

## FINANCE AND POLICY COMMITTEE AGENDA

20 NOVEMBER 2012

### 1. COUNCIL GRANTS - INTERPRETATION

(Memo from Chief Executive – 08.11.12)

At a recent Council meeting a query was raised about how a grant is defined within our accounting structure. The basis of this query was whether any criteria existed to guide Council and staff in respect of annual payments that are included in the grants section (cost centre 105) of the Council's budget. As a consequence I was asked to provide a report with the objective of providing some clarity on this issue.

- ↳ Enclosed please find the schedule of grants contained within cost centre 105. All of these grants are funded from the uniform annual general charge.

The first point to emphasise is that there is no specific criteria for what constitutes a grant. As can be seen the grants cover the full gamut of community wellbeing. Economic, social, cultural and environmental wellbeing are all represented within the schedule. This begs the question of what is a grant?

My definition would be:

*A grant is a fixed sum of money per annum provided by the Council to a not for profit organisation to assist with operational costs, in recognition of the valuable service that is being provided for the benefit of the wider community.*

This definition needs to be distinguished from a contract for services which would involve documentation specifying a service to be provided, the term of the contract together with review and dispute resolution provisions.

If I am within the ballpark with the definition provided above in regard to a grant, then the next question to be posed is whether all grants within the schedule fall within its boundaries. I believe they do.

When this matter was first raised, three specific organisations were cited for closer scrutiny. Only one of these three organisations is currently included within cost centre 105. The three organisations were Venture Southland, Pakeke Lions and the Waikaka Domain Board. Looking at each of these:

**(a) Venture Southland**

Venture Southland was established 11 years ago a regional economic development, promotion, tourism and community development agency. The Council makes a modest (when compared to the two other territorial local authorities in Southland) investment of \$53,709, which is included in the current grant schedule.

A Heads of Agreement exists which sets out the organisation's objectives and purpose, governance structure, annual investments of each Council, together with review and dispute mechanisms. Based on this description it could be viewed as resembling more of a contractual arrangement rather than a grant.

However there is no specific narrative on the services to be provided to the Council. Put simply the Council pays its annual sum based on faith in the regional service provided and the positive spinoff that may accrue to the Gore District. On that basis therefore it is contended that this is really a grant and should remain within cost centre 105.

**(b) Pakeke Lions**

In the last financial year, the Council paid the sum of \$25,300 to Pakeke Lions. This sum was funded from the solid waste cost centre. The payment made to Pakeke Lions is in recognition of the valuable recycling service it provides to the community which diverts cardboard away from the municipal waste stream.

There is no contract in place with Pakeke Lions with the payments resulting from careful deliberation by the Council on the value of the service being provided by this volunteer effort. It is hard to escape the impression that the nature of the relationship between the Council and Pakeke Lions is that of grantor and grantee rather than contractor and client. Therefore it is suggested that this payment be funded from the grants cost centre.

**(c) Waikaka Domain Board**

The Council currently pays a sum of \$9,000 on an annual basis to the Waikaka Domain Board. This money is paid to assist the Board in maintaining the Waikaka Domain. The payment is funded from cost centre 463 which pertains to rural parks and reserves.

Although slightly different in scale, the payment made to the Waikaka Domain board is very similar to that advanced to the Gore A and P Association. In both cases the funds are in the

form of a grant to assist in maintaining and operating an important recreational asset. In the interests of consistency therefore, it is suggested that the payment made to the Waikaka Domain Board should be funded from the grants cost centre.

#### **RECOMMENDATION**

**THAT annual payments made to Gore Pakeke Lions and the Waikaka Domain Board be funded via the grants cost centre 105, with effect from the commencement of the 2013/14 financial year.**

## 2. FINANCIAL REPORT FOR SEPTEMBER 2012

(Memo from Management Accountant – 08.11.12)

### Operating Results

For the 3 months ended 30 September 2012, the Gore District Council recorded a deficit of \$137k. This is favourable by \$59k 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

Month of September			Year to date			U/F
Actual	Budget	Variance	Actual	Budget	Variance	
\$000	\$000	\$000	\$000	\$000	\$000	
<b>Revenue</b>						
990	1,049	(59)	3,088	3,147	(59)	<b>U</b>
8	12	(4)	27	37	(10)	<b>U</b>
295	134	161	342	403	(61)	<b>U</b>
166	229	(63)	813	794	19	<b>F</b>
4	9	(5)	7	9	(2)	<b>U</b>
336	336	(0)	1,009	1,009	(0)	<b>U</b>
<b>1,800</b>	<b>1,769</b>	<b>31</b>	<b>5,285</b>	<b>5,398</b>	<b>(113)</b>	<b>U</b>
<b>Expenses</b>						
97	114	17	292	345	53	<b>F</b>
1,319	1,242	(77)	3,564	3,567	3	<b>F</b>
566	585	19	1,566	1,683	116	<b>F</b>
<b>1,982</b>	<b>1,941</b>	<b>(41)</b>	<b>5,422</b>	<b>5,595</b>	<b>172</b>	<b>F</b>
<b>(182)</b>	<b>(172)</b>	<b>(10)</b>	<b>(137)</b>	<b>(196)</b>	<b>59</b>	<b>F</b>

**Gore District Council**  
**Statement of Financial Performance**  
**1 July - 30 September 2012**

Month of September			Year to date				
Actual	Budget	Variance	Actual	Budget	Variance	U/F	
\$000	\$000	\$000	\$000	\$000	\$000		
<b>Revenue</b>							
99	104	(5)	Democracy	315	312	4	<b>F</b>
410	454	(44)	Essential services	1,369	1,362	6	<b>F</b>
473	325	148	Roads	894	976	(82)	<b>U</b>
252	255	(3)	Reserves & Sport Facilities	758	765	(6)	<b>U</b>
67	79	(12)	Property	245	236	9	<b>F</b>
82	100	(18)	Regulatory	368	394	(26)	<b>U</b>
0	0	0	Lignite Development	0	0	0	<b>F</b>
97	121	(24)	Aquatic Centres	336	362	(26)	<b>U</b>
118	128	(10)	Heritage Precinct	394	385	9	<b>F</b>
202	202	0	Administration	606	607	(1)	<b>U</b>
<b>1,800</b>	<b>1,768</b>	<b>32</b>		<b>5,285</b>	<b>5,398</b>	<b>(113)</b>	<b>U</b>
<b>Expenses</b>							
97	114	17	Democracy	292	345	53	<b>F</b>
612	568	(44)	Essential services	1,565	1,544	(20)	<b>U</b>
369	334	(35)	Roads	1,014	1,003	(11)	<b>U</b>
253	248	(5)	Reserves & Sport Facilities	724	743	19	<b>F</b>
84	92	8	Property	261	276	15	<b>F</b>
126	116	(10)	Regulatory	319	350	32	<b>F</b>
2	0	(2)	Lignite Development	2	0	(2)	<b>U</b>
139	136	(3)	Aquatic Centres	365	369	4	<b>F</b>
129	141	12	Heritage Precinct	394	410	16	<b>F</b>
169	193	24	Administration	486	554	67	<b>F</b>
<b>1,980</b>	<b>1,941</b>	<b>(39)</b>		<b>5,422</b>	<b>5,595</b>	<b>172</b>	<b>F</b>
<b>(180)</b>	<b>(173)</b>	<b>(7)</b>	<b>Surplus (Deficit)</b>	<b>(137)</b>	<b>(196)</b>	<b>59</b>	<b>F</b>

## Variance Explanation

### **Income**

Overall income is unfavourable by \$113k.

There are no material permanent variances.

Small variances are due to timing of invoicing and receipts, the \$61k unfavourable NZTA Subsidy variance is due to timing of capital work.

### **Expenditure**

Overall expenditure is favourable by \$172k.

No material permanent variances are noted.

## Specific Division Commentary

### **Essential Services**

**Statement of Cost of Service  
Essential Services  
for the period ending 30 September 2012**

2011/12		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
734,722	Rates	937,726	937,726	-	F
496,962	Other Revenue	431,049	424,709	6,339	F
<b>1,231,684</b>	<b>Total Revenue</b>	<b>1,368,774</b>	<b>1,362,435</b>	<b>6,339</b>	<b>F</b>
<b>1,319,291</b>	<b>Total Expenses</b>	<b>1,564,601</b>	<b>1,544,230</b>	<b>20,371</b>	<b>U</b>
<b>(87,607)</b>	<b>Gross Operating Margin</b>	<b>(195,827)</b>	<b>(181,795)</b>	<b>(14,032)</b>	<b>U</b>
142,018	Capital Expenditure	130,709	369,030	(238,321)	F
<b>(229,624)</b>	<b>Total Surplus/(Deficit)</b>	<b>(326,536)</b>	<b>(550,825)</b>	<b>224,289</b>	<b>F</b>

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

### Revenue

This is tracking closely to budget

### Expenses

Overall are tracking close to budget.

### Capital

This variance is due to timing of the planned capital expenditure.

## Parks & Reserves

### Statement of Cost of Service Parks & Reserves for the period ending 30 September 2012

2011/12		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
442,062	Rates	485,866	485,866	-	F
285,955	Other Revenue	272,607	279,077	(6,470)	U
<b>728,017</b>	<b>Total Revenue</b>	<b>758,473</b>	<b>764,943</b>	<b>(6,470)</b>	<b>U</b>
<b>713,934</b>	<b>Total Expenses</b>	<b>724,121</b>	<b>743,481</b>	<b>(19,360)</b>	<b>F</b>
<b>14,083</b>	<b>Gross Operating Margin</b>	<b>34,352</b>	<b>21,462</b>	<b>12,890</b>	<b>F</b>
69,156	Capital Expenditure	171,998	190,453	(18,455)	F
<b>(55,073)</b>	<b>Total Surplus/(Deficit)</b>	<b>(137,645)</b>	<b>(168,991)</b>	<b>31,346</b>	<b>F</b>

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

#### Revenue

This is tracking close to budget.

#### Expenses

This is tracking well with no issues noted.

#### Capital

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

## Roading

### Statement of Cost of Service Roothing for the period ending 30 September 2012

2011/12		Actual	Budget	Variance	U/F
	<i>Revenue</i>				
467,465	Rates	510,848	510,848	-	F
438,318	Other Revenue	383,360	465,123	(81,763)	U
<b>905,783</b>	<b>Total Revenue</b>	<b>894,208</b>	<b>975,971</b>	<b>(81,763)</b>	<b>U</b>
<b>1,071,312</b>	<b>Total Expenses</b>	<b>1,014,068</b>	<b>1,002,630</b>	<b>11,438</b>	<b>U</b>
<b>(165,528)</b>	<b>Gross Operating Margin</b>	<b>(119,861)</b>	<b>(26,659)</b>	<b>(93,202)</b>	<b>U</b>
265,838	Capital Expenditure	318,581	418,341	(99,760)	F
<b>(431,367)</b>	<b>Total Surplus/(Deficit)</b>	<b>(438,442)</b>	<b>(445,000)</b>	<b>6,558</b>	<b>F</b>

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

#### Revenue

Tracking close to budget, NZTA subsidy revenue is down due to timing of the capital work, no material issues noted.

#### Expenses

These are also tracking close to budget.

#### Capital

Capital work is tracking behind the behind the budget, no permanent variances.



**Gore District Council  
Statement of Financial Position  
As at 30 September 2012**

Actual 30 Sep 11 \$000		Actual 30 Sep 2012 \$000	LTP 30 Jun 2013 \$000
<b>Equity</b>			
138,338	Accumulated funds	136,755	138,894
196,920	Asset Revaluation Reserve	196,920	232,957
<b>335,257</b>		<b>333,674</b>	<b>371,851</b>
<b>Assets</b>			
<b>Current Assets</b>			
790	Bank	534	669
2,457	Debtors	2,555	1,564
1,380	Short Term Deposits	1,444	1,371
92	Inventory	150	55
(486)	Derivative Instruments	(596)	(91)
<b>4,233</b>		<b>4,088</b>	<b>3,567</b>
<b>Non-current Assets</b>			
108	Investments	67	112
124	Loans to Community Groups	121	120
344,871	Fixed Assets	344,021	381,755
<b>345,103</b>		<b>344,209</b>	<b>381,987</b>
<b>349,336</b>	<b>Total Assets</b>	<b>348,297</b>	<b>385,554</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
-	Short term borrowing	-	-
3,023	Creditors	3,151	2,279
<b>3,023</b>		<b>3,151</b>	<b>2,279</b>
<b>Non-Current Liabilities</b>			
10,946	Term Loans	11,364	11,314
110	Landfill Aftercare Provision	107	110
<b>11,055</b>		<b>11,471</b>	<b>11,424</b>
<b>14,079</b>	<b>Total Liabilities</b>	<b>14,623</b>	<b>13,703</b>
<b>335,257</b>	<b>Net Assets</b>	<b>333,674</b>	<b>371,851</b>

**Balance Sheet**

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

**Assets**

- Bank is down and debtors are up 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 2012.

**Liabilities**

- Creditors are higher than last year due timing of invoices and payments.
- Term debt has increased due to planned borrowing which was uplifted at the end of last financial year.

**Capital Expenditure**

As at 30 September 2012 \$718k had been spent on capital works, against a budget of \$870k. The variance at this point is down to timing because of the spread of the budgets.

**RECOMMENDATION**

**THAT the financial report for the three months ended 30 September 2012 be received.**