



**TO THE MAYOR AND COUNCILLORS OF THE
MACKENZIE DISTRICT COUNCIL**

Membership of the Finance Committee:

Cr Graham Smith (Chairman)

Claire Barlow (Mayor)

Cr Russell Armstrong

Cr Murray Cox

Cr Noel Jackson

Cr James Leslie

Cr Evan Williams

*Notice is given of an Extraordinary Meeting of the Finance
Committee to be held on Tuesday, May 12, 2015.*

VENUE: Twizel Events Centre, Twizel.

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



FINANCE COMMITTEE

Agenda for Tuesday, May 12, 2015

APOLOGIES

DECLARATIONS OF INTEREST

MINUTES:

Confirm and adopt as the correct record the minutes of the Finance Committee meeting held on March 17, 2015.

SUB COMMITTEE MINUTES:

Receive the minutes of the Tekapo Property Group meeting held on April 14, 2015, including such parts as were taken with the public excluded.

REPORTS:

1. Financial Activity Report (attached)
2. Bancorp Quarterly Report (attached)
3. Alpine Energy Statement Of Intent (attached)

PUBLIC EXCLUDED:

Resolve that the public be excluded from the following part of the proceedings of this meeting namely:

1. Public excluded minutes of the Tekapo Property Group meeting held on April 14, 2015.

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
Previous minutes Tekapo Property Group, April 14, 2015	Enable commercial negotiations Commercial sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes Tekapo Property Group under section 7(2)(b)(ii)*.

RESOLUTION TO RESUME OPEN MEETING

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY, MARCH 17, 2015, AT 10.07AM

PRESENT:

Cr Graham Smith (Chairman)
Claire Barlow (Mayor)
Cr James Leslie
Cr Murray Cox
Cr Noel Jackson
Cr Russell Armstrong
Cr Evan Williams

IN ATTENDANCE:

Wayne Barnett (Chief Executive Officer)
Paul Morris (Finance and Administration Manager)
Julie Jongen (Committee Clerk)

APOLOGIES:

No apologies were received.

VISITOR:

Pukaki Airport Board never had a presentation to do.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Finance Committee held on February 3, 2015, including such parts as were taken with the public excluded, be confirmed and adopted as the correct record of the meeting.

Mayor Barlow/Evan Williams

REPORTS:

FINANCIAL ACTIVITY REPORT TO JANUARY, 2015:

Finance Manager Paul Morris took councillors through the financial report. Some figures may be different due to Christmas holiday period.

Page 4. Mayor Barlow queried governance expense re employment, reply was that this expense was for the temping committee clerk.

Page 9, a query on employment expense, this is for the Project and Administration Manager role.

Paul Morris explained that rating valuations are done on sales within the area.,

Page 13, miscoding for Fairlie water .

Page 14, Manuka Terrace water supply – Mayor Barlow asked why didn't Council budget for this? Reply was Bernie Harr and his team would know the answer to this. Cr Noel Jackson asked how did Manuka Terrace come about, Paul Morris replied Mr Frank Hocken bought two or three big blocks then subdivided them further, but there are no services and it is up to each individual to provide these.

Cr Graham Smith questioned roading calibration. Wayne Barnett replied Council will have a maintenance contract which would have been put together by four councils instead of one. Maintenance contract will be let at the same time as other councils.

Page 24, Solid Waste - returns for recyclables is going down.

Page 26, Planning - employment expense is down due to the fact there has been difficulty in finding a planner.

Page 28, Regulatory - clarified the variances. Paul Morris acknowledged he should of chased up the managers to clarify variances.

Page 35, Commercial activities - investments not doing as well as budgeted which will result in approximately 1.5 % to make up in the rates.

Cr Graham Smith commented that better explanations and better care needs to be taken when doing these reports.

Resolved that the report be received.

Evan Williams/James Leslie

WAITAKI DISTRICT COUNCIL, A20 QUARTERLY REPORT: Oct-Dec 2014

Wayne Barnett commented that the level of reporting is honest and good.

There is a lot of usage for this trail and all is progressing well.

Will need to look at opportunities for funding of sealing the roads.

Good Morning TV show is doing a programme on the trail.

Resolved that the report be received.

Mayor Barlow/Evan Williams

BANCORP QUARTERLY REPORT:

Paul Morris commented that it's business as usual, slightly under performed, days of good interest has gone.

Request that the investment policy be reviewed within the next 12 months, Cr

Graham Smith stated we need a long frank discussion on this topic.

Wayne Barnett mentioned that it would be best not to discuss it while we are working on the LTP and consultations.

Resolved that the report be received.

James Leslie/Evan Williams

REQUEST FROM COUNCILLOR NOEL JACKSON:

Cr Graham Smith requested Cr Noel Jackson to speak on his letter.
Cr Jackson stated we need to up our game and to improve our facilities, he would like to put a motion forward that the Council rate the whole district on these items and the rating should be across the board.

Paul Morris commented that council could levy as a whole district and some investigating in to what other councils do could be worthwhile.

Resolved that instructions be given to staff to investigate a community facilities rate across the whole district.

Noel Jackson/James Leslie

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 11.07AM

CHAIRMAN: _____

DATE: _____

Unconfirmed

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE LAKE TEKAPO COMMUNITY CENTRE, TEKAPO ON TUESDAY, APRIL 14, 2015, AT 1.05PM

PRESENT:

Cr Murray Cox (Chair)
Mayor Claire Barlow
Cr Graham Smith
Richie Smith

IN ATTENDANCE:

Julie Jongen (Committee Secretary)
Wayne Barnett (Chief Executive)
Nathan Hole (Planning & Regulations Manager)

APOLOGIES:

Cr Russell Armstrong

DECLARATIONS OF INTEREST:

Murray Cox tenancy agreement with Tony Tosswill is not considered a conflict of interest.

MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on Tuesday, March 3, 2015, be confirmed and adopted as the correct record of the meeting, including those matters taken under public excluded.

Claire Barlow noted a correction required to the PE minutes as follows: (Refer to page 7 of agenda, paragraph 4).

“Penny Murray enquired about liquor licencing for Lot 2 development and whether it was constrained by rules around proximity to a children’s playground.

Penny also enquired whether the Earth & Sky building would contain a hospitality business as this would affect her interest in other locations for a business proposal”.

Graham Smith/Claire Barlow

PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes, Tekapo Property Group, March 3, 2015.
2. Hughes Report to Tekapo Property Group (attached).
3. Sale of Land-Lakeside Drive
4. Sale of Land-Lakefront Stage 2
5. Sale of Land-Tekapo Mini Golf Site

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

Previous minutes Tekapo Property Group March 3, 2015.	Commercial sensitivity	48(1)(a)(i)
Hughes Report to Tekapo Property Group	Commercial sensitivity	48(1)(a)(i)
Sale of Land-Lakeside Drive, Tekapo	Commercial sensitivity	48(1)(a)(i)
Sale of Land-Lakefront Stage 2, Tekapo	Commercial sensitivity	48(1)(a)(i)
Sale of Mini Golf Site, Tekapo	Commercial sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes of the Tekapo Property Group under sections 7(2)(i) and 7(2)(b)(ii). Hughes Report to Tekapo Property Group, Sale of land-Lakeside Drive, Sale of land-Lakefront stage 2, Sale of Mini Golf Site.*

Richie Smith/Claire Barlow

The Tekapo Property Group continued in open meeting at 2.45.

**THERE BEING NO FURTHER BUSINESS
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 2.45pm**

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
SUBJECT: FINANCIAL REPORT – MARCH 2015
MEETING DATE: 12 MAY 2015
REF: FIN 1/2/1
FROM: MANAGER – FINANCE AND ADMINISTRATION
ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

Attached is the financial report for Council for the period ended 31 March 2015.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE AND ADMIN

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	GOVERNANCE	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
238,383	General Rates	268,758	268,758	-	✓		358,358
22,647	Targeted Rates	19,116	19,116	-	✓		25,500
18,736	Other Income	15,561	27,558	(11,997)	✗	1	36,750
279,765	Total Income	303,435	315,432	(11,997)			420,608
	Expenses						
42,761	Employment Expenses	48,098	40,762	(7,336)	✗	2	52,708
273,463	Members Expenses	234,772	236,412	1,640	✓		315,250
8,307	Consultancy Expenses	720	-	(720)	✗		-
33,507	Administration Expenses	33,593	34,533	940	✓		46,050
-	Internal interest Expense	-	234	234	✓		308
-	Depreciation	216	216	-	✓		292
2,386	Internal Charges	3,990	4,500	510	✓		6,000
360,424	Total Expenses	321,388	316,657	(4,731)			420,608
(80,659)	Operating Surplus/(Deficit)	(17,953)	(1,225)	(16,728)			-

Variance Analysis:

1. Other Income variance due to budget timing. Budget is phased evenly across the 12 months but Water Zone committee income is invoiced and received quarterly. The billing for the March quarter will not be done until the end of April to ensure all costs are recovered.
2. Employment Expenses - costs associated with support for Council were higher than anticipated.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	GOVERNANCE	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
-	Add back Non Cash Items	216	216		292
-	Transfer Funded Depreciation to Capital Reserve	(216)	(216)		(292)
(80,659)	Operating Surplus/(Deficit)	(17,953)	(1,225)		-
(80,659)	Total Operating Reserves	(17,953)	(1,225)		-
	Equity				
(4,839)	Opening Balance	(4,771)	-		-
-	Transfer Funded Depreciation from Operating Reserves	216	216		292
(4,839)	Total Capital Reserves	(4,555)	216		292

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	CORPORATE SERVICES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
1,404,874	General Rates	1,396,521	1,396,521	-	✓		1,862,112
84,668	Other Income	90,771	99,756	(8,985)	✗	1	133,000
72,363	Internal Income	80,532	97,749	(17,217)	✗	2	130,342
(302)	Internal Interest Income	(520)	30	(550)	✗		78
1,561,603	Total Income	1,567,304	1,594,056	(26,752)			2,125,532
	Expenses						
876,262	Employment Expenses	981,097	991,269	10,172	✓	3	1,321,752
126,152	Consultancy Expenses	174,950	91,881	(83,069)	✗	4	122,513
187,998	Administration Expenses	175,803	170,497	(5,306)	✗		308,454
186,036	Operational and Maintenance	167,106	204,379	37,273	✓	5	272,506
4,507	Internal interest Expense	6,509	10,568	4,059	✓		13,854
81,063	Depreciation	92,114	92,034	(80)	✗		122,710
37,232	Internal Charges	44,680	49,599	4,919	✓		66,137
1,499,249	Total Expenses	1,642,259	1,610,227	(32,032)			2,227,926
62,354	Operating Surplus/(Deficit)	(74,955)	(16,171)	(58,784)			(102,394)

Variance Analysis:

1. Other Income - Commission income less than forecast year to date.
2. Internal Income - motor vehicle usage behind budget year to date.
3. Employment Expenses less than budgeted for Administration - District. Information Centre costs included under Commercial Activities.
4. Consultancy Expenses - over budget as at 31 March 2015 due to valuation fees for insurance and annual reporting purposes relating to June 2014 year plus additional unbudgeted consultant costs for monthly reporting.
5. Operational and Maintenance costs less than budget due to motor vehicle costs less than forecast. There is also a favourable electricity variance in Fairlie Council buildings of \$2,666 due to the new heatpumps.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	CORPORATE SERVICES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
Operating and Capital Reserves							
62,354	Operating Surplus/(Deficit)	(74,955)	(16,171)				(102,394)
62,354	Total Operating Reserves	(74,955)	(16,171)				(102,394)
Equity							
(64,231)	Opening Balance	(112,900)	(155,000)				(155,000)
74,334	Transfer Funded Depreciation from Operating Reserves	91,989	99,774				133,019
(77,167)	Transfer Capital Expenditure from Operating Reserve	(131,214)	(157,340)				(173,118)
(67,064)	Total Capital Reserves	(152,124)	(212,566)				(195,099)
Capital Expenditure							
Administration - District							
1,800	0018925. Plant and Equipment	535	2,250	1,715	✓		3,000
(15,135)	0018999. Transfer to Assets	-	-	-	✓		-
(13,335)	Total Administration - District	535	2,250	1,715			3,000
Council Building - Fairlie							
16,666	0088916. Building Renovations	-	-	-	✓		-
-	0088925. Plant and Equipment	-	20,000	20,000	✓	1	20,000
14,735	0088935. Furniture & Fittings - Admin	782	1,584	802	✓		2,118
-	0088940. Furniture & Fittings - Other	1,681	6,003	4,322	✓		8,000
(18,065)	0088999. Transfer to Assets	-	-	-	✓		-
13,335	Total Council Building - Fairlie	2,463	27,587	25,124			30,118
Council Building - Twizel							
5,171	0098916. Building Renovations	13,112	3,000	(10,112)	✗	2	3,000
3,050	0098940. Furniture & Fittings - Other	2,173	-	(2,173)	✗		-
(8,221)	0098999. Transfer to Assets	-	-	-	✓		-
-	Total Council Building - Twizel	15,285	3,000	(12,285)			3,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	CORPORATE SERVICES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Information Technology Support						
-	0788001. Records Mngt Program	2,399	6,003	3,604	✓		8,000
51,073	0788002. PC Server	-	-	-	✓		-
28,741	0788006. GIS Aerials	-	-	-	✓		-
-	0788010. Network Infrastructure	174	-	(174)	✗		-
6,157	0788011. Communications Equipment	998	-	(998)	✗		-
-	0788012. Software	19,725	26,250	6,525	✓		35,000
155	0788014. Web site development	-	5,250	5,250	✓		7,000
1,988	0788925. Plant and Equipment	-	-	-	✓		-
(87,958)	0788999. Transfer to Assets	-	-	-	✓		-
155	Total Information Technology Support	23,296	37,503	14,207			50,000
	Plant Operations						
-	2658930. Vehicles	80,821	87,000	6,179	✓	3	87,000
-	Total Plant Operations	80,821	87,000	6,179			87,000
155	Total Capital Expenditure	122,401	157,340	34,940			173,118

Variance Analysis:

1. Budget phasing. No progress yet on this project
2. The overspend on the Council building in Twizel will be covered by the underspending on the Council building in Fairlie.
3. Final vehicles purchased in December, better prices than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	WATER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
630,123	Targeted Rates	723,526	723,618	(92)	✗		964,858
(3,337)	Other Income	(6,204)	26,631	(32,835)	✗	1	86,054
82,127	Financial Contributions	6,000	-	6,000	✓	2	158,716
2,250	Internal Income	2,250	2,309	(59)	✗		3,000
35,838	Internal Interest Income	37,372	19,803	17,569	✓	3	26,373
-	Vested Assets	-	-	-	✓		77,000
747,002	Total Income	762,943	772,361	(9,418)			1,316,001
	Expenses						
8,689	Consultancy Expenses	3,618	10,263	6,645	✓	4	13,678
5,483	Administration Expenses	7,632	9,256	1,624	✓		11,731
301,451	Operational and Maintenance	314,987	329,145	14,158	✓	5	439,647
46,735	Internal interest Expense	43,329	109,053	65,724	✓	6	164,545
287,426	Depreciation	354,294	354,294	-	✓		472,425
2,250	Internal Charges	2,250	2,250	-	✓		3,000
652,034	Total Expenses	726,110	814,261	88,151			1,105,026
94,968	Operating Surplus/(Deficit)	36,833	(41,900)	78,733			210,975

Variance Analysis:

- Other Income - debit balance result of over reading water meters in 2014 - write off occurs in 2015 year. Also write off water bills arising from leaks. Budget for water meter income sitting in June 2015.
- Financial Contributions are not budgeted for as they are dependent upon developer activity.
- Internal Interest Income is ahead of budget due to capital expenditure not spent at the beginning of the year which has resulted in capital reserve balances earning higher interest income.
- Consultancy Expenses - below budget due to lower than forecast costs associated with engineers. Expected to be on budget for full year.
- Operational and Maintenance - Consent Monitoring and Quality Monitoring costs below budget year to date.
- Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	WATER	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
94,968	Operating Surplus/(Deficit)	36,833	(41,900)		210,975
94,968	Total Operating Reserves	36,833	(41,900)		210,975
Equity					
788,802	Opening Balance	1,014,566	(886,000)		(886,000)
-	Transfer - Financial Contributions	6,000	-		158,716
-	Transfer - from Operating Reserve	-	-		1,023
264,063	Transfer Funded Depreciation from Operating Reserves	334,197	334,188		445,621
-	Transfer - Vested Assets	-	-		77,000
(200,538)	Transfer Capital Expenditure from Operating Reserve	(489,327)	(2,186,733)		(2,990,852)
-	Transfer from Operating reserves	-	531		707
852,326	Total Capital Reserves	865,437	(2,738,014)		(3,193,785)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	WATER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Allandale Water Supply						
-	0158211. Treatment	-	5,400	5,400	✓		5,400
-	Total Allandale Water Supply	-	5,400	5,400			5,400
	Burkes Pass Water Supply						
6,362	0178211. Treatment Upgrade	-	-	-	✓		-
6,362	Total Burkes Pass Water Supply	-	-	-			-
	Fairlie Community Water Supply						
134,386	0118201. Town Reticulation - Renewal	12,358	82,494	70,136	✓	1	110,000
-	0118204. Head Works - Renewal	303	-	(303)	✗		-
810	0118206. Service Connections - Renewal	2,789	19,503	16,714	✓		26,000
21,043	0118211. Treatment - New	14,365	26,253	11,888	✓		35,000
-	0118982. Water Meters	-	1,872	1,872	✓		2,500
(810)	0118999. Transfer to Assets	-	-	-	✓		-
155,429	Total Fairlie Community Water Supply	29,815	130,122	100,307			173,500
	Manuka Terrace Water Supply						
-	0238210. Headworks	13,860	-	(13,860)	✗	2	-
-	Total Manuka Terrace Water Supply	13,860	-	(13,860)			-
	Tekapo Community Water Supply						
18,709	0128211. Treatment - New	-	27,747	27,747	✓	3	37,000
-	0128212. Service Connections - Renew	-	810	810	✓		1,075
-	0128216. Vested Assets	-	-	-	✓		77,000
-	0128251. Reticulation - Renewal	2,213	4,032	1,819	✓		5,377
-	0128981. Water Meters	-	2,250	2,250	✓		3,000
(18,709)	0128999. Transfer to Assets	-	-	-	✓		-
-	Total Tekapo Community Water Supply	2,213	34,839	32,626			123,452

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	WATER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Twizel Community Water Supply						
6,454	0138201. Town Reticulation - Renewal	-	-	-	✓		-
28,970	0138204. Headworks - Renewal	-	-	-	✓		-
42,388	0138206. Service Connections - Renewal	25,876	19,503	(6,373)	✗		26,000
-	0138207. Town Reticulation - New	19,000	-	(19,000)	✗	4	-
-	0138210. HeadWorks - New	48,799	150,000	101,201	✓	5	200,000
40,916	0138211. Treatment - New	356,474	1,837,500	1,481,026	✓		2,450,000
-	0138212. Servie Connections - New	536	-	(536)	✗		-
2,537	0138251. Fire Hydrant Markers	303	7,497	7,194	✓		10,000
-	0138980. Community Assets- Water Supply	3,390	-	(3,390)	✗		-
1,110	0138984. Water Meters	444	1,872	1,428	✓		2,500
(76,179)	0138999. Transfer to Assets	-	-	-	✓		-
46,196	Total Twizel Community Water Supply	454,822	2,016,372	1,561,550			2,688,500
207,986	Total Capital Expenditure	500,710	2,186,733	1,686,023			2,990,852

Variance Analysis:

1. Fairlie Community Water Supply - Renewal project currently behind budget due to timing of budget phasing. Project is now underway. Expected to be on budget for full year.
2. Manuka Terrace Water Supply - unbudgeted investigation expenses.
3. Tekapo Community Water Supply - Project currently behind budget due to timing of budget phasing. Project has now started. Expected to be on budget for full year.
4. Twizel - Town Reticulation - unbudgeted Opus report on useful life of pipes.
5. Twizel Community Water Supply - budget spread per quarter across the year. Actual spend behind budget year to date but expected to be on schedule for the full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	SEWER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
317,631	Targeted Rates	345,755	345,888	(133)	✗		461,198
5,489	Other Income	6,528	-	6,528	✓		-
116,157	Financial Contributions	4,768	-	4,768	✓		132,965
21,091	Internal Interest Income	28,912	27,937	975	✓		37,442
-	Vested Assets	-	-	-	✓		160,000
460,368	Total Income	385,963	373,825	12,138			791,605
	Expenses						
6,914	Consultancy Expenses	-	8,007	8,007	✓		10,677
5,377	Administration Expenses	5,642	7,868	2,226	✓		10,426
91,641	Operational and Maintenance	95,795	118,425	22,630	✓	1	157,898
4,215	Internal interest Expense	3,452	9,634	6,182	✓		13,073
189,776	Depreciation	222,291	222,291	-	✓		296,397
297,922	Total Expenses	327,180	366,225	39,045			488,471
162,446	Operating Surplus/(Deficit)	58,783	7,600	51,183			303,134

Variance Analysis:

- Operational and Maintenance behind budget due to internal pipeline inspection work yet to be carried out in Fairlie and Twizel.

Operating and Capital Reserves

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	SEWER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
162,446	Operating Surplus/(Deficit)	58,783	7,600				303,134
162,446	Total Operating Reserves	58,783	7,600				303,134
	Equity						
977,571	Opening Balance	1,399,313	1,007,000				1,007,000
-	Transfer - Financial Contributions	4,768	-				132,965
189,776	Transfer Funded Depreciation from Operating Reserve	222,291	222,300				296,397
-	Transfer - Vested Assets	-	-				160,000
(14,989)	Transfer Capital Expenditure from Operating Reserve	(39,855)	(81,372)				(268,500)
1,152,358	Total Capital Reserves	1,586,517	1,147,928				1,327,862

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	SEWER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Fairlie Community Sewerage						
-	0278401. Sewer Reticulation Renewal	7,648	-	(7,648)	✗	1	-
-	0278403. Sewer Pump Station Renewal	13,366	-	(13,366)	✗	2	-
-	0278410. New Reticulation - Eversley	862	-	(862)	✗		-
-	Total Fairlie Community Sewerage	21,875	-	(21,875)			-
	Tekapo Community Sewerage						
-	0288193. Vested Assets	-	-	-	✓		160,000
-	0288401. Sewer Reticulation - Renewal	-	4,500	4,500	✓		6,000
-	Total Tekapo Community Sewerage	-	4,500	4,500			166,000
	Twizel Community Sewerage						
-	0298410. Sewer Reticulation - New	1,073	1,875	802	✓		2,500
32,436	0298411. Sewer Treatment - New	16,907	45,000	28,093	✓	3	60,000
-	0298807. Resource Consent Costs	-	29,997	29,997	✓	4	40,000
(32,735)	0298999. Transfer to Assets	-	-	-	✓		-
(299)	Total Twizel Community Sewerage	17,980	76,872	58,892			102,500
	(299) Total Capital Expenditure	39,855	81,372	41,517			268,500

Variance Analysis:

1. Unbudgeted works.
2. Unbudgeted works - Holiday Park.
3. Project has now commenced. Behind schedule year to date.
4. Project has now commenced. Behind schedule year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	STORMWATER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
54,370	Targeted Rates	61,164	61,164	-	✓		81,546
3,860	Financial Contributions	1,062	-	1,062	✓		20,677
6,185	Internal Interest Income	7,102	10,437	(3,335)	✗		13,802
-	Vested Assets	-	-	-	✓		132,000
64,414	Total Income	69,328	71,601	(2,273)			248,025
	Expenses						
4,210	Consultancy Expenses	-	-	-	✓		-
307	Administration Expenses	291	2,580	2,289	✓		3,226
9,252	Operational and Maintenance	25,103	21,924	(3,179)	✗		30,179
45,532	Depreciation	46,449	46,449	-	✓		61,943
59,301	Total Expenses	71,843	70,953	(890)			95,348
5,113	Operating Surplus/(Deficit)	(2,515)	648	(3,163)			152,677
	Operating and Capital Reserves						
5,113	Operating Surplus/(Deficit)	(2,515)	648				152,677
5,113	Total Operating Reserves	(2,515)	648				152,677
338,349	Opening Balance	397,208	402,000				402,000
-	Transfer - Financial Contributions	1,062	-				20,677
45,532	Transfer Funded Depreciation from Operating Reserves	46,449	46,458				61,943
-	Transfer - Vested Assets	-	-				132,000
-	Transfer Capital Expenditure from Operating Reserve	(31,202)	(40,000)				(172,000)
383,881	Total Capital Reserves	413,517	408,458				444,620

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	STORMWATER	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Tekapo Stormwater						
-	0578193. Vested Assets	-	-	-	✓		132,000
-	0578456. S/Water Structure - New	-	40,000	40,000	✓	1	40,000
-	0578458. Stormwater Treatment	31,202	-	(31,202)	✗		-
-	Total Tekapo Stormwater	31,202	40,000	8,798			172,000
-	Total Capital Expenditure	31,202	40,000	8,798			172,000

Variance Analysis:

1. Project dependent on Tekapo development. Behind schedule year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	ROADING	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
982,097	Targeted Rates	989,046	989,046	-	✓		1,318,781
1,352,507	Subsidies and Grants	1,354,661	1,267,925	86,736	✓	1	1,505,430
19,482	Other Income	22,743	27,972	(5,229)	✗		37,300
17,576	Upgrade Contributions	-	-	-	✓		-
6,996	Internal Interest Income	4,864	2,224	2,640	✓		373
-	Vested Assets	-	-	-	✓		290,000
2,378,658	Total Income	2,371,314	2,287,167	84,147			3,151,884
	Expenses						
39,375	Employment Expenses	87,165	80,001	(7,164)	✗		106,677
41,232	Consultancy Expenses	67,317	16,002	(51,315)	✗	2	21,342
1,129	Administration Expenses	1,594	4,203	2,609	✓		5,602
1,789	Internal interest Expense	1,091	686	(405)	✗		959
1,155,838	Roadings	856,413	908,133	51,720	✓	3	1,183,185
1,231,146	Depreciation	1,414,905	1,414,863	(42)	✗		1,886,574
7,912	Internal Charges	7,310	9,972	2,662	✓		13,294
2,478,420	Total Expenses	2,435,794	2,433,860	(1,934)			3,217,633
(99,761)	Operating Surplus/(Deficit)	(64,479)	(146,693)	82,214			(65,749)

Variance Analysis:

- Subsidies and Grants - NZTA subsidies received currently slightly ahead of forecast due to timing of capital works programme. Expected to be on budget for full year.
- Consultancy Expenses - unbudgeted footbridge consultancy costs \$7,639 and Roadings Collaboration Project \$8,255 year to date. Further costs expected to be incurred before year end. Unbudgeted RAMM database consultancy costs of \$15,161 also incurred.
- Roadings - expenditure year to date less than forecast. Variances shown in the Detailed Roadings Expenses Report.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	ROADING	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
(99,761)	Operating Surplus/(Deficit)	(64,479)	(146,693)		(65,749)
(99,761)	Total Operating Reserves	(64,479)	(146,693)		(65,749)
Equity					
1,031,049	Opening Balance	580,439	45,000		45,000
579,278	Transfer Funded Depreciation from Operating Reserves	1,414,863	666,846		889,170
75,880	Transfer NZTA Capital Subsidy	-	728,912		801,398
-	Transfer Vested Assest from Op reserve	-	-		290,000
(471,304)	Transfer Capital Expenditure from Operating Reserve	(1,538,450)	(1,403,686)		(1,961,871)
1,214,904	Total Capital Reserves	456,853	37,072		63,697

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	ROADING	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	District Roading						
-	2548193. Vested Assets	-	-	-	✓		290,000
194,958	2548211. Unsealed Road Metalling	383,663	318,735	(64,928)	✗	1	425,000
589,528	2548212. Sealed Road Resurfacing	403,963	520,000	116,037	✓	2	520,000
47,602	2548213. Drainage Renewal	44,661	44,000	(661)	✗		44,000
-	2548214. Sealed Road Pavement Rehabilitation	155,283	121,000	(34,283)	✗	3	121,000
3,802	2548215. Structures Component replacements bridges	40,267	10,000	(30,267)	✗	4	15,700
3,369	2548215. Structures Component replacements cattelstops	-	5,000	5,000	✓		10,000
34,751	2548222. Traffic Services Renewals	33,277	55,647	22,371	✓		74,200
-	2548231. Associated Improvements	3,120	3,753	633	✓		5,000
52,483	2548310. Footpaths - Surfacing	-	70,000	70,000	✓	5	70,000
80,838	2548341. Minor Improvements	255,074	125,000	(130,074)	✗	6	250,000
-	2548390. Streetscape Improvements	-	21,300	21,300	✓		21,300
-	2548395. Sealing Past Houses	-	10,000	10,000	✓		10,000
343,450	2548396. Manuka Terrace	80,000	80,000	-	✓		80,000
-	2548451. Walking?and?Cycling?Projects	127,993	-	(127,993)	✗	7	-
(1,051,937)	2548999. Transfer to Assets	-	-	-	✓		-
298,845	Total District Roading	1,527,300	1,384,435	(142,865)			1,936,200
	Roading Professional Services						
1,415	0868001. Computers	17,511	19,251	1,740	✓		25,671
-	0868925. Plant and Equipment	532	-	(532)	✗		-
(1,415)	0868999. Transfer to Assets	-	-	-	✓		-
-	Total Roading Professional Services	18,043	19,251	1,208			25,671
298,845	Total Capital Expenditure	1,545,342	1,403,686	(141,656)			1,961,871

Variance Analysis:

1. Timing of budget spend for the first nine months does not match Actuals. This overspend will be covered by reduced spend in other roading areas.
2. Timing of budget spend for the first nine months does not match Actuals. This overspend will be covered by reduced spend in other roading areas.
3. Timing of budget spend for the first nine months does not match Actuals. This overspend will be covered by reduced spend in other roading areas.
4. Timing of budget spend for the first nine months does not match Actuals. This overspend will be covered by reduced spend in other roading areas.
5. Timing of budget spend for the first nine months does not match Actuals. Full NZTA approved funding will be expended by year end.
6. Timing of budget spend for the first nine months does not match Actuals. This is expected to correct over the year.
7. Unbudgeted expenditure approved by Council Capital project funded 63% by NZTA

Mackenzie District Council
Detailed Rooding Activity
For The Year Ended March 2015

LYTD Actual March 2014		YTD Actual March 2015	YTD Budget March 2015	Variance		Full Year Budget June 2015
139,203	2546111. Sealed Pavement Mtce	155,666	150,000	(5,666)	✗	172,300
244,029	2546112. Unsealed Pavement Mtce	250,458	264,735	14,277	✓	353,000
41,147	2546113. Routine Drainage Mtce	91,038	53,397	(37,641)	✗	71,200
18,648	25461131. Drainage Mtce - St Cleaning	18,126	39,744	21,618	✓	53,000
23,385	2546114. Structures Maintenance Bridges	44,356	57,150	12,794	✓	76,200
2,792	25461141. Structures Maintenance Cattlestops	7,550	19,197	11,647	✓	25,600
109,472	2546121. Environmental Mtce	132,348	112,500	(19,848)	✗	150,000
24,198	2546122. Traffic Services Mtce	23,393	46,044	22,651	✓	61,400
26,764	25461221. Street Lighting - Maintenanc	29,649	36,450	6,801	✓	48,600
32,930	25461222. Street Lighting - Electricit	31,321	34,425	3,104	✓	45,900
440,734	2546288. Emergency Reinstatement	-	-	0	✓	-
4,177	2546301. Street Lights - Mtce - Trans	6,738	13,653	6,915	✓	18,200
6,983	2546302. Street Lights-Elect - Transi	7,064	8,775	1,711	✓	11,700
17,299	2546303. Drainage Mtce - St Cleaning Transit	17,452	18,378	926	✓	24,500
23,634	2546304. Footpaths	23,719	53,208	29,489	✓	70,945
-	2546305. New Year Road Sweep	-	477	477	✓	640
441	2546306. Alps2ocean	17,535	-	(17,535)	✗	-
1,155,838		856,413	908,133	51,720		1,183,185

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	SOLID WASTE	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
276,348	General Rates	99,045	99,045	-	✓		132,074
184,936	Targeted Rates	380,512	376,947	3,565	✓		502,608
105,597	Other Income	111,452	105,066	6,386	✓	1	140,100
566,881	Total Income	591,009	581,058	9,951			774,782
	Expenses						
21,372	Employment Expenses	26,465	19,584	(6,881)	✗	2	26,118
9,645	Consultancy Expenses	8,238	24,077	15,839	✓	3	31,143
7,861	Administration Expenses	7,363	3,942	(3,421)	✗		5,266
467,482	Operational and Maintenance	531,366	517,242	(14,124)	✗	4	687,200
11,985	Internal interest Expense	8,981	19,940	10,959	✓	5	26,532
15,068	Depreciation	15,345	15,345	-	✓		20,479
3,269	Internal Charges	1,821	8,190	6,369	✓		10,916
536,682	Total Expenses	599,578	608,320	8,742			807,654
30,200	Operating Surplus/(Deficit)	(8,569)	(27,262)	18,693			(32,872)

Variance Analysis:

1. Other Income - higher than forecast levels of income received from Resource Recovery Park gate sales.
2. Employment Expenses are higher than forecast due to higher than forecast levels of annual leave.
3. Consultancy Expenses - variance to budget is a result of timing issues - legal fees and hazardous waste contribution costs not yet incurred.
4. Operational and Maintenance - higher volumes has resulted in waste cartage costs ahead of budget year to date.
5. Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	SOLID WASTE	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
30,200	Operating Surplus/(Deficit)	(8,569)	(27,262)		(32,872)
30,200	Total Operating Reserves	(8,569)	(27,262)		(32,872)
Equity					
(464,156)	Opening Balance	(448,033)	(444,000)		(444,000)
15,068	Transfer Funded Depreciation from Operating Reserves	11,907	11,916		15,890
(449,088)	Total Capital Reserves	(436,126)	(432,084)		(428,110)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	PLANNING	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
117,872	General Rates	176,931	176,931	-	✓		235,913
79,258	Other Income	79,461	72,216	7,245	✓	1	96,300
153,181	Reserve Contributions	2,701	-	2,701	✓		120,000
9	Internal Interest Income	10	18	(8)	✗		24
350,320	Total Income	259,103	249,165	9,938			452,237
	Expenses						
210,375	Employment Expenses	196,196	262,854	66,658	✓	2	350,488
124,527	Consultancy Expenses	120,986	213,750	92,764	✓	3	285,000
6,120	Administration Expenses	9,765	19,251	9,486	✓	4	25,672
1,473	Operational and Maintenance	553	6,552	5,999	✓	5	8,728
123	Depreciation	18	18	-	✓		30
5,816	Internal Charges	3,893	4,878	985	✓		6,500
348,433	Total Expenses	331,412	507,303	175,891			676,418
1,886	Operating Surplus/(Deficit)	(72,309)	(258,138)	185,829			(224,181)

Variance Analysis:

1. Other Income favourable variance due to a higher number of LIMs processed compared to forecast.
2. Employment Expenses - behind budget year to date due to senior planner not yet replaced for District Plan review.
3. Consultancy Expenses overall behind budget year to date. Legal expenses are currently \$15,548 behind budget. Plan Change 13 costs behind budget \$52,219 and District Plan review costs behind budget \$14,557.
4. Administration Expenses - expenditure on publications and legislation behind budget year to date due to timing of annual subscription renewals. Expected to be on budget for full year.
5. Operational and Maintenance - Noise control costs less than forecast due to decrease in number of incidents. Heritage fund behind budget year to date due to timing of payments, expected to be on budget for full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	PLANNING	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
1,886	Operating Surplus/(Deficit)	(72,309)	(258,138)		(224,181)
1,886	Total Operating Reserves	(72,309)	(258,138)		(224,181)
Equity					
473	Opening Balance	631	(1,000)		(1,000)
123	Transfer Funded Depreciation from Operating Reserves	18	18		30
-	Transfer From Operating Reserves	-	-		1,030
596	Total Capital Reserves	649	(982)		60

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	REGULATORY	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
70,629	General Rates	29,907	29,907	-	✓		39,882
110,743	Targeted Rates	116,154	116,154	-	✓		154,882
321,412	Other Income	303,844	298,060	5,784	✓	1	435,373
608	Internal Interest Income	398	448	(50)	✗		624
503,393	Total Income	450,303	444,569	5,734			630,761
	Expenses						
159,054	Employment Expenses	232,728	213,003	(19,725)	✗	2	284,015
15,145	Consultancy Expenses	30,537	35,253	4,716	✓	3	47,000
36,049	Administration Expenses	40,337	45,350	5,013	✓	4	60,432
119,764	Operational and Maintenance	94,333	87,336	(6,997)	✗	5	180,447
4,367	Internal interest Expense	3,793	4,638	845	✓		5,957
28,958	Depreciation	34,029	34,029	-	✓		45,375
14,315	Internal Charges	19,015	30,591	11,576	✓	6	40,789
377,652	Total Expenses	454,772	450,200	(4,572)			664,015
125,741	Operating Surplus/(Deficit)	(4,470)	(5,631)	1,161			(33,254)

Variance Analysis:

1. Other Income slightly ahead of budget due to increased level of building consent fees compared to forecast.
2. Employment Expenses ahead of budget year to date due to additional resource employed for Building Control.
3. Consultancy Expenses for Building Control activity slightly less than forecast year to date.
4. Administration Expenses less than forecast due to Animal Control - tools & equipment expenditure less than forecast and Rural Fire insurance less than budgeted.
5. Operational and Maintenance - slightly ahead of budgeted spend in all areas. Expected to be on budget for full year.
6. Internal Charges for motor vehicle costs less than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	REGULATORY	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
Operating and Capital Reserves							
125,741	Operating Surplus/(Deficit)	(4,470)	(5,631)				(33,254)
125,741	Total Operating Reserves	(4,470)	(5,631)				(33,254)
Equity							
(49,280)	Opening Balance	(86,294)	(96,000)				(96,000)
28,958	Transfer Funded Depreciation from Operating Reserves	34,029	34,029				45,375
(55,500)	Transfer Capital Expenditure from Operating Reserve	(9,246)	(26,600)				(26,600)
(75,822)	Total Capital Reserves	(61,511)	(88,571)				(77,225)
Capital Expenditure							
Civil Defence							
-	0108925. Plant and Equipment	9,246	1,600	(7,646)	✘	1	1,600
-	Total Civil Defence	9,246	1,600	(7,646)			1,600
Rural Fires							
8,000	0838925. Plant and Equipment	-	-	-	✔		-
47,500	0838930. Vehicles	-	20,000	20,000	✔	2	20,000
(55,500)	0838999. Transfer to Assets	-	-	-	✔		-
-	Total Rural Fires	-	20,000	20,000			20,000
-	Total Capital Expenditure	9,246	21,600	12,354			21,600

Variance Analysis:

1. Plant & Equipment - purchase of generator and fire station fitout that were budgeted in 2014.
2. Motor Vehicle purchased in 2014 financial year. Budget in 2015 year

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	RECREATIONAL FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
89,728	General Rates	86,400	86,400	-	✓		115,199
822,290	Targeted Rates	1,029,581	1,029,627	(46)	✗		1,372,893
17,048	Subsidies and Grants	18,411	16,056	2,355	✓	1	21,407
161,862	Other Income	208,058	161,350	46,708	✓	2	197,813
1,686	Internal Interest Income	3,288	4,479	(1,191)	✗		6,082
1,092,614	Total Income	1,345,738	1,297,912	47,826			1,713,394
	Expenses						
84,264	Employment Expenses	92,314	75,695	(16,619)	✗		91,322
221,954	Administration Expenses	176,497	218,916	42,419	✓		258,364
636,218	Operational and Maintenance	646,274	833,571	187,297	✓		1,111,513
22,208	Internal interest Expense	19,476	26,787	7,311	✓		35,299
169,185	Depreciation	175,293	175,293	-	✓		233,769
1,463	Internal Charges	-	-	-	✓		-
1,135,292	Total Expenses	1,109,854	1,330,262	220,408			1,730,267
(42,678)	Operating Surplus/(Deficit)	235,884	(32,350)	268,234			(16,873)

Variance Analysis:

- Subsidies and Grants for the full year have now been received while the budget has been spread evenly across the year.
- Other income ahead of budget due to Holiday Park lease income higher than forecast as includes payment of arrears and full year budget sitting in May 2015. Twizel
- Employment Expenses ahead of budget year to date due to budget spread evenly across the year, however pool staff costs are only incurred during the summer months.
- Administration Expenses are less than forecast due to budgeted donations and grants not yet paid out.
- Operational and Maintenance - Fairlie, Tekapo & Twizel township projects behind budget year to date. Expecting to be on budget for the full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	RECREATIONAL FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(42,678)	Operating Surplus/(Deficit)	235,884	(32,350)		(16,873)
(42,678)	Total Operating Reserves	235,884	(32,350)		(16,873)
	Equity				
(690,943)	Opening Balance	(589,269)	(763,000)		(763,000)
52,561	Transfer Funded Depreciation from Operating Reserve	95,193	48,240		64,325
-	Transfer - to/from Op Rsve	-	66,510		88,689
(38,566)	Transfer Capital Expenditure from Operating Reserve	(10,786)	(18,756)		(25,000)
(676,947)	Total Capital Reserves	(504,862)	(667,006)		(634,986)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	RECREATIONAL FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Fairlie Township						
-	0528965. Comm Asset - Public Amenities	80	-	(80)	✗		-
-	Total Fairlie Township	80	-	(80)			-
	Mackenzie Community Hall						
-	1228925. Plant and Equipment	499	15,003	14,504	✓	1	20,000
-	1228940. Furniture & Fittings - Other	-	3,753	3,753	✓	2	5,000
-	Total Mackenzie Community Hall	499	18,756	18,257			25,000
	Strathconan Swimming Pool						
4,753	1408215. Plant	-	-	-	✓		-
(4,753)	1408999. Transfer to Assets	-	-	-	✓		-
-	Total Strathconan Swimming Pool	-	-	-			-
	Tekapo Community Hall						
5,066	1248917. Aorangi Cres Upgrade	-	-	-	✓		-
20,444	1248940. Furniture & Fittings - Other	10,207	-	(10,207)	✗	3	-
15,076	1248978. Resurfacing Tennis Court	-	-	-	✓		-
(45,173)	1248999. Transfer to Assets	-	-	-	✓		-
(4,587)	Total Tekapo Community Hall	10,207	-	(10,207)			-

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	RECREATIONAL FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Tekapo Township						
90,082	0548961. Development Plan Projects	-	-	-	✓		-
90,082	Total Tekapo Township	-	-	-			-
	Twizel Reserves						
2,125	1068192. Other Projects	18,418	-	(18,418)	✗	4	-
-	1068925. Plant and Equipment	22,462	-	(22,462)	✗	5	-
2,125	Total Twizel Reserves	40,880	-	(40,880)			-
	Twizel Swimming Pool						
4,753	1428215. Plant	-	-	-	✓		-
(4,753)	1428999. Transfer to Assets	-	-	-	✓		-
-	Total Twizel Swimming Pool	-	-	-			-
87,620	Total Capital Expenditure	51,666	18,756	(32,910)			25,000

Variance Analysis:

1. Budgeted spend not yet occurred
2. Budgeted spend not yet occurred
3. Carry over from completion of Capex from 2014 year. Budgeted last year.
4. Work budgeted in the 2014 year. Completed in this financial year.
5. Work budgeted in the 2014 year. Completed in this financial year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	COMMUNITY FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
211,134	General Rates	246,150	246,150	-	✓		328,208
435	Subsidies and Grants	757	567	190	✓		757
87,017	Other Income	88,476	88,425	51	✓		117,893
1,738	Internal Interest Income	2,096	2,823	(727)	✗		3,833
300,325	Total Income	337,478	337,965	(487)			450,691
	Expenses						
5,079	Consultancy Expenses	-	-	-	✓		-
24,273	Administration Expenses	25,102	18,632	(6,470)	✗	1	21,741
257,005	Operational and Maintenance	240,514	275,778	35,264	✓	2	367,751
559	Internal interest Expense	10,553	22,580	12,027	✓	3	28,366
37,634	Depreciation	36,918	36,918	-	✓		49,236
324,549	Total Expenses	313,087	353,908	40,821			467,094
(24,225)	Operating Surplus/(Deficit)	24,391	(15,943)	40,334			(16,403)

Variance Analysis:

1. Fairlie Pensioner housing - Rates expense not budgeted under this activity.
2. Cemeteries - Repairs and maintenance costs and tree maintenance costs less than budgeted year to date.
3. Internal Interest Expense is under budget due to capital expenditure not being spent at the beginning of the year which has resulted in capital reserve balances being charged a lower interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	COMMUNITY FACILITIES	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
(24,225)	Operating Surplus/(Deficit)	24,391	(15,943)		(16,403)
(24,225)	Total Operating Reserves	24,391	(15,943)		(16,403)
Equity					
102,491	Opening Balance	8,745	(187,000)		(187,000)
12,534	Transfer Funded Depreciation from Operating Reserves	36,918	24,093		32,122
(30,613)	Transfer Capital Expenditure from Operating Reserve	(297,250)	-		(317,652)
84,411	Total Capital Reserves	(251,587)	(162,907)		(472,530)
Capital Expenditure					
Public Toilets					
42,787	1518916. Buildings	343,265	-	(343,265)	317,652
42,787	Total Public Toilets	343,265	-	(343,265)	317,652
42,787	Total Capital Expenditure	343,265	-	(343,265)	317,652

Variance Analysis:

- Public Toilets - Buildings - variance to budget due to timing. Full year budget sitting in June 2015.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	COMMERCIAL ACTIVITIES	YTD Actual March 2015	YTD Budget March 2015	Variance			Full year Budget June 2015
	Income						
124,670	General Rates	(803,052)	(803,052)	-	✓		(1,070,778)
65,778	Targeted Rates	167,542	167,724	(182)	✗		223,630
616,892	Investment Income	537,643	624,191	(86,548)	✗	1	1,016,620
303,811	Other Income	112,552	150,182	(37,630)	✗	2	194,616
(29,885)	Other Gains and Losses	(41,386)	1,825,672	(1,867,058)	✗	3	1,897,666
110,444	Internal Interest Income	108,770	183,394	(74,624)	✗	4	266,828
1,191,710	Total Income	82,069	2,148,111	(2,066,042)			2,528,582
	Expenses						
55,934	Employment Expenses	67,911	-	(67,911)	✗	5	-
15,385	Members Expenses	15,846	15,003	(843)	✗		20,000
69,787	Consultancy Expenses	115,372	65,619	(49,753)	✗	6	87,491
66,452	Administration Expenses	71,528	67,946	(3,582)	✗		78,140
262,124	Operational and Maintenance	240,458	356,841	116,383	✓	7	463,481
87,930	Internal interest Expense	95,108	60,730	(34,378)	✗	8	81,207
-	Asset Impairment	-	-	-	✓		30,000
37,501	Depreciation	59,058	58,995	(63)	✗		78,669
595,111	Total Expenses	665,281	625,134	(40,147)			838,988
596,599	Operating Surplus/(Deficit)	(583,212)	1,522,977	(2,106,189)			1,689,594

**MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015**

LYTD Actual March 2014	COMMERCIAL ACTIVITIES	YTD Actual March 2015	YTD Budget March 2015	Variance	Full year Budget June 2015
<i>Variance Analysis:</i>					
1.	Investment Income is below budgeted due to interest income less than forecast.				
2.	Other Income is below budget due to forestry rentals and Pukaki Airport Board rental income phased evenly through the year but not due to be paid until year end.				
3.	Other Gains and Losses (\$41,386) are costs relating to Market Place subdivision and the sale to Meridian. Revenue was forecast to be received in February. The forecast income relates to anticipated sales in the Tekapo land development which will not finalise until after titles are issued. This is likely to be next year.				
4.	Internal Interest Income is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances earning the commercial activity lower interest income and increased interest expense.				
5.	Employment Expenses - costs associated with the Information Centre. Budget is held in Administration activity.				
6.	Consultancy Expenses - ahead of budget due to legal fees associated with Tekapo land sales over budget to date and Hughes development management fees associated with the Tekapo development.				
7.	Operational and Maintenance - Forestry costs are lower than budget due to budget timing. Costs for A20 are lower than budget due to timing. Tourism service contributions are lower than budget as CCT have not billed us as per budget.				
8.	Internal Interest Expense is over budget due to higher capital expenditure spent at the beginning of the year which has resulted in capital reserve balances costing the commercial activity higher interest expense.				

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended March 2015

LYTD Actual March 2014	COMMERCIAL ACTIVITIES	YTD Actual March 2015	YTD Budget March 2015	Variance		Full year Budget June 2015
Operating and Capital Reserves						
596,599	Operating Surplus/(Deficit)	(583,212)	1,522,977			1,689,594
596,599	Total Operating Reserves	(583,212)	1,522,977			1,689,594
Equity						
52,557	Opening Balance	(431,554)	716,000			716,000
-	Transfer from Operating reserves	-	-			80,000
52,557	Total Capital Reserves	(431,554)	716,000			796,000
Capital Expenditure						
Old Library Café						
-	0668920. Building - Renewal	642,360	-	(642,360)	✘	-
-	Total Library Café	642,360	-	(642,360)		-
Real Estate						
204,778	0818906. Twizel Industrial Subdivision	883,542	3,700,000	2,867,830	✔	3,700,000
204,778	Total Real Estate	883,542	3,700,000	2,867,830		3,700,000
204,778	Total Capital Expenditure	1,525,902	3,700,000	2,225,470		3,700,000

Variance Analysis:

1. Old Library Café costs are unbudgeted as Council was unsure whether building was to be repaired or rebuilt. Costs are covered by insurance monies.
2. Tekapo lake front development expected to be further progressed at this time. Delayed due to resource consent issues around stormwater.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
SUBJECT: BANCORP QUARTERLY REPORT – MARCH 2015
MEETING DATE: 12 MAY 2015
REF: FIN 9/1/9
FROM: MANAGER – FINANCE AND ADMINISTRATION
ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

The report has been tabled to inform Councillors of the performance of the Council's investment portfolio, which is managed by Bancorp Treasury Services Limited.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE & ADMINISTRATION

ATTACHMENTS:

Appendix 1: Quarterly report from Bancorp Treasury Services to 31 March 2015.

PARTICULAR POINTS TO NOTE:**Comparison with the Benchmark**

The Council's portfolio increased in value by 1.74%, whereas the benchmark portfolio increased in value by 1.70% over the quarter, therefore the Council's Portfolio outperformed compared to the benchmark. The main reason why Council's portfolio outperformed the benchmark index is as follows;

Council's portfolio had a longer duration (2.34 years) than the benchmark (2.12 years) which in periods of declining yields means longer duration bonds will outperform shorter duration bonds.

Movements in the Portfolio

The portfolio stands at \$2.696 Million.

At the end of March the weighted average running yield of Council's bond portfolio was 6.36%.

Policy Adherence

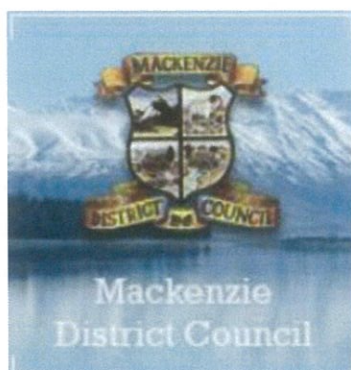
- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.34 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.12 years.
- Assets category percentages are as follows (excluding the call deposit):
 - Registered Banks 80.21%
 - Local Authorities 19.79%

Financial Market Movements

There were no movements in the Official Cash rate during the period.

QUARTERLY PORTFOLIO REPORT

PREPARED FOR



For the quarter ended 31 March 2015

PREPARED BY BANCORP TREASURY SERVICES LIMITED



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

PORTFOLIO REPORT

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ended 31 March 2015.

MDC's LTFP, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.74%.

MDC portfolio value at 31 December 2014	\$ 2,650,213
MDC portfolio value at 31 March 2015	\$ 2,664,701
Add coupon payments	\$ 31,500
Net purchases/sales/maturities	\$ Nil
Total	<u>\$ 2,696,201</u>
Percentage change in effective cash value	+ 1.74%

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.70%.

Benchmark portfolio value at 31 December 2014	\$10,607,323
Benchmark portfolio value at 31 March 2015	\$10,627,914
Add coupon payments	\$ 160,200
Total	<u>\$10,788,114</u>
Percentage change in effective cash value	+ 1.70%

OVERVIEW

A summary of the performance of MDC's LTFP during the March 2015 quarter is as follows:

- The LTFP marginally outperformed the benchmark index, increasing in value by 1.74% compared to the benchmark portfolio's increase of 1.70%.
- The running yield of the portfolio as at 31 March 2015 was 6.36%.
- The nominal value of the portfolio remained constant at \$2.527 million. However, \$6.0 million has been invested in term deposits.

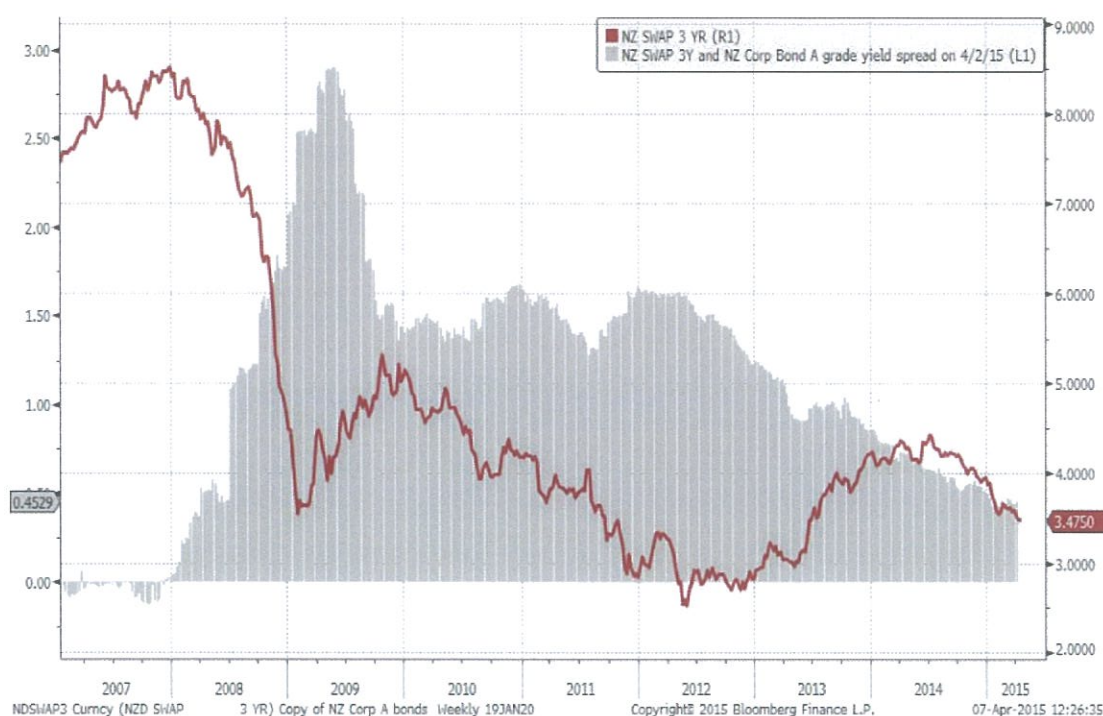
	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
31 Dec 14	3.50%	3.70%	3.86%	4.08%	4.22%	4.37%	4.57%
31 Mar 15	3.50%	3.63%	3.54%	3.52%	3.55%	3.62%	3.75%
Change	Nil	-0.07%	-0.22%	-0.56%	-0.67%	-0.75%	-0.82%

During the March 2015 quarter, interest rates in New Zealand fell, especially at the medium to longer end of the yield curve, driven lower by a benign global inflation and growth outlook. Assisting the fall was the commencement of a EUR1.1 trillion quantitative easing programme by the European Central Bank ("ECB") aimed at producing an acceptable level of inflation in the Eurozone and inducing some meaningful economic growth. This sent European bond rates sharply lower, with many European countries having negative yields on short term sovereign debt and longer term yields at levels which would have been unthinkable even six months ago. The German 10 year bund finished the quarter at 0.15%, down from 0.53% at the beginning of January.

The Reserve Bank of New Zealand ("RBNZ") moved to a truly neutral bias during the quarter, initially in the January Official Cash Rate ("OCR") Review in which it stated rather ambiguously that the next OCR move could be "either up or down." It reaffirmed this position in the March Monetary Policy Statement ("MPS") with a classic fence sitting comment that "Future interest rate adjustments, either up or down, will depend on the emerging flow of economic data."

The sharp decline in domestic medium and long term rates resulted in a further flattening of the yield curve. The benchmark measure of the shape of the yield curve, the spread between the 2 year and 10 year swap rates contracted to 22 points. And in a sign of the markets belief about the potential for an OCR cut, the yield curve is negative sloping out to six years.

Credit spreads were very stable during the quarter, closing March at an average margin of 47 basis points over the 3 year swap for the ANZ Corporate 'A' Grade Bond index. This compares with a margin of 50 basis points at the end of December. The chart on the following page shows credit spreads for the Corporate 'A' Grade Bond index (the grey shaded area) and the 3 year swap (red line) dating back to mid-2007.



PORTFOLIO ACTIVITY

The LTFP outperformed the benchmark portfolio over the March 2015 quarter, increasing in value by 1.74% compared to the benchmark portfolio's increase of 1.70%. MDC was able to outperform the benchmark due to its portfolio having a longer duration (2.34 years) than the benchmark (2.12 years). Over a period of declining yields, a portfolio with a longer duration will normally outperform a portfolio with a shorter duration. Were it not for a 'micro' issue associated with the specific makeup of each portfolio and one bond in particular, the LTFP's outperformance would have been greater.

In the LTFP, the ANZ Bank April 2018 hybrid bond (which is not in the benchmark), increased in yield terms by 2 basis points over the quarter. However, the bond which is closest to this in the benchmark index, the ASB July 2018 senior bond declined in yield terms by 37 basis points (and therefore increased in value). If the yield of the ANZ hybrid bond had declined by a similar amount, the LTFP would have increased in value by 1.94% over the quarter. While the LTFP continues to have a lack of diversity, having only five bonds in the portfolio, distortions in the performance relative to the benchmark portfolio may well continue to occur.

Looking at the longer term performance of the LTFP, the industry standard for assessing a fund manager's performance is to use the return over the previous three years, thus smoothing out any short term aberrations. The LTFP has returned 6.05% per annum over the past three years, while the benchmark index has returned 5.24%. The ANZ Corporate 'A' Grade Bond Index which most closely approximates these two portfolios has returned 5.78% over the last three years. The return on this index includes dividend reinvestment which is not factored into the LTFP or the benchmark. If it was, both would produce higher returns.

As at 31 March 2015, MDC had one term deposit for \$6.0 million maturing on 7 April 2015 at a rate of 4.46%. While there were no new term deposits transacted during the quarter, we detail below for reference purposes corporate bond rates applying at the end of the quarter. This indicates that the interest rate of 4.46% that applies to the \$6.0 million term deposit is equivalent to a corporate bond yield of around 3¾ years.

Security	Maturity	Coupon	Rating	Yield
BNZ	27-05-15	8.67%	AA-	3.88%
ANZ	16-02-16	6.31%	AA-	4.04%
Tauranga CC	15-04-16	6.25%	A+	4.10%
Dunedin City Treasury	15-11-16	6.79%	A+	4.19%
ASB Bank	08-06-17	6.06%	AA-	4.26%
Transpower	30-11-18	5.14%	AA-	4.34%
BNZ	20-12-18	6.10%	AA-	4.52%
Rabobank	19-03-19	6.10%	AA-	4.70%
Fonterra	25-02-20	5.52%	A+	4.65%
Auckland Airport	28-05-21	5.52%	A-	4.42%

As at 31 March 2015, MDC complied with the credit rating criteria contained in the Treasury Policy. Bancorp Treasury continues to classify the ANZ Bank April 2018 bond under the Moody's Investors Service ("Moody's") 'equivalent test' which is permissible under the Treasury Policy. Currently, its Moody's long term rating is 'A3'.

Overall, Bancorp Treasury is satisfied with the makeup and profile of MDC's portfolio. The running yield of 6.36% still delivers considerable benefits over the interest rates available for shorter term money market investments.

Global Markets Overview

Central banks again exerted a dominant influence on financial markets during the quarter. The US Federal Reserve ("Fed") opened the door to potential interest rates hikes by way of a subtle change of wording, but surprisingly painted a more 'dovish' outlook than what the markets expected. The European Central Bank ("ECB") was more definitive, announcing a EUR1.1 trillion quantitative easing programme which began in March, in an attempt to engender some meaningful economic growth in the Eurozone.

On the data front, the US added a revised 264,000 non-farm jobs in February, the unemployment rate fell from 5.7% to 5.5% and average hourly earnings were 2.0% higher over the year. Shortly after the end of quarter on 3 April, the March non-farm payrolls was released, coming in in way below expectations, with payrolls increasing by only 126,000 against an expected gain of 250,000. The previous two months' gains were also revised down by a total 69,000. The unemployment rate was unchanged at 5.5% and the participation rate fell.

The weaker than expected March jobs gains spurred expectations that the Fed will delay lifting the Fed Funds rate. Market pricing has pushed out the timing for a hike to December. However, it may transpire that the Fed rate hike is delayed until next year given recent US economic data such as the labour market, inflation, manufacturing, and retail sales – none of which is compelling enough to suggest the need to raise rates soon.

The Fed's Open Market Committee ("FOMC") meeting in March met the markets' primary expectation by removing the word "*patient*" in relation to its stance on raising the Fed Funds rate even though it lowered its interest rate projections by 50 basis points across its projection horizon and modified its language. Specifically the Fed noted that it was looking for "*further*" improvement, meaning that the labour market, inflation and the economy have not yet met the criteria to warrant an interest rate hike in the immediate future, i.e., at the FOMC meetings in April and June.

Yields on US Treasury bonds fell at the start of the quarter but rose in late January in response to the upbeat labour market data. They fell in early March in response to the start of the ECB's bond buying programme (which enhanced the US dollar's yield advantage over other G8 nations). The Fed's apparent uncertainty around interest rate hikes, a run of weaker than expected US data and signs of slowing economic growth in other G8 nations plus China cemented those fall as the month progressed. The yield on the 10 year Treasury bond ended the December quarter at 2.17% and fell progressively to a low of 1.63% in late January, then surged to a peak of 2.26% in early March but then declined to finish the quarter at 1.92%.

At its 5 March meeting, the ECB's Policy Committee voted to hold interest rates at record lows and to begin buying government bonds from 9 March. The ECB undertook to purchase bonds at yields down to, but not below, its minus 0.20% deposit rate, i.e. it will buy bonds at negative yields. The ECB excluded Greek government bonds from the bond buying programme. Bond yields in Europe have continued to fall. The German 10 year bund yield ended the quarter at 0.15% while both the 2 year and 5 year bunds are trading at negative yields.

As part of the preparation for the meeting, ECB economists revised their forecasts. Not surprisingly, they cut their inflation forecast for 2015 to account for the fall in oil prices. They now project Eurozone GDP to grow 1.5% in 2015 and 1.9% in 2016, having forecast 1.0% and 1.5% in December. With growth picking up, they expect inflation to rise to 1.5% in 2016 and 1.8% in 2017. These forecasts imply that the ECB economists expect the ECB's bond buying programme will be an immediate success.

Last month, China held its annual National Congress at which Chinese Premier Li Keqiang announced that the new target growth rate is "about 7.0%", down on last year's 7.4% and the lowest level in 15 years. He said the lower growth rate would usher in a "new normal" for the Chinese economy, reflecting on a previously inefficient growth model and continued intent by the government to instigate structural reform. Premier Li referred several times to the need to stop growth falling lower than target, hinting at a concern that an even sharper drop in growth risks higher unemployment and social unrest. Li also warned that the challenges which lie ahead of the world's second largest economy in achieving its growth target include sluggish investment growth, overcapacity, deflationary pressure and increasing public demand for better social services.

NEW ZEALAND MARKET OVERVIEW

As elsewhere, the domestic focus during the quarter was on the words and actions of the central bank. Much was expected of the RBNZ's March MPS following the explicitly neutral stance in the January OCR Review. The RBNZ repeated that the next OCR move could be "either up or down" and will "depend on the emerging flow of economic data." It reinforced that message by assuming that the 90 day rate will be unchanged at 3.70% through to March 2017.

The RBNZ regards the Auckland housing market problem as a financial stability threat, effectively diminishing it as a monetary policy consideration and lowering the hurdle for OCR cuts. Interest rate markets stuck to their bias for an OCR cut later this year, despite upbeat GDP data.

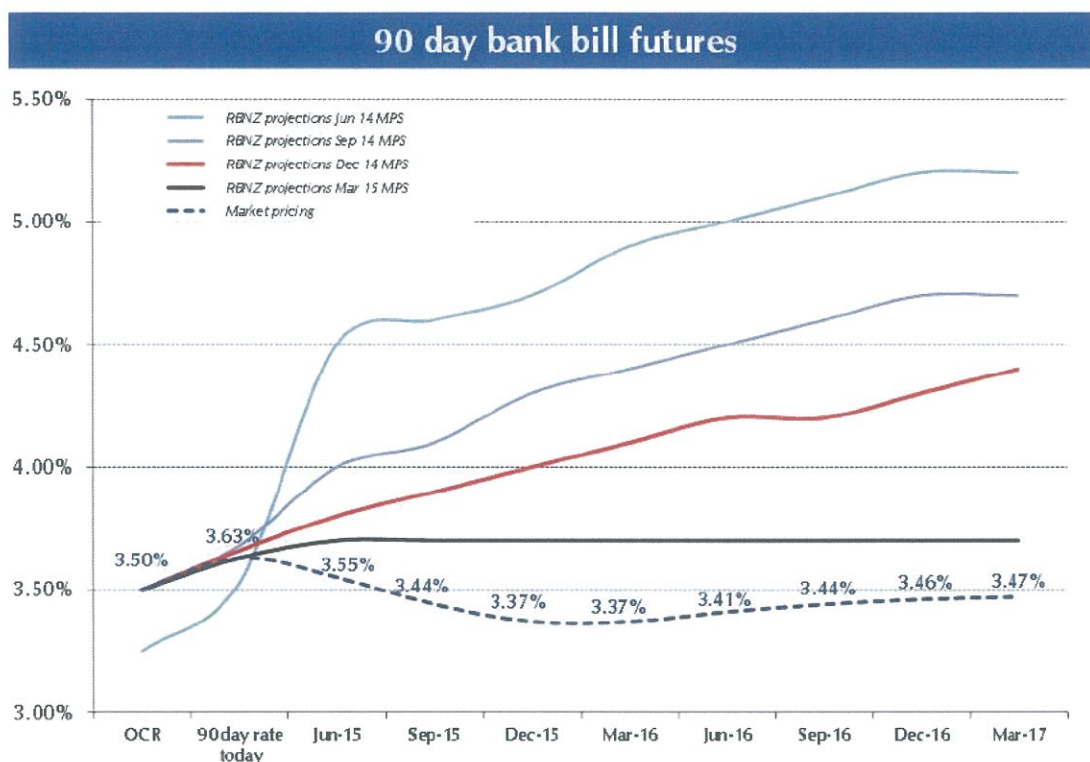
The New Zealand economy (GDP) expanded by 0.8% over the December quarter. On an annual comparison, domestic economic activity in the December quarter was 3.5% higher than in the December 2013 quarter. That is a decent rate of growth compared to other developed nations. The greatest contributions to growth came from the retail trade and accommodation sector (tourist and household spending), closely followed by the rental, hiring and real estate services sector (services and the housing markets in Auckland and Christchurch) and the manufacturing sector.

The GDP data confirmed that the New Zealand economy performed well in 2014 even though December quarter GDP was down from September's 0.9% rise. Expectations for the March quarter's growth are for it to be about the same, due to tourist spending boosted by the cricket World Cup, rising domestic demand and recent rain breaking most of the drought. Encouragingly, economic growth looks robust beyond the March quarter.

A big counter to past and expected growth has been the fall in dairy prices. The first GlobalDairyTrade in March recorded a 1.1% rise in the overall price index but a 1.0% fall in the Whole Milk Powder price upon which Fonterra bases its assumptions for its farmgate payout. The second auction in March saw an 8.8% drop in the overall price index and another 9.6% drop in the Whole Milk Powder price, taking it to USD2,928 per tonne, well below Fonterra's assumption of USD3,500 by July.

Reflecting the global bias for lower official interest rates and a general 'lower for longer' attitude towards interest rates, New Zealand swap rates fell on balance over the March quarter. This has once again flattened the yield curve with the spread between the 2 and 10 year swap rates ending the quarter at 24 basis points, from 31 basis points at the end of December 2014. In a sign of the markets belief about the potential for an OCR cut, the yield curve is negative sloping out to six years. This gives borrowers the opportunity to transact forward start swaps at a minimal premium (and favourable outright rate) compared to that which has prevailed over much of the past few years. For example a 5 year swap starting in 5 years is currently 3.89%, a year ago it was 5.60%.

The chart on the following page shows the 90 day bank bill futures pricing at the end of March compared to the RBNZ's projections for the 90 day rate in the June, September, December and March MPS. It clearly illustrates the extent of the RBNZ's downward revisions since June 2014, but also the markets conviction that there will be an OCR cut before the end of this year.



LOCAL AUTHORITY SECTOR

The Local Government Funding Agency (“LGFA”) held its last tender for the quarter on 11 March. In total, \$160 million of bonds and Floating Rate Notes (“FRN”) were issued. Details of the tender were as follows:-

- 15 April 2020 maturity - \$20 million issued at a margin of 37 basis points over swap for an ‘A+’ rated borrower.
- 15 May 2021 maturity - \$30 million issued at a margin of 41 basis points over swap for an ‘A+’ rated borrower.
- 15 April 2023 maturity - \$10 million issued at a margin of 43 basis points over swap for an ‘A+’ rated borrower.
- 15 April 2027 maturity - \$100 million issued at a margin of 54 basis points over swap for an ‘A+’ rated borrower.

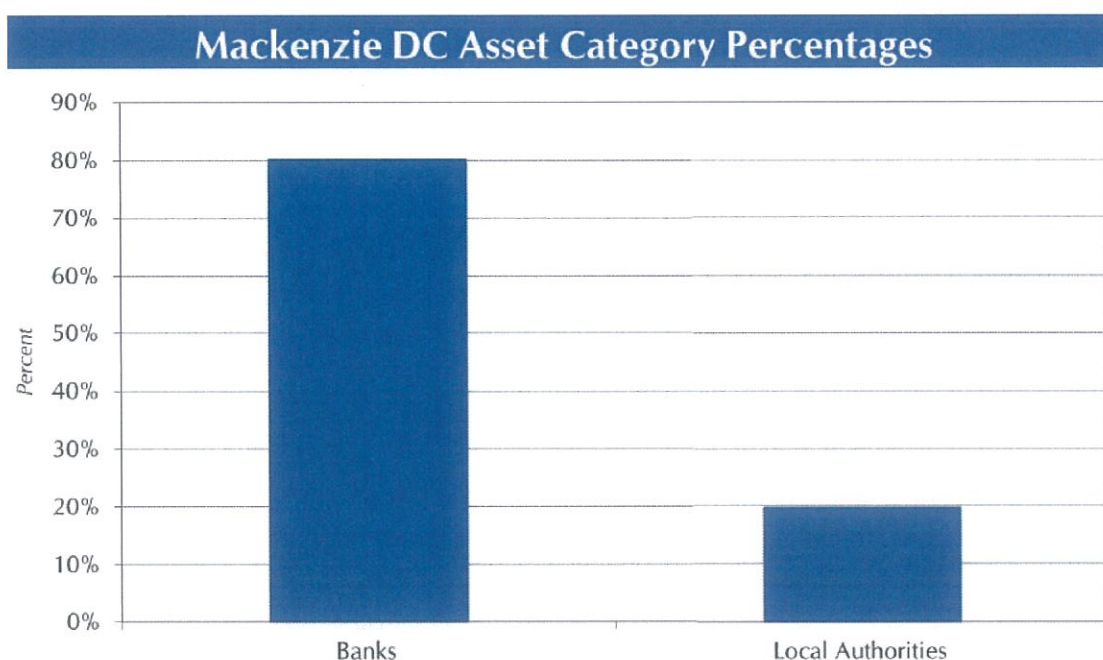
This was the first tender that the April 2027 bond was offered with \$100 million issued. The \$344 million of bids received for this new bond was evidence of its appeal to both borrowers and investors. It was also the first tender in which the LGFA offered bespoke lending whereby Councils can borrow into any maturity date that they prefer, subject to there being a longer dated LGFA tender maturity in existence.

POLICY ADHERENCE

- As at 31 March 2015, MDC was compliant with the investment parameters contained in its Treasury Policy.
- The duration of the LTFP at 2.34 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.12 years.
- As far as liquidity is concerned, all of the bonds in the LTFP portfolio have been traded regularly on the secondary market during the March quarter. We are confident that the portfolio would be able to be sold at short notice if required.
- As at 31 March 2015, the asset category percentages, as detailed below, complied with the Treasury Policy.

-	Banks	80.21%
-	Local Authorities	19.79%

These are illustrated as follows:

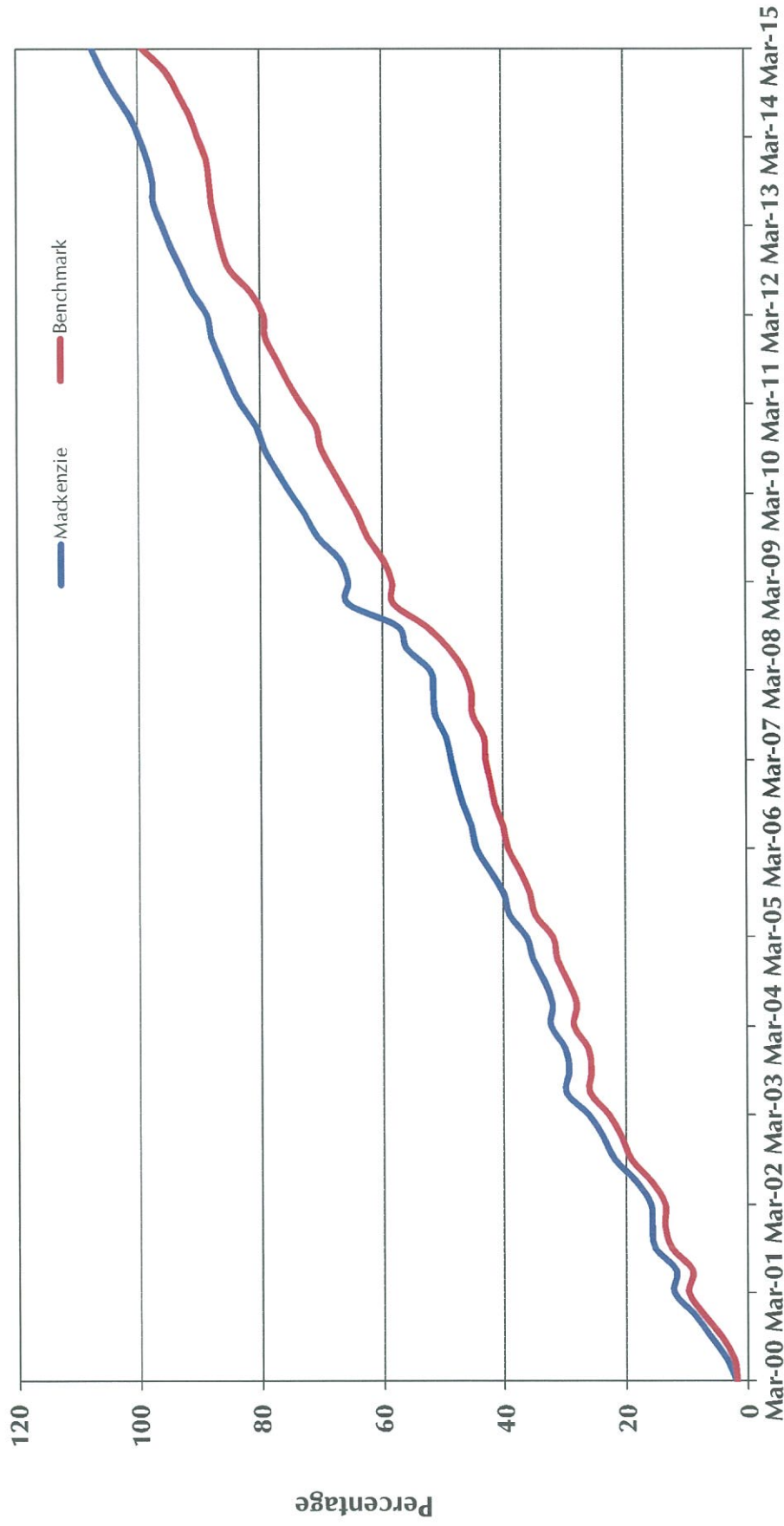


Benchmark Security	Issue Date	Maturity Date	Coupon	31-Dec-14		31-Mar-15		Coupons 01/01 to 31/03	Yield	Value \$	Effective cash 31/03/2015
				Nominal \$	Value \$	Nominal \$	Value \$				
90 Day Bank Bill	31-Mar-15	30-Jun-15	7.75	1,000,000	1,010,039	1,000,000	1,010,248		3.63	1,010,248	\$
BNZ	21-Apr-04	27-May-15	8.67	1,000,000	1,027,195	1,000,000	1,037,152		3.82	1,037,152	1,037,152
Chch City Holdings	27-Jun-10	27-Jun-16	6.87	1,000,000	1,035,535	1,000,000	1,049,999		4.17	1,049,999	1,049,999
NZ Post	15-Nov-11	15-Nov-16	5.22	1,000,000	1,022,247	1,000,000	1,037,462		4.07	1,037,462	1,037,462
Telstra	15-Jul-12	11-Jul-17	7.51	1,000,000	1,105,762	1,000,000	1,090,536	\$37,550	4.07	1,090,536	1,128,086
Auckland Council	20-Apr-04	29-Sep-17	6.52	1,000,000	1,078,853	1,000,000	1,064,998	\$32,600	3.78	1,064,998	1,097,598
ANZ/National Bank	16-Feb-11	16-Feb-18	6.85	1,000,000	1,096,296	1,000,000	1,083,784	\$34,250	4.04	1,083,784	1,109,111
ASB	19-Jul-12	18-Jul-18	5.06	1,000,000	1,042,623	1,000,000	1,039,985	\$25,300	4.08	1,039,985	1,109,112
Rabobank NZ	19-Mar-12	19-Mar-19	6.10	1,000,000	1,070,247	1,000,000	1,063,989	\$30,500	4.38	1,063,989	1,094,489
Transpower	10-Jun-12	10-Jun-20	6.95	1,000,000	1,118,525	1,000,000	1,149,761		4.17	1,149,761	1,149,761
				<u>\$10,000,000</u>	<u>\$10,607,323</u>	<u>\$10,000,000</u>	<u>\$10,627,914</u>	<u>\$160,200</u>			<u>\$10,823,018</u>
Value as at 31/12/2014					\$10,607,323						
									31/03/2015	10,627,914	
									Coupons	160,200	
									Net Purchases/Sales	Nil	
										10,788,114	
									Effective change in cash	\$180,792	
									% change	1.70%	
									Duration-years	2.12	



Mackenzie District Council											
Security	Issue Date	Maturity Date	Coupon	31-Dec-14 Nominal \$	Yield	Value \$	31-Mar-15 Nominal \$	Coupons 01/01 to 31/03	Yield	Value \$	Effective Cash 31/03/2015
BNZ	27-May-08	27-May-15	8.67	500,000	3.88	513,597	500,000		3.82	518,576	518,576
AUCKLAND COUNCIL	27-Sep-10	27-Sep-17	6.52	500,000	4.10	539,548	500,000	16,300	3.78	532,607	548,907
ANZNATIONAL	18-Apr-08	18-Apr-18	5.28	500,000	5.39	503,684	500,000		5.41	510,074	510,074
ANZNATIONAL	20-Sep-11	20-Sep-18	6.08	500,000	4.49	535,472	500,000	15,200	4.11	532,454	547,654
BNZ	20-Dec-11	20-Dec-18	6.10	527,000	4.52	557,912	527,000		4.15	570,990	570,990
				\$2,527,000		\$2,650,213	\$2,527,000	\$31,500		\$2,664,701	\$2,696,201
Value 31/12/2014						\$2,650,213					
									Value 31/03/2015		2,664,701
									Coupons		31,500
									Net maturities and adjustments		2,696,201
									Effective change in cash		\$45,988
									% change		1.74%
									Duration-Years		2.34

Mackenzie DC vs Benchmark - Cumulative



MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: ALPINE ENERGY LTD STATEMENT OF INTENT 2015/18

MEETING DATE: 12 MAY 2015

REF:

FROM: MANAGER FINANCE & ADMINISTRATION

PURPOSE OF REPORT:

To discuss the Statement for Alpine Energy Ltd.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That the points raised in the report be forwarded to Alpine Energy Ltd for consideration for inclusion in the final Statement of Intent.

PAUL MORRIS
MANAGER FINANCE & ADMINISTRATION

ATTACHMENTS:

Statement of Intent from Alpine Energy Ltd.

BACKGROUND:

Council owns 4.96% of the local lines company Alpine Energy Ltd (AEL). AEL is required to produce a draft Statement of Intent (SOI) for shareholder consideration then adopt a final SOI after considering shareholder input.

Points to note regarding this SOI are:

1. Financial projections do not agree with the company vision which states "Group revenues in excess of \$70m per annum by 31 March 2020". The financial performance targets have this achieved by Year 2 of this SOI. Therefore the vision target needs to reflect the financial performance target or the vision needs to be increased to provide a more meaningful goal.
2. The vision talks about group revenue, which is entirely appropriate considering the push AEL is making for its subsidiaries (Net con especially) to contribute greater revenues from outside the group, and it moves into other businesses (metering), however it may be appropriate to add a profit metric to ensure that new business contributors positively to the profitability of the group.
3. Further information could be provided on where the company sees its growth coming from and how it will deal with the growth.

SIGNIFICANCE OF DECISION:

The decision is not considered significant in terms of Council's Significance and Engagement Policy.

RECOMMENDATION:

It is recommended that the points mentioned above are forwarded to AEL for consideration.



ALPINE ENERGY LTD

**STATEMENT OF
CORPORATE INTENT**

2015/18

Draft 24 March 2015

- **Human Resources**

To be regarded as a fair and reasonable employer in our region and a company for whom staff are proud to work.

- **Public and Social Responsibility**

To be a law abiding and responsible company.

(b) Nature and Scope of Activities to be undertaken

The Company's business will primarily be that of quality energy delivery, water resource utilisation, and infrastructure asset ownership and management.

The Company, through a subsidiary company, NetCon Limited, is also involved in contracting activities which support and develop the Business.

Consistent with its objectives the Company will pursue activities designed to ensure the efficient utilisation of its capital assets and human resources.

Opportunities for investment in activities consistent with its Mission will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment in activities other than the safe, efficient, reliable and cost effective delivery of energy, and will not proceed without the approval of a majority of shareholders.

(c) Proprietorship Ratio

The ratio of shareholders' funds to total assets will be maintained at not less than 50 percent.

Total assets will comprise all the recorded tangible assets of the Company at their value as defined in the Company's statement of accounting policies.

Consolidated shareholders' funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

(d) Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

Details of the current accounting policies and their application are contained in Appendix A.

(f) Operating Performance Targets

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focussed. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on these criteria.

- (i) Electricity Line Losses < 6% per year
- (ii) Average Interruption Duration (SAIDI) < 163 minutes of interruption p.a.
- (iii) Average Interruption Frequency (SAIFI) < 1.58 interruptions per customer

(g) Dividend Distribution Policy

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 20.5 cents per share in 2015/16, 22.5 cents in 2016/17 and 24.0 cents in 2017/18.

The Board of Directors of the Company will include within its report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends of 20% of the annual forecasted dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

(h) Information to be provided to Shareholders

The Company will provide information which complies with the requirements of the Companies Act 1993, the Energy Companies Act 1992, and the Financial Reporting Act 1993. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

- (i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and
- (ii) financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to the Company's shareholders within three months of the end of each financial year and will comprise:

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders approval.

(j) Transaction Details

The following information is disclosed in terms of Section 39(2) (i) of the Energy Companies Act 1992:-

- Contractual arrangements with the District Councils include:-
 - * Development, installation and maintenance of community lighting facilities.
 - * Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc after underground cabling and new subdivisions.
 - * Negotiation of a contribution towards the overhead line to underground conversion programme.

All transactions between the Company and its Shareholder District Councils will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities of the Company, are incorporated into the operating costs and revenues of the Company.

(k) Further Matters

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.

periods beginning after 1 April 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

NZIFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

This standard may significantly impact the Group where long term or construction revenue contracts are entered into.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the purchase method to account for business combinations. The consideration transferred for an acquisition of a subsidiary is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred and non-controlling interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint Arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the

• Reticulation system	1.4% - 10.0%
• Meters and Relays	6.67% - 15.0 %
• Plant and Equipment	7.5% - 50.0%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other (losses)/gains – net" in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.5 Intangible assets

(a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets have a finite useful life and are amortised over their economic useful life of 2-5 years.

(b) Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment and whenever there is an indicator of impairment.

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification

has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of weighted average cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of work in progress comprises design costs, raw materials, direct labour, and other direct costs and related production overheads (based on normal operating capacity).

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised at fair value.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The group has no post-employment schemes.

2.18 Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.19 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, rebates and goods and services tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised as a percentage of completion of each contract on a monthly basis.

(d) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.21 Dividend income