

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 15 JUNE 2010, FOLLOWING THE CONCLUSION OF THE REGULATORY AND PLANNING COMMITTEE MEETING.

**Stephen Parry
CHIEF EXECUTIVE**

9 June 2010

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FINANCE AND POLICY COMMITTEE AGENDA

15 JUNE 2010

1. FINANCIAL REPORT FOR APRIL 2010

(Memo from Management Accountant 28.05.10)

Operating Results

For the 10 months ended 30 April 2010, the Gore District Council recorded a deficit of \$127k. This is favourable by \$233k 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

April				Actual	Budget	Variance	U/F
Actual	Budget	Variance		Actual	Budget	Variance	
\$000	\$000	\$000		\$000	\$000	\$000	
			Revenue				
880	873	7	Rates	8,764	8,729	35	F
10	11	(1)	Petroleum Tax	92	110	(18)	U
135	68	67	LTNZ Subsidy	1,343	1,773	(430)	U
237	267	(30)	Licenses Fees & Other Revenue	2,558	2,348	210	F
2	4	(1)	Interest and Dividends	19	35	(16)	U
273	273	(0)	Administration Recoveries	2,731	2,732	(1)	U
1,536	1,495	41		15,507	15,727	(220)	U
			Expenses				
93	58	(35)	Democracy	766	769	3	F
988	1,094	106	Assets	10,110	10,502	392	F
525	608	83	Corporate Services	4,758	4,816	57	F
1,606	1,760	154		15,634	16,086	452	F
(70)	(265)	195	Surplus (Deficit)	(127)	(360)	233	F

**Gore District Council
Statement of Financial Performance
1 July - 30 April 2010**

April

Actual	Budget	Variance		Actual	Budget	Variance	U/F
\$000	\$000	\$000		\$000	\$000	\$000	
			Revenue				
79	83	(4)	Democracy	807	797	10	F
399	433	(34)	Essential services	3,927	3,811	116	F
314	247	67	Roads	3,144	3,568	(424)	U
220	217	3	Reserves & Sport Facilities	2,215	2,171	45	F
72	73	(1)	Property	786	729	57	F
75	86	(11)	Regulatory	885	951	(66)	U
105	88	17	Aquatic Centres	950	880	70	F
118	118	0	Heritage Precinct	1,161	1,177	(16)	U
154	150	4	Administration	1,631	1,643	(12)	U
1,536	1,495	41		15,507	15,727	(220)	U
			Expenses				
93	58	(36)	Democracy	766	769	3	F
376	446	70	Essential services	4,132	4,008	(124)	U
289	336	47	Roads	3,096	3,365	270	F
221	221	(0)	Reserves & Sport Facilities	2,070	2,209	138	F
103	91	(12)	Property	812	919	108	F
75	88	13	Regulatory	864	896	33	F
188	241	53	Aquatic Centres	1,131	1,071	(60)	U
102	118	16	Heritage Precinct	1,189	1,220	32	F
159	161	2	Administration	1,575	1,628	54	F
1,606	1,760	153		15,634	16,086	452	F
(70)	(265)	194	Surplus (Deficit)	(127)	(360)	233	F

Variance Explanation

Income

Overall income is unfavourable by \$220k.

NZTA Subsidy

This is tracking lower due to timing of works and the lower level of actual funding from NZTA.

Rates

Rates are spread evenly over the full financial year.

License Fees & Other Revenue

This is up on budget by \$210k for the period. This is due to the timing of the billing of the trade waste charges, pool revenues are up \$70k plus a number of other positive variances

Regulatory

Revenue is down \$66k due to consents being down for the period (\$64k behind last month). This is partially offset by lower expenditure of \$33k

Expenditure

Overall expenditure is favourable by \$452k.

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

Specific Division Commentary

Visitor Services

On the following page 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.

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%.

**Statement of Cost of Service
Visitor Services
for the period ending 30 April 2010**

2007/08		Actual	Budget	Variance	
	Revenue				
238,878	Rates	261,220	261,220	-	F
34,633	Other Revenue	26,037	29,800	(3,763)	U
273,511	Total Revenue	287,257	291,020	(3,763)	U
111,205	Staff Expenses	121,246	119,955	1,291	U
4,504	Occupancy Expenses	1,929	8,270	(6,341)	F
129,261	Division Expenses	130,842	135,980	(5,138)	F
()	Plant Expenses	118	1,550	(1,432)	F
1,642	Tourism	13,807	14,290	(483)	F
28,688	Event Management	24,990	24,013	977	U
275,301	Total Expenses	292,931	304,058	(11,127)	F
(1,790)	Gross Operating Margin	(5,674)	(13,038)	7,364	F
-	Capital Expenditure	-	4,160	(4,160)	F
(1,790)	Total Surplus/(Deficit)	(5,674)	(17,198)	11,524	F

i-Site Revenue detail

2010	to April	Actual	Budget	Variance	F/U
Agency fees Collected		(196,159)	(181,590)	14,569	F
Agency fees Paid		185,868	163,430	(22,438)	U
Commission Received		(10,292)	(18,160)	(7,868)	U
Brochure Display Charges		(4,476)	(3,630)	846	F
Sales & Services		(11,269)	(8,900)	2,369	F
Cost of Goods Sold		3,381	2,670	(711)	U
Profit on Goods sold		(7,889)	(6,230)	1,659	F
Total Gross Profit to date		(22,656)	(28,020)	(5,364)	U

Essential Services

Statement of Cost of Service					
Essential Services					
for the period ending 30 April 2010					
2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
2,106,375	Rates	2,234,512	2,234,512	-	F
1,563,640	Other Revenue	1,692,734	1,576,578	116,156	F
3,670,015	Total Revenue	3,927,246	3,811,090	116,156	F
3,670,097	Total Expenses	4,132,281	4,008,407	123,874	U
(82)	Gross Operating Margin	(205,035)	(197,317)	(7,718)	U
1,516,797	Capital Expenditure	603,741	573,399	30,342	U
<u>(1,516,879)</u>	Total Surplus/(Deficit)	<u>(808,776)</u>	<u>(770,716)</u>	<u>(38,060)</u>	U

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

Revenue

Other revenue is up due to the gain on sale of several vehicles traded in and the timing of trade waste billing, also an increase in fees collected.

Expenses

The operation and maintenance account is overspent by \$48k due to the overhaul of the Council's Public Health Risk Management Plans (PHRMP). This is funded by reserves that have been put aside for this purpose in prior financial years.

Increased depreciation on the completed Actiflo plant accounts for a further \$61k. This forms part of the Council's repayment calculation and will not have any additional impact on rates, even though it appears as an extra operating cost.

There are several other variances but these are offset by increased revenue flows.

Capital

Capital is overspent due to the timing of projects along with some projects now completed from work originally scheduled for the 2008/09 year.

Parks and Reserves

Statement of Cost of Service					
Parks & Reserves					
for the period ending 30 April 2010					
2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
1,308,213	Rates	1,384,153	1,384,153	-	F
730,141	Other Revenue	831,201	786,457	44,744	F
2,038,354	Total Revenue	2,215,354	2,170,610	44,744	F
2,015,709	Total Expenses	2,070,192	2,208,581	(138,389)	F
22,645	Gross Operating Margin	145,162	(37,971)	183,133	F
130,696	Capital Expenditure	155,308	215,863	(60,555)	F
(108,051)	Total Surplus/(Deficit)	(10,146)	(253,834)	243,688	F

Included in this area are the various parks and reserves around the District including Dolamore Park and all the cemeteries.

Revenue

Increase in other revenue is due to trade ins on assets, and reserves contributions.

Expenses

The \$138k underspend in expenses is due to the timing of the actual maintenance expenses.

Capital

The capital expenditure underspend is also due to timing.

Roading

Statement of Cost of Service					
Roading					
for the period ending 30 April 2010					
2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
1,609,028	Rates	1,717,557	1,717,557	-	F
2,012,846	Other Revenue	1,426,053	1,850,387	(424,334)	U
3,621,875	Total Revenue	3,143,610	3,567,944	(424,334)	U
3,211,725	Total Expenses	3,095,627	3,365,405	(269,778)	F
410,150	Gross Operating Margin	47,983	202,539	(154,556)	U
1,901,730	Capital Expenditure	1,593,122	1,945,528	(352,406)	F
<u>(1,491,581)</u>	Total Surplus/(Deficit)	<u>(1,545,139)</u>	<u>(1,742,989)</u>	197,850	F

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

Revenue

Subsidy revenue is down on budget due to timing of work and also the funding cuts from NZTA.

Expenses

Maintenance expenditure is below budget due to timing and the seasonal nature of roading maintenance work as well as the NZTA funding cuts

Capital

Capital expenditure is below budget due to timing and the seasonal nature of roading capital work as well as the NZTA funding cuts

**Statement of Cost of Service
Roading Administration
for the period ending 30 April 2010**

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
-	Rates	-	-	-	F
271,898	Other Revenue	213,861	305,780	(91,919)	U
271,898	Total Revenue	213,861	305,780	(91,919)	U
271,258	Total Expenses	330,922	361,915	(30,993)	F
640	Gross Operating Margin	(117,060)	(56,135)	(60,925)	U
-	Capital Expenditure	23,062	59,296	(36,234)	F
640	Total Surplus/(Deficit)	(140,123)	(115,431)	(24,692)	U

**Statement of Cost of Service
Urban Roading
for the period ending 30 April 2010**

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
573,506	Rates	569,702	569,702	-	F
528,898	Other Revenue	327,942	438,586	(110,644)	U
1,102,404	Total Revenue	897,644	1,008,288	(110,644)	U
947,261	Total Expenses	916,343	991,450	(75,107)	F
155,143	Gross Operating Margin	(18,699)	16,838	(35,537)	U
555,854	Capital Expenditure	376,994	454,192	(77,198)	F
(400,711)	Total Surplus/(Deficit)	(395,693)	(437,354)	41,661	F

**Statement of Cost of Service
Rural Rooding
for the period ending 30 April 2010**

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
948,124	Rates	1,044,455	1,044,455	-	F
1,166,452	Other Revenue	847,991	1,077,471	(229,480)	U
2,114,576	Total Revenue	1,892,446	2,121,926	(229,480)	U
1,854,763	Total Expenses	1,729,956	1,891,380	(161,424)	F
259,813	Gross Operating Margin	162,489	230,546	(68,057)	U
1,169,829	Capital Expenditure	1,004,764	1,243,040	(238,276)	F
(910,016)	Total Surplus/(Deficit)	(842,274)	(1,012,494)	170,220	F

**Statement of Cost of Service
Other Rooding
for the period ending 30 April 2010**

2007/08		Actual	Budget	Variance	
	<i>Revenue</i>				
87,399	Rates	103,400	103,400	-	F
45,598	Other Revenue	36,259	28,550	7,709	F
132,996	Total Revenue	139,659	131,950	7,709	F
138,443	Total Expenses	118,406	120,660	(2,254)	F
(5,447)	Gross Operating Margin	21,253	11,290	9,963	F
176,048	Capital Expenditure	188,302	189,000	(698)	F
(181,494)	Total Surplus/(Deficit)	(167,049)	(177,710)	10,661	F

**Gore District Council
Balance Sheet
As at 30 April 2010**

Actual 30 Apr 2009 \$000		Actual 30 Apr 2010 \$000	LTCCP 30 Jun 2009 \$000
	Equity		
138,959	Accumulated funds	138,327	138,311
163,503	Asset Revaluation Reserve	163,399	205,924
302,462		301,726	344,235
	Assets		
	Current Assets		
30	Bank	425	17
1,916	Debtors	1,514	900
837	Short Term Deposits	1,251	1,080
72	Inventory	70	55
329	Derivative Instruments	(362)	227
3,185		2,898	2,277
	Non Current Assets		
462	Investments	134	68
50	Loans to Community Groups	120	0
311,594	Fixed Assets	311,038	354,481
312,106		311,292	354,549
315,291	Total Assets	314,190	356,826
	Liabilities		
	Current Liabilities		
2,233	Creditors	1,598	1,525
	Non Current Liabilities		
10,483	Term Loans	10,748	10,928
113	Landfill Aftercare Provision	118	138
10,596		10,866	11,066
12,830	Total Liabilities	12,464	12,591
302,462	Net Assets	301,726	344,235

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 Acti-flow and wetlands projects.

Capital Expenditure

As at 30 April 2010 \$2,689k (\$2,569k for March) has been spent on capital works.

RECOMMENDATION

THAT the financial report for the ten months ended 30 April 2010 be received.

2. HEARTLAND OTAGO/SOUTHLAND LIFE EDUCATION TRUST:
ANNUAL REPORT

(Memo from Chief Executive – 25.5.10)

- ✦ Please find enclosed the Heartland Otago/Southland Life Education Trust Inc's annual report for the year ending 31 December 2009.

The Gore District Council provides an annual grant of \$2,500 to the Trust in recognition of the valuable role it performs in educating young children about the dangers of drugs, smoking and peer pressure.

RECOMMENDATION

THAT the Trust's annual report be received.

3. REPORT ON INSURANCE COVERAGE

(Memo from General Manager, Corporate Services – 28.05.10)

Further to the discussion at the previous Finance and Policy Committee meeting concerning the Council's ongoing involvement in RiskPool, please find detailed below the core insurance covers currently held, along with a brief description of the extent of the cover:

a. Material Damage/Business Interruption

The material damage portion of the policy insures all above ground Council buildings and contents for full replacement up to a sum insured of \$59,000,632. The policy wording is consistent with industry standards and provides comprehensive cover for damage or loss caused by fire, theft, vandalism and other natural disasters.

In addition, the policy provides cover for costs incurred up to \$250,000 should the Council's business be interrupted. This is designed to cover the possible need to source an alternative workplace and/or hire additional staff should one or more of the Council's sites be closed for a prolonged period.

b. Material Damage for Below Ground Infrastructure

The Council has comprehensive cover for all infrastructure assets underground e.g. water, wastewater networks, including pumping stations up to a sum insured of \$59,873,426.

c. Motor Vehicle

The Council has a comprehensive motor vehicle policy covering the Council's vehicle/plant fleet at a current market value of \$1,504,303.

d. Statutory Liability

The Council holds this policy to insure against any fines and penalties arising from breaches of all insurable acts. The total level of cover under this policy is \$700,000.

This is the policy that recently provided reimbursement for the costs relating to the Pluera Dam issue.

e. RiskPool

The Council's membership of RiskPool provides for public liability/professional indemnity cover.

Public liability generally covers claims from third parties for losses allegedly caused by interaction with one of the Council's assets.

Professional indemnity generally covers claims made relating to advice given by Council staff and acted on by third parties, or actions carried out by Council staff in monitoring roles eg building inspections (in particular, weathertight homes issues).

An important point of clarification is that this cover does not extend to costs relating to fines or penalties, only claims for damages.

In essence there are two major areas of exposure to significant loss for the Council, the first relating to the protection of physical assets owned, and the second relating to claims made against the Council by third parties for perceived loss due to use of the Council's assets or acting on advice given by Councillors or staff.

The Council employs an independent broker, Willis, to assist in the evaluation of the need to protect the ongoing operation of the Council. This evaluation is undertaken on an annual basis, with quotations being sought from major insurance providers in each aspect of the Council's operations, with the evaluations taking into account things such as cost, extent of policy wordings, levels of policy excess requested and so forth. A formal evaluation report is submitted by Willis, with a follow-up meeting to discuss issues prior to insurance being placed.

RECOMMENDATION

THAT the report be received.

4. PROPOSED FEES AND CHARGES FOR 2010/11

(Memo from General Manager Corporate Services – 04.06.10)

- ✦ Please find attached for consideration the proposed fees and charges for the year commencing 1 July 2010. There are no major wide ranging changes proposed to the fee prevailing in 2010, but background information for any significant movements is provided later in this report.

One of the major issues of discussion has been the government announcement of an increase in GST, from 12.5% to 15%, on 1 October 2010, and how the Council should deal with the increase.

From a staff viewpoint there are issues with applying an exact percentage increase in line with the government announcement, particularly where individual fees are small. For example, the current child admission fee to the aquatic centre is \$2, and if the increased GST were to be passed on now, the charge should change to \$2.05. The costs of administering this, for a very minimal gain, does not warrant any change, particularly when cash payments are going to be the predominant settlement method. With this backdrop in mind, fee charges have been resisted for those fees of small denomination, and where cash payment is the primary settlement. Where charges are processed through our accounts receivable system and customers use the banking system processes such as internet banking and direct credits to pay accounts, a more pragmatic approach has been taken.

As mentioned above there are some areas where changes are proposed. Detailed below is the relevant background information for the specific significant movements.

a. Building Consent Fees

The Building Control Manager has undertaken a review of the actual time and resources spent on recent applications, along with reviewing the charges in comparison to our neighbours. This review, along with the Council's prior directive that this section remain user pays funded, has resulted in fee increases being recommended for the lower value of completed work consents, due to the actual time involved in processing them. This also applies to a number of the other lower level charges for this section.

The ongoing costs of building accreditation, particularly the fee payable to IANZ biannually, is a significant additional cost to the section and it is recommended that a small additional fee be added to the fees payable for projects in excess of \$5,000 in value. This is in line with the stance taken by a number of other local authorities already.

b. Dogs

At the Dog Control Working Party meeting on Wednesday 26 May, the members unanimously agreed that the working party would recommend to the Council that a de-sexing programme be introduced in an effort to reduce the incidence of wandering dogs in the urban areas of Gore and Mataura.

The recommendation is that a levy of \$2.00 (plus GST) be applied to all dogs classed as urban (excluding dogs already de-sexed) to allow a de-sexing programme to be commenced. This will have no impact on the rural dog registration fee.

Whilst the working party is still working through the mechanical details of the programme's operation, they are mindful that fees and charges are about to be considered for the year commencing 1 July 2010. Given that the furnishing of an interim report from the working party is imminent, and the fact that as early a start to the programme as possible would be preferred, it is requested that the increase of \$2.00 (plus GST) be included in the proposed fees and charges.

c. i-Site

Due to feedback from operators and other small i-Sites within the region it is recommended that charges for brochure displays be reduced and a half year option be offered. There has been a significant reduction in the number of operators wishing to display brochures (cost being the major reason for withdrawing) and it is felt the lower cost will entice more operators to display their brochures, more than offsetting the reduction in the current annual fee, particularly with a half year fee being offered which would aid the operators who have significant seasonal variations in patronage.

In addition to the above change, it is recommended that a separate fee be charged to the operators who wish to display a large number of brochures, of \$300. We currently have a couple of operators in

the category and implementation of this charge would be in line with the practices of other similar i-Sites.

It is further recommended that a cancellation/amendment fee be introduced at 10% to cover the time spent by staff organising travel and tour bookings where customers subsequently amend or cancel their original booking. This would be subject to staff discretion given there are often very good reasons why arrangements need to be changed.

d. Resource Consents

Mr Hovell's supporting comments to the recommended changes are as follows:

Key changes recommended to the planning fees and charges are as follows:

- [1] Deposits required for notified resource consents have been increased to better reflect the final costs to the applicants.*
- [2] A number of new items and categories have been included to remove uncertainty as to where particular types of consents fit. This also enables some charges to be retained at their present level while increasing those that incur greater processing costs. These new categories include the scenarios associated with combined land use and subdivision consents, which are more complex to process than single purpose consents for subdivision or land use.*
- [3] A new charge is recommended where consent holders wish to object to decisions made under delegated authority. That includes conditions imposed on approved non-notified resource consents, where the costs of responding to objections, including a mandatory hearing, varies from \$500.00 to \$2,500.00. Previously no charge has been made. It is now considered appropriate for such objections to be subject to cost recovery. This also removes the anomaly that occurs, when before a decision is issued, the applicant on viewing proposed consent conditions, requests a hearing, which is chargeable. It is considered appropriate to charge for a hearing regardless of when in the process it occurs.*
- [4] While being charged in the past, the recommended fees now list as a charge costs incurred in monitoring resource consents and in assessing reports and plans following resource consent approval.*

[5] *A new charge in responding to resource consent inquiries is also included, being "Cost (after first hour)". This is not intended to apply to general public inquiries, but rather the large projects that require substantial pre-application consultation and other work. In a similar manner, a further new item includes provision for the recovery of Councillor costs when part of a hearing panel. This intended to apply to major hearings when Council resolves that Councillors be reimbursed for the time as part of a Hearing Panel.*

It should be noted these fees are by way of deposit only and are to be adjusted for the time actually spent. As such, they may be subject to an additional charge/refund, depending on the time required to process the consent.

e. MLT Event Centre

A complete schedule of the recommended charges for the events centre is included for the first time.

RECOMMENDATION

THAT the report be received,

AND THAT the proposed fees and charges schedule for the year commencing 1 July 2010, be adopted.