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MARLBOROUGH DISTRICT COUNCIL

3 March 2014

Record No: 1457223
File Ref: D050-001-C01
Ask For: Judith North

Notice of Committee Meeting – Tuesday 11 March 2014

A meeting of the Community and Finance Committee will be held in the Council Chambers, District Council Administration Building, Seymour Street, Blenheim on **Tuesday 11 March 2014 commencing at 9.00 am.**

B U S I N E S S

As per Agenda attached.

ANDREW BESLEY
CHIEF EXECUTIVE

Meeting of the
COMMUNITY AND FINANCE COMMITTEE
to be held in the Council Chambers, District Administration Building, Seymour Street, Blenheim, on TUESDAY, 11 MARCH 2014, commencing at 9.00 am.

Committee	Clrs J C Leggett (Chairman) J A Arbuckle (Deputy) J L Andrews J P Bagge G S Barsanti C J Brooks B G Dawson D D Oddie L M Shenfield T M Sloan Mayor A T Sowman Iwi representative
Department Head	Mr M F Fletcher (Manager, Corporate Finance Department) and Mr D G Heiford (Manager, Support Services Department)
Staff	Judith North (Support Services Administrator)

In Public

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1. Marlborough Youth Trust – Youth Hub Feasibility Study Report

(The Mayor) (Report prepared by L Reeves) **C150-002-019-01**

Purpose

1. The purpose of this report is for the Marlborough Youth Trust to report back on the findings of the Youth Hub Feasibility study funded by Council.

Background

2. The Marlborough Youth Trust has a Partnership Agreement with Council for provision of services and activities for the youth of Blenheim and the surrounding area. Council has an annual budget of $40,000 for the Trust to undertake activities.

3. The Partnership Agreement links directly to Council's Youth Policy and Long Term Plan Community Outcome relating to youth. The agreement also notes that Council and the Trust are jointly committed to Marlborough's youth being acknowledged, valued and supported and intend to work in partnership to achieve outcomes.

4. The Trust undertakes the following as part of this Partnership Agreement:

    - Activities that are consistent with its own objectives that support the wellbeing of young people, and include:

        - Provision of a centralised centre for young people to access for enjoyment, social interaction and information.

        - Provision of a range of activities and events focussed at different age groups between 12 and 18 years in consultation with youth.

        - Work with other youth-based organisations to encourage optimal use of the community resources and build partnerships for effective provision of services.

5. In June 2012 the Marlborough Youth Trust ceased their lease at 2 Alfred Street where the HQ Youth Centre operated. The trustees made the decision to close this due to high overheads and staffing costs, which cast doubt over the viability of the Youth Centre.

6. As a result, Marlborough District Council agreed to hold over the $40,000 operational grant while the Trust was exploring new opportunities to collaborate with other organisations on provision of youth services.

7. On 24 April 2013 the Trust presented a proposal to Council with the following recommendation approved:

    "That approval be given to the Marlborough Youth Trust to utilise Council's 2012/2013 $40,000 Operational Grant for a feasibility study ($10,000), interim community-based youth activities ($10,000) and the balance of $20,000 to be carried over to 2013/2014 for implementation of the outcome of the Feasibility Study." ***Minute A.12/13.352***

Feasibility Study

8. **Attached separately**, for Committee members' consideration, is the Feasibility Study from the Marlborough Youth Trust. The objective of the study was to identify current gaps for youth in Marlborough, the level of support for a Marlborough Youth Hub, potential partners and stakeholders, potential funding streams and sustainability.

9. The report verifies the need for a Youth Development Centre noting that the best location is on the outskirts of the Blenheim CBD area. It also notes that the need for support from other providers is fundamental to the sustainability of a Youth Development Centre.

10. The report makes the following recommendations:

- That the Marlborough Youth Trust seek the commitment and support 'in principle' of the Marlborough District Council and the community of Marlborough for the proposal to establish a multi-use/multi-user community youth development centre in Blenheim to service the needs of young people.

- That the youth development centre be established and operated as a co-share facility in partnership with other youth service providers and groups within the community.

- That the Marlborough Youth Trust holds the head lessee role over the building and primary assets so as to give greater security over its on-going future and the capital contributions and assets as vested with the Trust by the community and its funding partners in the project.

- That a Project Governance Group be set up to further progress the project, addressing the key planning requirements of:

    - Community consultation and representation plan
    - Facility activity and services content
    - Partnership opportunities
    - Options for location
    - Building design and layout
    - Capital and operating cost budgets
    - Business plan
    - Marketing and fundraising plan.

- That, in giving 'support in principle' to the project, Marlborough District Council approve initial funding to enable preliminary designs and capital and operational budgets to be developed by the Project Governance Group for presentation back to Council, the community and potential funding sponsors of the project.

11. The Marlborough Youth Trust seeks support from Marlborough District Council to further progress development of a Youth Development Centre for Blenheim.

12. Council has existing budgets of $60,000 for the 2013/2014 financial year and $40,000 for the 2014/2015 financial year for Marlborough Youth Trust activities under the Partnership Agreement held between Council and the Trust.

13. If Council wishes to progress with support for the next phase of investigations into the a Youth Development Centre, it is recommended that delegated authority be given to the Chair of Community and Finance Committee, The Mayor and Councillor Shenfield to approve a proposal for funding assistance from the Marlborough Youth Trust within the budget available. The proposal to include a timeframe for reporting back to Council on progress.

Summary

14. The Marlborough Youth Trust has worked in partnership with Council since 2000 to provide services for youth in Marlborough.

15. In April 2013 Marlborough District Council approved funding for the Marlborough Youth Trust to undertake a Feasibility Study into the need for a Youth Hub in Blenheim.

16. The Trust is keen to further investigate collaborative options for the future delivery of youth services in response to identified local needs and seeks Council support and funding to progress this.

17. Funding from within existing Council budgets is available to support the next phase of investigation into establishment of a Youth Development Centre.

RECOMMENDED

1. That Council support "in principle" the establishment of a Youth Development Centre in Blenheim as outlined in the Marlborough Youth Trust Feasibility Study Report.

2. That delegated authority be given to the Chair of Community and Finance Committee, The Mayor and Councillor Shenfield to approve a proposal for funding assistance from the Marlborough Youth Trust within the available budget; the proposal to include a timeframe for reporting back to Council on progress.

2. Marlborough District Libraries Activity Report – January 2014

(Clrs Sloan/Brooks) (Report prepared by G Webster) **L270-01**

Purpose

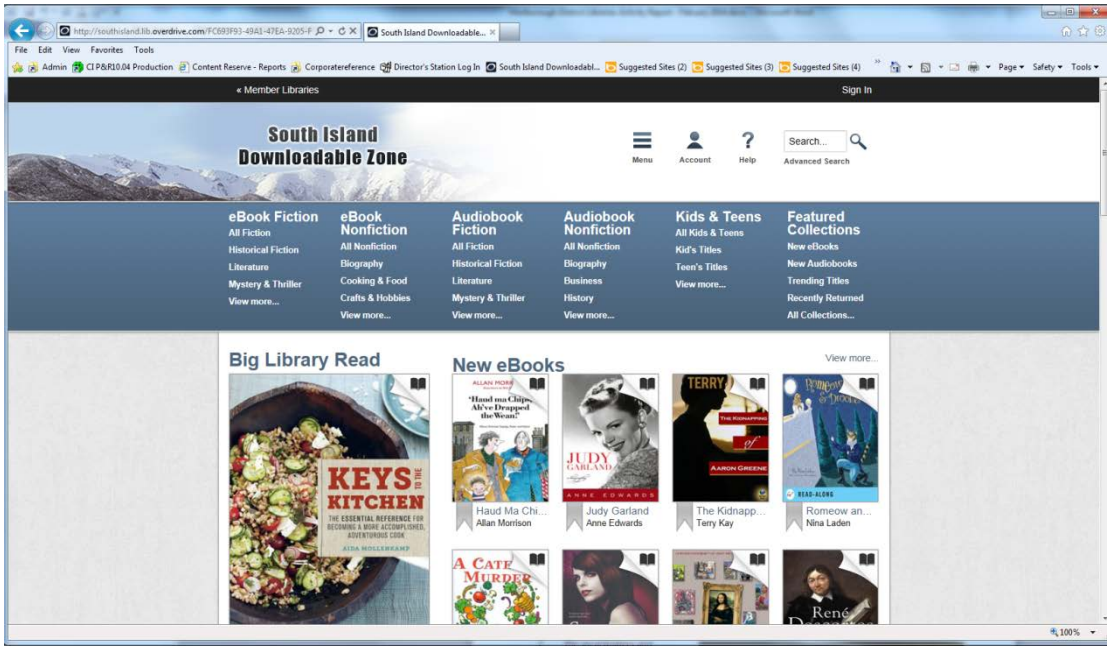
1. The purpose of this report is to update Council on the operations of the Library services.

Events/Happenings

2. The following programmes / tutorial sessions are being held at the District Library:

3. E-Readers and E-Books Know How - sessions held monthly

- for those who want to know more about e-readers before they buy them
- have an e-reader but don't know how to use it
- to learn how to download e-books and e-audio books from the libraries shared database (South Island Downloadable Zone)



4. BookChat - informal monthly get together for local book lovers to discuss books and look at a selection of recent additions to the library.

5. Children's programmes/activities for 2014:

- Cheeky Monkeys - A fun and creative session for children under five years old
- Session involves stories, songs and craft. Tuesday at 10.00 am
- Books and Babies – A fun and interactive session of stories and songs for the under two year olds - Friday at 10.30 am
- Book Tweenz – A book club for 9 - 12 year olds. First Thursday of the month at 4.00 pm

- Tween Writer – A creative writing group for 9 – 12 year olds - second Thursday of the month at 4.00 pm
- Kiwi Kidz Klub – A reading and activity club for 5 - 8 year olds focussing on kiwi authors. Third Thursday of the month at 4.00 pm
- Creative Teens – A reading and creative writing group for 13+ year olds. Final Thursday of the month at 4.00 pm (term time only)

Picton Library

6. The holidays are over, the kids are back at school, and the regular programmes have also restarted.

7. Local Knitters and Spinners group meetings are being held in the library again – 10.30 am to around 2.00 pm each Tuesday, (except for School Holidays). Anywhere from 8 – 15 people attend each week.

8. Picton Library's BookChat for 2014 starts again in March. This is an informal monthly get together for local book lovers. It is an opportunity to see some of the new books that are coming into the library, and to share what people have been reading and other topics of interest.

9. This month also marks the start of our 2014 monthly programmes for children at the library. These programmes run during school term times. They include:

- Book Buddies - a book club for ages 7 – Year 6, having fun, exploring books and craft and games. It is held the first Tuesday of each month, 3.30 – 4.30pm.
- The Picton under 5's programme is held the last Friday of each month. It is designed to enhance the library experience for 2 – 5 year olds. New picture books, shared stories and construct simple crafts are focussed on.

Systems Thinking

10. One of the key components to the Vanguard method of system thinking is establishing the PURPOSE of the library from the customer's point of view. To establish exactly what demands our customers have or are making, staff for a number of weeks recorded verbatim what was being asked or enquired about. This process established what matters to them, what people want from the library, why they are coming and how often.

11. As a result of this work some key themes have emerged. These include the following:

(a) I need your help…. (to find this information, use the internet, fill out this form, prepare my CV, download an e-book etc.)

(b) I want to borrow a book….

(c) I've come to talk….

(d) I've come to be social….

(e) I've come to study….

(f) I need your facilities….

12. This information will influence the planning of future space requirements, along with identifying the key attributes needed when considering staff recruitment.

Usage Statistics

13. January 2014 Statistics

	Issues	eBook & eAudio Checkouts	Reference Enquiries	Door Count (Visits)	Holds (Reserves) Placed
District Library, Blenheim	38,426		1,428	34,157 visits	1,565 holds
Branch Library, Picton	5,700		667	11,468 visits	398 holds
TOTAL	**44,126**	**489**	**2,095**	**45,625 visits**	**1,963 holds**

Issues

14. The checkout (issue) statistics recorded in January 2014 in the District Library were 1,660 fewer than those recorded in January 2013.

15. Picton Library and Service Centre recorded 165 fewer checkouts in January 2014, compared with 2013.

16. Variance - The total checkouts for the libraries - year to date, are 8% fewer than the same period last year. The Libraries were however closed for several days following the earthquake periods.

Door Count

17. The District Library's door count (Visitor Numbers) recorded for January 2014 was down by 924 visits on January 2013.

18. Picton Library and Service Centre recorded 748 fewer visits than the same period in 2013.

Membership

19. The number of new members joining the libraries in January was:

District Library, Blenheim 175

Branch Library, Picton 34

TOTAL **209**

Website Site Hits - www.marlboroughlibraries.govt.nz

20. During the one month period (1 January – 31 January 2014) the libraries website recorded 4,886 unique visitors accessing the website, with 10,071 pages viewed.

Internet Usage – Aotearoa People's Network Kaharoa (APNK)

21. The number of sessions recorded in January was –

District Library, Blenheim 2,781

Branch Library, Picton	1,421
Total	**4,202**

Wi-Fi Usage – The total number of Wi-Fi user/device sessions in the last 30 days was:

District Library, Blenheim	4,407
Branch Library, Picton	2,742
Total	**7,149**

RECOMMENDED

That the report be received.

3. MDC Holdings Limited (parent accounts) Half Yearly Report as at December 2013

(Clr Leggett) (Report prepared by L Moore/M Fletcher) **S400-004-002-13**

Purpose

1. To present the attached unaudited December 2013 six monthly financial statements for MDC Holdings Limited (MDCH).

2. The Local Government Act 2002 requires a half-yearly report be delivered to the shareholder within two months after the end of the first half of each financial year.

Report on Activities

Income Statement

3. MDCH has made a profit of $822,000 for the period to December 2013 compared to $217,000 for the same period last year. Removing the impact of the non-cash valuation on derivatives the profit before IFRS valuations is a profit of $250,000 for the period to December 2013 compared to $98,000 last year.

Jun-13		Dec-13	Dec-12
$ '000		$ '000	$ '000
1,368	Profit/(loss) after tax for the period	822	217
(645)	Loss/(gain) on revaluation of FVTPL financial assets	(572)	(119)
723	Profit/(loss) before swap valuations.	250	98

Income Variances year to Dec 2013 vs Dec 2012

- Dividend Income is $108,000 higher due to an increase in dividend from Port Marlborough NZ Limited (PML). The total dividend received from PML for its 2013 financial year is $1,685,000, compared to its Statement of Corporate Intent target for the 2013 financial year of $1,730,000.
- Interest Income is $33,000 more due to the increase in loans to PML ($34,190,000 at December 2013 vs $30,700,000 as at December 2012) and Council, offset by reduction in loans to Marlborough Airport Limited (MAL) ($950,000 as at December 2013 vs $1,200,000 as at December 2012).
- Fair value gain on derivatives of $572,000 for December 2013 is included in revenue (Dec 2012: $119,000).

Expenditure Variances year to Dec 2013 vs Dec 2012

- Finance Costs a $12,000 decrease due to the increased interest cost arising from additional loans drawn for PML, offset by a reduction in loans by MAL and a reduction in cost of interest to MDCH own loans of $70,000. The average interest rate on MDCH own loans reduced for the six months to December from 5.88% (2012) to 5.67% (2013) excluding line fee.

Balance Sheet – Dec 2013 vs Dec 2012

- 'Trade and other receivables' includes the subvention payment receivable from PML of $374,277, interest and finance fee receivable from MAL and prepayment of BNZ line fees. PML finance fee was received at the end December 2013, hence the increase in 'Cash and cash equivalents' and decrease in 'Trade and other receivables'. The income received in advance ($69,000) for the prepayment of finance fees by PML to June 2014 is included in 'Trade and other payables'.
- 'Other financial assets - derivatives' (current and non-current). Discussions with Audit New Zealand post the audit of June 2012 accounts has resulted in an agreement to show the group derivative valuation liability in the balance sheet. This is offset in the assets by the subsidiaries portion of these derivative valuations. The half yearly report shows the restatements for June 2013 as comparatives for this change in reporting.
- The subsidiaries derivative valuations total $1,773,625 (all non-current) in December 2012 decreasing to $180,557 ($42,790 current and $137,767 non-current) in December 2013.
- 'Other financial assets – loans' (current and non-current) $2,731,000 increases are due to increases in PML debt offset by MDC inter-entity and MAL's repayments.

Advances as at December 2013

Jun-13		Dec-13	Dec-12	Movement
1,100,000	**Marlborough Airport Ltd**	950,000	1,200,000	(250,000)
30,700,000	**Port Marlborough (NZ) Ltd**	34,190,000	30,700,000	3,490,000
31,800,000	**Total (BNZ)**	**35,140,000**	**31,900,000**	**3,240,000**
958,000	Inter-entity (MDC)	389,000	898,000	(509,000)
32,758,000	**Total Advance**	**35,529,000**	**32,798,000**	**2,731,000**

- 'Other financial liabilities – derivatives' (current and non-current). As mentioned in agreement with Audit New Zealand the liability is the total group liability. The current and non-current total $3,055,000 in December 2012 reduced to $362,000 in December 2012.
- The parent derivatives liability are $1,099,000 lower than December 2012 due to derivatives movement in valuation $572,441 in the first 6 months of this financial year (Jul-Dec 13) plus $526,743 movement in the last 6 months of last financial year (Dec 12-Jun 13).
- Borrowings (current and non-current) $3,240,000 more due to increased borrowings for PML offset by reduced borrowings drawn for MAL.

Loans as at December 2013

Jun-13		Dec-13	Dec-12	Movement
1,100,000	**Marlborough Airport Ltd**	950,000	1,200,000	(250,000)
30,700,000	**Port Marlborough (NZ) Ltd**	34,190,000	30,700,000	3,490,000
20,605,000	**MDC Holdings Ltd**	20,605,000	20,605,000	0
52,405,000	**Total Loans**	**55,745,000**	**52,505,000**	**3,240,000**
60,000,000	Facility Available (BNZ)	30,000,000	60,000,000	(30,000,000)
-	Facility Available (Westpac)	30,000,000	-	30,000,000
7,595,000	**Unused Facility**	**4,255,000**	**7,495,000**	**(3,240,000)**

RECOMMENDED

That the report be received.

MDC Holdings Limited (Parent)

Financial Statements
For the six months ended 31 December 2013
(Unaudited)

Income Statement
for the 6 months to 31 December 2013 (unaudited)

Jun-13		Dec-13	Dec-12
$ '000		$ '000	$ '000
	Income		
1,683	Interest Income	878	845
1,685	Dividend Income	910	802
374	Subvention	-	-
158	Financing fee	71	73
645	Fair value gain derivatives	572	119
4,545	Total Income	2,431	1,839
276	Operations and Maintenance	143	144
42	Employee benefits expense	21	21
2,859	Finance Costs	1,445	1,457
-	Fair value loss derivatives	-	-
3,177	Total Operating expenditure	1,609	1,622
1,368	Profit/(loss) before income tax	822	217
-	Income tax (expense)/credit	-	-
1,368	Profit/(loss) after income tax	822	217

Statement of Changes in Equity
for the 6 months to 31 December 2013 (unaudited)

Jun-13			Dec-13	Dec-12
$ '000			$ '000	$ '000
7,734	Equity at beginning of the year		8,423	7,734
1,368	Profit and loss before income tax		822	217
(679)	Dividends	(1)	(723)	-
8,423	Balance at end of the year		8,522	7,951

Note:
(1) 2012 Dividend of $679,000 was paid in March 2013.

Balance Sheet
as at 31 December 2013 (unaudited)

Jun-13 $ '000		Dec-13 $ '000	Dec-12 $ '000
	Current assets		
22	Cash and cash equivalents	186	44
570	Trade and other receivables	582	653
-	Other financial assets - derivatives	43	-
958	Other financial assets - loans	389	898
1,550	Total current assets	1,200	1,595
	Non-current assets		
28,536	Investment in subsidiaries	28,536	28,536
933	Other financial assets - derivatives	138	1,774
31,800	Other financial assets - loans	35,140	31,900
61,269	Total non-current assets	63,814	62,210
62,819	Total assets	65,014	63,805
	Current liabilities		
304	Trade and other payables	384	294
137	Other financial liabilities - derivatives	43	24
23,200	Borrowings	29,055	29,305
-	Current tax liabilities	-	-
-	Provisions	-	-
23,641	Total current liabilities	29,482	29,623
	Non-current liabilities		
29,205	Borrowings	26,690	23,200
-	Deferred tax liabilities	-	-
1,550	Other financial liabilities - derivatives	320	3,031
-	Provisions	-	-
30,755	Total non-current liabilities	27,010	26,231
54,397	Total liabilities	56,492	55,854
8,423	Net Assets	8,522	7,951
	Equity		
6,000	Capital and other equity instruments	6,000	6,000
2,992	Capital reserve	2,992	2,992
-	Revaluation reserve	-	-
(569)	Retained earnings	(470)	(1,041)
8,423	Total Equity	8,522	7,951

Cash Flow Statement
for the 6 months to 31 December 2013 (unaudited)

Jun-13 $ '000		Dec-13 $ '000	Dec-12 $ '000
	Cash flows from operating activities		
158	Receipts from customers	137	1
1,606	Interest received	867	790
1,685	Dividends received	910	802
407	Subvention receipts	-	-
(314)	Payments to suppliers and employees	(173)	(172)
(2,878)	Interest and other costs of finance paid	(1,423)	(1,473)
664		318	(52)
	Cash flows from investing activities		
250	Advances received	719	190
(4,769)	Advances made	(3,490)	(4,750)
(4,519)		(2,771)	(4,560)
	Cash flows from financing activities		
4,750	Proceeds from borrowings	3,490	4,750
(250)	Repayment of borrowings	(150)	(150)
(679)	Dividends paid	(723)	-
3,821		2,617	4,600
(34)	Net increase in cash	164	(12)
56	Cash and cash equivalents at the start of the period	22	56
22	Cash and cash equivalents at the end of the period	186	44

Reconciliation of Profit to Net Cashflow
for the 6 months to 31 December 2013 (unaudited)

Jun-13 $ '000		Dec-13 $ '000	Dec-12 $ '000
1,368	**Profit/(loss) after tax for the period**	822	217
(645)	Loss/(gain) on revaluation of FVTPL financial assets	(572)	(119)
	Changes in net assets and liabilities		
(44)	Current Receivables	(13)	(126)
(15)	Current payables	81	(24)
664		318	(52)

4. 2014-15 Statement of Intent – MDC Holdings Limited

(Clr Leggett) (Report prepared by L Moore/M Fletcher) **S400-004-002-13**

Purpose

1. To present MDC Holdings Limited (MDCH) 2014-15 Draft Statement of Corporate Intent (SOI).

Background

2. Schedule 8 Local Government Act 2002, requires MDC Holdings Ltd to deliver to Council a completed SOI by 30 June of each year for the next year (year ending 30 June 2015) and two subsequent years. Initially a draft is provided to Council for its consideration and comment. Any comments are then provided to the Directors of MDCH for their consideration before completion of the Final SOI.

3. The main functions of MDCH are to:

   - obtain financing for its subsidiaries and Parent at the most attractive commercial rates available. The Company currently has Bancorp as its principal debt management advisor;
   - monitor the financial and commercial performance of its subsidiaries against the targets contained in their Statements of Corporate Intent and other industry benchmarks;
   - monitor the adequacy of governance arrangements in subsidiaries;
   - provide commercial advice to Council and manage its commercial activities on request.

4. As a result, movements in the level of debt, borrowings of subsidiaries (and Council if required), applicable interest rates and the dividends from subsidiaries are the main contributors to movements in the Company's Income Statement and Balance Sheet.

Attachments

5. **Attachment 1** - Draft Statement of Intent for MDC Holdings Limited.

6. **Attachment 2** - Legislative compliance schedule based on Schedule 8 Local Government Act 2002.

Draft Statement of Intent

7. The draft SOI has a similar format and content to the 2014 SOI adopted by Council last year. However it has been updated to include the Performance Targets of its subsidiaries in accordance with an Audit NZ recommendation.

8. The 2014-15 draft SOI (attachment 1) is largely consistent with the 2013-14 SOI. Indicative summary forecast financial statements for MDCH and details of the assumptions made in their preparation are contained in the "Budget" topic of the agenda. The significant points to note are:

   (a) That Port Marlborough NZ Limited's (PML) forecasts assume that some of the projects that were put on hold pending the outcome of the Clifford Bay review will now be reactivated and that a return to the current strategic direction will occur. However, PML Directors and staff are currently in the process of reviewing the Company's strategic direction. Unfortunately the financial implications of this review won't be known until PML's budget is prepared and its draft 2014-15 Statement of Intent are finalised later in the year.

RECOMMENDED

That Council approve the Draft 2014-15 Statement of Intent for MDC Holdings Limited.

Attachment 1

MDC HOLDINGS LTD STATEMENT OF INTENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2015

AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS

1. Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for MDC Holdings Limited (MDCH) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally-required expression of the accountability relationship between the company and its shareholder, the Marlborough District Council (Council).

The SOI is reviewed annually with the Council and covers a three year period.

MDCH is a Council Controlled Trading Organisation which has been established by the Council to act as a holding company for its main trading enterprises. MDCH is 100% owned by Council.

Port Marlborough New Zealand Limited (PML) and Marlborough Airport Limited (MAL) are wholly owned subsidiaries of MDCH. Separate Statements of Intent are completed by these companies for consideration and approval by MDCH.

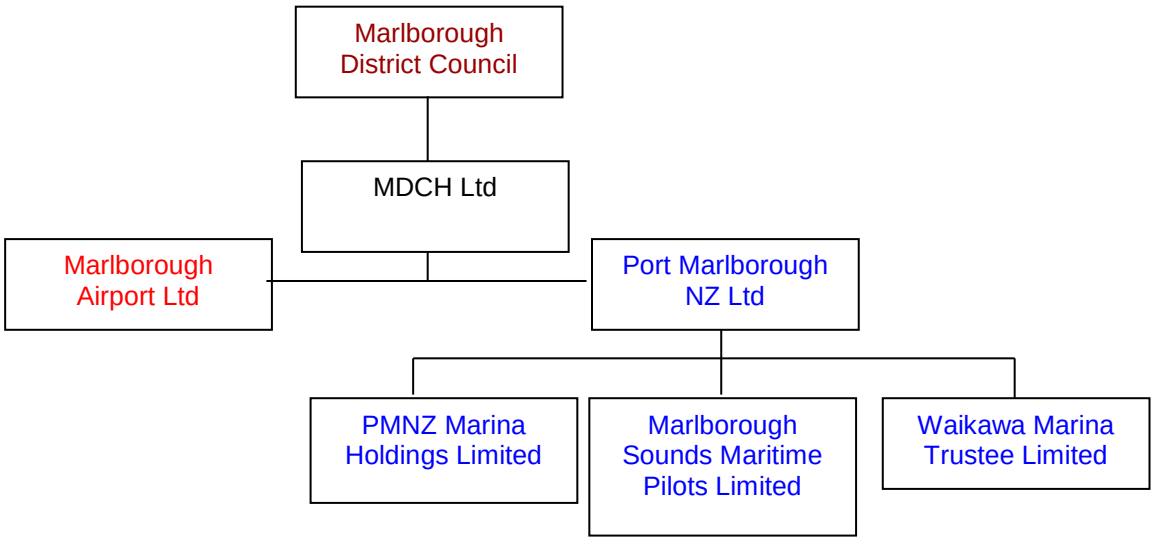
2. Objectives of the Company

MDCH has the following objectives:

1. to operate as a successful holding company, both in a financial and commercial sense;
2. to provide the means for bringing the main trading enterprises of the Council together into one structure;
3. to encourage and facilitate subsidiary companies to increase shareholder value.
4. to separate the commercial trading activities of the Council from the other functions carried out by the Council;
5. to provide an anticipated cashflow to the Council from its trading enterprises, by means of a regular stream of dividend income;
6. to obtain commercial borrowing facilities at the most attractive rates attainable;
7. to monitor the performance of each subsidiary company against the objectives and performance measures contained in their SOIs and other benchmarks;
8. to provide a forum for advising Council on strategic issues relating to its trading investments including, but not limited to, ownership structures, capital structures and rates of return; and
9. to own and oversee the operation of MAL for the dual objectives of promoting regional and economic development as well as maximizing the return on assets employed. In order to balance these objectives, MDCH may accept a lower return or slower return to profitability.

3. Nature and Scope of the Activities to be Undertaken

The MDCH group structure is summarized below:



The Company will:

- obtain financing for its subsidiaries and Parent at the most attractive commercial rates available. The Company currently has Bancorp as its principal debt management advisor;
- consider and approve the SOIs of its subsidiaries and negotiate its own SOI with Council;
- monitor the financial and commercial performance of its subsidiaries against the targets contained in their SOIs and other industry benchmarks;
- monitor the adequacy of governance arrangements in subsidiaries;
- encourage open discussion and dialogue with the representatives of its subsidiaries;
- provide commercial advice to Council and manage its commercial activities on request;
- recommend and manage the appointment of new Directors to the Board's of its subsidiary companies.

4. Ratio of Shareholders' Funds to Total Assets

- The ratio of shareholders' funds to total assets in this year is projected to be greater than 10 %.
- This ratio will be reviewed annually in the light of projected cash flows and the performance of its subsidiary.
- The long-term target ratio of shareholders' funds to total assets is to be greater than 7%. This ratio will be reviewed annually in the light of projected Statements of Financial Position.
- Shareholders' funds are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenues and capital reserves.
- Total assets are defined as the sum of the net book value of current assets, investments, fixed assets and tangible assets as disclosed in MDCH's Statement of Financial Position prepared in accordance with generally accepted accounting practice.

5. Statement of Accounting Policies

1. The measurement and reporting of earnings and financial position is in accordance with International Financial Reporting Standards and the policies adopted by the Marlborough District Council Group.
2. The Accounting Policies adopted are the same as those contained in the in MDCH's 30 June 2013 Annual Report and are included in Attachment 2.

6. Performance Targets

(a) MDCH performance targets are as follows:

1. To continue to review the financing needs of:
   - PML and its subsidiaries; and
   - MAL

   with a view to having adequate cost effective debt facilities in place.
2. To facilitate a good ongoing working relationship with subsidiaries and monitor their performance. This will include:
   - reports and presentations from the Chair and Chief Executive of PML on current issues, the six monthly results, Draft SOI and Annual Report; and
   - a report on the steps taken to ensure shareholder value is being maximized, on a regular basis
3. Develop a letter of shareholder expectations by 31 December, should it have any specific expectations it wants the subsidiary to incorporate into its forth coming SOI/SCI.
4. Financials are based on Subsidiary Company and MDC best estimate:

	Actual Jun-13 $ '000	Forecast Jun-14 $ '000	Budget Jun-15 $ '000	Budget Jun-16 $ '000	Budget Jun-17 $ '000
Income					
Dividend Income	1,685	1,710	1,948	2,205	2,346
Other Income	2,215	2,204	2,898	3,164	4,048
Fair value gain on derivatives	645	754	-	-	-
Total Income	**4,545**	**4,668**	**4,846**	**5,369**	**6,394**
Finance costs	2,859	2,980	3,641	3,904	4,733
Operating and Administration	318	335	428	465	585
Total Expenses	**3,177**	**3,315**	**4,069**	**4,369**	**5,319**
Net Profit (Loss) Before Taxation	**1,368**	**1,354**	**777**	**1,000**	**1,075**
less Tax	-	-	-	-	-
Net Profit(Loss) after Tax	**1,368**	**1,354**	**777**	**1,000**	**1,075**
Proposed Dividend	679	723	600	777	1,000
Tax paid return on Opening Shareholders Funds	18%	16%	9%	11%	11%
Ratio of Shareholders funds to Total Assets	12%	14%	12%	12%	10%

Assumptions

The following assumptions have been used to derive the June 2015 budget outlined above:

- That PML will have borrowings of $38.9 million in the budget year.
- That MAL will have borrowings of $5.7 million in the budget year.
- That MDCH will have total debt of $65.2 million.
- That the proposed Capital Expenditure requiring finance will occur as scheduled.

- MDCH (parent) interest rates, margins and fees were calculated at forecast rates plus 20 basis points increase year on year.
- Dividend income forecast is provided by PML.
- The amount available for dividend to Council is largely dependent upon PML dividends being received as forecasted.

(b) MAL performance targets from MAL 2014-15 SOI are as follows:

A welcoming gateway for travelers.

1. Complete the terminal expansion.

   Target – Construction completed and terminal commissioned by 31 January 2015.

Facilitates economic development.

2. Facilitate regional and economic development growth.

   Target - MAL Board and shareholder are satisfied with number of initiatives investigated and implemented

Financially sustainable.

3. Achieve a sustainable financial return on shareholder equity

   Target – 6% return after tax (excludes IFRS revaluations) on opening equity.

General

4. Maintain the runway to a safe standard.

   Target - airport operations not curtailed because of runway condition.

5. Comply with Airport Authorities Regulations 1999 / CAA Part 139.

   Target - 100% compliance

(c) PML performance targets from PML 2013-14 SOI are as follows:

*NOPAT excluding Investment Property Revaluations is projected as follows for the next three years:

2014 $3.60m
2015 $4.67m
2016 $5.85m

Performance shall be judged against the following measures:

	Actual	Measure		
Financial	**12 / 13**	**13 / 14**	**14 / 15**	**15 / 16**
NOPAT / Return on Shareholders Funds (i)	5.2%	4.1%	5.1%	6.2%
EBITDA (ii) (excludes non cash revaluations)	$9.68m	$8.88m	$10.20m	$11.38m
Equity Ratio	68.6%	67.0%	67.4%	68.9%
Trade				
Ferry freight movement (% volume movement to prior year)	(5.5%)	1%	1.0%	1.0%
Log volumes (jas)	539,863 jas	516,000 jas	550,000 jas	550,000 jas
Cruise ships (number visited)	22	19	21	22
Marinas				
Berth occupancy	89%	88%	90%	92%
Boatshed occupancy	93%	95%	97%	98%

Health and Safety				
Frequency rate (hours) (Lost Time Accidents per 100,000 work hours)	2.6	1.0	1.0	1.0
Number of incidents (LTI and MTI) (iii)	7	8	8	8

(i) NOPAT = Net Operating Profit After Tax

(ii) EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation

(iii) LTI – Lost Time Injury and MTI = Medical Treatment Injury

7. Dividend Distribution Policy

- Profit retention and the level of dividends to be paid will be recommended from year to year by the Directors in accordance with results and circumstances prevailing, subject to solvency certification at the time.
- It is the intention of the Directors to distribute, by way of dividend, all of the net tax paid profit available.

8. Corporate Governance

This statement gives readers an overview of the company's main corporate governance policies, practices and processes adopted or followed by the MDCH Board.

Role of the Board of Directors

The Board is responsible for the proper direction and control of the company's activities. The Board guides and monitors the business and affairs of MDCH on behalf of the shareholder, the Council, to whom it is accountable, within the framework of the objectives set out in this Statement of Intent.

All Directors use the New Zealand Institute of Directors' Code of Proper Practice for Directors as a guide to assist them in carrying out their duties.

The Board recommends to Council the appointment of Directors to subsidiary companies.

Responsibility to shareholder

Statement of Intent

In accordance with the Local Government Act 2002, the company submits a draft Statement of Intent for the coming financial year for consideration by MDCH's shareholder, the Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets. Having considered any comments on the SOI by the Council, the company issues its SOI in final form.

Information flows

The Board aims to ensure that the Council is informed of all major developments affecting the company's and group's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Council through periodic reports to the Council, occasional seminars and through both the annual report and the half-yearly report.

Board composition and fees

The Board comprises five Directors, MDC Mayor's, one Councillor, two external Directors and Council's Chief Executive. The Mayor and Councillor Directors are required to retire by rotation within three months following the triennial local government elections, but are eligible to be re-appointed. External Directors normally retire after two three year terms, but this may be extended for a further term. Appointments to MDCH are made directly by Council.

Fees for the MDCH Board are reviewed annually. The MDCH Board recommends fee levels to the Council, based on commercial norms. Where a Director provides professional services over and above the normal role of a Director, he or she is entitled to charge for those services at commercial rates provided the conditions of the Board's Conflict of Interest policy are met.

Subsidiary and monitored companies

Monitoring

Each subsidiary and monitored company submits annually a draft SOI, which is evaluated initially by MDCH. MDCH reviews the SOI and suggests any changes that may be considered necessary.

It is established practice for representatives of the subsidiary Board and management to meet with MDCH at this time, and on at least one other occasion each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives such other reports as are necessary to perform its monitoring function. However, MDCH does not involve itself in the management of the subsidiary companies.

Board appointments

All Directors of subsidiary companies are selected for their commercial expertise and aptitude.

Financial results

Directors receive and review parent company financial and other reports at each meeting, and provide formal consolidated and parent company financial statements to the shareholder twice annually – for the half year to 31 December and for the year ended 30 June.

9. Information to be provided to Shareholder

- The Company will provide interim six monthly reports to its shareholder on the results of its trading.
- Consolidated financial accounts will only be provided at financial year-end.
- The Company will provide information which meets the requirements of the Companies Act 1993, the Financial Reporting Act 1993, the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the shareholder to make an informed assessment of the Company's performance.
- The Company will make the following reports available to its shareholder:

  (a) Annual Statement of Corporate Intent

  A Statement of Intent will be prepared in accordance with the Local Government Act 2002.

  (b) Annual Report

  An annual report will be prepared in accordance with the Local Government Act 2002, the reporting requirements prescribed from time to time by the Companies Act, the Financial Reporting Act 1993 and the Institute of Chartered Accountants of New Zealand. The annual report shall contain the following:

  (i) Income Statement
  (ii) Balance Sheet
  (iii) Statement of Cash flows
  (iv) Statement of Changes in Equity
  (v) Report on Activities

  (c) Half Yearly Reports

  Half yearly reports will be prepared in accordance with the Local Government Act 2002, the reporting requirements prescribed from time to time by the Companies Act 1993 and the Institute of Chartered Accountants of New Zealand. The half-yearly reports will include the following:

  (i) Income Statement

(ii) Balance Sheet
(iii) Statement of Cash flows
(iv) Statement of Changes in Equity
(v) Report on Activities

10. Procedure for Acquisition of Shares in any Company or Other Organisation

All investment proposals for the acquisition of shares in the company or other organisation will be considered in the first instance by the Directors.

If any decision is contemplated to acquire assets, the value of which is more than 10% of the value of the Company's assets before the acquisition, the decision will be made only after the Directors have obtained the prior written approval of the Council, as majority shareholder.

11. Procedure or the Disposition of Shares

The Company will not dispose of any shares in PML or MAL without the prior written approval of Council as majority shareholder.

12. Activities for which the Directorate Seeks Compensation from the Local Authority

No compensation is sought or intended to be sought for any of the activities of the Company, from the shareholder or any other party.

13. Commercial Value of Shareholder's Investment

The commercial value of the shareholder's investment will firstly be based on the historical accounts maintained by the Company in accordance with the accounting policies stated above. The commercial value of shareholder's funds is nominally forecast to be $9,054,000 at 30 June 2014 ($8,423,000 at 30 June 2013).

From time to time the Directors or the shareholder may request that an independent valuation of the shareholder's investment be undertaken. The manner and timing of this assessment will be determined by the purpose for which it is undertaken or by the terms of the request by the Directors or shareholder.

14. Other Matters

The Shareholder and Directors agree that the above matters are the only ones to be covered in this SOI and that there are no additional matters to be included.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All business combinations are accounted for by applying the purchase method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (Discount on Acquisition). If, after reassessment, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is credited to the Profit and Loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intergroup transactions and balances between group enterprises are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are recorded in the parent entity's financial statements at cost less any subsequent accumulated impairment losses.

Revenue recognition

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer which is usually when the goods are delivered and title has passed.

Interest income is accrued on an effective interest rate method, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised as revenue, net of imputation credits, when the shareholders' rights to receive payment have been established.

Other income is recognised as revenue when control over the assets is obtained.

Interest & dividends paid

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain market review clauses in the event that the Group lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

The Group as lessee
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Finance Costs

Interest expenses are accrued on a time basis using the effective interest method.

Borrowing Costs:
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use of sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale.

To the extent that floating rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and accumulated as a separate component of equity to profit or loss (as a reclassification adjustment) when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the Profit and Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when MDC Holdings Limited has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or Discount on Acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

Deferred tax is charged or credited in the Profit and Loss, except when it relates to transactions recognised in other comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment, and depreciation

The Group has four classes of Property Plant and Equipment:

- Freehold Land and Improvements
- Buildings, Wharves, Infrastructure
- Plant, Equipment, Furniture and Vehicles
- Work in Progress

Freehold Land, and Buildings, Wharves, Infrastructure are initially stated at cost, and subsequently revalued to fair value at the date of revaluation, as determined by an independent valuer and by reference to the assets highest and best use, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service

All other items of Property, Plant and Equipment are stated cost or deemed cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Profit and Loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

Land Improvements and Buildings

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at fair value.

Infrastructural Assets

Infrastructural Assets, principally wharves and jetty facilities, are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land and work in progress, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged to the Profit and Loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Profit and Loss.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Buildings 30 – 100 years
- Improvements 2 – 50 years
- Infrastructural 10 – 50 years
- Plant Equipment Furniture and Vehicles 2 – 10 years

The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

Investment property

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes Port Marlborough's marinas, reclamation land and their supporting facilities.

Investment property is stated at its fair value at balance date. An external, independent valuation firm, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains or losses arising from changes in the fair value of investment property are included in the Profit and Loss for the period in which they arise.

Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and for indefinite life intangibles, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately.

For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity. An impairment of goodwill is not subsequently reversed.

Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following categories: "fair value through profit loss", "available for sale", "held to maturity" and "loans and receivables". The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition. Policies in respect of individual categories of financial assets are outlined as follows:

Cash & Cash Equivalents
Cash and cash fall into the "loans and receivables" category, and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade & Other Receivables
Trade receivables fall into the "loans and receivables" category, and are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Profit and Loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative Financial Instruments
The Group enters into interest rate swaps to manage interest rate risk. Derivative financial instruments fall into the "fair value through profit or loss" category. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Derivative instruments entered into by the company and Group do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Profit and Loss. The Group does not use derivative financial instruments for speculative purposes.

Financial liabilities

Financial liabilities are classified into the following specified categories: "fair value through profit or loss" and "other financial liabilities". Policies in respect of individual categories of financial liabilities are outlined as follows:

Trade & Other Payables
Trade and other payables fall into the category of "other financial liabilities" and are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowing Costs
Borrowings fall into the category of "other financial liabilities" and are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, these loans and borrowings are subsequently measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Bank loans are classified as current liabilities (either advances or current portion of term debt) unless the company and Group have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Employee entitlements

Provision is made in respect of the company's and Group's liability for retiring gratuity allowances, annual and long service leave, and sick leave.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for accumulating short-term compensated absences (e.g. annual and sick leave) are measured as the additional amount of unused entitlement accumulated at balance date.

Provisions

Provisions are recognised when the company and Group have a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

Goods and services tax (GST)

MDC Holdings Limited is not registered for GST, Marlborough Airport Limited and Port Marlborough New Zealand Limited are registered for GST therefore revenue, expenses and assets are recognised net of the amount of GST, except those from MDC Holdings Limited which are recognised inclusive of GST.

Statement of cash flows

Operating activities include cash received from all income sources of the Company and Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise activities that change the equity and debt capital structure of the Company and Group.

New standards adopted

The Company and Group are adhering to the following new standards and amendments to standards that are mandatory for the first time for the financial year ending 30 June 2013;

Amendments to NZ IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

This has not had any significant impact.

New standards and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company and Group, are:

Amendments to NZ IAS 1 – Presentation of Financial Statements: presentation of items of other comprehensive income
NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement
NZ IFRS 10 Consolidated Financial Statements
NZ IAS 27 Separate Financial Statements – Amendment
NZ IAS 28 Investments in associates and joint ventures
NZ IFRS 11 Joint Ventures
NZ IFRS 13 Fair Value Measurement – Amendment
Amendment to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities

Changes in Accounting Policies

Except for the new standards adopted (as described above) there have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

New accounting standards framework

In April 2012 the External Reporting Board issued a new accounting standards framework for New Zealand. The framework provides for different accounting standards for 'for-profit' and 'public benefit' entities. As the Company and Group is a for-profit entity it is subject to the for-profit accounting standards framework. The framework has four reporting tiers determined by set criteria or election. The Company and Group will need to determine at which tier it will report at for the 2013/14 financial statements.

The Company and Group have yet to assess the implications of the new accounting standards framework.

Record No: 13319348

Attachment 2 - LEGAL COMPLIANCE

Local Government Act 2002 Schedule 8, Clause 9: -

Contents of Statements of Intent

(1) A Statement of Intent must, to the extent that is appropriate given the organisational form of the council-controlled organisation, specify for the group comprising the council-controlled organisation and its subsidiaries (if any), and in respect of the financial year immediately following the financial year in which it is required by clause 3(b) to be delivered and each of the immediately following 2 financial years, the following information:		**SOI Section**
(a)	the objectives of the group; and	2
(b)	a statement of the Board's approach to governance of the group; and	8
(c)	the nature and scope of the activities to be undertaken by the group; and	3
(d)	the ratio of consolidated shareholder's funds to total assets, and the definitions of those terms; and	4
(e)	the accounting policies of the group; and	5
(f)	the performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and	6
(g)	an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholder; and	7
(h)	the kind of information to be provided to the shareholder by the group during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and	9
(i)	the procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and	10
(j)	any activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and	12
(k)	the Board's estimate of the commercial value of the shareholder's investment in the group and the manner in which, and the times at which, that value is to be reassessed; and	13
(l)	any other matters that are agreed by the shareholder and the Board.	14

5. NZ Local Government Funding Agency

(Chairman) (Report prepared by M Fletcher) **B045-01**

Purpose

1. To present the NZ Local Government Funding Agency's (LGFA) half yearly report for the six months ended 31 December 2013 and its 2014-15 draft Statement of Intent (SOI).

Background

2. When Council adopted its 2012-22 Long Term Plan it agreed to become a shareholder of the LGFA. As the LGFA is jointly owned by Councils, by virtue of S6 Local Government Act 2012, the LGFA is a Council Controlled Trading Organisation. As such it is required to:

   (a) Deliver to the shareholders a report on the final six months of its operation before 1 March each year.

   (b) Present its draft SOI to its shareholders on or before 1 March each year Schedule 8 clause 2).

3. The two documents referred to above are **attached separately.**

Half Yearly Report

4. The LGFA has had a very successful half year. The following are some of the key achievements against its SOI targets:

Target Description	Target	Achievement
Credit rating	Local currency AA+ Foreign currently AA (the same as NZ Government)	AA+ AA
Lending to participating Councils	>$3,000 million	$3,055 million
Average cost of funds relative to NZ Government stock	<0.50%	0.71%*
Average base on lending Margin above LGFA's cost of funds	<0.25%	0.15%
Net operating profit	$3.18 million	$3.27 million

*The 0.71% is an improvement on the 0.84% reported at 31 December 2012. The two key reasons for LGFA's relative cost of funds averaging 0.21% over the target level of 0.50% are:

- A large amount of May 2021 Bonds were issued. While this reflected Council demand for funding, longer dated bonds price at a relatively higher margin (May 2021 0.88%) above NZ Government stock than shorter dated bonds, (April 2015, 0.37% and December 2017 0.57%).

- LGFA does not yet have a central mass of overseas investors. However there are clear signs of improvement.

5. In summary, the LGFA's results for the six months ending 31 December 2013 have exceeded expectations. Estimated savings for AA rated Councils are approximately 0.25% and unrated Councils are higher.

2014-15 Statement of Intent

6. Following on from the successes recorded up until 30 December 2013, the LGFA has updated its Statement of Intent (SOI). The key changes in this draft SOI include:

- Revising the financial forecasts primarily to reflect a significant increase in forecast total expenses. This is mainly as a result of increased liquidity facility fees, the cost of the new treasury system and the requirement for additional LGFA staff as a number of operational functions are migrated from NZDMO to LGFA. Despite these significant cost increases, LGFA's forecast profitability remains strong.

- Updating performance targets, with a further reduction in the base margin target over the next three years relative to SOI 2013/14.

- Adding two more quarterly reporting requirements in relation to the new treasury system and the weighted average maturity of LGFA bonds.

7. The overall impact of these changes in target should be an even greater reduction in the cost of debt financing to Councils.

RECOMMENDED

That Council:

1. Receive the LGFA's half yearly report for the six months ending 31 December 2013.

2. Agree to support the LGFA's draft 2014-15 Statement of Intent.

6. Financial Report for Council – Period Ended 31 January 2014

(Clr Arbuckle) (Report prepared by J Somerville) **F045-06**

1. **Attached** is the financial report for Council for the seven months ended 31 January 2014.

2. The Income and Expenditure Statement reports a surplus of $1.6M for the year to date. This is a $2.9M improvement on the $1.3M budgeted deficit.

Revenue

3. Total Income and Rates for the January year to date is ahead of budget by $2.26M (4.55%).

4. Comments are provided below on variances greater than $100,000:

   a. External interest revenue is under budget due the continuing low interest rates. As the Bancorp investments mature, the proceeds have been reinvested in short dated term deposits until interest rates increase.

   b. Funds received from Marlborough Regional Forestry are higher than originally budgeted because log prices and log quality have held and they are continuing to harvest in easier terrain. Further contributions are expected before 30 June and forecast has been updated to reflect this.

   c. Property and other revenue is ahead of budget mainly due to the reimbursement of rates and insurance on the old Civic Theatre complex, increased corridor access fees and additional rental for the sub lease of the recently purchased Wither Road works depot (ex Downers).

   d. Community Facilities revenue is ahead of budget because of:

      i. Additional revenue mainly from disbursement recoveries of Marlborough Aquatic Centre insurance not in the original budget.

      ii. Receipt of Sport NZ grant to assist with Endeavour Park operational costs. These favourable revenues are partially offset by :

      iii. Less than expected development contributions from subdivisions.

   e. Roads and footpaths income is less than budget due to slower than anticipated subdivision and development contributions. Forecast includes revised estimates.

   f. Flood protection and control works are ahead of budget mainly due to log sales on floodway reserve land and higher than anticipated gravel extraction.

   g. Sewerage revenue is ahead of budget because of:

      i. Higher than budgeted sewer network upgrade and development contributions.

      ii. Increased trade waste charges from the original budget. The revised forecast reflects these changes.

   h. Solid Waste management is higher than budget mainly due to increased revenue from dump fees and the forecast has been updated to reflect this.

   i. Environmental Science and Monitoring forecast includes additional fees expected for the monitoring of coastal water quality in the Sounds.

   j. Building Control revenue is less than budgeted due to the slower than anticipated income from building consents and associated inspections because applications received to date

are less than predicted reflecting the ongoing economic climate. Whilst January consents were 15 higher than in 2013 the previous two months remained consistent with the prior year and it is too soon to predict the future trend.

k. Harbours income is higher than expected mainly due to unbudgeted revenue resulting from MDC staff being on standby in August during the oil rig "off load" from the Kan Tan IV vessel in Admiralty Bay. There has also been recovery of expenditure relating to the retrieval from Bay of Many Coves of the burnt yacht Aqua Luna. Forecast will be updated to include this.

l. Regional Development revenue is ahead of budget because of:

   i. Unbudgeted capital contributions to join the Southern Valleys' Irrigation scheme.

   ii. Higher than forecast parking infringement charges.

Expenditure

5. Overall expenditure is slower than budgeted by $0.64M (1.2%). Comments are provided on variances greater than $100,000:

   a. Community Housing forecast includes the estimated loss on sale of the Seddon units, together with increased insurance and contract charges.

   b. Community Safety forecast has been reduced to reflect reduced costs because some projects have been contracted to outside organisations. Forecast for both revenue and expenditure have been updated to reflect this.

   c. Emergency management is ahead of budget due to emergency earthquake works for the Haldon Dam. Efforts are being made to recover some of these costs from the property owner. Forecast includes estimated additional costs.

   d. Community Facilities forecast has been updated to include additional insurance together with revised depreciation as well as increased repairs and maintenance costs to maintain levels of service.

   e. Roads and footpaths expenditure is less than budget due to:

      i. Less than anticipated unsealed and sealed pavement. We are expecting a surplus of $250,000 by year end due to contract savings.

      ii. Slower than anticipated minor safety improvements expenditure (seasonal with the majority of the work undertaken in autumn).

      iii. Depreciation and loan interest are lower than expected as the budget was based on the 2012-13 capital expenditure budget. Actual capital expenditure for 2012-13 was below budget which has a flow on effect into this financial year. These favourable variances are offset by;

      iv. Expenditure on emergency reinstatement damage repairs and environmental maintenance which are well ahead of budget, due to the June 2013 storm event and the Seddon earthquakes. The increase in forecast is due to the re-estimate of the expenditure for emergency reinstatement.

   f. Sewerage is slower than budget in the areas of:

      i. Treatment costs which are seasonal and it is expected this variance to be corrected by April - May 2014.

      ii. Depreciation and loan interest are lower than expected as the budget was based on the 2012-13 capital expenditure budget and the actual expenditure was less. These favourable variances are offset by;

iii. Reticulation infiltration/leaks and connections maintenance all ahead of budget due to ongoing infiltration failures. Forecast has been updated to reflect the cost changes.

g. Water supply forecast expenditure is expected to reduce mainly due to less than budgeted depreciation because of less than anticipated 2012-13 capital expenditure.

h. Solid Waste management is less than budget due to Ministry for the Environment levy payments being slower than expected (invoicing three months behind). Forecast includes increased costs mainly for contracts (offset by additional revenue in 4h above) and projects.

i. Environmental Policy is ahead of budget due to costs associated with the Colonial Vineyard plan change appeal defending Council's plan change decision (not recoverable).

j. Environment Science and Monitoring expenditure is slower than anticipated as completion of many projects will be the last quarter of the financial year. The increase in forecast relates to the appointment of a Coastal Monitoring Scientist and associated costs.

k. Resource Consents forecast has been updated to reflect increased personnel costs.

l. Building Control is ahead of budget mainly due to settlement of a legal claim and contracts for compliance inspections.

m. Harbours expenditure is ahead of budget due to increased personnel costs as well as expenditure relating to the retrieval of the burnt yacht and the Kan Tan IV oil rig "offload" (both invoiced to recover costs in 4m above).

n. External interest expense is lower than anticipated due to the savings, deferrals and delays in the 2012-13 /2013-14 capital expenditure programme.

o. Property and Other expenditure is ahead of budget mainly due to increased rates and insurance costs which have been reimbursed, seismic review of the building portfolio after the Seddon earthquakes and associated repairs together with defending MDC's position at the Karaka Point Judicial review.

Capital Expenditure

6. Budgeted capital expenditure for the year is $45.37M including $19.1M of carryovers from the 2012-13 financial year. Actual expenditure of $16.22M to the end of January is $3.51M ahead of the same period last year ($12.71M) and $8.3M less than budgeted for the year to date.

7. Early indications are that there is likely to be deferrals and carryovers to 2014-2015 of approximately $7.24M in the following activities:

Activity	$M	Comment
Commercial Property	$6M	Progress payments for the existing Civic Theatre purchase are slower than anticipated.
Flood protection & control works	$0.6M	Land owner access approval negotiations taking longer than expected in lower Wairau and land purchase/ design still to be finalised for Main St pump station upgrade.
Roads	$0.64M	Jackson/ORR intersection upgrade awaiting NZTA funding approval to proceed.

8. There is also expected to be capital savings of approximately $3.94M in the following activities:

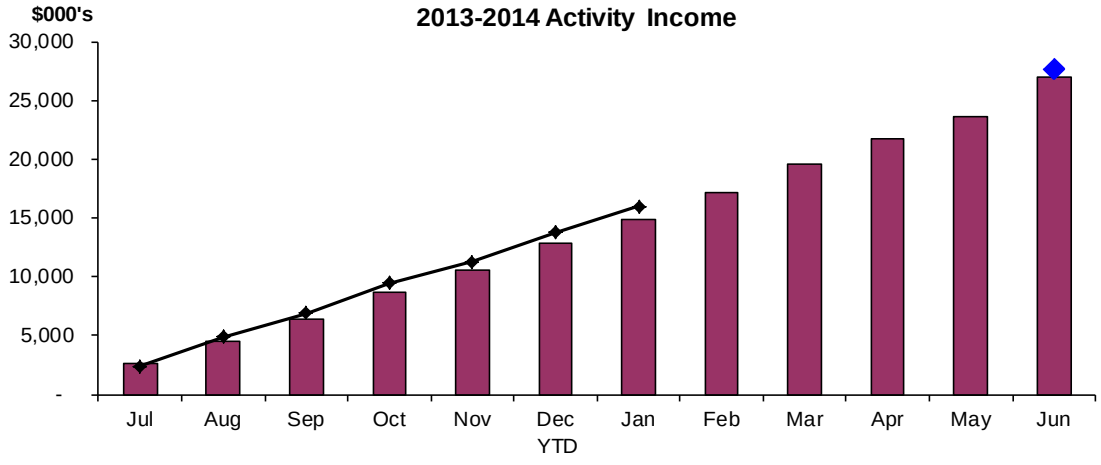
Activity	$M	Comment
Roads	$0.5M	Major rehabilitation of Northbank Road bridges now funded from other existing budgets.
Sewerage	$2.95M	Blenheim / Riverlands treatment plant overall costs savings.
Water	$0.49M	Picton mains and pressure zones upgrade deferred to 2015-16.

RECOMMENDED

That the financial report for the period ended 31 January 2014 be received.

Marlborough District Council
Income and Expenditure Statement
31 January 2014

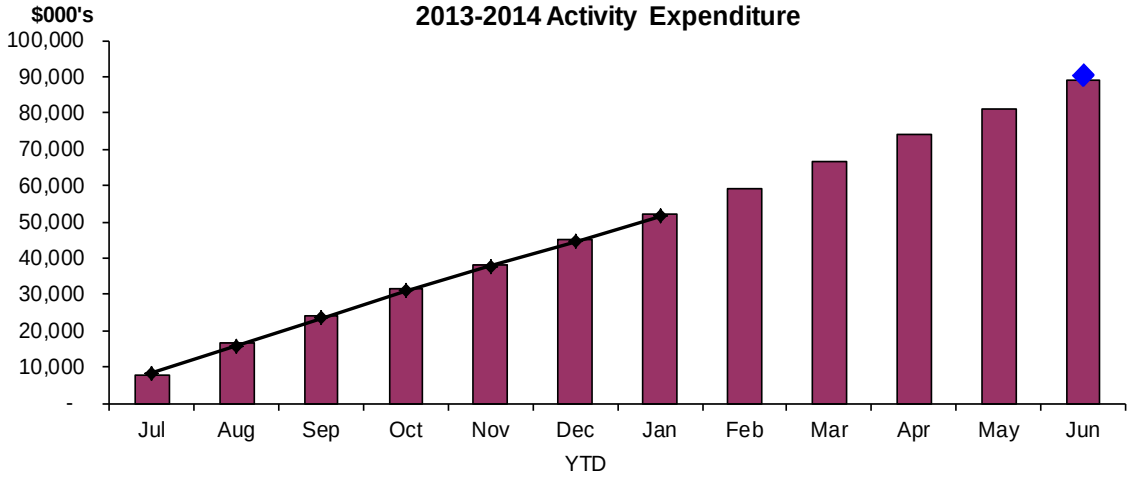
Income	Year to date				Full Year			
	Actual	Budget	Variance		Forecast	Budget		Variance
Rates	32,113,353	31,849,888	263,465		56,045,792	55,709,852		335,940
-less remissions	(234,114)	(297,507)	63,393		(450,000)	(510,000)		60,000
Rates	**31,879,239**	**31,552,381**	**326,858**		**55,595,792**	**55,199,852**		**395,940**
Rates penalty income	203,056	218,750	(15,694)		345,000	375,000		(30,000)
Total Rates	**32,082,295**	**31,771,131**	**311,164**		**55,940,792**	**55,574,852**		**365,940**
Other Income								
Dividends	735,120	827,000	(91,880)		735,120	827,000		(91,880)
Interest Revenue (external)	310,300	446,831	(136,531)	4a	808,000	878,200		(70,200)
Petroleum Tax	206,918	214,081	(7,163)		362,500	367,000		(4,500)
Gain on Sale of Fixed Assets	-	-	-		1,620,000	1,620,000		-
Marlborough Regional Forestry	1,902,750	1,062,000	840,750	4b	2,500,000	1,416,000		1,084,000
Property and Other Revenue	866,040	671,611	194,429	4c	1,266,037	1,024,841		241,196
Total Other Income	**4,021,128**	**3,221,523**	**799,605**		**7,291,657**	**6,133,041**		**1,158,616**
Activity Income								
Democratic Process	-	24,311	(24,311)		41,680	41,680		-
Culture and Heritage	1,344	-	1,344		1,409	-		1,409
Community Housing	682,271	648,627	33,644		1,111,927	1,119,927		(8,000)
Community Safety	110,609	152,740	(42,131)		167,806	261,841		(94,035)
Community Support	148,705	122,521	26,184		218,781	210,030		8,751
Library Services	70,714	81,088	(10,374)		134,000	139,000		(5,000)
Emergency Management	58,747	28,119	30,628		79,600	48,200		31,400
Community Facilities	902,378	780,971	121,407	4d	1,355,615	1,337,180		18,435
Roads and footpaths	3,460,549	3,651,944	(191,395)	4e	7,718,375	8,072,415		(354,040)
Flood protection and control works	2,128,976	1,902,295	226,681	4f	3,036,519	2,920,914		115,605
Sewerage	1,358,481	885,082	473,399	4g	2,244,065	1,635,650		608,415
Stormwater drainage	60,111	131,838	(71,727)		226,000	226,000		-
Water Supply	230,023	142,030	87,993		519,500	438,500		81,000
Solid Waste Management	2,771,480	2,600,990	170,490	4h	4,527,356	4,458,821		68,535
Environmental Policy	8,614	-	8,614		9,000	-		9,000
Environmental Science and Monitor	69,645	2,919	66,726		173,000	5,000	4i	168,000
Resource Consents	663,152	714,588	(51,436)		1,261,000	1,225,000		36,000
Building Control	1,104,730	1,233,260	(128,530)	4j	1,893,650	2,114,150		(220,500)
Compliance	780,290	753,776	26,514		831,100	868,600		(37,500)
Biosecurity (Pest Management)	74,367	11,669	62,698		85,000	20,000		65,000
Harbours	237,371	22,589	214,782	4k	319,000	188,731		130,269
Regional Development	1,062,952	940,149	122,803	4l	1,713,598	1,611,688		101,910
Total Activity Income	**15,985,509**	**14,831,506**	**1,154,003**		**27,667,981**	**26,943,327**		**724,654**



Total MDC Income	**52,088,932**	**49,824,160**	**2,264,772**	**90,900,430**	**88,651,220**	**2,249,210**

Marlborough District Council
Income and Expenditure Statement
31 January 2014

Expenditure	Year to date				Full Year			
	Actual	Budget	Variance		Forecast	Budget		Variance
Activity Expenditure								
Democratic Process	1,625,716	1,613,712	(12,004)		2,859,193	2,765,358		(93,835)
Culture and Heritage	2,847,335	2,815,731	(31,604)		3,039,735	2,966,157		(73,578)
Community Housing	788,498	749,333	(39,165)		1,513,399	1,242,838	5a	(270,561)
Community Safety	164,563	221,413	56,850		233,107	374,725	5b	141,618
Community Support	693,560	693,385	(175)		1,408,726	1,334,710		(74,016)
Library Services	1,050,762	1,030,026	(20,736)		1,737,924	1,716,524		(21,400)
Emergency Management	667,596	468,438	(199,158)	5c	978,406	787,295		(191,111)
Community Facilities	5,024,602	4,967,123	(57,479)		8,367,744	8,124,134	5d	(243,610)
Roads and footpaths	10,158,189	10,469,835	311,646	5e	20,288,665	19,633,746		(654,919)
Flood protection and control works	2,621,467	2,571,550	(49,917)		4,503,732	4,482,034		(21,698)
Sewerage	5,202,735	6,106,607	903,872	5f	9,493,471	10,397,177		903,707
Stormwater drainage	950,048	992,437	42,389		1,689,709	1,717,643		27,934
Water Supply	4,763,928	4,787,151	23,223		7,926,710	8,095,439	5g	168,729
Solid Waste Management	3,905,143	4,037,917	132,774	5h	6,878,933	6,760,572		(118,361)
Environmental Policy	955,336	789,644	(165,692)	5i	1,524,036	1,358,470		(165,566)
Environmental Science and Monitor	1,520,006	1,635,218	115,212	5j	3,256,876	3,148,375		(108,501)
Resource Consents	1,283,749	1,217,101	(66,648)		2,339,279	2,229,187	5k	(110,092)
Building Control	1,537,934	1,400,059	(137,875)	5l	2,712,721	2,508,096		(204,625)
Compliance	1,246,231	1,301,611	55,380		2,287,894	2,231,032		(56,862)
Biosecurity (Pest Management)	651,746	742,878	91,132		1,305,523	1,300,375		(5,147)
Harbours	758,156	624,408	(133,748)	5m	1,043,295	1,027,965		(15,330)
Regional Development	3,013,747	3,051,854	38,107		5,050,095	5,001,259		(48,837)
Total Activity Expenditure	**51,431,047**	**52,287,431**	**856,384**		**90,439,172**	**89,203,109**		**(1,236,063)**
Includes Internal Interest	3,721,851	4,391,219	669,368		6,828,479	7,527,804		699,326
	47,709,196	**47,896,212**	**187,016**		**83,610,693**	**81,675,305**		**(1,935,389)**

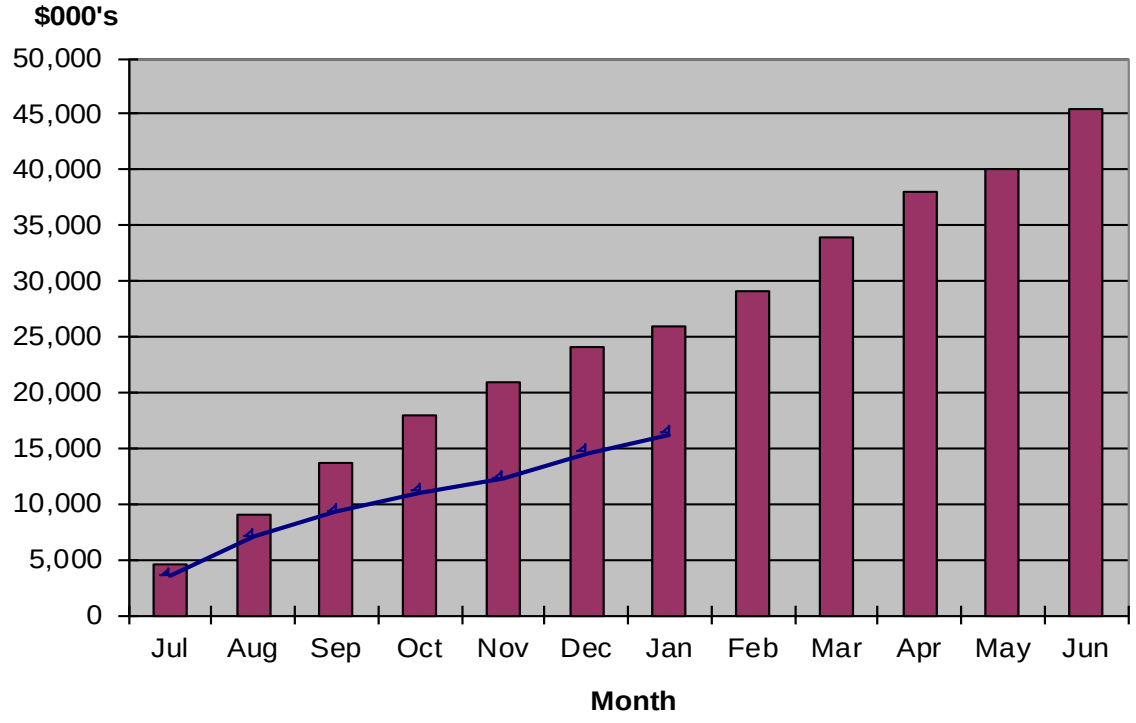


Other Expenditure							
Interest Expense (External)	655,838	1,393,840	738,002	5n	1,852,146	2,389,438	537,292
Property & Other Expenditure	2,123,886	1,836,662	(287,224)	5o	2,724,507	2,383,858	(340,649)
Total Other Expenditure	**2,779,724**	**3,230,502**	**450,778**		**4,576,653**	**4,773,296**	**196,643**
Total MDC Expenditure	**50,488,920**	**51,126,714**	**637,794**		**88,187,346**	**86,448,600**	**(1,738,746)**
SURPLUS	**1,600,012**	**(1,302,554)**	**2,902,566**		**2,713,084**	**2,202,619**	**510,464**

Marlborough District Council
Net Capital Expenditure
31 January 2014

	Actual YTD	Budget YTD	Variance	Total Budget
Democratic Process	23,220	20,000	(3,220)	20000
Culture and Heritage	0	5,831	5,831	10,000
Community Housing	271,106	271,125	19	445,500
Community Support	194,911	202,000	7,089	202,000
Library Services	122,938	143,794	20,856	316,562
Emergency Management	14,164	24,338	10,174	35,800
Community Facilities	335,287	1,893,123	1,557,836	3,040,260
Roads and footpaths	4,221,890	4,996,279	774,389	9,992,750
Flood protection and control works	432,881	1,087,888	655,007	2,286,800
Sewerage	7,551,531	12,158,475	4,606,944	14,976,330
Stormwater drainage	750,115	176,694	(573,421)	1,144,242
Water Supply	930,310	1,610,840	680,530	2,691,167
Solid Waste Management	25,901	93,800	67,899	160,800
Environmental Science & Monitoring	70,297	40,250	(30,047)	69,000
Consents and Compliance	0	3,794	3,794	6,500
Harbour Control	113,534	179,375	65,841	540,898
Regional Development	(127,925)	110,750	238,675	148,000
Investment activities	(932,398)	(696,000)	236,398	6,104,000
Corporate Overheads	2,223,204	2,237,984	14,780	3,176,580
Total Net Capital Expenditure	**16,220,966**	**24,560,340**	**8,339,374**	**45,367,189**

2013-14 Net Capital Expenditure - by Month



7. Debtors' Overdue Report as at 31 January 2014

(Clr Arbuckle) (Report prepared by S Greenhill) **A135-04**

Purpose

1. To present the Debtors and Property Leases and Licences Debtors reports as at 31 January 2014.

Background

2. This report reports on the levels of debt relating in the main to the following revenue streams:

   - Building Consents
   - Resource Consents
   - Development Contributions
   - Licences
   - Tradewaste
   - Water and Sewerage Connections.

3. The Debtors Report as at 31 January 2014 is **attached** for Councillors' information.

4. The 90 days balance has increased primarily because of one significant development contribution for an extraordinary sewer connection, which was reported in the 30-90 days balance in December.

5. The Property Leases and Licences Debtors Report as at 31 January 2014 is also **attached** for Councillors' information. Current and Total balances fluctuate monthly depending on individual leases and invoicing periods, e.g. monthly, quarterly, six monthly or annual.

RECOMMENDED

That the information be received.

DEBTORS REPORT AS AT 31 JANUARY 2014

	Current Month	Comparison for Previous 5 Months				
Aged Analysis Report	**January**	**December**	**November**	**October**	**September**	**August**
Current	871,020.73	1,260,709.16	1,109,740.92	1,667,170.43	1,091,072.58	789,935.80
30 - 90 Days	249,070.73	694,360.66	619,331.43	185,193.72	259,595.44	226,660.07
90 Days	380,582.31	78,599.32	83,892.69	95,367.84	107,626.01	162,527.18
Outstanding Debtors Closing Balance	1,500,673.77	2,033,669.14	1,812,965.04	1,947,731.99	1,458,294.03	1,179,123.05

Debtors Action Report - Debtors over 90 days with Balance >$250

	January	**December**	**November**	**October**	**September**	**August**
With Receivables Management	2,287.20	3,674.70	3,674.70	3,674.70	3,674.70	4,585.48
Paying by Arrangement	348,749.37	57,911.83	58,993.87	71,052.64	80,296.79	129,413.52
Debts in Dispute	13,769.78	13,168.58	14,303.95	13,329.42	15,060.61	14,322.24
Payments since month end taken off above amounts	14,295.20	2,163.89	5,329.76	6,151.04	7,693.00	12,434.15
Sub-Total	**379,101.55**	**76,919.00**	**82,302.28**	**94,207.80**	**106,725.10**	**160,755.39**
Various Debtors with Balances <$250	1,480.76	1,680.32	1,590.41	1,160.04	900.91	1,771.79
Over 90 days Outstanding Total	**380,582.31**	**78,599.32**	**83,892.69**	**95,367.84**	**107,626.01**	**162,527.18**

Property Leases and Licences Debtors Report as at 31 January 2014

	Current Month	Comparison for Previous 5 Months				
Aged Analysis Report	**January**	**December**	**November**	**October**	**September**	**August**
Current	51,616.14	16,437.02	59,382.19	46,186.42	70,343.29	59,882.87
30 Days	12,179.64	15,756.53	12,071.01	34,551.03	1,842.54	55,034.21
60 Days	2,136.53	5,118.35	30,917.64	730.32	8,447.25	2,773.80
90 Days	23,838.16	28,549.93	24,187.90	26,539.55	23,577.01	22,845.83
Outstanding Debtors Closing Balance	89,770.47	65,861.83	126,558.74	108,007.32	104,210.09	140,536.71
60 and 90 days Overdue Balance	25,974.69	33,668.28	55,105.54	27,269.87	32,024.26	25,619.63

8. Rates Report as at 31 January 2014

(Clr Arbuckle) (Report prepared by W Williams) **F270-28-13**

Purpose

1. To present the Rate Levies Status Report, Rate Arrears Aged Balance Report and the Water Billing Debtors Report as at 31 January 2014.

Rate Levies Status Report and Rate Arrears Aged Balance Report

2. **Attached** for information are the Rate Levies Status Report and Rate Arrears Aged Balance Report as at 31 January 2014.

3. We have collected 49.51% of the overall rates levied for 2013-2014 (inclusive of arrears) and this compares with 49.20% at this time last year.

4. Council's rates postponement scheme allows for the postponement of rates for ratepayers aged 65 and over. Currently we have five ratepayers in this scheme and the amount postponed to 30 June 2013 totals $22,485. The first rates postponement application was received by Council during the 2008/2009 rating year. As the postponed amounts are increasing we have included the postponed amounts by year in the Rate Arrears Aged Balance Report for your information.

5. Rates instalment three is due for payment by 10 March 2014.

Water Billing Debtors Report

6. **Attached** for information is the Water Billing Debtors Report as at 31 January 2014.

7. The 30-90 day balance has increased following the December water billing, but compares favourably to October following the September water billing.

8. The 90 days balance has reduced since December and includes water remission applications awaiting assessment.

RECOMMENDED

That the report be received.

Rate Levies Status Report as at 31 January 2014

Financial Division	Balance B/Fwd (01/07/13)	Inst Levy To Q2	Arrears Pen	Instal Pen	Adjustments	Cash Received (incl Paid in Advance)	Add back Paid in Advance 31/01/2014	Balance 31/01/2014
Blenheim	244,879	15,759,738	27,721	42,852	(87,163)	(17,073,561)	1,459,261	373,726
Blenheim Vicinity	101,890	6,061,462	8,918	15,923	(60,656)	(6,489,024)	441,839	80,353
General Rural	182,889	4,559,527	17,427	26,425	(43,385)	(4,894,876)	390,782	238,790
Picton	180,646	3,855,402	14,159	18,758	(38,881)	(4,130,103)	321,618	221,600
Picton Vicinity	3,762	265,606	562	1,669	(554)	(291,590)	37,400	16,855
Sounds Admin Rural	23,417	493,700	2,805	5,779	(352)	(550,165)	80,813	55,997
Utilities Network	436	7,294	42	25	-	(14,437)	6,791	151
Current Year Totals	**737,920**	**31,002,727**	**71,635**	**111,432**	**(230,992)**	**(33,443,755)**	**2,738,504**	**987,471**

Paid in Advance balance b/fwd	1/07/2012	1/07/2013
	402,654	435,552

Rate Arrears Aged Balance Report as at 31 January 2014

Year	Total Outstanding (01/07/2013)	Cash Received (-)	Total Arrears Outstanding 31/01/2014	Postponed Rates included in Total Arrears
2012/13	961,409	955,225	239,436	6,184
2011/12	127,006	121,839	46,896	5,168
2010/11	43,393	38,525	23,518	4,868
2009/10	27,577	22,258	16,279	5,319
2008/09	10,095	9,148	6,014	947
Prior 2008	3,992	3,992	1,526	-
Total	**1,173,472**	**1,150,987**	**333,669**	**22,485**

Rates balance b/fwd	737,920
Add back Paid in Advance	435,552
Total Arrears Actual	**1,173,472**

Water Billing Debtors Report as at 31 January 2014

	Current Month	Comparison for Previous 5 Months				
Aged Analysis Report	**January**	**December**	**November**	**October**	**September**	**August**
Current	131.88	431,888.86	147.54	73,443.58	261,450.99	-
30 - 90 Days	69,138.72	14,172.46	42,254.14	50,990.59	(1,956.68)	27,590.45
90 Days	12,660.45	18,734.14	5,043.70	11,824.17	27,676.72	2,883.58
Outstanding Debtors Closing Balance	81,931.05	464,795.46	47,445.38	136,258.34	287,171.03	30,474.03

Debtors Action Report - Debtors over 90 days Balance >$250

	January	**December**	**November**	**October**	**September**	**August**
Paying by Arrangement	-	-	744.20	744.20	346.12	284.52
Negotiating Payment Arrangement	22,082.08	24,493.70	21,062.16	21,062.16	31,533.13	7,126.79
Sub-Total	**22,082.08**	**24,493.70**	**21,806.36**	**21,806.36**	**31,879.25**	**7,411.31**
Various Debtors with Balances <$250 or Credit Balances	(9,421.63)	(5,759.56)	(16,762.66)	(9,982.19)	(4,202.53)	(4,527.73)
90 days Outstanding Total	**12,660.45**	**18,734.14**	**5,043.70**	**11,824.17**	**27,676.72**	**2,883.58**

9. Decision to Conduct Business with the Public Excluded

Decided: That the public be excluded from the following parts of the proceedings of this meeting, namely:

- **Debtors' Overdue Report**

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

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Debtors Overdue Report	In order to protect the privacy of natural persons, as provided for under Section 7(2)(a).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under Section 7 of the Local Government Official Information and Meetings Act 1987.