

FINANCE AND POLICY COMMITTEE AGENDA

24 APRIL 2012

1. 2011 ANNUAL REPORT FROM LOCAL AUTHORITY PROTECTION PLAN (LAPP)

(Memo from General Manager, Corporate Services – 26.03.12)

- ✦ Please find attached a letter from LAPP, along with a copy of its latest financial report.

This is the Fund's first annual report after the devastating earthquakes in Christchurch in September 2010 and February 2011.

Expected claims against the Fund are \$522,225,951, with insurance recoveries estimated at \$471,368,900. As can be observed from the Statement of Financial Performance for the year, this has had a major effect on overall performance and consequently on the Fund's financial position. I would draw Councillors attention to "Note 5. Claims and Reinsurance Recoveries", which highlights the uncertainties pertaining to the above assessments of claims and recoveries.

A members meeting is to take place in Wellington on Monday 14 May 2012. I will be attending on the Council's behalf should Councillors have any issues they would like to have put on the agenda for that meeting.

RECOMMENDATION

THAT the letter and annual report of the Local Authority Protection Plan (LAPP) be received.

2. ANNUAL REPORT OF NEW ZEALAND MUTUAL LIABILITY RISKPOOL (RISKPOOL)

(Memo from General Manager, Corporate Services – 26.03.12)

- ✦ Please find attached a letter from RiskPool, along with a copy of its annual report for the year ended 30 June 2011.

RiskPool provides insurance cover to the majority of New Zealand local authorities against public liability and professional indemnity claims.

As previously reported, “Leaky Homes” claims continue to impact the performance of RiskPool with claims arising from previous years whilst cover for this insurance risk was still available to other councils continuing to be settled. It is pleasing to report that the performance for the 2010 and 2011 years has been positive.

I would note that the call for funds proposed for July 2014 has been included in the draft Long Term Plan, as it had been signalled in November 2011.

RECOMMENDATION

THAT the letter and annual report of RiskPool be received.

3. UPDATE ON STATUS OF CAPITAL PROJECTS

(Memo from General Manager, Corporate Services – 03.04.12)

As we are fast approaching the time of year when weather conditions are likely to impede progress towards the completion of programmed capital works, it is timely to provide Councillors with an update on the various major projects over \$100,000 signalled by the Council in the Annual Plan for this financial year. Tabulated below are updates on those projects within the Essential Services and Roading sections:

1. Essential Services Section

Project	Annual Budget	Estimated Cost to date	Update
Sewer main replacement	\$193,000	\$43,000	Final projects are about to go to tender. Overall projects expected to be 70% complete by 30 June, with balance to be completed in the 2012/13 year.
Water pipe replacement	\$100,000	\$45,000	All programmed works are expected to be complete by year end.

2. Roading Section

Project	Annual Budget	Estimated Cost to date	Update
Urban reseals	\$375,000	\$375,000	All programmed works are now complete.
Urban drainage renewals	\$198,000	\$247,000	Extra expenditure to date will be offset by reduced other expenditure in the urban roading budget.
Rural reseals	\$467,000	\$467,000	All programmed works are now complete.
Footpaths	\$305,000	\$256,000	All programmed works are expected to be completed by year end.

Rural maintenance metalling	\$302,000	\$223,000	All programmed works are expected to be completed by year end.
Rural unsealed road metalling	\$251,000	\$199,000	All programmed works are expected to be completed by year end.

RECOMMENDATION

THAT the report be received.

4. PROPOSED FEES AND CHARGES FOR 2012/13

(Memo from General Manager, Corporate Services – 03.04.12)

Please find enclosed a schedule of proposed fees and charges for the year commencing 1 July 2012. For clarity of analysis, please note that where there is no change proposed to the 2011/12 fee the “Proposed 2012/13” item is blank i.e. only the changes are noted.

Generally there are only minor changes recommended to fees and charges after discussions with the responsible managers and staff. There are two specific areas where some more significant changes are recommended and I detail below background information in support of requested fee increases.

Building consent fees

No fee adjustments were made in the 2011-12 year due to the pending introduction of the Building Amendment Act 2012 as it was not fully understood what changes to Council’s responsibilities would emanate from the Act. Subsequently the Building Control Manager, Russell Paterson and his team have reviewed all the fees, both in terms of the amount of staff time spent on each and in comparison to fees charged by other local authorities in the region.

The 1 March 2012 introduction of the Licensed Building Practitioner (LBP) Scheme has made weather tightness and structural work on most residential properties, “Restricted Building Work”. This makes it mandatory for a ‘design memorandum’, and record of work to be supplied by the relevant LBPs to Building Control Authorities (BCA) for building consent applications (at this stage for that type of work and building only).

The recently passed Building Amendment Bill No 3 has added the “Owner/Building exemption” for this type of work, allowing it to be carried out by the homeowner under a statutory written declaration, and other restrictions. It is noted that status quo remains at this time for consent processing and inspection requirements of the BCA.

Work that can be carried out without a building consent is contained in the various categories of BA 2004 Schedule 1, and the Department of Building and Housing are encouraging BCAs and TAs to provide advice to the public and to utilise these exemptions for “lower risk” building work.

The building control team see a need to introduce a fee for the current BA 2004 Schedule 1 exemptions when assessed, and a declaration submitted to the property file for record purposes. An enormous amount of time and effort is consumed dealing with these enquiries at the front counter, almost always, with assistance from a building

control official. This looks set to continue into the future as more exemptions are expected later this year which will reduce the BCA income but increase the actual staff time spent dealing with them. Staff are proposing to introduce a fee of \$120 plus time spent.

Another aspect within the schedule 1 exemptions is where the TA has the ability to issue an exemption based on a case being presented by a client to meet the criteria of item (k), schedule 1, where we assess the proposed work to meet compliance with the building code/building act and can approve the exemption based on the persons technical ability and competence to do the work correctly. This kind of job can then be completed and we do not need to carry out an inspection to check compliance, therefore no additional costs or liability to the Council for that work.

The building control team sees this as being a partial replacement for “minor works” consents that are not cost effective. Sometimes these types of jobs do not require a consent, but the homeowner wants it recorded somehow on the property file.

The review has identified that the amount of staff time required to administer lower value consents is greater than has previously been charged and therefore recommend increases to a number of those charges, along with adding some additional specific fees for other works.

Cemetery fees

Fees in the cemetery cost centre have not been adjusted since 1 July 2007, apart from recognising the 2.5% GST increase applicable from 1 October 2010.

During this time there have been significant increases in fuel and maintenance costs in particular, and a review of fees is therefore timely. Whilst a larger increase in fees could be justified it is recommended that a 3% increase be applied to all cemetery fees at this juncture, with similar increases to be proposed over the next two years.

RECOMMENDATION

THAT the proposed schedule of fees and charges for the year commencing 1 July 2012, be adopted.

5. FINANCIAL REPORT FOR FEBRUARY 2012

(Memo from Management Accountant 04.04.12)

Operating Results

For the 8 months ended 29 February 2012, the Gore District Council recorded a deficit of \$488k. This is favourable by \$162k on the budget result for the same period.

Our performance for the period is summarised in the table below. More detail can be found in the statements throughout this report.

The U/F column indicates if the variance is unfavourable or favourable.

Operating Results							
February							
Actual	Budget	Variance	Actual	Budget	Variance	U/F	
\$000	\$000	\$000	\$000	\$000	\$000		
Revenue							
965	962	3	7,717	7,694	23	F	3 Rates
10	12	(2)	74	94	(20)	U	(2) Petroleum Tax
220	208	13	1,367	1,406	(39)	U	13 LTNZ Subsidy
355	271	84	2,377	2,192	184	F	84 Licenses Fees & Other Revenue
1	18	(17)	13	18	(4)	U	(17) Interest and Dividends
314	314	(0)	2,513	2,514	(1)	U	(0) Administration Recoveries
1,865	1,784	81	14,062	13,918	144	F	
Expenses							
102	89	(13)	804	784	(20)	U	(13) Democracy
1,140	1,174	34	9,323	9,286	(37)	U	34 Assets
718	782	64	4,423	4,498	75	F	64 Corporate Services
1,960	2,044	84	14,549	14,567	18	F	
(95)	(260)	165	(488)	(650)	162	F	Surplus (Deficit)

Gore District Council
Statement of Financial Performance
1 July - 29 February 2012

February							
Actual	Budget	Variance		Actual	Budget	Variance	U/F
\$000	\$000	\$000		\$000	\$000	\$000	
Revenue							
108	99	9	Democracy	807	792	15	F
439	430	9	Essential services	3,456	3,367	89	F
396	385	11	Roads	2,764	2,823	(59)	U
239	239	0	Reserves & Sport Facilities	1,930	1,916	15	F
80	84	(4)	Property	701	674	28	F
108	95	13	Regulatory	892	859	33	F
0	0	0	Lignite Development	0	0	0	F
182	121	61	Aquatic Centres	988	965	24	F
143	132	11	Heritage Precinct	1,068	1,054	14	F
170	199	(29)	Administration	1,454	1,469	(14)	U
1,865	1,784	81		14,062	13,918	144	F
Expenses							
101	89	(12)	Democracy	804	784	(20)	U
462	472	10	Essential services	3,847	3,770	(76)	U
373	364	(9)	Roads	2,931	2,883	(48)	U
224	236	12	Reserves & Sport Facilities	1,862	1,870	8	F
81	102	21	Property	684	763	79	F
87	98	11	Regulatory	830	791	(39)	U
0	0	0	Lignite Development	55	125	70	F
319	338	19	Aquatic Centres	1,114	1,083	(31)	U
140	128	(12)	Heritage Precinct	1,046	1,076	30	F
173	218	45	Administration	1,377	1,423	45	F
1,960	2,044	84		14,549	14,567	18	F
(95)	(260)	165	Surplus (Deficit)	(488)	(650)	162	F

Variance Explanation

Income

Overall income is favourable by \$144k.

There are no material permanent variances to speak of at this stage. Small variances are due to timing of invoicing and receipts.

Expenditure

Overall expenditure is favourable by \$18k.

The Aquatic Centres variance is due to seasonal nature of some expenditure items and also unscheduled maintenance items that have required attention. Presently this overspend is partially offset by higher than budgeted revenue.

The Regulatory overspend (\$39k) is due to extra work by our contracted consultants. This appears to be a permanent variance. This is mostly offset at this point by the favourable income variance of \$33k.

All the other small variances are due to the timing of payments and the even spread of the budget.

Solid Energy

The Council has incurred consultancy fees as part of its preparation for Solid Energy's development in the district. It is expected that a significant proportion of these costs will be recoverable.

Specific Division Commentary

Essential Services

Statement of Cost of Service					
Essential Services					
for the period ending 29 February 2012					
2010/11		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
1,960,926	Rates	2,038,595	2,038,595	-	F
1,430,381	Other Revenue	1,417,204	1,328,089	89,115	F
3,391,306	Total Revenue	3,455,799	3,366,684	89,115	F
3,400,122	Total Expenses	3,846,855	3,770,461	76,394	U
(8,815)	Gross Operating Margin	(391,057)	(403,777)	12,720	F
612,196	Capital Expenditure	256,327	349,226	(92,899)	F
(621,011)	Total Surplus/(Deficit)	(647,384)	(753,003)	105,619	F

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

Revenue

Tracking slightly above budget due to timing of the billing cycle.

Expenses

Tracking close to budget, the unfavourable variance is mainly due to depreciation charges being higher than budgeted, this overspend will not have a rating impact.

Capital

On track, capital expenditure to date has been primarily plant replacement which has tracked as expected.

Work on the infrastructural projects scheduled for this financial year is currently underway. The difference is due to timing at this point.

Parks and Reserves

Statement of Cost of Service					
Parks & Reserves					
for the period ending 29 February 2012					
2010/11		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
1,178,832	Rates	1,231,597	1,231,597	-	F
687,868	Other Revenue	698,849	684,179	14,671	F
<u>1,866,700</u>	Total Revenue	<u>1,930,447</u>	<u>1,915,776</u>	<u>14,671</u>	<u>F</u>
1,801,686	Total Expenses	1,861,823	1,869,705	(7,882)	F
65,014	Gross Operating Margin	68,623	46,071	22,552	F
226,200	Capital Expenditure	159,250	172,859	(13,609)	F
<u>(161,186)</u>	Total Surplus/(Deficit)	<u>(90,626)</u>	<u>(126,788)</u>	<u>36,162</u>	<u>F</u>

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

Revenue

Tracking close to budget

Expenses

Tracking close to budget

Capital

Capital expenditure is tracking closely to budget. The plant replacements undertaken to date have all been as planned.

Roading

Statement of Cost of Service					
Roading					
for the period ending 29 February 2012					
2010/11		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
1,246,572	Rates	1,302,358	1,302,358	-	F
1,283,645	Other Revenue	1,461,769	1,521,066	(59,297)	U
<u>2,530,217</u>	Total Revenue	<u>2,764,127</u>	<u>2,823,424</u>	<u>(59,297)</u>	<u>U</u>
2,547,302	Total Expenses	2,930,723	2,883,025	47,698	U
(17,084)	Gross Operating Margin	(166,596)	(59,601)	(106,995)	U
1,215,925	Capital Expenditure	1,165,188	1,245,390	(80,202)	F
<u>(1,233,009)</u>	Total Surplus/(Deficit)	<u>(1,331,784)</u>	<u>(1,304,991)</u>	<u>(26,793)</u>	<u>U</u>

Included in this area is subsidised and non-subsidised roading work for the urban and rural wards.

Revenue

Tracking close to budget, NZTA subsidy is a little behind. This is not a permanent variance.

Expenses

Tracking close to budget, the unfavourable variance is mainly due to depreciation charges being higher than budgeted, this overspend will not have a rating impact. Maintenance expenditure is on target.

Capital

All projects are tracking well at this point. The variance is due to timing of the work being undertaken and the budget spread.

Gore District Council
Statement of Financial Position
As at 29 February 2012

Actual		Actual	Annual Plan
28 Feb 2011		29 Feb 2012	30 Jun 2012
\$000		\$000	\$000
	Equity		
138,422	Accumulated funds	138,088	139,303
196,920	Asset Revaluation Reserve	196,920	197,022
335,341		335,008	336,325
	Assets		
	Current Assets		
1,946	Bank	1,736	17
1,161	Debtors	1,219	900
1,311	Short Term Deposits	1,380	1,060
73	Inventory	114	55
(425)	Derivative Instruments	(486)	76
4,066		3,963	2,107
	Non-current Assets		
136	Investments	108	68
120	Loans to Community Groups	124	120
344,937	Fixed Assets	344,405	347,301
345,192		344,637	347,489
349,258	Total Assets	348,600	349,596
	Liabilities		
	Current Liabilities		
0	Short term borrowing	200	0
3,118	Creditors	2,343	1,525
3,118		2,543	1,525
	Non-Current Liabilities		
10,686	Term Loans	10,940	11,607
112	Landfill Aftercare Provision	110	138
10,798		11,049	11,745
13,917	Total Liabilities	13,592	13,270
335,341	Net Assets	335,008	336,325

Balance Sheet

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

Assets

- Bank and Debtors are up marginally on the same time last year due to timing of receipts from customers.
- Derivative instruments are down on the same month last year and the Annual plan due to the revaluation of the interest swaps at 30 June 2011.

Liabilities

- Creditors are lower than last year due timing of invoices and payments.
- Short term borrowing is up on this point last year. This is on call borrowing to aid cash flow.
- Term debt has increased due to planned borrowing which was uplifted at the end of last financial year.

Capital Expenditure

As at 29 February 2012 \$1,972k had been spent on capital works, against a budget of \$1,954k.

RECOMMENDATION

THAT the financial report for the eight months ended 29 February 2012 be received.