

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE FINANCE AND POLICY COMMITTEE, WILL BE HELD IN THE COUNCIL CHAMBERS, 29 CIVIC AVENUE, GORE, ON TUESDAY 9 FEBRUARY 2010, FOLLOWING THE CONCLUSION OF THE OPERATIONS COMMITTEE MEETING

**Stephen Parry
CHIEF EXECUTIVE**

3 February 2010

A G E N D A

1. Audit Committee Meeting (Pages 1-6)
2. Elected Member Remuneration (Pages 7-9)
3. MLT Event Centre – Update on Proposed Transfer to Gore District Council (Pages 10-11)
4. Financial Report for December 2009 (Pages 12-23)

FINANCE AND POLICY COMMITTEE AGENDA

FEBRUARY 2010

1. AUDIT COMMITTEE MEETING

(Memo from General Manager Corporate Services – 18.12.09)

On 15 December the Council's Audit Committee met to consider issues raised by the Council's auditors, Deloitte as part of their audit of the 2009 financial year.

- ↳ Please find attached notes of the meeting, together with Deloitte's letter regarding the overall audit and their Significant Audit Issues attachment.

RECOMMENDATION

THAT the notes of the Audit Committee, together with the letter from Deloitte commenting on the 2009 audit and significant issues identified, be received.

NOTES OF A MEETING OF THE GORE DISTRICT COUNCIL AUDIT COMMITTEE HELD IN THE MAYOR'S OFFICE ON TUESDAY 15 DECEMBER 2009 AT 3 PM

Present: His Worship the Mayor, Crs Bolger, Davis and Harvey

In Attendance: The Chief Executive and the General Manager, Corporate Services

The General Manager Corporate Services, circulated the report from the Council's auditor, Deloitte prior to the meeting and gave a detailed explanation of the issues raised in the report.

He noted that Deloitte had once again given a clear audit opinion on the Council's operations for the year and the audit process had generally progressed without any major concerns. The auditors raised a few minor process issues, along with recommendations, and these have been actioned where any changes were seen to be necessary. The Significant Audit Issues section was noted in relation to the change in the fair value of interest rate SWAPs due to the significant decrease in BKBM interest rates caused by the global financial crisis.

The Committee noted the auditors were extremely happy with the interaction they had with Council staff throughout the process of the audit, and the co-operative environment which prevailed.

The Committee agreed that the audit report and attached Significant Audit Issues be forwarded to the Council's Finance and Policy Committee.

The meeting closed at 3.15 pm.

2. ELECTED MEMBER REMUNERATION

(Memo from Chief Executive – 01.02.10)

- ✦ Please find enclosed a letter received from the Remuneration Authority advising that from 1 July 2010 to Election Day in October this year, remuneration of elected members will remain the same as what has been set for 2009/10.

RECOMMENDATION

THAT the letter from the Remuneration Authority be received.

3. MLT EVENTS CENTRE – UPDATE ON PROPOSED TRANSFER TO GORE DISTRICT COUNCIL

(Memo from Chief Executive – 02.02.10)

This report provides a brief update on the due diligence process that the Council has agreed to enter into before finalising its intention to assume ownership of the MLT Events Centre.

Since the Council resolved in principle in November last year to assume ownership of the building, the Council's General Manager, Corporate Services, Mr Russell Duthie, has been liaising with O'Connor Richmond, Chartered Accountants, who are preparing final details of all outstanding issues and accounts relating to the construction of the new facility. On 1 February I held a discussion with Mr Chris Boyle of O'Connor Richmond who advised he now had all relevant material to hand in order to prepare a final report for the Council's consideration. I expect to have this report by 19 February and to place it on the agenda for the first Council meeting of the year on 2 March.

Separate discussions held with Mr John Bannerman in regard to how both the Council and the Trust can avoid a GST liability has thrown up the possibility of retaining the Trust as the owner of the new building. Such an approach could still leave the Council with ultimate control if amendments to the appointment, removal and tenure of office of trustees were made to the Trust Deed. I anticipate that further commentary about this possibility including profiling how such an entity would fit within the reporting requirements of Council controlled organisations contained in the Local Government Act 2002, will be included in my next report to the Council.

In the meantime, I can advise that Mr Bill Dore has tendered his resignation as a Trustee of the Gore Multi-Sports Charitable Trust, effective from 31 January. The Chairman, Grant Barron has indicated that his resignation is imminent and will occur once finalisation of any transfer of ownership and resolution of other outstanding issues that are brought to light in the due diligence process have been resolved. I am unaware of the intentions of the third trustee, Mr Jim Duncan.

Another matter that has arisen over the past few weeks is an invoice for additional inspections being forwarded to the Trust by the Council's Building Control Department. This invoice is for \$1,972.50 which includes a GST component of \$219.17.

It should be noted that the Trust has paid all other outstanding building consent fees, including the contentious fire design peer review costs which totalled \$26,952.73. Given the fact that the Trust has paid the vast majority of all consent fees, has reportedly exhausted its financial reserves and the Council has now resolved in principle to assume ownership of the facility, I would suggest that the most recent invoice be written off.

I have delegated authority to write off debt less than \$5,000. In this instance, however, due to the high public profile of this project and the close involvement that elected members have had in determining its future in recent times, I think political endorsement of this approach is appropriate.

RECOMMENDATION

THAT the report be received,

AND THAT the Council authorise writing off the most recent building consent fee for additional inspections on the MLT Event Centre in the sum of \$1,972.50, including GST.

4. FINANCIAL REPORT FOR DECEMBER 2009

(Memo from Management Accountant – 29.01.10)

Operating Results

For the 6 months ended 31 December 2009, the Gore District Council recorded a surplus of \$72k. This is favourable by \$466k 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

December				Actual	Budget	Variance	U/F
Actual	Budget	Variance		Actual	Budget	Variance	
\$000	\$000	\$000		\$000	\$000	\$000	
Revenue							
880	873	7	Rates	5,243	5,237	6	F
6	11	(5)	Petroleum Tax	51	66	(15)	U
181	193	(11)	LTNZ Subsidy	755	965	(209)	U
238	234	4	Licenses Fees & Other Revenue	1,569	1,417	152	F
0	4	(3)	Interest and Dividends	7	21	(14)	U
273	273	(0)	Administration Recoveries	1,639	1,639	(0)	U
1,580	1,588	(8)		9,264	9,345	(80)	U
Expenses							
54	111	57	Democracy	431	524	93	F
932	1,036	104	Assets	5,861	6,301	440	F
497	543	46	Corporate Services	2,900	2,913	13	F
1,483	1,690	207		9,192	9,739	546	F
97	(102)	199	Surplus (Deficit)	72	(394)	466	F

Variance Explanation

Income

Overall income is unfavourable by \$80k.

NZTA Subsidy

This is tracking lower due to timing of works.

Rates

Rates are spread evenly over the full financial year.

License Fees & Other Revenue

This is up on budget by \$152k for the period. This is due to the recognition of the gain on sale of assets that have been traded in, the timing of the billing of the trade waste charges, Pool revenues are up \$32k plus a number of other small positive variances

Regulatory

Revenue is down \$40k due there being little demand for consents in the first months of the year.

Expenditure

Overall expenditure is favourable by \$546k.

Several departments have underspends due to timing. The Aquatic Centre overspend is offset by the increase in revenue.

RECOMMENDATION

THAT the financial report for the six months ended 31 December 2009 be received.

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

December							
Actual	Budget	Variance		Actual	Budget	Variance	U/F
\$000	\$000	\$000		\$000	\$000	\$000	
Revenue							
79	84	(5)	Democracy	486	478	8	F
394	375	19	Essential services	2,338	2,252	86	F
358	372	(14)	Roads	1,836	2,041	(206)	U
219	217	2	Reserves & Sport Facilities	1,339	1,302	37	F
72	73	(1)	Property	448	437	11	F
66	86	(20)	Regulatory	567	607	(40)	U
92	80	12	Aquatic Centres	558	526	32	F
138	118	20	Heritage Precinct	714	706	8	F
162	183	(21)	Administration	978	994	(15)	U
1,580	1,588	(8)		9,264	9,345	(81)	U
Expenses							
54	111	57	Democracy	431	524	93	F
350	388	37	Essential services	2,423	2,399	(24)	U
315	336	21	Roads	1,759	2,020	261	F
204	221	17	Reserves & Sport Facilities	1,206	1,326	120	F
63	91	28	Property	473	556	83	F
100	88	(12)	Regulatory	531	545	14	F
137	174	37	Aquatic Centres	671	637	(34)	U
135	121	(14)	Heritage Precinct	737	747	9	F
125	161	36	Administration	961	985	24	F
1,483	1,690	206		9,192	9,739	546	F
97	(102)	198	Surplus (Deficit)	72	(394)	466	F

Visitor Services

Below is a Cost of Service Statement for the visitor services department. This covers the i-Site in the Heritage precinct. In addition to the cost of service statement is a table that shows more detail for each of the main revenue streams of the Visitor Centre.

Statement of Cost of Service					
Visitor Services					
for the period ending 31 December 2009					
2007/08		Actual	Budget	Variance	
	Revenue				
143,327	Rates	156,316	156,316	-	F
10,692	Other Revenue	36,395	18,296	18,099	F
154,019	Total Revenue	192,711	174,612	18,099	F
63,937	Staff Expenses	75,191	72,575	2,616	U
2,738	Occupancy Expenses	334	4,962	(4,628)	F
88,771	Division Expenses	82,918	81,588	1,330	U
53	Plant Expenses	118	930	(812)	F
(213)	Tourism	11,906	8,574	3,332	U
28,534	Event Management	25,652	24,013	1,639	U
183,820	Total Expenses	196,118	192,642	3,476	U
(29,801)	Gross Operating Margin	(3,407)	(18,030)	14,623	F
-	Capital Expenditure	-	2,496	(2,496)	F
(29,801)	Total Surplus/(Deficit)	(3,407)	(20,526)	17,119	F

i-Site Revenue detail

	<u>2010</u>	<u>to December</u>		
	Actual	Budget	Variance	F/U
Agency fees Collected	(87,297)	(108,954)	(21,657)	U
Agency fees Paid	57,258	98,058	40,800	F
Commission Received	<u>(30,039)</u>	<u>(10,896)</u>	<u>19,143</u>	F
Brochure Display Charges	(1,170)	(2,178)	(1,008)	U
Sales & Services	(5,186)	(5,340)	(154)	U
Cost of Goods Sold	1,556	1,602	46	F
Profit on Goods sold	<u>(3,630)</u>	<u>(3,738)</u>	<u>(108)</u>	U
Total Gross Profit to date	<u><u>(34,839)</u></u>	<u><u>(16,812)</u></u>	<u><u>18,027</u></u>	F

The net agency fees received/paid varies due to the timing of the payment of each operator. This is the reason why the commission is sometimes more or less than the budgeted 10%.

Infrastructural Divisions

Essential Services

Statement of Cost of Service					
Essential Services					
for the period ending 31 December 2009					
2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
1,263,425	Rates	1,340,209	1,340,209	-	F
910,580	Other Revenue	997,322	911,645	85,676	F
2,174,005	Total Revenue	2,337,530	2,251,854	85,676	F
2,124,688	Total Expenses	2,423,222	2,398,947	24,275	U
49,317	Gross Operating Margin	(85,692)	(147,093)	61,401	F
1,320,131	Capital Expenditure	225,580	366,299	(140,719)	F
(1,270,814)	Total Surplus/(Deficit)	(311,272)	(513,392)	202,120	F

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

This Division is on track with most accounts tracking close to budget, capital expenditure being the main exception. This is due to timing of projects. Other revenue is up due to the gain on sale of several vehicles traded in and the timing of trade waste and water meter charges.

Parks & Reserves

Statement of Cost of Service					
Parks & Reserves					
for the period ending 31 December 2009					
2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
784,928	Rates	827,313	827,313	-	F
443,856	Other Revenue	511,832	475,053	36,779	F
1,228,784	Total Revenue	1,339,145	1,302,366	36,779	F
1,225,934	Total Expenses	1,206,271	1,326,253	(119,982)	F
2,849	Gross Operating Margin	132,874	(23,887)	156,761	F
117,375	Capital Expenditure	143,821	181,683	(37,862)	F
<u>(114,525)</u>	Total Surplus/(Deficit)	<u>(10,946)</u>	<u>(205,570)</u>	<u>194,624</u>	<u>F</u>

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

These divisions are close to target, the apparent underspends are due to the timing of the actual maintenance expenses and the evenly spread budgets. Other revenue is up due to the gain on sale of several vehicles traded in.

Roading

Statement of Cost of Service				
Roading				
for the period ending 31 December 2009				
2007/08		Actual	Budget	Variance
	<i>Revenue</i>			
965,417	Rates	1,026,809	1,026,809	- F
957,220	Other Revenue	808,891	1,014,661	(205,770) U
1,922,637	Total Revenue	1,835,700	2,041,470	(205,770) U
1,790,583	Total Expenses	1,757,805	2,020,181	(262,376) F
132,054	Gross Operating Margin	77,896	21,289	56,607 F
460,043	Capital Expenditure	435,367	691,652	(256,285) F
(327,989)	Total Surplus/(Deficit)	(357,471)	(670,363)	312,892 F

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

Maintenance and capital expenditure are below budget at this stage due to timing and the seasonal nature of roading capital work.

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

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
-	Rates	-	-	-	F
152,815	Other Revenue	53,830	64,992	(11,162)	U
152,815	Total Revenue	53,830	64,992	(11,162)	U
171,015	Total Expenses	205,095	218,087	(12,992)	F
(18,200)	Gross Operating Margin	(151,266)	(153,095)	1,829	F
-	Capital Expenditure	23,062	59,296	(36,234)	F
(18,200)	Total Surplus/(Deficit)	(174,328)	(212,391)	38,063	F

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

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
344,104	Rates	338,114	338,114	-	F
147,028	Other Revenue	254,516	334,000	(79,484)	U
491,132	Total Revenue	592,630	672,114	(79,484)	U
514,797	Total Expenses	521,979	594,870	(72,891)	F
(23,665)	Gross Operating Margin	70,651	77,244	(6,593)	U
80,018	Capital Expenditure	133,569	227,096	(93,527)	F
(103,684)	Total Surplus/(Deficit)	(62,918)	(149,852)	86,934	F

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

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
568,874	Rates	626,656	626,656	-	F
621,937	Other Revenue	474,697	598,538	(123,842)	U
1,190,811	Total Revenue	1,101,352	1,225,194	(123,842)	U
1,032,039	Total Expenses	961,817	1,134,828	(173,011)	F
158,772	Gross Operating Margin	139,535	90,366	49,169	F
321,981	Capital Expenditure	204,252	310,760	(106,508)	F
(163,208)	Total Surplus/(Deficit)	(64,717)	(220,394)	155,677	F

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

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
52,439	Rates	62,040	62,040	-	F
35,440	Other Revenue	25,848	17,130	8,718	F
87,879	Total Revenue	87,888	79,170	8,718	F
72,732	Total Expenses	68,913	72,396	(3,483)	F
15,147	Gross Operating Margin	18,975	6,774	12,201	F
58,044	Capital Expenditure	74,483	94,500	(20,017)	F
(42,897)	Total Surplus/(Deficit)	(55,508)	(87,726)	32,218	F

Balance Sheet

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

Assets

- Derivative Instruments are down on the same month last year due to the revaluation of the interest swaps at 30 June 2009.
- Short term deposits are up due to the fact that there is not the same strain on our cashflow as there was last year due to the completion of large projects like the Mataura Community Centre and the Actiflo plant.

Liabilities

- Creditors are lower than last year due to the timing of payments.
- Term debt has increased due to the planned borrowing for the Actiflow and wetlands projects.

Capital Expenditure

As at 31 December 2009, \$1,089k (\$767k for October) has been spent on capital works.

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

Actual 31 Dec 2008 \$000		Actual 31 Dec 2009 \$000	LTCCP 30 Jun 2009 \$000
	Equity		
138,667	Accumulated funds	138,664	138,311
163,503	Asset Revaluation Reserve	163,399	205,924
302,170		302,063	344,235
	Assets		
	Current Assets		
557	Bank	810	17
1,419	Debtors	1,525	900
837	Short Term Deposits	1,251	1,080
65	Inventory	64	55
329	Derivative Instruments	(362)	227
3,207		3,288	2,277
	Non current Assets		
462	Investments	134	68
50	Loans to Community Groups	122	0
310,817	Fixed Assets	310,760	354,481
311,329		311,017	354,549
314,536	Total Assets	314,304	356,826
	Liabilities		
	Current Liabilities		
2,167	Creditors	1,373	1,525
	Non Current Liabilities		
10,086	Term Loans	10,750	10,928
113	Landfill Aftercare Provision	118	138
10,199		10,868	11,066
12,366	Total Liabilities	12,241	12,591
302,170	Net Assets	302,063	344,235