

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 10 MARCH 2009, FOLLOWING THE CONCLUSION OF THE REGULATORY COMMITTEE MEETING

**Stephen Parry
CHIEF EXECUTIVE**

4 March 2009

A G E N D A

1. Allocation of Park and Reserves Overheads from Section 460
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2. Financial Report for January 2009
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3. Eastern Southland Rural Transport – Report from NZ Red Cross
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FINANCE AND POLICY COMMITTEE AGENDA

MARCH 2009

1. ALLOCATION OF PARK AND RESERVES OVERHEADS FROM SECTION 460

(Memo from General Manager, Corporate Services – 27.02.09)

At the extraordinary Council meeting on 10 February, a request was made for a report on the allocation of overheads to the various user sections to review the existing allocations regime.

As I advised at the meeting, the regime in place at present is simply a replication of that implemented by the former Chief Financial Officer. The allocations put in place at that time were as follows:

Parks and Domains – Gore	46%
Parks and Domains – Maitua	10%
Parks and Domains – rural	9.5%
Dolamore Park	10%
Property	24.5%

To assist in an assessment of the accuracy of these allocations, I have looked at the two major direct drivers of required cost recovery, namely staff expenses and plant and vehicle expenses. In the first instance, the Parks and Recreation Manager has analysed the staff timesheets from the last three weeks to establish a basis for the allocation of staff time. The combined results of this analysis are as follows:

Aquatic facilities	12%
Cemeteries	9%
Parks and Domains – Gore	18%
Parks and Domains – Maitua	14%
Parks and Domains – rural	12%
Dolamore Park	9%
Property	26%

In relation to the plant and vehicle expenses, the estimated spread of expenses incurred is as follows:

Parks and Reserves – Gore	57%
Parks and Reserves – Maitua	25%
Parks and Reserves – rural	18%

After taking both components into account, I would conclude that the allocations currently in place are not unreasonable, given the extra plant usage by Parks and Domains – Gore area. Given the change in responsibilities of the Parks and Recreation Manager in that he now has responsibility for the aquatic facilities, it could be contended that a small portion of the overhead charge should go to this section rather than the parks and reserves Gore section at an assessed percentage of say 3%. On balance, I would recommend leaving the allocation basis as it currently stands.

In conclusion, I would note that the allocation is driven entirely by the assessment of services provided from the parks and reserves administration section and therefore, there is no direct tangible link between a support section's assessed administration charge and its percentage of the sections total charges. In other words, the charges are not limited to a certain maximum percentage of the total section costs but are rather an independent assessment of the cost of internal services provided.

RECOMMENDATION

THAT the report on parks and reserves administration charges be received,

AND THAT the existing administration overheads charging regime be confirmed as appropriate for inclusion in the draft 2009-19 LTCCP.

2. FINANCIAL REPORT FOR JANUARY 2009

(Memo from Management Accountant - 03.03.09)

Operating Results

For the seven months ended 31 January 2008, the Gore District Council recorded a deficit of \$189k. This is favourable by \$153k 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.

Variance Explanation

Operating Results

	January					
Actual	Budget	Variance		Actual	Budget	Variance
1						
\$000	\$000	\$000		\$000	\$000	\$000
			Revenue			
841	839	1	Rates	5,884	5,876	8
11	11	(0)	Petroleum Tax	62	77	(15)
(7)	86	(92)	LTNZ Subsidy	874	809	65
183	218	(35)	Licenses Fees & Other Revenue	1,593	1,570	24
0	0	0	Wind Farm Revenue	0	0	0
0	0	0	Interest and Dividends	27	0	27
264	264	(0)	Administration Recoveries	1,851	1,851	(1)
1,292	1,419	(127)		10,292	10,183	109
			Expenses			
85	97	12	Democracy	498	536	38
1,044	964	(80)	Assets	6,610	6,748	138
403	457	54	Corporate Services	3,372	3,240	(132)
1,532	1,518	(14)		10,480	10,524	44
(240)	(99)	(141)	Surplus (Deficit)	(189)	(341)	153

Income

Overall income is favourable by \$109k.

LTNZ Subsidy

The LTNZ subsidy is slightly ahead due to the timing of maintenance and capital works. This variance will decrease over time as more work commences.

Rates

Rates are spread evenly over the full financial year.

License Fees & Other Revenue

This is up on budget by \$24k for the period. This is a mixture of small increases in revenues across many departments.

Expenditure

Overall expenditure is favourable by \$44k.

Several departments have overspends at this stage (regulatory, aquatic and administration). All these departments have an increase in revenue which offsets the increases in expenditure. (Partial offset in Aquatic Centres).

The under spend in democracy is due to a variety of smaller grants that are yet to be paid out.

RECOMMENDATION

THAT the financial report for the 7 months ended 31 January 2008 be received.

**Gore District Council
Statement of Financial Performance
1 July - 31 January 2009**

Actual	January			Actual	Budget	Variance
	\$000	Budget				
			Revenue			
78	78	0	Democracy	542	542	0
325	364	(39)	Essential services	2,500	2,506	(6)
169	262	(93)	Roads	2,092	2,043	50
203	202	1	Reserves & Sport Facilities	1,432	1,414	18
63	67	(4)	Property	481	469	13
55	77	(22)	Regulatory	622	631	(8)
0	0	0	Wind Farm Revenue Received	0	0	0
102	86	16	Aquatic Centres	681	653	27
122	114	8	Heritage Precinct	787	798	(11)
175	169	6	Administration	1,154	1,128	27
1,292	1,419	(127)		10,292	10,183	109
			Expenses			
84	97	13	Democracy	498	536	38
367	386	19	Essential services	2,491	2,700	209
408	304	(104)	Roads	2,198	2,131	(67)
200	201	1	Reserves & Sport Facilities	1,426	1,404	(23)
56	73	17	Property	494	513	19
60	81	21	Regulatory	610	569	(41)
2	0	(2)	Wind Farm Expenses Incurred	27	0	(27)
95	95	0	Aquatic Centres	778	746	(32)
109	113	4	Heritage Precinct	824	814	(10)
151	167	16	Administration	1,133	1,111	(21)
1,532	1,518	(14)		10,480	10,524	44
(240)	(99)	(141)	Surplus (Deficit)	(189)	(341)	153

Infrastructural Divisions

Essential Services

Statement of Cost of Service					
Essential Services					
for the period ending 31 January 2009					
2006/07			Actual	Budget	Variance
	<i>Revenue</i>				
1,270,919	Rates		1,469,069	1,469,069	-
86,150	Sales & Services		1,030,949	1,036,619	(5,670)
1,357,069	Total Revenue		2,500,018	2,505,688	(5,670)
2,244,069	Total Expenses		2,491,255	2,700,257	(209,002)
(887,000)	Gross Operating Margin		8,763	(194,569)	203,332
246,038	Capital Expenditure		1,435,002	447,986	987,016
(1,133,039)	Total Surplus/(Deficit)		(1,426,239)	(642,555)	(783,684)

Included in this area are water, wastewater and solid waste.

This Division is on track. The \$209k underspend of the expenses is due to the timing of maintenance requirements which is expected to come in line later in the year. Revenue is also tracking well.

The "overspend" in the capital works department is due to the Actiflow project, which was budgeted for last year but carried over till this year. At 30 June 2008 there was \$960k of budgeted capital work still to be carried out on the project. For a more accurate picture this carried over budget should be added to this years budgeted capital expenditure. When this is taken into account we are tracking well overall.

Parks & Reserves

Statement of Cost of Service				
Parks & Reserves				
for the period ending 31 January 2009				
2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
804,138	Rates	918,322	918,322	-
(23,785)	Sales & Services	513,545	495,944	17,601
780,353	Total Revenue	1,431,867	1,414,266	17,601
1,296,326	Total Expenses	1,426,281	1,403,577	22,704
(515,974)	Gross Operating Margin	5,586	10,689	(5,103)
108,822	Capital Expenditure	117,631	120,747	(3,116)
(624,795)	Total Surplus/(Deficit)	(112,044)	(110,058)	(1,986)

Included in this area are the various Parks & Reserves around the District including Dolamore Park and all the Cemeteries.

Parks and Reserves are inline, the apparent increase in revenue is partly due to the trade-ins of various items of plant and equipment scheduled for replacement under the capital expenditure budget, and as such the gains should be offset against the capital spending, which would make the capital budget variance appear more favourable.

Expenditure is tracking a little higher than budget due to timing of maintenance spending, no permanent variances have been noted.

Roading

Statement of Cost of Service				
Roading				
for the period ending 31 January 2009				
2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
1,027,026	Rates	1,129,451	1,129,451	-
310,199	Sales & Services	962,667	913,099	49,568
1,337,225	Total Revenue	2,092,118	2,042,550	49,568
1,987,438	Total Expenses	2,198,318	2,131,052	67,266
(650,213)	Gross Operating Margin	(106,200)	(88,502)	(17,698)
708,598	Capital Expenditure	659,765	510,580	149,185
(1,358,811)	Total Surplus/(Deficit)	(765,965)	(599,082)	(166,883)

Further breakdowns have been provided for some of the activities that make up the Roothing division.

Overall this department is on target; capital expenditure is up due to timing and the seasonal nature of roading capital work.

Under rural roading the apparent expenditure overspend is due to the timing of the maintenance work, not a cost overrun.

Statement of Cost of Service
Roading Administration
for the period ending 31 January 2009

2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
-	Rates	-	-	-
110,233	Sales & Services	180,626	214,387	(33,761)
110,233	Total Revenue	180,626	214,387	(33,761)
176,985	Total Expenses	199,260	231,910	(32,650)
(66,753)	Gross Operating Margin	(18,634)	(17,523)	(1,111)
21,893	Capital Expenditure	-	-	-
(88,646)	Total Surplus/(Deficit)	(18,634)	(17,523)	(1,111)

Statement of Cost of Service
Urban Roding
for the period ending 31 January 2009

2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
364,319	Rates	402,712	402,712	-
(69,539)	Sales & Services	146,944	159,687	(12,743)
294,780	Total Revenue	549,656	562,399	(12,743)
634,536	Total Expenses	633,689	654,507	(20,818)
(339,756)	Gross Operating Margin	(84,033)	(92,108)	8,075
122,549	Capital Expenditure	166,940	101,859	65,081
(462,304)	Total Surplus/(Deficit)	(250,973)	(193,967)	(57,006)

**Statement of Cost of Service
Rural Roding
for the period ending 31 January 2009**

2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
608,665	Rates	665,857	665,857	-
274,958	Sales & Services	599,289	519,995	79,294
883,623	Total Revenue	1,265,146	1,185,852	79,294
1,115,497	Total Expenses	1,289,436	1,164,751	124,685
(231,874)	Gross Operating Margin	(24,289)	21,101	(45,390)
454,037	Capital Expenditure	370,746	298,721	72,025
(685,911)	Total Surplus/(Deficit)	(395,035)	(277,620)	(117,415)

**Statement of Cost of Service
Other Roding
for the period ending 31 January 2009**

2006/07		Actual	Budget	Variance
	<i>Revenue</i>			
54,041	Rates	60,882	60,882	-
(5,453)	Sales & Services	35,808	19,030	16,778
48,589	Total Revenue	96,690	79,912	16,778
60,420	Total Expenses	75,933	79,884	(3,951)
(11,831)	Gross Operating Margin	20,756	28	20,728
110,119	Capital Expenditure	122,079	110,000	12,079
(121,950)	Total Surplus/(Deficit)	(101,323)	(109,972)	8,649

Balance Sheet

The major changes in the balance sheet from the same month in prior year:

Assets

- Debtors are down on 31 January 2007 due to timing.
- Investments are down on the same month last year due to the revaluation of the interest swaps.
- Loans to community groups have increased to reflect the recent loans given to the Multi-Sports Charitable Trust and the St James Theatre.

Liabilities

- Creditors are up due to the timing of payments for a lot of capital work.
- Short term debt has been used to fund some capital works that are to be paid from rates. Once the rates are collected, these borrowings will be paid.
- Term debt has increased due to the planned borrowing for the former Smith's City Building purchase, the St James Theatre loan, Multi-Sports car park loan and the Acti-flow project.

Capital Expenditure

- As at 31 January 2008 \$3.244m (\$2.927m in October) has been spent on Capital works. A large portion of this is for the Acti-flow project and Matura Community Centre.
- All other areas are tracking as expected.

**Gore District Council
Balance Sheet
As at 31 January 2009**

Actual 31 Jan 2008 \$000		Actual 31 Jan 2009 \$000	LTCCP 30 Jun 2008 \$000
	Equity		
138,628	Accumulated funds	138,422	137,392
163,503	Asset Revaluation Reserve	163,503	122,459
302,132		301,925	259,851
	Assets		
	Current Assets		
241	Bank	394	78
2,007	Debtors	1,894	900
1,173	Short Term Deposits	1,166	1,207
55	Inventory	69	0
3,476		3,523	2,185
	Non current Assets		
702	Investments	462	68
10	Loans to Community Groups	50	0
308,325	Fixed Assets	310,827	270,349
309,037		311,339	270,417
312,513	Total Assets	314,863	272,602
	Liabilities		
	Current Liabilities		
1,646	Creditors	1,789	1,525
0	Short term borrowing	950	0
1,646		2,739	1,525
	Non Current Liabilities		
8,594	Term Loans	10,086	11,090
142	Landfill Aftercare Provision	113	136
8,736		10,199	11,226
10,381	Total Liabilities	12,938	12,751
302,132	Net Assets	301,925	259,851

3. EASTERN SOUTHLAND RURAL TRANSPORT - REPORT FROM
NEW ZEALAND RED CROSS

(Memo from Chief Executive – 02.03.09)

- ✦ Attached is a report from New Zealand Red Cross profiling the new rural transport service for Eastern Southland. The report profiles usage and income and expenditure for a six month period commencing in July 2008.

From discussions held with New Zealand Red Cross and perusing the attached report it is clear that the service is providing a genuine need for the elderly in our community.

It would appear however that greater publicity about the availability of the service would boost patronage and ensure that those that need transportation for medical appointments are not left unaware of this service. It should be noted that whilst the elderly have picked up on the availability of this service it is not just confined to that segment of the community and is available for younger members who may be caught short for transportation to attend medical appointments.

RECOMMENDATION

THAT this progress report be received.