569)	7,569	0
Financial Revenue	2,088	0	2,088	(2,088)	0
Total Revenue	33,288	0	33,288	(33,288)	0
Internal Expenditure	260,973	260,973	(0)	52,195	313,168
Staff Expenditure	918,271	923,489	(5,218)	180,566	1,098,837
Administration Expenditure	219,844	166,769	53,075	(18,221)	201,623
Grants & Subsidies Expenditure	71,470	128,413	(56,943)	81,008	152,478
Repairs & Maintenance Expenditure	4,720	5,895	(1,174)	2,353	7,074
Operational Expenditure	190,905	115,362	75,542	(60,670)	130,235
Depreciation Expenditure	25,388	19,808	5,579	(1,618)	23,770
Total Expenditure	1,691,571	1,620,710	70,861	235,614	1,927,184
Operating Surplus / (Deficit)	(1,658,282)	(1,620,710)	(37,573)	(268,902)	(1,927,184)
Capital Expenditure	1,785	0	1,785	8,338	10,123
Capital Funding	0	0	0	(65,123)	(65,123)
Rates Required	1,660,067	1,620,710	39,357	212,117	1,872,184

Commentary:

The Democratic Responsibility department is \$39,357 over budget for the first ten months of the year. This is primarily due to Grants and Subsidies being under budget within the CEO and Councillors departments. This is offset by operational expenditure being over budget. Operational expenditure is over budget due to additional contractor work being done within the Councillors budget for shared services and introduction of board books. Also additional legal fees within the CEO budget have been incurred.

Business Unit **313000 - Finance and Corporate Services -**
Corporate Planning
 Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	210,780	210,780	0	42,156	252,936
Staff Expenditure	10,959	10,917	43	2,141	13,100
Administration Expenditure	8,995	22,763	(13,768)	18,307	27,302
Financial Expenditure	0	16,667	(16,667)	20,000	20,000
Repairs & Maintenance Expenditure	785	83	702	(685)	100
Operational Expenditure	91,514	146,667	(55,153)	84,486	176,000
Depreciation Expenditure	6,469	3,868	2,602	(1,828)	4,641
Total Expenditure	329,503	411,744	(82,242)	164,576	494,079
Operating Surplus / (Deficit)	(329,503)	(411,744)	82,242	(164,576)	(494,079)
Capital Funding	0	0	0	(75,000)	(75,000)
Rates Required	329,503	411,744	(82,242)	89,576	419,079

Commentary:

The Corporate Planning Budget is \$82,242 under budget for the first ten months of the year. This is predominantly due to Consultants Fees being under budget and Audit Fees not yet being uplifted. The Consultants budget is anticipated to get closer to budget over the last 2 months with section 17A review and other LTP work being undertaken, but will likely still be under budget.

Business Unit **350000 - Finance and Corporate Services - Grants**

Ten months to 30 April 2017

	Apr YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	39,144	38,038	1,106	6,502	45,646
Financial Expenditure	55,324	79,729	(24,405)	40,351	95,675
Grants & Subsidies Expenditure	4,128,088	4,070,984	57,104	1,161,087	5,289,175
Operational Expenditure	5,306	0	5,306	(5,306)	0
Depreciation Expenditure	13,023	0	13,023	(13,023)	0
Total Expenditure	4,240,886	4,188,752	52,134	1,189,610	5,430,496
Operating Surplus / (Deficit)	(4,240,886)	(4,188,752)	(52,134)	(1,189,610)	(5,430,496)
Capital Funding	149,997	67,977	82,020	(262,020)	(112,023)
Rates Required	4,390,883	4,256,729	134,154	927,590	5,318,473

Commentary:

The Grants budget is \$134,154 over budget for the first ten months of the year. The timing of principal loan payments compared to budget has meant the Southland Indoor Leisure Centre grant line is \$63,135 over budget. This is a phasing issue that will amend itself over the final two months of the financial year. The iconic events and emerging events funds are both still under budget. It is anticipated that this will even out as new applications are received over the remainder of the year. The Bluff Pool Trust is \$121,386 over budget to date and is already \$99,719 over the full year budget. This will not correct itself and requires further attention.

TO: COUNCIL
FROM: DIRECTOR OF FINANCE & CORPORATE SERVICES
MEETING DATE: TUESDAY, 27 JUNE 2017

UPDATE ON CITY CENTRE ACTIVITIES

Report Prepared by: Kari Graber – City Centre Co-ordinator

SUMMARY

This report is an update of events and initiatives for the city centre.

RECOMMENDATIONS

That this report be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> N/A
2.	<i>Is a budget amendment required?</i> No.
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> N/A
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> N/A
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes.

FINANCIAL IMPLICATIONS

No financial implications arise from this report.

MATARIKI FESTIVAL

On Saturday, July 1 2017 the Council will be holding a Matariki Festival in the City Centre. The Festival is being organised by the City Centre Co-ordinator with support from Jay Coote of the Invercargill Public Library and support from staff at Nga Kete and the Murihiku Marae.

This event will be held on Esk Street, which will be closed to traffic between 6.00am and 8.00pm. It will provide the city with a midwinter festival to celebrate Maori culture and help increase use of the CBD during a traditionally slower economic season for retailers.

Highlights for the Festival include:

- Retailers displaying kites created by local children. The kite kits were prepared by City Council's Communications, Secretarial Services and Records staff and distributed by the Invercargill Public Library. A total of over 300 kite kits were distributed, with many organisations requesting more.
- A street market that will run from 10am-4pm down the middle of Esk Street.
- Weaving and poi making workshops.
- Live music from a variety of local performers.
- A Fire Show at 5.30pm and lots of fun activities for children, including the hula hooping fairies and a bouncy castle.

Staff hope that the event will be a real success and will possibly become a regular mid-winter event for the City Centre.

STORBIE WEBSITE (ONLINE MARKETPLACE)

City Council Communications staff are working to build and launch a new website for the Invercargill city centre that will provide a platform for businesses to have a presence online.

Currently there are no websites dedicated solely to our city's retail offerings. The site will provide residents and visitors alike with an online resource for shopping, services and hospitality. Retailers will be able to (free of charge) highlight three products each, so they can better showcase what they have on offer. They will also be able (for a fee payable to Storbie) to set up an e-commerce platform if they want to sell products directly through the Storbie site.

The scheduled launch date for the site is expected for October 2017, in time for the Christmas shopping period. However, this will depend on internal staffing resources.

URBAN STAMPEDE

The City Centre Co-ordinator has been working with Matt Sillars from Sport Southland to organise and create an Urban Stampede in the CBD. An Urban Stampede is like a big run/obstacle course that uses alleyways, buses, traffic cones and other urban items as part of the race course. This event is still in the planning phase and more details will be provided as they come to hand.

RETAIL STRATEGY

Staff have been working to ensure we are staying on-track with the Key Performance Indicators identified in the Retail Strategy document. These include the retail online platform, more events in the CBD, branding for the CBD and campervan-friendly parking.

COMING UP FOR BETWEEN NOW AND CHRISTMAS

Other events scheduled between now and Christmas are:

- Trick or Treating in the City Centre - October 28, 2017
- Gingerbread House Competition - Starts November 27, 2017
- Southland Santa Parade – (run by the Southland Santa Parade Charitable Trust)
- Christmas Festival and Market - Date to be confirmed

TO: FINANCE AND POLICY

FROM: THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

MEETING DATE: TUESDAY 27 JUNE 2017

INVERCARGILL CITY HOLDINGS LIMITED – STATEMENT OF INTENT

Report Prepared by: Dean Johnston, Director of Finance and Corporate Services

SUMMARY

The final Statement of Intent for Invercargill City Holdings Limited for the 3 years commencing 30 June 2018 has been provided.

RECOMMENDATIONS

That the Invercargill City Holdings Limited Statement of Intent be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No.
2.	<i>Is a budget amendment required?</i> No.
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No.
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No.
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No.

FINANCIAL IMPLICATIONS

Nil.

REPORT

Nil.



INVERCARGILL CITY HOLDINGS LIMITED

STATEMENT OF INTENT FOR THE FINANCIAL YEAR ENDING 2018

TABLE OF CONTENTS

	PAGE
PREAMBLE	3
OBJECTIVES	3
NATURE AND SCOPE OF ACTIVITIES	3
PERFORMANCE TARGETS	5
FINANCIAL FORECASTS	6
RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS	6
COMMERCIAL VALUE OF THE SHAREHOLDERS INVESTMENTS	6
REPORTING TO SHAREHOLDER	7
DIVIDEND POLICY	8
PROCEDURES FOR ACQUISITION OF OTHER INTERESTS	8
COMPENSATION FROM LOCAL AUTHORITIES	8
OTHER MATTERS AGREED AS BETWEEN THE DIRECTORATE AND ITS SHAREHOLDER	8
GOVERNANCE	8
ACCOUNTING POLICIES	9

PREAMBLE

As required by Section 64 of the Local Government Act 2002 the Directors have prepared this Statement of Intent.

OBJECTIVES

The objectives are those as provided in Section 59 of the Local Government Act 2002 including the following specific objectives:

- To provide steadily increasing revenues across the group
- To provide reasonable returns to its shareholder Invercargill City Council that are consistent and steadily increasing
- To keep the Invercargill City Council informed of matters of substance affecting the group.
- To ensure that regular reporting of results occurs to Invercargill City Holdings Limited from subsidiaries.
- To monitor the performance of each subsidiary against their stated performance objectives and ensure they have proper governance procedures in place.
- To promote rigorous health and safety management and reporting within the group.
- To ensure that regular reporting of results occurs to Invercargill City Council.
- To act generally as a responsible corporate citizen.

NATURE AND SCOPE OF ACTIVITIES

The nature of the Invercargill City Holdings Limited activities will be that of normal policy decisions of a Holding Company together with:

- (a) Providing input into the Statement of Intent of each of its subsidiaries to ensure that they reflect the objectives and policies of Invercargill City Council in such manner and to such extent as Invercargill City Holdings Limited is lawfully entitled to do so; and,
- (b) Monitoring the performance of the individual subsidiary companies.
- (c) Providing cashflow funding to community groups for significant community assets
- (d) In relation to Invercargill City Property Limited, no sales will be to an entity that may bring the City into disrepute and all sales will reflect Council's vision of economic and population growth.
- (e) Providing funding and treasury services to the subsidiary companies.

ICHL exercises its monitoring role through a variety of means, including reviewing Statements of Intent provided by subsidiary companies, reviewing periodic financial, strategic and health and safety reporting by the subsidiaries, monitoring business developments, liaising with subsidiary boards as necessary, making director appointments and dealing with other issues as they arise.

The undertaking by Invercargill City Holdings Limited of any activity of a nature or scope not provided for would be subject to the prior approval of the Invercargill City Holdings Limited shareholders.

In particular the prior approval of the shareholder would be required to the company forming, acquiring or divesting an interest in any subsidiary company and in the case of each subsidiary the Directors of Invercargill City Holdings Limited shall not, without the prior approval of the shareholder approve any investment which is contrary to that subsidiary's Constitution.

Activities of the subsidiary companies are as follows:

ELECTRICITY INVERCARGILL LIMITED (EIL)

EIL owns and operates the electricity network in Invercargill which includes 670km of predominantly underground cables. This is one of the best performing networks in New Zealand in terms of reliability and efficiency and has more than 17,000 connections. Electricity retailers pay EIL for this network delivery service and in turn charge homes and businesses for it.

EIL also has partial ownership of PowerNet, the network management company and other energy related entities including OtagoNet, an electricity distribution entity in Otago and Central Otago, and Roaring Forties which owns generation assets including wind and hydro.

EIL continues to make a commitment to reduce the overall age of the network and continuously improve the assets to ensure safety, capacity and reliability.

INVERCARGILL AIRPORT LIMITED (IAL)

IAL provides all airport related services for Invercargill and is the gateway to the city and the wider Southland region, hosting over 289,000 passengers in the 2016 year.

IAL is 97.2% owned by Invercargill City Holdings Limited and the other 2.8% shareholders are the four local Runanga.

The completion of the new terminal has been a major project for the airport company and provides an important gateway to the City and region.

The focus for the airport is to address the other aging infrastructure at the airport ensuring to ensure that the airport remains operational as a key gateway to the city.

INVERCARGILL CITY FORESTS LTD (ICFL)

ICFL own, maintain, manage and harvest forestry assets.

ICFL maintain a harvest strategy to ensure that the dividend flow back to the shareholder is consistent and maintainable.

ICFL has a partial ownership in Forest Growth Holdings Limited, who aggregate forestry assets into economic units and IFS Forestry Group Limited, who manage forestry assets throughout New Zealand.

INVERCARGILL CITY PROPERTY LTD (ICPL)

ICPL activities are that of a property ownership and management company.

PERFORMANCE TARGETS

The following targets relate to the group of companies consisting of Invercargill City Holdings Limited, Electricity Invercargill Limited, Invercargill City Forests Limited, Invercargill Airport Limited and Invercargill City Property Limited.

Financial

That the following rates of return on equity funds are attained:

	<i>% Before Tax</i>	<i>% After Tax</i>
2017/18	10.15 %	7.31 %
2018/19	10.00%	7.20 %
2019/20	10.49%	7.56%

Other performance measures

In addition to the above financial performance measures, the Invercargill City Holdings Limited board will use the following measures to assess its performance:

All statutory requirements for reporting under the Companies Act 1993 and the Local Government Act 2002 are achieved.

Half yearly financial reports are provided to the shareholder within two months of the end of the period and that the annual statements and report are provided within three months after the end of the financial year.

A draft Statement of Intent will be submitted for approval to Invercargill City Council by 1 March each year.

Invercargill City Holdings Limited will keep Invercargill City Council informed of all significant matters relating to Invercargill City Holdings Limited and its subsidiaries, within the constraints of commercial sensitivity. Invercargill City Holdings Limited will run at least one workshop with Councillors per financial year.

Invercargill City Holdings Limited will maintain contact with subsidiary company boards, and remain aware of their strategic business issues. Invercargill City Holdings will meet subsidiary company boards or their representatives at least once per financial year.

FINANCIAL FORECASTS

These consolidated financial forecasts are based on information provided by the subsidiary companies and Invercargill City Holdings Limited own forecasts:

	<i>Year Ending 30 June 2018 (\$'000)</i>	<i>Year Ending 30 June 2019 (\$'000)</i>	<i>Year Ending 30 June 2020 (\$'000)</i>
Gross Revenue	24,083	23,958	24,654
Expenditure	<u>14,008</u>	<u>13,764</u>	<u>13,612</u>
Net Profit (Loss)	10,075	10,193	11,042
Tax	<u>2,821</u>	<u>2,854</u>	<u>3,092</u>
Group Net Profit/(Loss) after tax	7,254	7,339	7,950
Dividend – Invercargill City Council	<u>5,850</u>	<u>5,850</u>	<u>6,000</u>
	1,404	1,489	1,950

The projected equity of the consolidated company at 30 June is estimated to be as follows:

	<i>Year Ending 30 June 2018 (\$'000)</i>	<i>Year Ending 30 June 2019 (\$'000)</i>	<i>Year Ending 30 June 2020 (\$'000)</i>
Equity	99,258	101,893	105,213

RATIO OF CONSOLIDATED SHAREHOLDER FUNDS TO TOTAL ASSETS

The forecasted ratio of shareholder funds as a percentage of total assets as at 30 June are as follows:

Year	%
2018	33%
2019	33%
2020	33%

For the purpose of this ratio shareholder funds are defined as the paid-up capital plus any retained tax paid profits. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves" and shareholder advances. It is anticipated that the Invercargill City Council shareholder advance (if any) will be subordinated, that is, subject to certain restrictions by the lender.

Total assets are defined as the sum of all current, fixed and investment assets of the group.

COMMERCIAL VALUE OF THE SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in the Company is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

REPORTING TO THE SHAREHOLDER

The following information will be available to the shareholder based on an annual balance date of 30 June.

DRAFT STATEMENT OF INTENT

On or before 1 March each year, the Directors will deliver to the shareholder a Draft Statement of Intent that fulfils the requirements of Section 64 of the Local Government Act 2002.

COMPLETED STATEMENT OF INTENT

On or before 30 June each year the Directors shall deliver to the shareholder a completed Statement of Intent which fulfils the requirements of Section 64 of the Local Government Act 2002.

HALF YEARLY REPORT

Within two months after the end of the first half of each financial year, the Directors shall deliver to the shareholder an unaudited report containing the following information as a minimum in respect of the half-year under review:

- A revenue statement disclosing actual revenue and expenditure, with comparative figures from the previous half yearly report.
- A statement of financial position at the end of the half year.
- A statement of cash flows.
- A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on Invercargill City Holdings Limited's performance, including an estimate of the financial result for the year based on that outlook.

ANNUAL REPORT

Within three months after the end of each financial year, the Directors shall deliver to the shareholder an annual report and audited financial statements in respect of that financial year, containing the following information as a minimum:

- (a) A Director report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- (b) A revenue statement disclosing actual revenue and expenditure, and comparative figures.
- (c) A statement of financial position at the end of the year.
- (d) A statement of cash flows.
- (e) An Auditor's report on the above statements and on the measurement of performance in relation to objectives.

DIVIDEND POLICY

The Directors have agreed that it is prudent to retain a portion of the Company's earnings as a hedge against movements in interest rates and/or income stream. It is anticipated a dividend will be paid by Invercargill City Holdings Limited to the Invercargill City Council of \$5,850,000 in 2017/2018, \$5,850,000 in 2018/2019 and \$6,000,000 in 2019/2020. Any surplus from the Group operation will be used to repay the Invercargill City Holdings Limited debt.

PROCEDURES FOR ACQUISITION OF OTHER INTERESTS

The Company will only invest in the shares of another company or organisation in accordance with the Constitution of the company.

COMPENSATION FROM LOCAL AUTHORITIES

The Directors do not envisage any circumstances arising that would give rise to any claim from any Local Authority during the year.

OTHER MATTERS AGREED AS BETWEEN THE DIRECTORATE AND ITS SHAREHOLDER

The Company has entered into Deeds of Understanding with its subsidiaries imposing upon the companies certain restrictions, requirements and obligations as set out in the Deed.

Invercargill City Holdings Limited has a written agreement with Invercargill City Forests Limited to fund that company's operating costs, by way of interest bearing loan, on a monthly basis, subject to the provision of annual budgets.

GOVERNANCE

- The Directors of Invercargill City Holdings Limited are appointed by Invercargill City Council to oversee the governance of the company and its subsidiaries and will act in accordance with the guidelines set by the Shareholder.
- The Directors acknowledge their fiduciary responsibilities however the day to day management of the company is delegated to the management team and the external Treasury Manager.
- The Directors hold regular board meetings at which management reports are received and discussed.
- The Board monitors the performance of the subsidiary companies to ensure performance and capability and to identify any areas for improvement.

ACCOUNTING POLICIES

ICHL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards and generally accepted accounting practice. The detailed accounting policies are available in our most recent annual report.