

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 11 MARCH 2008, FOLLOWING THE CONCLUSION OF THE OPERATIONS COMMITTEE MEETING

**Steve Parry
CHIEF EXECUTIVE**

5 March 2008

A G E N D A

1. Financial Report for January (Pages 1-8)
2. Healthy Homes Initiative (Pages 9-16)

FINANCE AND POLICY COMMITTEE AGENDA

MARCH 2008

1. FINANCIAL REPORT FOR JANUARY 2008

(Memo from Management Accountant - 07/03/2008)

Operating Results

For the 7 months ended 31 January 2008, the Gore District Council recorded a surplus of \$622. This is favourable by \$690k 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 throughout this report.

Operating Results

| January | | | | | | |
|----------------|---------------|-----------------|--------------------------|---------------|---------------|-----------------|
| Actual | Budget | Variance | | Actual | Budget | Variance |
| \$000 | \$000 | \$000 | | \$000 | \$000 | \$000 |
| | | | Revenue | | | |
| 782 | 786 | (4) | Rates | 5,473 | 5,479 | (6) |
| 753 | 692 | 61 | Other | 4,608 | 4,244 | 364 |
| 1,535 | 1,478 | 57 | | 10,081 | 9,723 | 358 |
| | | | Expenses | | | |
| 122 | 103 | (19) | Democracy | 417 | 519 | 102 |
| 880 | 899 | 18 | Assets | 6,013 | 6,365 | 352 |
| 431 | 414 | (17) | Corporate Services | 3,029 | 2,907 | (122) |
| 1,433 | 1,415 | (18) | | 9,460 | 9,791 | 332 |
| 102 | 63 | 39 | Surplus (Deficit) | 622 | (68) | 690 |

Variance Explanation

Income

Overall income is favourable by \$358k and is tracking well.

Included in revenue is:

- \$258k of external funding for the purchase of the Smith's City building (shown separately)

- \$37k of fees relating to the Trustpower Wind Farm project (show separately)
- In the Building Inspections Department, Consent fees and Agency Fees Collected are both above budget due to increased demand for inspection services.

Rates

Rates are spread evenly over the full financial year.

Expenditure

Overall expenditure is favourable by \$332k.

There are a range of under spend variances primarily due to timing of operations. These are expected to come in line with budgets as the year progresses.

Democracy

- The Venture Southland and Rural Fire Grants are yet to be paid out. These will be paid out in the coming months

Property

- Depreciation is less than budgeted due to the revaluation as at 30 June 2007.
- Interest expense for the new public conveniences hasn't eventuated due to the project still being in the design phase. (ie we have not needed to raise the loan yet)

Regulatory

- Some of the expenditure for the Kaiwera Downs Wind Farm has also been incurred and this will be recovered from Trustpower. This has been shown separately to give a better picture.
- The building inspections department has been quite busy. An increase in staff costs and agency fees paid is offset by the increase in fee paying revenue and the agency fees collected.

Administration

- Variances are due to timing.

RECOMMENDATION

THAT the financial report for the seven months ended 30 January 2008 be received.

Gore District Council
Statement of Financial Performance
1 July - 31 January 2008

| January | | | | | | |
|-----------------|--------------|-------------|-------------------------------------------|---------------|--------------|------------|
| Actual | Budget | Variance | | Actual | Budget | Variance |
| \$000 | \$000 | \$000 | | \$000 | \$000 | \$000 |
| Revenue | | | | | | |
| 782 | 786 | (4) | Rates | 5,473 | 5,479 | (6) |
| 11 | 11 | 0 | Petroleum Tax | 73 | 74 | (1) |
| 243 | 237 | 5 | LTNZ Subsidy | 907 | 979 | (72) |
| 252 | 196 | 56 | Licenses Fees & Other Revenue | 1,615 | 1,453 | 163 |
| 0 | 0 | 0 | External Funding for Smiths City Building | 258 | 0 | 258 |
| 0 | 0 | 0 | Wind Farm Revenue | 37 | 0 | 258 |
| 3 | 4 | (1) | Interest and Dividends | 3 | 25 | (22) |
| 245 | 245 | (0) | Administration Recoveries | 1,715 | 1,715 | (0) |
| 1,535 | 1,478 | 57 | | 10,081 | 9,723 | 579 |
| Expenses | | | | | | |
| 122 | 103 | (19) | Democracy | 417 | 519 | 102 |
| 329 | 340 | 11 | Essential services | 2,244 | 2,451 | 207 |
| 273 | 294 | 21 | Roads | 2,008 | 2,057 | 49 |
| 184 | 191 | 7 | Reserves & Sport Facilities | 1,296 | 1,344 | 48 |
| 89 | 73 | (16) | Property | 464 | 514 | 49 |
| 86 | 70 | (16) | Regulatory | 603 | 493 | (111) |
| 10 | 0 | 0 | Wind Farm Expenses Incurred | 43 | 0 | (43) |
| 122 | 92 | (31) | Aquatic Centres | 696 | 703 | 7 |
| 102 | 105 | 3 | Heritage Precinct | 764 | 741 | (23) |
| 125 | 147 | 22 | Administration | 923 | 970 | 48 |
| 1,443 | 1,415 | (18) | | 9,460 | 9,791 | 332 |
| 93 | 63 | 30 | Surplus (Deficit) | 622 | (68) | 690 |

Following are the Statements of Cost of Service for the Essential Services, Roading and Parks and Reserves departments. These show some more detail of these larger departments and also factor in the capital expenditure to give a fuller picture of the department.

Statement of Cost of Service
Essential Services
for the period ending 31 January 2007

| 2006/07 | | Actual | Budget | Variance |
|------------------|--------------------------------|------------------|------------------|------------------|
| | <i>Revenue</i> | | | |
| 1,270,919 | Rates | 1,316,291 | 1,316,291 | - |
| 588,511 | Sales & Services | 954,635 | 996,166 | (41,531) |
| 1,859,430 | Total Revenue | 2,270,926 | 2,312,457 | (41,531) |
| | <i>Operating Expenditure</i> | | | |
| 1,688,139 | Total Expenses | 2,244,069 | 2,450,605 | (206,536) |
| 171,291 | Gross Operating Margin | 26,856 | (138,148) | 165,004 |
| 227,322 | Capital Expenditure | 246,038 | 507,529 | (261,491) |
| (56,031) | Total Surplus/(Deficit) | (219,182) | (645,677) | 426,495 |

Essential Services

While capital expenditure appears to be behind there are significant items that will start in the coming months. These will be about \$1.5m of the total \$2.1m budget. The other smaller projects are on track at present.

Variances in the expenditure accounts are due to timing of maintenance work. A lot of this work will be carried out from this point forward in the financial year so one can expect these to come back inline with the budget.

The remainder of the variance is down to an assortment of timing variances none of which are a cause for concern to management at this point.

Statement of Cost of Service
Roading
for the period ending 31 January 2007

| 2006/07 | | Actual | Budget | Variance |
|------------------|--------------------------------|------------------|------------------|------------------|
| | <i>Revenue</i> | | | |
| 1,027,026 | Rates | 1,072,666 | 1,072,666 | - |
| 808,258 | Sales & Services | 1,017,127 | 1,093,257 | (76,130) |
| 1,835,283 | Total Revenue | 2,089,793 | 2,165,923 | (76,130) |
| | <i>Operating Expenditure</i> | | | |
| 1,863,178 | Total Expenses | 2,008,192 | 2,056,718 | (48,526) |
| (27,894) | Gross Operating Margin | 81,601 | 109,205 | (27,604) |
| 486,582 | Capital Expenditure | 708,598 | 520,988 | 187,610 |
| (514,476) | Total Surplus/(Deficit) | (626,997) | (411,783) | (215,214) |

Roading

The main variances here are to do with the timing of roading maintenance and capital expenditure.

The difference in the sales and service revenue is due to timing of LTNZ subsidies

The expenses are down primarily due to actual depreciation for the urban roading network being less than budgeted. This was affected by the asset revaluation that took effect on the 30 June 2007. This variance will continue to be monitored.

The variance in the capital expenditure is due to the seasonal nature of this work and therefore due to timing, Roothing work is traditionally slower in the first part of the financial year. As the remaining months wear on this variance will be monitored more closely to ensure overspends of the total amount do not occur.

Statement of Cost of Service
Parks & Reserves
for the period ending 31 January 2007

| 2006/07 | | Actual | Budget | Variance |
|------------------------|--------------------------------|------------------------|------------------------|----------------------|
| | <i>Revenue</i> | | | |
| 804,138 | Rates | 894,844 | 894,844 | - |
| 76,476 | Sales & Services | 462,968 | 447,336 | 15,632 |
| 880,614 | Total Revenue | 1,357,812 | 1,342,180 | 15,632 |
| | <i>Operating Expenditure</i> | | | |
| 782,264 | Total Expenses | 1,296,210 | 1,343,872 | (47,662) |
| 98,350 | Gross Operating Margin | 61,602 | (1,692) | 63,294 |
| 193,581 | Capital Expenditure | 108,822 | 96,593 | 12,229 |
| <u>(95,231)</u> | Total Surplus/(Deficit) | <u>(47,220)</u> | <u>(98,285)</u> | <u>51,065</u> |

Parks & Reserves

The Parks and Reserves Department is tracking well. The apparent under spend is due to timing of a range of expenses.

The department has completed most of its budgeted big ticket item Capex for the year and this variance will become more favourable as the months progress.

Balance Sheet

On the left hand column the relevant prior year month to date actual figures are shown instead of the position at 30 June 2007. These figures are useful when looking at debtors balances which usually have an annual trend.

The major changes in the balance sheet are:

Assets

- Debtors are down on 31 January 07 due to the way rates are now accrued.
- Fixed assets have increased over the forecast amount from the LTCCP due to the revaluation as at 30 June 2007.
- Investments are up on the same time last year due to the special funds that were set aside last financial year.
- Loans to community groups have fallen due to the repayment of the Ice Sports Southland loan.

Liabilities

- Term debt has increased due to the planned borrowing for the Smiths City building purchase.
- In terms of analysing the expected loan balance in relation to the 30 June 2008 LTCCP figure of \$11,013,000, detailed below is the respective breakdown of loans funding for capital and grants expenditure for the year:

| | Actual to Date | LTCCP |
|----------------------------|-------------------|------------------|
| St. James Theatre (Grant) | - | 250,000 |
| Smiths City Building | 500,000 | 500,000 |
| Multisport Complex Carpark | - | 50,000 |
| Drainage (Actiflow Plant) | - | 1,800,000 |
| | 500,000 | 2,600,000 |

Capital Expenditure

As at 31 January 2008 \$2.287m of the \$5.6m of capital expenditure has been spent. A large portion of this is the Smith's City building. Just under \$1m was put up by the Council however about half of this will be recovered from various community organisations to bring the Council's financial contribution down to the budgeted \$500,000. A loan of \$500k was raised to finance this as budgeted.

All other areas are tracking as expected, a significant portion of the Essential Services projects are to be initiated in the coming months which will see large inroads into this positive variance.

**Gore District Council
Balance Sheet
As at 31 January 2008**

| Actual | | Actual | LTCCP |
|--------------------|--------------------------------|--------------------|--------------------|
| 31 Jan 2007 | | 31 Jan 2008 | 30 Jun 2008 |
| \$000 | | \$000 | \$000 |
| | Equity | | |
| 139,083 | Accumulated funds | 138,669 | 138,466 |
| 106,980 | Asset Revaluation Reserve | 163,503 | 121,049 |
| 246,063 | | 302,172 | 259,515 |
| | Assets | | |
| | Current Assets | | |
| 97 | Bank | 241 | 17 |
| 3,059 | Debtors | 2,007 | 900 |
| 1,426 | Short Term Deposits | 1,173 | 950 |
| 53 | Inventory | 55 | 0 |
| 4,635 | | 3,476 | 1,867 |
| | Non current Assets | | |
| 68 | Investments | 702 | 68 |
| 220 | Loans to Community Groups | 10 | 0 |
| 251,053 | Fixed Assets | 308,325 | 270,256 |
| 251,341 | | 309,037 | 270,324 |
| 255,976 | Total Assets | 312,513 | 272,191 |
| | Liabilities | | |
| | Current Liabilities | | |
| 1,334 | Creditors | 1,605 | 1,525 |
| | Non Current Liabilities | | |
| 8,400 | Term Loans | 8,594 | 11,013 |
| 178 | Landfill Aftercare Provision | 142 | 138 |
| 8,578 | | 8,736 | 11,151 |
| 9,913 | Total Liabilities | 10,340 | 12,676 |
| 246,063 | Net Assets | 302,172 | 259,515 |

2. HEALTHY HOMES FOR GORE DISTRICT

(Memo from Chief Executive – 04.03.08)

INTRODUCTION

At the February meeting of the Community Services Committee a presentation was given by advocates of the Council having an input into implementing a Healthy Homes project in the Gore District. As a result of the presentation and subsequent discussions at the meeting the Committee recommended that the Council approve in principle its involvement in a Healthy Homes Initiative in the Gore District. The recommendation also sought the Council to authorise further work on a specific proposal in order that the level of support for a Healthy Homes Initiative could be determined. These recommendations were subsequently endorsed at the February Council meeting.

PROPOSAL

A formal proposal for a Healthy Homes Initiative in the Gore District, which identifies a funding contribution from the Gore District Council, has since been received by Mr Mike Fairfield of the Energy Efficiency and Conservation Authority (EECA). A copy of this proposal is attached. The proposal outlines the scope of work that will be undertaken in each home and details the benefits that will accrue by seeing this project implemented.

The contribution being requested from the Council is \$30,000 in the current financial year and a similar amount in 2008/09. I can advise that there is no provision for this expenditure in the current year's budget. Obviously any financial involvement that the Council may wish to have in this project will need to be suitably provided for in the 2008/09 Estimates.

To assist the Committee in determining what financial contribution, if any, it may wish to recommend that the Council put towards this project, I have measured it against some of the factors that the Council needs to take cognisance of when making a decision:

1. Compatibility with the 2006/2016 LTCCP

Whilst not specifically mentioned in the LTCCP, the Council did signify in the Mayoral and Executive Foreword of the LTCCP that it intended to have a more proactive stance on community development and social issues. The relevant excerpt is as follows:

“The Council has a statutory obligation to have regard for the social wellbeing of the community. With this in mind, the Council has endorsed a local Healthy Communities Initiative and is presently working with the Ministry of Social Development to identify issues in the community which require addressing or resolution. The Council will take a leading role in advocating for all residents in the District, and particularly disadvantaged groups within the community. Additionally, it will whenever possible, endeavour to work with community groups and interested individuals to develop durable solutions to gaps in service delivery, social issues or problems identified”.

Clearly therefore the Healthy Homes Initiative is an example of a number of agencies coming together to develop a durable solution to homes that are cold, drafty and unhealthy, is in line with the ambitions stated above.

2. Benefits and Costs

While the expenditure of \$60,000 over a two year period does have an economic cost to ratepayers, this needs to be placed aside the very real benefits to social wellbeing that will be secured by this initiative. While the economic cost is a one-off, the social benefits as detailed in the EECA proposal will resonate in future years.

3. Contribution to Community Outcomes

The following community outcomes are considered to be positively influenced by the Council investing in the Healthy Homes proposal:

Topic: Health and Wellbeing

Outcome: We are healthy people

Intermediate Outcomes:

- We are able to live healthy lifestyles.
- We have good quality, affordable housing.
- We live in a compassionate, caring community.

Topic: Environment

Outcome: A treasured environment which we care for and which supports us now and into the future.

Intermediate Outcomes:

- We have an informed community caring for the environment.
- We have a healthy, safe and accessible built environment.
- We have an environment protected from the negative effects of human activities.

4. Community Views

At the February meeting of the Community Services Committee, representatives from Hokonui Horizons, Hokonui PHO, Hokonui Runanga and Gore Budget Advice spoke enthusiastically about the merits of a Healthy Homes Initiative. Therefore the Council can at least feel a fair degree of comfort that there is a good level of community support behind this initiative.

However to be fair given that this expenditure being requested is not budgeted in the current financial year, the Council may wish to profile the proposal and its intended contribution in the forthcoming draft Annual Plan for 2008/09 to ensure that all sectors of the community have an opportunity to comment on the proposal.

CONCLUSION

A Healthy Homes Initiative provides significant ongoing social and health benefits to the community. A number of Councils around New Zealand are partnering with other significant stakeholders to deliver warmer and less draftier homes to those who are socially and financially disadvantaged in the community. A \$60,000 investment to improve the warmth of 225 homes in the District appears to be good value given the significant benefit that will accrue.

However the Council may consider it has a dilemma in being able to commit to the project at this point in time when the community has not had an opportunity to express its views. On the other hand the Council is elected to make decisions and as illustrated above the decision that it is being invited to make is in line with the broad intentions of its LTCCP and the mandate in the Local Government Act 2002.

RECOMMENDATION

THAT the Committee consider making a financial contribution to the Healthy Homes Initiative for Gore

District, promulgated by the Energy Efficiency and Conservation Authority.