

**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 TUESDAY 12 JUNE 2007, FOLLOWING THE OPERATIONS COMMITTEE MEETING**

**Steve Parry  
CHIEF EXECUTIVE**

**6 June 2007**

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## FINANCE AND POLICY COMMITTEE AGENDA

JUNE 2007

### 1. FUNDING OF RURAL HALLS

(Report from General Manager, Corporate Services – 24.05.07)

The issue of funding for rural halls was discussed at the April Finance and Policy Committee Meeting. Currently the allocation for funding of public halls within the grants budget stands at \$7,000 p.a. and Councillors have queried whether this allocation is sufficient. For Councillors information summarised below are the grant allocations for the years 2002-2007.

<b>Applicant</b>	<b>Amount Requested</b>	<b>Amount Approved</b>
	<b>\$</b>	<b>\$</b>
<b>2002</b>		
Kaiwera Recreation & Reserve Board	8,690.22	2,500.00
Plunket Society – Waikaka Sub branch	1,500.00	1,500.00
Toy Library – Gore	498.00	-
Waikaka Domain Board	1,800.00	500.00
Waimumu- Te Tipua Public Hall Society	5,298.75	2,500.00
Zoological Society Inc. – Gore	1,629.00	-
	<b>\$19,415.97</b>	<b>\$7,000.00</b>
<b>2003</b>		
Combined Sport Association - Waikaka	3,200.00	3,000.00
Kaiwera Recreation & Reserve Board	1,545.00	1,500.00
Mataura Scout Groups	5,473.00	2,500.00
	<b>\$10,218.00</b>	<b>\$7,000.00</b>
<b>2004</b>		
Waikaka Domain Board	500.00	250.00
Waikaka Public Hall Society	3,076.00	3,000.00
Waikaka Scout Group	1,215.00	1,215.00
Waikaka War Memorial Committee	1,606.00	1,606.00
	<b>\$6,397.00</b>	<b>\$6,071.00</b>
<b>2005</b>		
Greenvale Domain	2,600.00	2,600.00
Waikaka Reserves Board	1,300.00	1,300.00
Waikaka ANZAC Committee	770.00	770.00
Pukerau Reserves & Community Centre	1,500.00	1,500.00
	<b>\$6,170.00</b>	<b>\$6,170.00</b>

<b>2006</b>		
Greenvale Domain*	1,500.00	-
Pukerau Reserves & Community Centre	1,598.00	1,598.00
Knapdale Hall Society	900.00	900.00
Waimumu-Te Tipua Public Hall Society	4,826.00	3,500.00
	<b>\$8,824.00</b>	<b>\$5,998.00</b>
<b>2007</b>		
Knapdale Hall Society	300.00	300.00
Waimumu -Te Tipua Public Hall Society	4,634.36	2,000.00
St Mary's Scout Group*	5,267.00	-
Otama Hall Society Inc.	3,704.33	2,000.00
Pukerau Reserves & Community Centre	500.00	500.00
Waikaka District Hall Society	8,600.00	3,000.00
Eastern Southland Basketball*	5,000.00	-
	<b>\$28,005.69</b>	<b>\$7,800.00</b>

\* Did not meet core funding criteria

## **RECOMMENDATION**

**THAT the report be received to facilitate further discussion of the adequacy of the existing Rural Halls grant of \$7,000 per annum.**

## 2. DRAFT VEHICLE POLICY

(Memo from General Manager, District Assets: 30.05.07)

At an extraordinary meeting held on 11 April, the Council resolved to consider the review of the vehicle replacement policy as well as to put a policy in place to review the purchase of vehicles for the Gore hospital on an annual basis.

As a result, I have undertaken an internal review of the Council's Vehicle Policy which has incorporated the issues above into the now draft Vehicle Policy document. A copy is attached.

The policy does cover more than just the replacement of vehicles, however I have made some comments below specifically on replacement issues that are covered in the draft policy.

The first point to note is that there are a number of factors that have an effect on the annual cost of a vehicle. Therefore, it is important to give this due consideration when first purchasing a vehicle.

The draft policy states that the following items must be considered when first purchasing a vehicle:

### Fit for the Purpose

The first consideration is that any vehicle selected is fit for purpose, that is, does the vehicle meet the needs of what it will be required to do.

### Safety Rating of Vehicle

Once the type of vehicle has been determined, the next step should be to check its safety rating to ensure that all practicable steps are taken to protect users from harm. The Council is obliged to take all practicable steps to protect its employees from harm.

### Operational Cost of the Vehicle

The operational cost then should be considered. Does one type of vehicle highlighted for selection have a more effective operating cost than another sort? For example, is any free servicing involved, does it have a manufacturers warranty?

### Environmental Considerations

Global warming and climate change factors should be considered when purchasing a vehicle. Therefore, any vehicle selected should minimise the effect it has on the environment where possible.

### Pricing of New Vehicle and Comparison of Potential Trade In Value

Some vehicles have a greater discount available off the purchase price and some hold their eventual resale value better than others. This difference needs to be assessed and maximised.

### Buying from a Local Dealer

Local dealers should be given priority when considering the shortlist of suitable vehicles.

The Vehicle Policy then considers when a vehicle should be replaced as is outlined below:

### Current and Projected Mechanical Condition and/or Unacceptable Running Costs

Generally as a vehicle ages and as it travels more kilometers it costs more to maintain. Items to be monitored include tyre replacement, cam belts, oil and fluid replacement intervals as well as the cost of regular servicing. Any regular occurrence of unexpected costs should also be monitored.

### Environmental Factors

Any negative impact on the environment as a result of a vehicle should be reviewed.

### Expiry of Manufacturer's Warranty

This warranty protects the Council against any defects that may cause problems in the vehicle. Once the warranty has expired any issues that arise will need to be funded by the Council.

### 125,000 km Odometer

After 125,000 km the resale value of a vehicle generally drops off as those buying reasonably priced used vehicles are looking to buy between the 80,000 to 120,000 kilometre range. There

are also increased maintenance costs after this mileage of brake pads, shock absorbers and the like.

#### FBT Considerations

Any impact as a result of any FBT paid on a vehicle should be taken into consideration.

#### Ten Years of Age

This is a key age when trade in value drops markedly. There are also health and safety considerations to be taken into account as the Council is required to take all practicable steps to ensure their employees are protected from harm. Generally considerable improvements in vehicle safety are made over a ten year period. The other consideration is that vehicles are generally more mechanically efficient when compared to a vehicle ten years older.

#### Suitability for the Council's Needs

Needs can change over time and a vehicle bought for one purpose and currently used by the Council for another, due to a change in circumstances, may no longer be appropriate.

#### Asset Management Plan (AMP) Requirements

The AMP may identify specific vehicle replacement needs for either existing or future improvements.

The draft policy provides a framework to follow when purchasing a vehicle as well as a guide to determine the best time to replace a vehicle. It also covers the replacement period for the hospital vehicles as well as the rules governing the use of Council vehicles.

### **RECOMMENDATION**

**THAT the draft Vehicle Policy be adopted.**

### 3. RAYONIER DEVELOPMENT FUND

(Memo from Chief Executive – 31.05.07)

At the extraordinary meeting of the Council held on 11 April, it was mentioned during a discussion on the Council estimates for 2007/08 that the Rayonier development fund was not in a separate bank account.

Some elected members expressed surprise at this advice and thought that the Rayonier development fund had always been its own dedicated bank account with the cash on hand if called upon.

As I have mentioned to Councillors previously, when I assumed the role as Chief Executive the Rayonier fund was being used to off-set a sizeable overdraft which, at that time, exceeded \$1.5 million. This should not be a surprise to longer serving Councillors as questions were asked about the use of the fund as far back as 2000.

Attached for the information of all Councillors is an excerpt from the Council meeting held on 26 September 2000 where this matter was discussed and clarified.

As previously mentioned, with the Council's improving cash flows over the past couple of years, it is hoped that the Rayonier fund can at least be partially backed in cash in the not too distant future.

Any immediate call on funds in the short term will be comfortably accommodated within the Council's current financial arrangements.

#### **RECOMMENDATION**

**THAT the information be received.**

4. LOCAL GOVERNMENT RATES INQUIRY PANEL

(Memo from Chief Executive – 30.05.07)

Attached is a copy of the submission forwarded to the Local Government Rates Inquiry Panel.

This submission covers topics suggested by Councillors at the April Council meeting.

As discussed at the May Council meeting the discussion held with members of the Rating Inquiry Panel in Invercargill on 14 May proved very useful in ascertaining productive lines of argument for our submission.

**RECOMMENDATION**

**THAT the submission be received and endorsed.**

## **GORE DISTRICT COUNCIL**

### **Key points for the consideration of the Local Government Rates Inquiry Panel**

- 1.0 The removal of all rating exemptions from the Local Government (Rating) Act 2002.

#### *Rationale*

- 1.1 The Crown predominantly is free-loading and not pulling its weight as a corporate citizen. There seems to be huge inequity between central Government enjoying record budget surpluses yet not contributing to the funding needs of local government, by paying its rates.
- 1.2 The current list of exemptions contained in the Local Government (Rating) Act 2002 appears to have been carried over from the Rating Powers Act 1988 without any critical review. Given the passage of time since these exemptions were introduced and the real pressure on Local Government funding, it would seem eminently sensible for the question to be posed whether any of these exemptions should be allowed to endure into the future.
- 1.3 If such an approach was embraced the Gore District Council would envisage that each local authority would be able to make decisions as to whether rates should be exempted or omitted for certain types of property in their respective districts. This approach would be consistent with the powers of general competence contained in the Local Government Act 2002.

- 2.0 Increase the level of funding made available by Land Transport New Zealand for roading.

#### *Rationale*

- 2.1 The financial assistance rate scheme administered by Land Transport New Zealand is not working. It forces Councils to compete with each other over a limited pool of funds. This pool of funds needs to be increased.
- 2.2 A review of the scheme, without a reasonable injection of funds will only perpetuate the current “snakes and ladders” effect where Councils who see their land values rise sharply suffer a reduction in the financial assistance rate.
- 2.3 For rural Councils where roading forms, in some cases, over 50% of operational expenditure, these cuts in assistance rates are keenly felt by ratepayers.

- 3.0 The introduction of a meaningful financial assistance programme for water, waste water and solid waste.

*Rationale*

- 3.1 Water, waste water and solid waste form part of what is termed essential infrastructure. In a growing and flourishing economy, it is in the Government's interest to ensure that those asset types are maintained and upgraded to meet present and future needs. Why is roading different?
- 3.2 Some may argue that the Government does offer assistance via its subsidy schemes for upgrades to water and waste water systems in small settlements. However, the amount of funds allocated is insufficient to satisfy demand and there is a heavy reliance on deprivation, a feature which is not included in roading.
- 3.3 Further, the Government, through national strategies, regulation and legislation, has championed higher standards in the areas of water, waste water and solid waste. Surely it is only fair and reasonable that it become a funding partner with local government to assist in the rapid achievement of those aspirational strategies.
- 3.4 Another very real pressure in the area of water and waste water is the impact of depreciation. Councils are obliged to revalue their assets at three yearly intervals. In the areas of pipeline assets, such as water and sewerage, the buoyant construction rates for pipe line renewals and installations, is generally reflected in higher asset values.
- 3.5 While these higher values are reflected in stronger levels of equity in Council balance sheets there is also a direct impact with the amount of depreciation that needs to be set aside to replace or renew these assets. This places further pressure on local authorities to "raise the funding bar" every three years following a revaluation of assets.
- 3.6 Once again if central government is desirous of having a robust infrastructure that can facilitate economic development throughout the country some meaningful funding partnership with local government in the areas of water and waste water is critical.
- 4.0 That the Inquiry develop a set of principles for the robust consideration of whether functions should sit with central or local government

And that the future imposition of functions be accompanied by full cost benefit analyses and accompanying funding.

*Rationale*

- 4.1 In the past decade at least there has been a host of responsibilities transferred to local government from central government, without a corresponding funding stream. Recent examples include the development of policies on gambling, additional inspection requirements and the exacting accreditation application standards under the Building Act 204 and changes to dog control legislation.
- 4.2 For smaller local authorities, there is reduced capacity to absorb these extra workloads and costs without disturbing rating or fee levels.
- 5.0 That the Rates Rebate Scheme be subject to an annual adjustment to take cognisance of inflation.

*Rationale*

- 5.1 The Rates Rebate Scheme introduced by Government and fully implemented in the current financial year has been welcomed by elected members, rating staff and most importantly members of the public who can take advantage of the rebate offered. In the Gore district the take up of the rebate offered has been approximately 8% of all of the districts ratepayers benefiting from the scheme.
- 5.2 However the new scheme will very quickly suffer the same fate as its predecessor unless the \$500 maximum rebate available is adjusted in line with CPI. Indeed it was the failure of the previous scheme to have any adjustments to rebate levels set over twenty years ago that rapidly rendered it meaningless for most people.
- 6.0 That Schedule 10 of the Local Government Act 2002 be streamlined to remove unnecessary complexity in relation to information that must be contained in Long Term Council Community Plans.

*Rationale*

- 6.1 The Council is a supporter of the concept of the need to prepare Long Term Council Community Plan. However the extensive range of information that must be included in a LTCCP, as stipulated in Schedule 10 of the Local Government Act 2002, is in our view excessive. Not only does this add cost to the process but the experience of the recent audit of our LTCCP, is that Clause 2 of Schedule 10 in particular is driving up services, standards and ultimately cost.

- 6.2 Auditors critiquing LTCCPs appear to wish to see an improvement in levels of service, irrespective of whether this improvement has been demanded by the community or the costs involved in delivering on these improvements have been taken into consideration. This will have an adverse impact on ratepayers, who often are quite happy with current levels of service provision covering a range of activities, for the foreseeable future.
- 6.3 If this trend continues into the future then increases in the cost of delivering key services and associated funding pressures can be expected to occur. A simplification of the information requirements contained in Schedule 10 together with a clear statement that the local authority does not have to feel compelled to improve levels of service of activities over the life cycle of a Long Council Community Plan, would greatly assist in reducing compliance costs.
- 7.0 That GST be removed from rates.

*Rationale*

- 7.1 It is appreciated that this is a long running argument that the local government sector has had with central government. However there appears little reason why GST should be charged on top of rates. It is tantamount to a tax being heaped on top of another tax.
- 7.2 Removal of GST from rates could be a simple exemption which would not trigger any other entitlements or loopholes, yet deliver an immediate 11% rates relief to each and every ratepayer in New Zealand.

## 5. FINANCIAL REPORT FOR APRIL 2007

(Memo from Management Accountant 31/05/2007)

### **Operating Results**

For the 10 months ended 30 April 2007, the Gore District Council recorded a surplus of \$2,350k. This is favourable by \$615k 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**

<b>April</b>							<b>Full Year LTCCP</b>
<b>Actual</b>	<b>Budget</b>	<b>Variance</b>		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>\$000</b>
<b>\$000</b>	<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
			<b>Revenue</b>				
0	0	0	Rates	8,668	8,629	39	8,629
546	387	159	Other	3,872	4,019	(147)	4,793
<b>546</b>	<b>387</b>	<b>159</b>		<b>12,540</b>	<b>12,649</b>	<b>(108)</b>	<b>13,422</b>
			<b>Expenses</b>				
52	45	(8)	Democracy	363	445	82	535
669	698	29	Assets	6,551	6,976	425	8,373
325	349	24	Corporate Services	3,276	3,491	216	4,192
<b>1,047</b>	<b>1,091</b>	<b>45</b>		<b>10,190</b>	<b>10,913</b>	<b>723</b>	<b>13,099</b>
<b>(501)</b>	<b>(705)</b>	<b>204</b>	<b>Surplus (Deficit)</b>	<b>2,350</b>	<b>1,736</b>	<b>615</b>	<b>323</b>

### **Variance Explanation**

#### **Income**

Overall income is unfavourable by \$108k.

There is still a timing difference in the LTNZ Subsidy. The reason being that while projects for the year have now all been started they have not all been claimed yet. April saw a decrease in the variance from \$446k (March) to the current \$258k.

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. It is intended next year to accrue the rates revenue monthly rather than quarterly as it is at present. This will mean the monthly surplus/deficit will be more accurate from month to month.

Gate income at the Landfill is down by \$68k due to less waste coming through the gate.

The increase in fee revenue of \$103k has been caused by the following:

- A net surplus of \$30k YTD on budget from agency fees collected/paid.
- \$20k increase in Rates penalties received over the budgeted amount
- Parking meter fees have consistently been above budget this year, YTD this is approximately \$33k above the level budgeted.
- Liquor license fees have also been regularly higher resulting in a YTD increase over budget of \$17k

### **Expenditure**

Overall expenditure is favourable by \$723k. Some major contributors to this are:

#### *Democracy*

- Grants paid out are behind on budget \$82k (A&P grant of \$60k and Venture Southland of \$15k). These are to be paid out before year end.

### **Essential Services**

- Water Asset operation Maintenance costs are \$38k under budget partly due to timing
- Drainage Asset operation Maintenance costs are \$43k under budget partly due to timing.
- Drainage resource consents are \$34k behind budget due to better river flows, requiring less monitoring.
- Solid waste regional landfill gate fees are \$45k below budget, \$24k of this is due to less tonnage, the remainder is behind because of late invoicing
- Solid waste Haulage costs are \$22k below budget, \$7k is due to less tonnage, the remainder is due to late invoicing.

#### *Roading*

- Differences are due to the timing of operations

*Aquatic Centres*

- Aquatic Centres electricity is behind by \$20k due to being a bill behind.

*Administration*

- Audit fees will be still to be incurred for the 06/07 year (June).
- Printing and Stationery budget is \$50k behind, however printing of annual reports, dog notices and other stationary purchases are scheduled for the coming months.

The CAPEX report for April is attached.

**RECOMMENDATION**

**THAT the financial report for the ten months ended 30 April 2007 be received,**

**AND THAT the CAPEX report for April 2007 be received.**

**Gore District Council  
Statement of Financial Performance  
1 July - 30 April 2007**

<b>Actual</b>	<b>April</b>	<b>Variance</b>		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>LTCCP</b>
<b>\$000</b>	<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>							
0	0	0	Rates	8,668	8,629	39	8,629
17	10	7	Petroleum Tax	115	102	12	123
359	171	188	LTNZ Subsidy	1,450	1,709	(258)	2,051
170	203	(33)	Licenses Fees & Other Revenue	2,287	2,184	103	2,590
0	2	(2)	Interest and Dividends	20	24	(4)	29
<b>546</b>	<b>387</b>	<b>159</b>		<b>12,540</b>	<b>12,649</b>	<b>(108)</b>	<b>13,422</b>
<b>Expenses</b>							
52	45	(8)	Democracy	363	445	82	535
230	264	34	Essential services	2,389	2,639	250	3,167
276	267	(9)	Roads	2,573	2,672	100	3,207
109	113	3	Reserves & Sport Facilities	1,100	1,126	26	1,352
54	54	(0)	Property	488	538	50	646
57	50	(8)	Regulatory	510	495	(15)	594
81	87	6	Aquatic Centres	790	868	78	1,041
49	74	25	Heritage Precinct	685	739	54	887
139	139	0	Administration	1,290	1,389	99	1,669
<b>1,047</b>	<b>1,091</b>	<b>45</b>		<b>10,190</b>	<b>10,913</b>	<b>723</b>	<b>13,099</b>
<b>(501)</b>	<b>(705)</b>	<b>204</b>	<b>Surplus (Deficit)</b>	<b>2,350</b>	<b>1,736</b>	<b>615</b>	<b>323</b>

**Gore District Council  
Balance Sheet  
As at 30 April 2007**

<b>Actual</b>		<b>Actual</b>	<b>LTCCP</b>
<b>30 Jun 2006</b>		<b>30 Apr 2007</b>	<b>30 Jun</b>
<b>\$000</b>		<b>\$000</b>	<b>2007</b>
			<b>\$000</b>
	<b>Equity</b>		
137,223	Accumulated funds	139,574	138,388
106,982	Asset Revaluation Reserve	106,980	108,025
<b>244,205</b>		<b>246,555</b>	<b>246,413</b>
	<b>Assets</b>		
	<b>Current Assets</b>		
(16)	Bank	558	41
1,263	Debtors	2,991	900
711	Short Term Deposits	1,792	708
39	Inventory	61	0
<b>1,997</b>		<b>5,402</b>	<b>1,649</b>
	<b>Non current Assets</b>		
68	Investments	68	68
230	Loans to Community Groups	220	0
251,994	Fixed Assets	250,634	255,561
<b>252,292</b>		<b>250,922</b>	<b>255,629</b>
<b>254,289</b>	<b>Total Assets</b>	<b>256,324</b>	<b>257,278</b>
	<b>Liabilities</b>		
	<b>Current Liabilities</b>		
<b>1,496</b>	Creditors	<b>1,201</b>	<b>1,525</b>
	<b>Non Current Liabilities</b>		
8,400	Term Loans	8,400	9,196
188	Landfill Aftercare Provision	168	144
<b>8,588</b>		<b>8,568</b>	<b>9,340</b>
<b>10,084</b>	<b>Total Liabilities</b>	<b>9,769</b>	<b>10,865</b>
<b>244,205</b>	<b>Net Assets</b>	<b>246,555</b>	<b>246,413</b>

6. ST JAMES THEATRE TRUST: SUPPLY OF REQUESTED INFORMATION

(Memo from Chief Executive – 05.06.07)

At the extraordinary meeting of the Council held on 11 April to consider the estimates for 2007/08, further information was sought to enable the Council to make a final decision on a proposed grant of \$250,000 in favour of the St James Theatre Trust.

Please find enclosed:

1. A copy of the constitution and rules of the St James Theatre Trust.
2. A copy of the audited financial accounts for the past three years for the Gore and Districts St James Theatre Trust.
3. A copy of the audited financial accounts for the past three years for the Gore Operatic Society.
4. A copy of a letter from the Chairperson of the Gore and Districts St James Theatre Trust explaining membership details and the relationship between the Operatic Society and the Trust.

Hopefully this information will provide a robust platform for informed debate before the Council makes a final decision on the grant. In this regard the Council's Annual Plan deliberative meeting on 14 June may also prove to be a useful forum to debate this issue.

**RECOMMENDATION**

**THAT the information from the Gore and Districts St James Theatre Trust be received.**