

Document No: A490859

Report To: Audit, Risk and Finance Committee



Meeting Date: 13 October 2020

Subject: Civic Financial Services Limited Half -
Yearly Report to 30 June 2020

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to present the half-yearly report for Civic Financial Services Ltd for the six months ended 30 June 2020.

Background

- 2.1 Civic Financial Services Ltd (CFS) is the former New Zealand Local Government Insurance Corporation Ltd (NZLGIC) and previously traded as Civic Assurance. It has been trading for over 75 years. The name change has been instituted due to CFS withdrawing from offering property insurance and no longer holding an insurance licence.
- 2.2 CFS provides administration and financial services to SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, the Local Authority Protection Programme Disaster Fund (LAPP) and Riskpool.
- 2.3 WDC holds 16,940 shares (0.15%) in Civic Financial Services Ltd.

Commentary

- 3.1 **Half-Yearly report to 30 June 2020**
- 3.2 The CFS half yearly accounts for the six months ended 30 June 2020 are attached to, and form part of this business paper.
- 3.3 The company's income is derived from administration services and investment income and reports it has tracked above budget returning an (unaudited) after tax profit of \$226,000 (2019: \$364,000) for the first half of the year.
- 3.4 This compares to an after tax profit of \$1.95m for the full year to 31 December 2019 (2018: after tax profit of \$897,500).
- 3.5 Revenue has decreased to \$572,000 (27.0%) from the same period last year, the reduction is due to the sale of Civic House in August 2019 and the lower superannuation fees introduced on the 1st April this year. The expenditure has reduced by \$381,000 (23.7%).

Suggested Resolutions

- 1 The business paper on Civic Financial Services Limited Half yearly Report to 30 June 2020 be received.
- 2 The Civic Financial Services Limited – Half Yearly Accounts to 30 June 2020 be received.
- 3 The Civic Financial Services Limited – Half Yearly Report to 30 June 2020 be made public and published on Council's website in accordance with Section 66(5) of the Local Government Act 2002.



ALISTER DUNCAN
GENERAL MANAGER – BUSINESS SUPPORT

30 September 2020

Attachment: Civic Financial Services Half-Yearly Accounts – 30 June 2020
(A490862)

Chris Ryan
Chief Executive
Waitomo District Council
PO Box 404
TE KUITI 3941

24 September 2020

Dear Chris,

Civic Financial Services Half-Yearly Accounts – 30 June 2020

Please find enclosed your copy of the half-yearly accounts for Civic Financial Services Limited ("Civic") to 30 June 2020. You will be pleased to see that the company is tracking above budget and has returned an (unaudited) pre-tax profit of \$0.314 million for the first half of 2020 with the company maintaining a strong financial position as at 30 June 2020. The company's income has reduced due to the sale of Civic Assurance House in August of last year and lower superannuation fees introduced from 1 April 2020.

As reflected in the accounts Civic's income is derived from administration services and investment income. In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes which are offered to local government on an exclusive basis. Civic (through its SuperEasy and/or SuperEasy KiwiSaver Scheme) provides superannuation services to 76 councils, has over 11,000 members and funds under management of over \$450 million. Of the councils that have a preferred provider for KiwiSaver, 70 out of 74 (94%) have appointed Civic.

Yours sincerely

Ian Brown
Chief Executive



CIVIC FINANCIAL SERVICES LTD

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six Months		Full Year	
	Note	2020 \$M	2019 \$M	2019 \$M
REVENUE				
Administration Fees		1,469	1,434	2,948
Income from Investments		75	222	330
Property Income		-	459	572
Gain on sale of Building		-	-	1,210
TOTAL REVENUE		<u>1,543</u>	<u>2,115</u>	<u>5,059</u>
EXPENDITURE				
Property Operating Expenses		-	369	396
Depreciation & Amortisation		9	21	35
Employee Remuneration		348	384	751
Other Expenses		872	836	1,626
TOTAL EXPENDITURE		<u>1,229</u>	<u>1,610</u>	<u>2,808</u>
NET SURPLUS BEFORE TAXATION		<u>314</u>	<u>505</u>	<u>2,251</u>
Less Taxation Expense	6	88	141	301
NET SURPLUS AFTER TAXATION		<u>226</u>	<u>364</u>	<u>1,950</u>

**STATEMENT OF MOVEMENTS IN EQUITY (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six Months		Full Year
	2020 \$M	2019 \$M	2019 \$M
Equity as at 1 January	10,477	17,945	17,945
Net Surplus After Taxation	226	364	1,950
Dividend Payment	-	-	(9,418)
EQUITY AS AT 30 JUNE	<u>10,703</u>	<u>18,309</u>	<u>10,477</u>

**STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 JUNE 2020**

	2020 \$M	2019 \$M	2019 \$M
EQUITY			
Capital	10,764	10,764	10,764
Retained Earnings	(60)	7,545	(286)
TOTAL EQUITY	<u>10,703</u>	<u>18,309</u>	<u>10,477</u>
Represented By:			
Current Assets			
Bank & Cash Equivalents	124	548	274
Term Deposits	4,935	4,100	5,290
Receivables	457	940	555
Loans	7	2,877	5,755
TOTAL CURRENT ASSETS	<u>8,393</u>	<u>11,343</u>	<u>8,116</u>
Non-Current Assets			
Property, Plant & Equipment & Intangible Assets	155	248	123
Deferred Tax Asset	2,398	2,646	2,486
TOTAL NON CURRENT ASSETS	<u>2,553</u>	<u>2,894</u>	<u>2,610</u>
Investments			
Investment Property	-	8,535	-
TOTAL INVESTMENTS	<u>-</u>	<u>8,535</u>	<u>-</u>
TOTAL ASSETS	<u>10,946</u>	<u>22,772</u>	<u>10,725</u>
Current Liabilities			
Sundry Creditors & Accrued Charges	226	4,376	203
TOTAL CURRENT LIABILITIES	<u>226</u>	<u>4,376</u>	<u>203</u>
Non Current Liabilities			
CLP/ Riskpool Admin Fee Reserve	16	87	45
TOTAL NON-CURRENT LIABILITIES	<u>16</u>	<u>87</u>	<u>45</u>
TOTAL LIABILITIES	<u>242</u>	<u>4,463</u>	<u>248</u>
EXCESS OF ASSETS OVER LIABILITIES	<u>10,703</u>	<u>18,309</u>	<u>10,477</u>

The notes to the accounts on page 3 form part of and are to be read in conjunction with these Statements.

CIVIC FINANCIAL SERVICES LTD
STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six Months		FULL YEAR	
	Notes	2020 \$M	2019 \$M	2019 \$M
Cash Flows from Operating Activities				
Cash from operating activities:		1,525	1,865	3,406
Cash applied to operating activities:		1,185	1,517	2,606
Net Cashflow from Operating Activities	5	<u>341</u>	<u>349</u>	<u>800</u>
Cash Flows from Investing Activities				
Cash provided from investing activities:		409	385	14,532
Cash applied to investing activities:		921	3,672	5,106
Net Cashflow from Investing Activities		<u>(512)</u>	<u>(3,287)</u>	<u>9,426</u>
Cash Flows from Financing Activities				
Cash was provided from financing activities:		21	168	184
Cash applied to financing activities:		-	95	13,549
Net Cashflow from Financing Activities		<u>21</u>	<u>73</u>	<u>(13,365)</u>
Net Decrease in Cash Held		(150)	(2,865)	(3,140)
Opening Cash Balance as at 1 January		274	3,414	3,414
Closing Cash Balance as at 30 June		<u>124</u>	<u>548</u>	<u>274</u>
Being:				
Bank & Cash Equivalents		<u>124</u>	<u>548</u>	<u>274</u>

The notes to the accounts on page 3 form part of and are to be read in conjunction with this statement.

CIVIC FINANCIAL SERVICES LTD
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Notes to the Financial Statements

1 Statement of Compliance

The Group is a Tier 1 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 1 Public Sector Public Benefit Entity (PBE) Standards.

2 Accounting policies

The accounting policies applied in the preparation of the half year financial statements are consistent with those disclosed in the 2019 annual report except that the investment property has not been revalued.

3 Basis of Preparation

These interim financial statements have been prepared in accordance with PBE IAS 34 - Interim Financial Reporting, and should be read in conjunction with the Company's annual financial report for the year ended 31 December 2019. Disclosures in these interim financial statements are less extensive than those in the annual financial report.

4 Comparative figures.

The comparative figures are for the six months ended 30 June 2019 and the year ended 31 December 2019.

5 Reconciliation of net surplus after tax with cash flow from operating activity.

	Six Months		Full Year
	2020 \$M	2019 \$M	2019 \$M
Reported Surplus After Taxation	226	364	1,950
Add/(less) non cash items			
Loan Interest	(20)	333	(31)
Depreciation	10	22	35
Deferred Tax Liability	88	141	301
Movement in CLP/ Riskpool Admin Fee Reserve	(10)	(10)	(19)
	<u>68</u>	<u>486</u>	<u>286</u>
Add/(less) movements in other working capital items			
Accounts Receivable	96	(153)	40
Accounts Payable	4	107	(99)
Tax Refund Due	-	4	4
	<u>100</u>	<u>(43)</u>	<u>(55)</u>
Less Items Classified as investing activity	(54)	(385)	(1,512)
Less Items Classified as financing activity	-	(73)	130
	<u> </u>	<u> </u>	<u> </u>
Net Cash Outflow from Operating Activities	<u>341</u>	<u>349</u>	<u>800</u>

6 Income Tax

The income tax liability for June 2020 is nil as the Company has unused tax credits with which it will use to offset any income tax expense .

7 Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017 and August 2017 for \$2,250,0000 each to assist with Riskpool's cashflow. Both loans are arm's length and on commercial terms. Any loan may be repaid by Riskpool at any time without penalty and the agreement terminated by either party with six months' notice.

8 Contingent liabilities.

The contingent liabilities are:

- i) 100,000 uncalled shares in the wholly owned subsidiary, Local Government Superannuation Trustee Limited.
- ii) 1,000 uncalled shares in the wholly owned subsidiary, Local Government Mutual Funds Trustee Limited.
- iii) 100 uncalled shares in the wholly owned subsidiary, SuperEasy Limited.
- iv) 100 uncalled shares in the wholly owned subsidiary, Local Government Finance Corporation Limited.

9 Events occurring after reporting date

- ii) There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.