



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 30 October 2018 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

Council's Values:

- Responsibility Take ownership of decisions and outcomes, both collectively and individually.
- We willingly share our knowledge.
 - We acknowledge our mistakes, work to resolve them and learn from them.
 - We give and receive feedback in a constructive manner to resolve issues.
 - We do our job with total commitment.
- Respect Everyone is important, as are their views.
- We support and care for each other.
 - We stop to listen, learn and understand.
 - We communicate in an honest, up-front and considerate manner.
 - We maintain confidences and avoid hurtful gossip.
- Positivity Always look on the bright side of life.
- We are approachable, interested and friendly.
 - We are open and receptive to change.
 - We acknowledge and praise the efforts of others.
 - We work together as a team to get the job done.
- Above and Beyond Take opportunities to go the extra mile.
- We take the initiative to improve our work practices to get the best results.
 - We challenge ourselves and each other to make it better.
 - We take pride in providing the best possible outcomes.
 - We are ambassadors for our Council at all times.

Council's Vision for the City:

Enhance our City and preserve its character, while embracing innovation and change.

Council's Vision:

We are an energised, fun and innovative team that makes it better for each other and our community.

Council's Mission:

Making it better by making it happen.

AGENDA

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**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

ELECTED MEMBERS			
NAME	ENTITY	INTERESTS	PROPERTY
RONALD LINDSAY ABBOTT	Invercargill City Council Kiwi-Pie Radio 88FM Invercargill Invercargill Art Gallery Invercargill Venues and Events Management	Councillor Director / Broadcaster Council Representative / Board Member Director	
REBECCA RAE AMUNDSEN	Invercargill City Council Arch Draught Ltd BP Orr Ltd Task Ltd Arts Murihiku Dan Davin Literary Foundation Heritage South Glengarry Community Action Group SMAG Board Venture Southland Southland Regional Heritage Committee	Councillor Director Director Director Trustee Trustee/Chair Contractor Events Co-ordinator (Volunteer) Council Representative Council Representative Council Representative	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

ALLAN JAMES ARNOLD	Invercargill City Council Ziff's Café Bar Ltd Buster Crabb Ltd Ziff's Tour Ltd Ziff's HR Ltd Ziff's Trust NZMCA Southland Aero Club Invercargill Club Invercargill East Rotary	Councillor Executive Director Executive Director Executive Director Executive Director Trustee Administrator Member Member Member Member	
KAREN FRANCES ARNOLD	Invercargill City Council Electricity Invercargill Ltd Pownet Ltd Pylon Ltd Invercargill Creative Communities Funding Scheme Southland Warm Homes Trust	Councillor Director Director Director Trustee/Chair Trustee	
TONI MARIE BIDDLE	Invercargill City Council Invercargill Venue and Events Management Limited Southland Museum and Art Gallery Trust Board	Councillor Director Trustee	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

	McIntyre and Dick	Partner – Executive Team	
ALEX HOLLY CRACKETT	Invercargill City Council Ride Southland Southland Youth Futures Advisory Board Venture Southland and Sub Committee	Councillor Chair Chair Council Representative	High Street Invercargill
IRWIN LLOYD ESLER	Invercargill City Council Bluff Community Board Bluff Maritime Museum Otatara Landcare Group	Councillor Council Representative Council Representative Member	
GRAHAM DAVID LEWIS	Invercargill City Council Invercargill City Holdings Limited	Councillor Director	
DARREN JAMES LUDLOW	Invercargill City Council Radio Southland Invercargill City Holdings Limited Invercargill Venue and Events Management Southland Museum and Art Gallery Trust Board Healthy Families Invercargill	Councillor Manager Director Director / Chairman Trustee Board Member	770 Queens Drive Invercargill

INVERCARGILL CITY COUNCIL ELECTED MEMBERS INTEREST REGISTER
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	Murihiku Maori Wardens Southland Community Law Centre	Board Member Board Member	
IAN REAY POTTINGER	Invercargill City Council Southland Electronics Limited Santa Parade Organiser	Councillor Director Alice Pottinger (Wife)	171 Terrace Street Invercargill 9810
TIMOTHY RICHARD SHADBOLT	Invercargill City Council Invercargill Airport Limited Kiwi Speakers Limited SIT Ambassador	Mayor Director Director Contractor	
LESLEY FRANCES SOPER	Invercargill City Council Breathing Space Southland Trust (Emergency Housing) Omaui Tracks Trust National Council of Women (NCW) Active Communities Invercargill Public Art Gallery Citizens Advice Bureau Southland ACC Advocacy Trust	Councillor Chair Secretary/Treasurer Member Chair/Trustee Board Member Board Member Employee	137 Morton Street Strathern Invercargill 24 Margaret Street Richmond Invercargill
LINDSAY STEWART THOMAS	Invercargill City Council Invercargill City Holdings Limited Invercargill City Property Limited HWCP Management Limited	Councillor Director Director Director	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

EXECUTIVE STAFF			
NAME	ENTITY	INTERESTS	PROPERTY
PAMELA GARE	Invercargill City Council	Director of Environmental and Planning Services	
CLARE HADLEY	Invercargill City Council	Chief Executive	
CAMERON MCINTOSH	Invercargill City Council	Director of Works and Services	
RACHEL REECE	Invercargill City Council Reece Property Limited	HR Manager Sole Director	
DAVID FOSTER	Invercargill City Council	Acting Director of Finance and Corporate Services Executive Director Foster and Associates Ltd	

TO: FINANCE AND POLICY
FROM: DAVE FOSTER – INTERIM DIRECTOR OF FINANCE
MEETING DATE: TUESDAY 30 OCTOBER 2018

FINANCIAL FORECAST TO 30 JUNE 2019

SUMMARY

This report works from the draft Annual Report to forecast Council's financial position at 30 June next year.

RECOMMENDATIONS

That the report 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.
6.	<i>Has the Child, Youth and Family Friendly Policy been considered:</i> Yes.

REPORT

Background

This is the first financial forecast for the year. Forecasts will be completed at the end of each quarter. The depth of the forecast will improved over time. This forecast does not include a re-forecast of all revenue and expenditure. The forecast updates the financial information based on items that are now less uncertain. The Long term plan was based on an assumed opening position for all assets and liabilities.

Now that the annual report is in draft form, the actual opening position can be updated. Also the Annual report has highlighted that the interest rates on debt are lower than assumed and the interest rates on investments are higher than was assumed.

The statement below shows the expected income and expenses for the year. The changes include:

1. Rates have been set in accordance with the Long Term plan and it has resulted in higher revenue. This is a result of changes to the valuation roll between when the plan was set and the final assessment of rates.
2. Finance revenue (interest income) has been reforecast to reflect higher funds invested and also an increase in the interest rate earned.
3. Finance expenses (interest paid) have been reforecast due to lower opening debt and also to reflect an updated interest assumption based on the interest rates in the Annual report.

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME		
	Long-Term Plan 2018 -	First Forecast
For the year ending 30 June	2019	2019
Revenue	(,000)	(,000)
Rates revenue excluding targeted water supply rates	52,526	52,800
Fines	486	486
Subsidies and grants	7,859	7,859
Direct charges revenue	19,093	19,093
Rental revenue	3,028	3,028
Other revenue	2,295	2,295
Finance revenue	2,127	2,430
Dividends	5,850	5,850
Total revenue	93,264	93,841
Expenses		
Employee expenses	24,774	24,774
Depreciation and amortisation	27,098	27,098
Other expenses	40,697	40,697
Finance expenses	4,293	3,163
Total expenses	96,862	95,732
Surplus / (deficit) before tax	(3,598)	(1,891)
Income tax expense	0	
Surplus / (deficit) after tax	(3,598)	(1,891)
Other comprehensive revenue and expense		
Property, plant and equipment revaluation gain / (loss)	46,112	46,112
Investment property revaluations - gain / (loss)	768	768
Forestry assets revaluations - gain / (loss)	73	73
Total other comprehensive revenue & expense	46,953	46,953
Total comprehensive revenue & expense	43,355	45,062

The Statement of cash flows below shows the consequential effect of the improved financial result from the statement of comprehensive income. The only change made is to reflect the higher level of cash from operations. This is showing as going to a higher "Cash at bank" figure. Future forecasts will firm up the best use of these funds.

PROSPECTIVE STATEMENT OF CASHFLOWS		
	Long-Term Plan 2018 -	First Forecast
	2019	2019
	(,000)	(,000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from rates revenue	52,526	52,800
Receipts from other revenue	31,096	31,136
Interest received	2,127	2,430
Dividend received	5,850	5,850
Payments to suppliers and employees	(63,846)	(63,846)
Interest paid	(4,293)	(3,163)
Net cash flows from operating activities	23,460	25,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	318	318
Proceeds from sale of investments	5,378	5,378
Purchase of property, plant and equipment	(23,267)	(23,267)
Purchase of intangible assets	(70)	(70)
Purchase of investments	(6,091)	(6,091)
Net cash flows from investing activities	(23,732)	(23,732)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,594	3,594
Repayments of borrowings	(3,477)	(3,477)
Net cash flows from financing activities	117	117
Net (decrease) increase in cash and cash	(155)	1,592
Opening cash and cash equivalents	1,330	1,342
Cash and cash equivalents at end of the year	1,175	2,934

The final statement in the forecasts is the Statement of Financial Position or what is often called the balance sheet. This has been updated to reflect the closing position from the Annual report. The expected result uses all of the assumptions in the Long Term Plan to derive the new forecast closing position.

Points of note are:

1. The bank balance is higher than in Long term plan. This is due to the improved result in the Income statement.
2. The Property plant and equipment balance is lower, to reflect the lower level as at 30 June 2018.

3. Other items simply reflect the LTP assumption that closing position will reflect the Opening position plus any impact from the other forecast statements.

Prospective statement of financial position as at 30 June			
	2019	2018	2019
	Long Term Plan	Actual 30 June 2018	First Forecast
	(,000)		(,000)
Current assets			
Cash and cash equivalents	1,175	1,342	2,934
Trade and other receivables	7,045	15,837	15,837
Inventories	753	933	933
Other financial assets	28,140	45,872	46,585
Total current assets	37,113	63,984	66,289
Non-current assets			
Property, plant and equipment	842,290	776,846	818,879
Intangible assets	910	906	906
Forestry assets	3,699	2,885	2,958
Investment property	39,165	36,893	37,661
Investment in CCOs and similar entities	36,069	36,069	36,069
Other financial assets - other investments	34,544	18,944	18,944
Total Non-current assets	956,677	872,543	915,417
TOTAL ASSETS	993,790	936,527	981,706
Current liabilities			
Trade and other payables	10,143	11,367	11,367
Provisions	41	112	112
Employee benefit liabilities	2,578	2,467	2,467
Borrowings	49,366	52,936	52,936
Derivative financial instruments	188	92	92
Total Current liabilities	62,316	66,974	66,974
Non-current liabilities			
Provisions	807	816	816
Employment benefit liabilities	1,231	1,164	1,164
Borrowings	50,500	35,200	35,317
Derivative financial instruments	521	902	902
Total Non-current liabilities	53,059	38,082	38,199
TOTAL LIABILITIES	115,375	105,056	105,173
TOTAL NET ASSETS	878,415	831,471	876,533
EQUITY			
Retained earnings	420,877	386,386	385,336
Asset revaluation reserves	457,538	445,085	491,197
TOTAL EQUITY	878,415	831,471	876,533

CONCLUSION

The first forecast indicates that Council will end the year in a better financial position than that contained in the Long Term plan. This improved position will have favourable flow on benefits into future years.

It is worth noting that while the financial result for “Surplus/(deficit) after tax” is improved by \$1,707k it is still a deficit of \$1,891k. However, it does mean that the gap to a sustainable and robust funding level is smaller.
