

NOTICE IS HEREBY GIVEN THAT THE MONTHLY MEETING OF THE FINANCE AND POLICY COMMITTEE, WILL BE HELD IN THE COUNCIL CHAMBERS, 29 CIVIC AVENUE, GORE, ON WEDNESDAY 11 APRIL 2007, FOLLOWING THE CONCLUSION OF THE REGULATORY AND PLANNING COMMITTEE MEETING

**Steve Parry
CHIEF EXECUTIVE**

4 April 2007

A G E N D A

1. Fees and Charges 2007/08
(Page 1)
2. Ice Sport Southland Inc – Loan Agreement
(Pages 2-5)
3. Financial Report for February 2007
(Pages 6-9)
4. St James Theatre Trust – Fly Tower Project
(Pages 10-13)
5. BUSINESS TO BE CONSIDERED PURSUANT TO THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987:
 - Venture Southland – Appointment of Directors

FINANCE AND POLICY COMMITTEE AGENDA

APRIL 2007

1. FEES AND CHARGES 2007/08

(Memo from Chief Executive – 20.03.07)

As Councillors will be aware, it is customary practice for an annual review to be conducted of all Council fees and charges. This review normally takes place in March or April each year prior to the adoption of the draft Annual Plan.

Enclosed with the agenda is a schedule of fees and charges for 2007/08 which has been critically reviewed by Council Managers. In the main, most of the amendments being proposed are slight tweaks to take cognisance of inflation which has been allowed for in the Council's LTCCP.

There are however, a few additions in some areas, eg building which reflect new areas of activity that have come on stream since the last review was conducted.

RECOMMENDATION

THAT the revised fees and charges schedule complete with any amendments, additions or deletions agreed to by the Council be adopted and come into force on 1 July 2007.

2. ICE SPORT SOUTHLAND INC - LOAN AGREEMENT

(Memo from Chief Executive – 29.03.07)

As Councillors will be aware an agreement is in place with Ice Sports Southland Incorporated which pertains to the advance of a \$300,000 loan which assisted in the development of the ice skating rink at Wayland Park. As previously advised (refer to the attached memo from the former Chief Financial Officer dated 29 August 2006) the \$300,000 interest free loan forms part of a larger tranche received from the Southland Building Society to assist with funding of both the ice skating rink and the neighbouring aquatic centre.

These funds are due for repayment on 3 May 2007.

To date Ice Sport Southland has repaid the Council the sum of \$90,000 over the past four years. As reported previously by the former Chief Financial Officer, \$80,000 of this total (a further payment of \$10,000 has been received since this issue was last considered by the Council) has been used to assist with funding of Aquatic Centre operating deficits in 2004/05 and 2005/06.

I have recently been conferring with the Finance Executive of Ice Sports Southland Incorporated who has advised that the organisation will be repaying the \$300,000 loan in full – less payments made to date – before the loan is due for repayment on 3 May 2007.

The Council will then need to turn its mind as to what it wishes to do with the funds received from Ice Sports Southland. The two options appear to be:

- a) Pass on the \$220,000 (the total amount of funds expected to be received from Ice Sports Southland after taking account of payments already made but adding in the recently received \$10,000) to the Southland Building Society and raising a loan at market rates for the balance of the \$500,000 (ie \$280,000) at market rates. This option would involve the Council's nett public debt reducing by \$220,000.
- b) Retain the \$220,000 as a cash reserve to utilise when the likes of a call is made on the Rayonier fund. Such an approach would mean that the full loan of \$500,000, advanced by the Southland Building Society would have to be taken out at market rates. This approach would not reduce public debt but nor would it increase as the

LTCCP did not plan for any of the \$500,000 to be retired within the next few years.

Based on the principle that it is normally better to retire debt (which usually attracts a higher rate of interest) than invest surplus funds, option a. is preferred. Whilst the stated principle does have exceptions – particularly the Council’s ten year swap where \$5,400,000 of the Council’s resides at an extremely competitive rate of 5.9% - the fact that any monies not repaid to the Southland Building Society will have to be borrowed at market rates suggests that ratepayers interests would be better served in reducing the exposure to market rates. As stated above such an approach would also mean that the Council’s nett public debt would reduce and in reality would see the Council’s debt being approximately \$1,000,000 less than what is stated in the LTCCP.

RECOMMENDATION

THAT the Council endorse the intended action of utilising \$220,000 from Ice Sports Southland to assist with the repayment of the \$500,000 interest free loan received from the Southland Building Society and note that \$280,000 will need to be borrowed at a market rate.

3. FINANCIAL REPORT FOR FEBRUARY 2007

(Memo from Management Accountant – 02.04.07)

Operating Results

For the eight months ended 28 February 2007, the Gore District Council recorded a surplus of \$3,080,000. This is favourable by \$65,000 on the budget result for the same period.

Our performance for the period is summarised in the table below. The full results can be found in the statements at the end of this report.

Operating Results

February				Full Year			
Actual	Budget	Variance		Actual	Budget	Variance	LTCCP
\$000	\$000	\$000		\$000	\$000	\$000	\$000
Revenue							
0	0	0	Rates	8,668	8,629	39	8,629
236	387	(151)	Other	2,740	3,246	(506)	4,793
236	387	(151)		11,408	11,875	(467)	13,422
Expenses							
23	45	22	Democracy	273	356	83	535
768	698	(71)	Assets	5,361	5,581	220	8,373
338	349	11	Corporate Services	2,695	2,793	98	4,192
1,129	1,091	(37)		8,328	8,730	402	13,099
(893)	(705)	(188)	Surplus (Deficit)	3,080	3,145	(65)	323

Variance Explanation

Income

Overall income is favourable by \$467k.

The Transfund subsidy is still the major reason for the unfavourable variance as spending on roads has not been high so far this year. As a result the subsidy is behind budget. This is a timing difference and is expected to come up to speed in the next two months with the projects now underway.

The full rates strike for 2006/07 is included in the operating results giving the Council a large operating surplus. The rates figure will not change much for the rest of the year, therefore

the surplus will steadily decrease towards the \$323k predicted at the end of the financial year.

Expenditure

Overall expenditure is favourable by \$402k. This is mainly due to timing difference. Some of these items are License fees, grants, and local government subscriptions to be paid. Many of these will only fall due at the end of the financial year.

RECOMMENDATION

THAT the financial report for the six months ended 28 February 2007 be received.

Gore District Council
Statement of Financial Performance
1 July - 28 February 2007

February				Actual	Budget	Variance	LTCCP
Actual	Budget	Variance		Actual	Budget	Variance	LTCCP
\$000	\$000	\$000		\$000	\$000	\$000	\$000
Revenue							
0	0	0	Rates	8,668	8,629	39	8,629
12	10	2	Petroleum Tax	85	82	3	123
82	171	(89)	Transfund Subsidy	729	1,367	(639)	2,051
242	203	39	Licenses Fees & Other Revenue	1,906	1,778	129	2,590
(100)	2	(102)	Interest and Dividends	20	19	1	29
236	387	(151)		11,408	11,875	(467)	13,422
Expenses							
23	45	22	Democracy	273	356	83	535
268	264	(4)	Essential services	1,956	2,111	155	3,167
347	267	(80)	Roads	2,121	2,138	17	3,207
107	113	5	Reserves & Sport Facilities	890	901	11	1,352
46	54	8	Property	393	431	38	646
40	50	10	Regulatory	415	396	(19)	594
75	87	12	Aquatic Centres	648	694	46	1,041
81	74	(7)	Heritage Precinct	584	591	7	887
142	139	(3)	Administration	1,048	1,111	64	1,669
1,129	1,091	(37)		8,328	8,730	402	13,099
(893)	(705)	(188)	Surplus (Deficit)	3,080	3,145	(65)	323

**Gore District Council
Balance Sheet
As at 28 February 2007**

Actual		Actual	LTCCP
30 Jun 2006		28 Feb 2007	30 Jun 2007
\$000		\$000	\$000
	Equity		
137,223	Accumulated funds	140,304	138,388
106,982	Asset Revaluation Reserve	106,980	108,025
244,205		247,284	246,413
	Assets		
	Current Assets		
(16)	Bank	(98)	41
1,263	Debtors	3,335	900
711	Short Term Deposits	2,751	708
39	Inventory	57	0
1,997		6,044	1,649
	Non current Assets		
68	Investments	68	68
230	Loans to Community Groups	220	0
251,994	Fixed Assets	250,861	255,561
252,292		251,149	255,629
254,289	Total Assets	257,193	257,278
	Liabilities		
	Current Liabilities		
1,496	Creditors	1,331	1,525
	Non Current Liabilities		
8,400	Term Loans	8,400	9,196
188	Landfill Aftercare Provision	178	144
8,588		8,578	9,340
10,084	Total Liabilities	9,909	10,865
244,205	Net Assets	247,284	246,413

4. ST JAMES THEATRE TRUST – FLY TOWER PROJECT

(Memo from Chief Executive – 02.04.07)

As Councillors will be aware, a commitment in principle was given to the St James Theatre Trust fly tower project and as a consequence, the sum of \$250,000 was provided in the 2006-2016 LTCCP. This grant of \$250,000 was to be paid to the St James Theatre Trust in the 2007/08 year but was subject to certain conditions being met. These conditions have yet to be specified.

Based on this decision which was made during deliberations on submissions received to the LTCCP, the Council's 2007/08 estimates have provided for a loan to be raised at the end of the financial year to pay the grant to the St James Theatre Trust. Loan repayments to retire the debt within five years have also been provided in the budgets for the subsequent years in the LTCCP.

It should be noted that because it is proposed to pay the grant at the end of the 2007/08 financial year, loan servicing costs will not cut in until the following year. The \$250,000 grant will therefore have no impact on rates in the next financial year.

Attached is a letter received from the St James Theatre Trust which details the momentum in fundraising that has been created over the past 12 months. As indicated in the letter, the Trust now seeks to ascertain clarification of the conditions that the Council requires to enable the \$250,000 grant to be uplifted. Trust representatives will be present at the Committee meeting to answer any queries that Councillors may have.

RECOMMENDATION

THAT the Council establish conditions for the Trust to meet to enable the proposed \$250,000 grant to be uplifted.