



**TO THE MAYOR AND COUNCILLORS OF THE  
MACKENZIE DISTRICT COUNCIL**

**Membership of the Finance Committee:**

Cr Graham Smith (Chairman)  
Claire Barlow (Mayor)  
Cr Russell Armstrong  
Cr Murray Cox  
Cr Noel Jackson  
Cr James Leslie  
Cr Evan Williams

*Notice is given of a meeting of the Finance Committee to be  
held on Thursday, June 12, 2014, at 9.30am.*

**VENUE:** Council Chambers, Fairlie.

**BUSINESS:** As per agenda attached

WAYNE BARNETT  
CHIEF EXECUTIVE OFFICER



## FINANCE COMMITTEE

Agenda for Thursday, June 12, 2014, at 9.30am

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**APOLOGIES** – An apology has been received from Cr Evan Williams.

### DECLARATIONS OF INTEREST

#### VISITORS:

Wendy Smith from Aoraki Development Business and Tourism (ADBT) will attend at 10am to present the ADBT report to council. This will be followed by a presentation from Julie McLean, chairperson of Education South Canterbury, on the Education South Canterbury Strategic Plan.

#### MINUTES:

Confirm and adopt as the correct record the minutes of the Finance Meeting held on Tuesday May 6, 2014, including such parts as were taken with the public excluded.

#### SUB COMMITTEE MINUTES:

Receive the minutes of the meeting of the Tekapo Property Group held on June 4, 2014, including such parts as were taken with the public excluded.

#### REPORTS:

1. Report and presentation from Aoraki Development Business and Tourism (ADBT) (attached).
2. Presentation from Education South Canterbury.
3. Financial Activity Report – April 2014 (attached).
4. Alpine Energy Limited, Draft Statement of Corporate Intent 2014/17 (attached).
5. Exemption Mackenzie Holdings Ltd (attached).
6. Funding Request from Fairlie Community Board (attached).

#### PUBLIC EXCLUDED:

Resolve that the public be excluded from the following part of the proceedings of this meeting namely:

1. Public excluded minutes of the Finance Committee meeting held on May 6, 2014, taken in public excluded session.
2. Public excluded minutes of the Tekapo Property Group meeting held on June 4, 2014, taken in public excluded session.
3. Loan - Mackenzie Tourism Development Trust (attached).
4. Lot 26 DP52089 26 Glen Lyon Road (attached).
5. Tekapo Parking and Landscape Review Proposal (attached).
6. Aurecon Subdivision Fee Proposal (attached).

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
Previous minutes of the Finance Committee, May 6, 2014	Enable commercial negotiations	48(1)(a)(i)
Previous minutes of the Tekapo Property Group, June 4, 2014	Commercial sensitivity	48(1)(a)(i)
Loan – Mackenzie Tourism Development Trust	Maintain legal professional privilege	48(1)(a)(i)
	Maintain legal professional privilege	48(1)(a)(i)
Lot 26 DP52089 26 Glen Lyon Road	Enable commercial negotiations	48(1)(a)(i)
Tekapo Parking and Landscape Review	Commercial sensitivity	48(1)(a)(i)
Aurecon Subdivision Fee Proposal	Commercial sensitivity	48(1)(a)(i)
This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: <i>Previous minutes of the Finance Committee under section 7(2)(i), previous minutes of the Tekapo Property Group under section 7(2)(b)(ii) and 7(2)(g), Loan – Mackenzie Tourism Development Trust under section 7(2)(g), Lot 26 DP52089 26 Glen Lyon Rd under section 7(2)(i). Tekapo Parking and Landscape Review and Aurecon Subdivision Fee Proposal under section 7(2)(b)(ii).</i>		

## **RESOLUTION TO RESUME OPEN MEETING**

### **ADJOURNMENTS:**

10.20am: Morning Tea

12.00pm: Lunch

## **MACKENZIE DISTRICT COUNCIL**

### **MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY, MAY 6, 2014, AT 9.30AM**

#### **PRESENT:**

Cr Graham Smith (Chairman)  
 Claire Barlow (Mayor)  
 Cr Murray Cox  
 Cr Russell Armstrong

#### **IN ATTENDANCE:**

Wayne Barnett (Chief Executive Officer)  
 Paul Morris (Manager – Finance and Administration)  
 Arlene Goss (Committee Clerk)  
 Nathan Taylor (Planning and Regulation Manager) – from 10.51to 11.10am.  
 Kelvin Cross (JLT Insurance) – from 11.30am

#### **APOLOGIES:**

Resolved that an apology be received from Cr James Leslie, Cr Noel Jackson and Cr Evan Williams.

**Graham Smith/Russell Armstrong**

#### **DECLARATIONS OF INTEREST:**

There were no declarations of interest.

#### **MINUTES:**

Resolved that the minutes of the meeting of the Finance Committee held on March 20, 2014, including such parts as were taken with the public excluded, be confirmed and adopted as the correct record of the meeting.

**Claire Barlow/Graham Smith**

#### **MATTERS UNDER ACTION:**

The chief executive believes council can establish the viewing corridors as separate titles to provide the level of control needed over those areas, although there will be a maintenance requirement. He will continue to work towards that. Council has signalled in negotiations with developers that we wish to take the viewing corridors out of the land area being negotiated.

One proposal to complete the landscaping and car parking projects has come back to date and a second proposal is being chased up.

## COMMITTEE MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on April 23, 2014, including such parts as were taken with the public excluded, be received.

**Graham Smith/Murray Cox**

## REPORTS:

### FINANCIAL ACTIVITY REPORT TO MARCH, 2014:

Resolved that the report be received.

**Murray Cox/Russell Armstrong**

The Finance and Administration Manager explained the variances in his report.

Billing for the water zone committees does not show in the accounts yet and we have not billed as much for the elections. We have budgeted over three years a total of \$40,000 to pay for the local body elections. This means a surplus in years one and two, with a deficit in year 3. By-elections held in Fairlie and Tekapo also cost extra. The Mayor asked how much. About \$5,000 in Fairlie and \$500-\$600 in Tekapo as only one person stepped forward. The Mayor asked how much is spent on advertising to encourage people to stand as candidates. Paul Morris outlined the advertising that was placed. The chairman said the community has a responsibility to put candidates forward for election. Cr Cox added that council also needs to be more proactive in the lead up to the election.

Regarding consultancy expenses, this relates to the public consultation on the Tekapo Lakefront Development and the cost of the public meetings.

The Mayor asked regarding member expenses and these are tracking to budget overall. Training expenses are up and travel expenses are down, but these balance each other out.

Photocopy costs are high. A lot of this is generated by the building department with the copying of large plans.

The chairman asked if the car mileage being used is not as high as predicted. Yes, except in the building department where mileage is going up due to having an additional building inspector. But in other areas of the organisation cars are not being used as much as predicted.

On page 20 of the agenda, the end of year water billing has not been done yet and this is showing as a variance.

There was some discussion on the need to spend the budgets that are allocated to projects such as the Twizel water supply because ratepayers want to see the assets they are paying for. Paul Morris explained that depreciation of the water asset will be a cost for Twizel in future years. The chairman said the people of Twizel need to understand the need to fund depreciation.

Under roading, subsidies and grants are higher than budgeted due to receiving money for emergency road repairs. Salaries are lower than budgeted. The Mayor asked why there was a big step-up in the amount budgeted for RAM over last year. This is because it happens every second year. There was discussion around the cost of emergency road repairs and the amount of money received from NZTA. There is a need to build up a reserve for future repairs. The chairman is concerned that we are light on reserves.

Regarding capital expenditure, the amount for Manuka Terrace is spent on page 33. The developers contributed money towards this and council agreed to pay interest on the money it held.

Under Planning on page 34 reserve contributions are higher than budgeted. Consultancy costs are under budget.

Under regulatory we have employed an additional building inspector so costs are going up, but this is covered by higher revenue.

Insurance costs are down due to council being a member of a cooperative insurance provider that got hit by a lot of claims for leaky buildings in previous years. We contributed in four years about \$120,000 to \$130,000 as our share towards leaky building claims across the country. The insurance cooperative now operates more like an insurance company and the leaky building issues are being settled, so we are not being levied as much as we were.

More is being spent on transporting solid waste.

Under community facilities, swimming pool costs are higher than budgeted for.

There is still project money to be spent in the townships. Twizel's budget is spent. Fairlie is close to being spent. Tekapo has money to spend. Cr Cox said this is just due to the timing of the invoices, as the car park on Lakeside Drive has been done.

The chairman thanked Paul Morris for the budget.

***The meeting adjourned for morning tea at 10.31am and reconvened at 10.45am.***

## BANCORP QUARTERLY REPORT TO MARCH, 2014:

The Finance and Administration Manager noted a mistake in his report. Council did not redeem half a million dollars of "ASB Bank (Sub Debt) matured July 2013", as noted on page 49 of the agenda. This sentence should have been deleted from the report.

### ***Nathan Taylor joined the meeting at 10.51am.***

The chairman would like the committee to review council's investment policy to allow an opportunity to take up other investment options. He suggested a policy that allows a portion of investment to sit outside the policy. Paul Morris believes this would require an amendment to the Long Term Plan.

The Mayor suggested that council reviews the current investment policy and asked for a copy to be circulated. The chairman agreed and asked to meet with council's broker at the next Finance Committee meeting. Paul Morris will organise this.

The Mayor asked what return council is receiving on its term deposits. Paul Morris said 90 days is at 4.35%. The Mayor wondered whether we should be investing in our own infrastructure. Paul Morris explained the background to why the council made a decision in 2012 to change the investment policy regarding this matter.

Resolved that the report be received.

**Claire Barlow/Russell Armstrong**

## PROPOSED PLANNING AND REGULATORY FEES AND CHARGES FOR 2014/15:

The chairman congratulated the Mayor and Cr Cox who have done their RMA training and are now qualified.

Planning and Regulation Manager Nathan Hole explained his report which represents the fees for planning and regulatory services for the coming year. The resource management fees need to be publically consulted and this is being done at the same time as the annual plan.

He has not changed the building fees and will reassess this next year.

The chairman asked if the \$60 call-out fee for dogs and stock on roads is regularly charged. Nathan Hole said it has not been charged at all in the past 12 months, however it is helpful to have the option available if there are repeat offenders.

The schedule of fees is attached to the draft annual plan for public feedback.

Resolved:

1. That the report be received.

**Murray Cox/Rusell Armstrong**

2. That the committee agrees to the proposed fees and charges.

**Claire Barlow/Murray Cox**

3. That the committee agrees to the draft RMA fees and charges to proceed through the special consultative procedure as described in the Local Government Act 2002.

**Claire Barlow/Murray Cox**

***Nathan Taylor left the meeting at 11.10am.***

**LGNZ BRAND AND COMMUNICATIONS PROPOSAL:**

The Mayor provided some background to this report. Small councils do not have the budget or resources to be involved in this level of communication so a series of workshops were held and this package was put together by LGNZ.

They are starting small in the first year with increasing amounts over three years. The lack of interest in the local body elections might be improved with positive messages from local government. This would be over and above what we currently pay for services from LGNZ. Smaller councils are being asked to pay less than larger councils.

The chairman asked if this will still happen if we are not part of it? Not necessarily. It depends how many others sign up. Cr Cox would like material to be available that we could use to promote standing for council in the next election year.

The chief executive said local government is more vulnerable to change because the support it gets from the community is not as strong as the support the community provides to other sectors such as education. The objective is to strengthen that link with the community.

Cr Cox asked if it was possible to commit for the first year and see how it goes. That is not what they have asked for. They are looking for a three year commitment.

Council currently pays LGNZ \$20,000 a year for other services and the chairman believes this money should come from within that budget rather than double dipping.

The Mayor read out the list of what is involved in the first year of the project.

The chief executive said LGNZ are giving us a choice which is a commendable way to approach it, rather than just going ahead and increasing the fee we already pay.

Cr Armstrong said we might get the money back at the next election if it encourages more members of the public to stand for election and by-elections are not required.

The chairman felt he would have trouble defending this to his community and moved that the committee decline to support it.

**Resolved:**

1. That the report be received.

**Claire Barlow/Russell Armstrong**

2. That the committee decline its support for the LGNZ Brand and Communications Proposal.

**Graham Smith/Russell Armstrong**

**VISITOR:**

***Kelvin Cross from JLT Insurance joined the meeting at 11.29am.***

Kelvin Cross was welcomed by the chairman and spoke to councillors regarding the insurance of above-ground council assets. Following the Christchurch earthquakes the whole of New Zealand has been deemed high risk for insurance purposes. There have been some big changes but it's not all doom and gloom. We have seen 3-4 years of rising insurance rates but there has been some reduction in the last quarter of 2013. He is confident that this year will see reductions.

He spoke regarding the mix of insurance companies covering local government. Insurers are driving the need to know how a building will react in an earthquake. Council needs to look at higher value buildings. If council can provide some building standard percentages it shows intent to move down that path. The percentages should be disclosed as they become known. Reports cost \$2,500 to \$5,000 each so this has a budget impact. He suggests doing 2-3 main buildings to satisfy the insurer, then plan ahead for the next year to do another 2-3.

Council currently insures property assets worth about \$30 million. If we can show that two or three are good quality risks this will have a beneficial effect. The chairman asked if this was just about earthquake risk. Kelvin Cross said it was not just earthquake risk, but a reasonably sound structure was better. The Mayor asked for the premium difference between a building at 33% of code as opposed to one at a higher code. Kelvin Cross said this makes a

significant difference in terms of premiums. In some cases if the percentage of code compliance is low the insurer will only give an indemnity cover instead of replacement cover.

He said council needs to know what would be replaced with like, and what would be replaced with something different. There are different ways of looking at how we insure our assets. Currently the main council building in Fairlie is insured for replacement.

Would council insure buildings like Skipton Hall or Albury Hall for full replacement? This needs community consultation.

In the past we insured everything for everything. Council might now want to have a tier system where buildings are insured at different levels. In the break down of what council pays on the property premium, approx. 50% is now earthquake premium. Kelvin Cross asked if council still wants a full replacement policy for fire, wind and earthquake damage on a public toilet?

With current spreadsheets and models it is possible to do modelling of different approaches very easily to see what the impact would be. Increasing the excess has an impact. Sometimes the excess plus the premium might equal the value of the asset.

The Twizel Events Centre, for example, is worth \$5.8 million. This means council needs five percent put aside to pay excess in the event of an earthquake at Mount Cook that destroys the Events Centre. This is often not thought about in a budget sense – do we have a reserve and how would we fund it after a disaster?

He explained the earthquake rate and how it works in different districts.

Getting reports on the earthquake risk of buildings is also important for the staff who work in them and the public who use the buildings. People using buildings want to know they are in a sound building.

The chairman said insurance needs to provide the right level of cover and he is anxious that we have the right cover.

Cr Cox asked how funded depreciation is taken into account when looking at insurance. Paul Morris said funded depreciation is collected to cover the wear and tear over the life of the building and eventually replace it. Insurance is designed to pay for sudden unforeseen loss. They fund two different things.

Kelvin Cross suggested using the tier approach and starting with million dollar plus assets and then moving down the tiers to make decisions on insurance. The chairman asked what percentage saving could be made in premiums from doing this work. Kelvin Cross gave an example of a client business who reduced its premium from half a million to \$250,000 by taking an aggressive approach to insurance.

Paul Morris explained the approach taken by council to insurance to date. There is an asset register used for insurance purposes and this is updated each year.

In 2010 the council's property premium was \$36,000 per year. Now it is \$85,000 plus. There is a need to reduce this amount.

## **PUBLIC EXCLUDED:**

Resolve that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Public excluded minutes of the Finance Committee meeting held on March 20, 2014, taken in public excluded session.
2. Public excluded minutes of the Tekapo Property Group meeting held on April 23, 2014, taken in public excluded session.
3. Sale of Land to Meridian Energy (report to be circulated before the meeting)

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
Previous minutes of the Finance Committee, March 20, 2014	Commercial sensitivity	48(1)(a)(i)
Previous minutes of the Tekapo Property Group, April 23, 2014	Commercial sensitivity	48(1)(a)(i)
Sale of Land to Meridian Energy	Enable commercial negotiations	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes of the Finance Committee and Tekapo Property Group under section 7(2)(b)(ii). Sale of Land to Meridian Energy under section 7(2)(i).*

**Claire Barlow/Russell Armstrong**

The Finance Committee continued in open meeting.

**THE CHAIRMAN DECLARED THE MEETING CLOSED AT 12.22pm**

**CHAIRMAN:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

## MACKENZIE DISTRICT COUNCIL

### MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE LAKE TEKAPO COMMUNITY CENTRE, TEKAPO ON WEDNESDAY, JUNE 4, 2014, AT 1.00PM

#### PRESENT:

Murray Cox (Chair)  
 Claire Barlow  
 Graham Smith  
 Stella Sweney  
 Richie Smith (by teleconference from Christchurch)  
 Wayne Barnett (Chief Executive)  
 Paul Morris (Finance and Administration Manager)

#### IN ATTENDANCE:

Arlene Goss (Committee Secretary)

#### APOLOGIES:

Resolved that an apology be received from Russell Armstrong.

**Claire Barlow/Graham Smith**

#### DECLARATIONS OF INTEREST:

There were no declarations of interest.

#### MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on April 23, 2014, be confirmed and adopted as the correct record of the meeting, including those matters taken under public excluded.

**Graham Smith/Stella Sweney**

#### PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes, Tekapo Property Group, March 11.
2. Development Update (verbal).
3. Engineering proposal from Aurecon (verbal).
4. Update on boundary location issues (verbal).

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Previous minutes Tekapo Property Group, March 11.	Commercial sensitivity	48(1)(a)(i)
Development Update	Commercial sensitivity	48(1)(a)(i)
Engineering proposal from Aurecon	Commercial sensitivity	48(1)(a)(i)
Update on boundary location issues	Maintain legal professional privilege	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes, Development Update and Engineering proposal from Aurecon under section 7(2)(b)(ii). Update on boundary location issues under section 7(2)(g).*

**Claire Barlow/Graham Smith**

## **RESOLUTION TO OPEN THE MEETING TO THE PUBLIC**

**THERE BEING NO FURTHER BUSINESS  
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 1.53PM.**

**CHAIRMAN:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**Aoraki Development Business and Tourism  
Economic Development Services to the Mackenzie District  
Quarterly Report - Confidential  
31<sup>st</sup> March 2014**

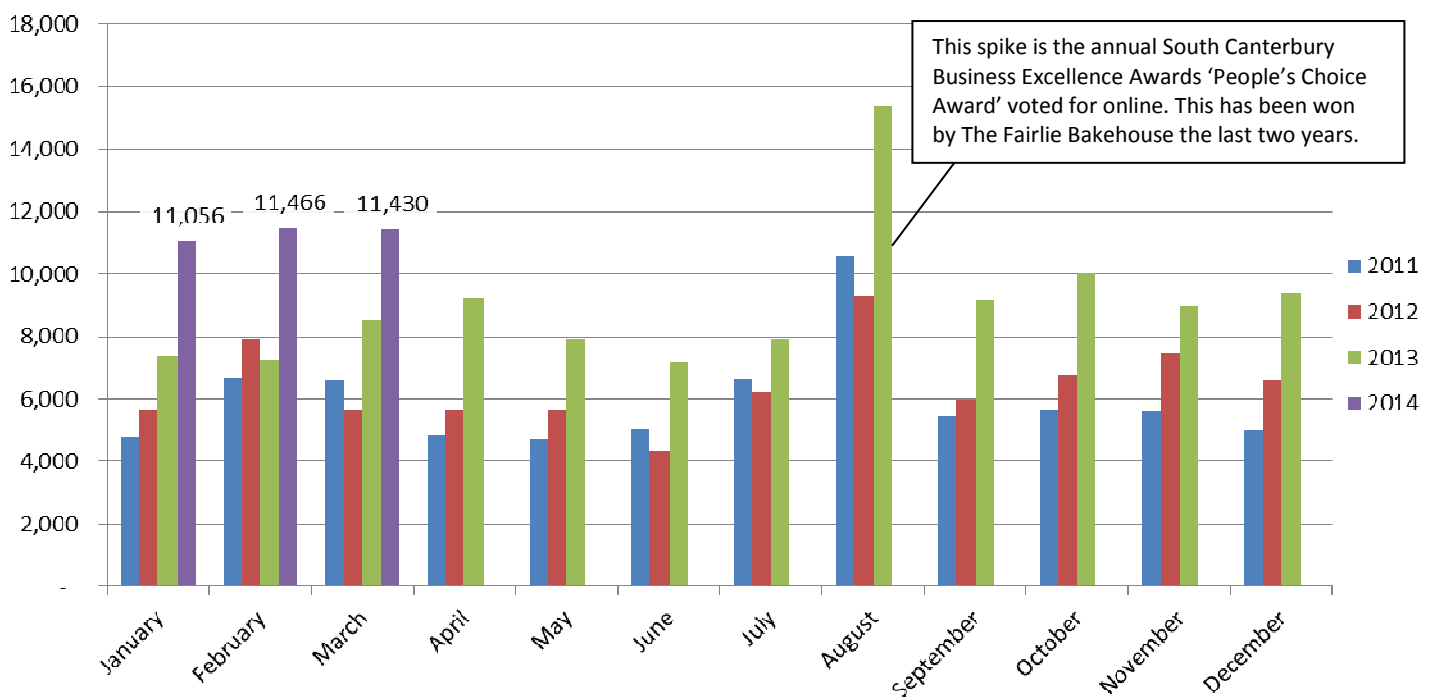
## Introduction

The quarterly reports presented to Mackenzie District Council will be based on the Activity Output Schedule as per the Memorandum of Understanding. Changes can be easily incorporated to improve the value of this reporting.

## Website Marketing Partner of South Canterbury

2014 has seen an increase in visit numbers to [www.southcanterbury.org.nz](http://www.southcanterbury.org.nz) with over 11,000 visits each month. From January to March 2014 there were over 33,000 visits to the site and 75,000 page views; web visitors spent an average of two minutes each on the site.

### Visits to [www.southcanterbury.org.nz](http://www.southcanterbury.org.nz) per Month



The South Canterbury website has Mackenzie District specific content including content pages about Mackenzie District, Aoraki/Mount Cook, Tekapo, Fairlie and Twizel. 17 Mackenzie business partners are showcased on the site and receive excellent value for their annual investment. For example a large, international trading Mackenzie food producer's own web-analytics showed that over 6% of all their web traffic comes through [www.southcanterbury.org.nz](http://www.southcanterbury.org.nz) which they are extremely happy with. As well as this, Mackenzie based events can be listed for free on the site, ADBT is working with community groups and businesses to make sure they make the most of this.

## Cluster Support and Inclusion

- Export and Import cluster
  - China Workshop
  - Planned 'Export Experience' events
- Primary Produce Innovation Cluster
 

The PPIC Advisory board met in February and set the following draft plan:

April

  - Mackenzie Working Tour with NZ Food Innovation Network – 16<sup>th</sup> April visit food businesses in Mackenzie
  - Careers Advisors, Principals & Head Students Field Day – Visits to farming and manufacturing operations to inspire tomorrow's work force of the job opportunities in these fields as there are skill shortages effecting business growth.

July/August

  - Launch of South Canterbury logo type and brand mark to support consistent marketing and identity
- Education South Canterbury International Education
  - Secured a grant from Education NZ to develop a strategic plan to grow International Education in South Canterbury.

## Official Visitor Guide

- Continued distribution to Mackenzie Businesses, due for a new edition in December

## Sponsor of the Annual Business Excellence Awards

- A separate investment of \$2k
  - 2013 finalists from Mackenzie District (4 of 31)
    - Earth & Sky
    - High Country Carpentry
    - Tekapo Springs
    - The Fairlie Bakehouse
  - Awards won by Mackenzie businesses (3 of 11)
    - People's Choice Award - The Fairlie Bakehouse
    - Hospitality Industry Award - The Fairlie Bakehouse
    - Tourism Industry Award - Tekapo Springs

The value of entering any business awards process is to provide an external review of the business 'Warrant-of-Fitness' for the companies entering. The questions are deliberately searching and based on 'best practice' in business systems and procedures. The real purpose therefore should be not so much to win an award, but to discover and reflect on what the business needs to improve on to become a truly internationally competitive company in what is now an increasingly global market.

*Dr Leith Oliver, University of Auckland Business School and Icehouse Business Growth Programmes.*

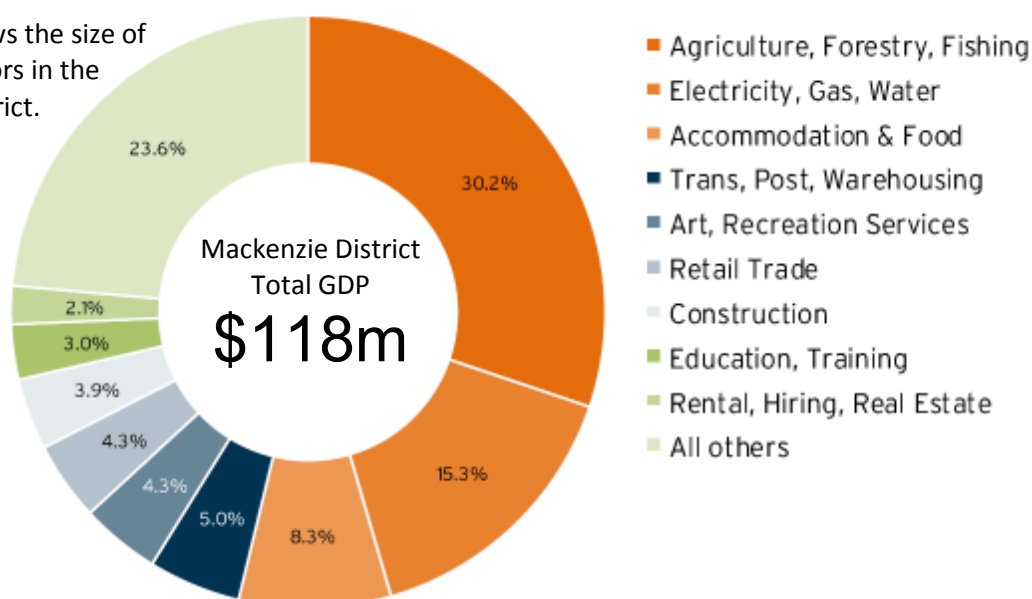
## Monthly Visits - Business Services

The first step in business support is letting business know that it is available. ADBT have set up Business Support Stands with all the key information on support available in Fairlie, Tekapo and Twizel (see attached Guide to Business Support for an example.) ADBT met with the Lake Tekapo Promotion Association and the Twizel Promotion & Development Association in January to outline the role that the Mackenzie District Council has contracted ADBT and to confirm that our activities would complement the work of these associations.

Meeting face to face with businesses is the best way to connect with and support them. The following table shows the industries we have supported. All business support meetings through this period were at no charge due to the Mackenzie District Council funding.

Mackenzie Business Support by Industry: Jan - Mar 2014				
Sector	Informed	Supported	Managed	
Agriculture, Forestry, Fishing	0	3	1	<b>Informed:</b> Supported by providing business information & referrals as requested
Electricity, Gas, Water	0	0	0	
Accommodation & Food	3	2	0	
Art, Recreations Services	1	1	1	<b>Supported:</b> Met with business and provide ongoing support as requested
Retail Trade	1	0	0	
Construction	1	0	0	<b>Managed:</b> Proactively provide ongoing support and business growth opportunities
Rental, Hiring, Real Estate	0	1	0	
All others	1	2	1	
<b>Total Businesses Supported</b>	<b>7</b>	<b>9</b>	<b>3</b>	

This graph shows the size of the above sectors in the Mackenzie District.



## Example of a Managed Client

Large station owner came to ADBT for help exploring possible markets for a new crop they are trialing. ADBT has brought Callaghan Innovation (R&D funding body) to their farm, facilitated a meeting with supermarket owner and booked with NZ Food Innovation Network to visit them in April. This wide range of expertise in the early stages of their planning is invaluable. ADBT is also undertaking some research on their behalf to protect their confidentiality.

## **Training and Events**

Two training workshops are scheduled for the Mackenzie District. Tekapo has been chosen as a venue as it is a central point for Fairlie and Twizel businesses

- Wednesday 7<sup>th</sup> and Thursday 8<sup>th</sup>: Essential Training for Health and Safety Representatives (Stage 1)
- Wednesday 11<sup>th</sup>: Disciplinary Process

## **Feedback / Matters of Interest**

Our support of businesses funded by the Mackenzie District Council has been very well received. There are numerous innovative business people who are at times isolated from the expertise needed to implement business goals. MDC's contact with ADBT is helping to bridge that gap and ensure they get the support they need.

## **MACKENZIE DISTRICT COUNCIL**

**REPORT TO:** FINANCE COMMITTEE

**SUBJECT:** FINANCIAL REPORT – APRIL 2014

**MEETING DATE:** 12 JUNE 2014

**REF:** FIN 1/2/1

**FROM:** MANAGER – FINANCE AND ADMINISTRATION

**ENDORSED BY:** CHIEF EXECUTIVE OFFICER

### **PURPOSE OF REPORT:**

Attached is the financial report for Council for the period ended 30 April 2014.

### **STAFF RECOMMENDATIONS:**

1. That the report be received.

**PAUL MORRIS**  
**MANAGER – FINANCE AND ADMIN**

**WAYNE BARNETT**  
**CHIEF EXECUTIVE OFFICER**

MACKENZIE DISTRICT COUNCIL  
ACTIVITY REPORT  
FOR THE PERIOD ENDED APRIL 2014

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Governance</b>						
<b>Income</b>						
General Rates	287,790	264,870	264,870	(0)	0.00% <span style="color: red;">✗</span>	317,844
Targeted Rates	24,400	25,163	25,160	3	0.01% <span style="color: green;">✓</span>	30,192
Other Income	22,020	32,071	42,500	(10,429)	-24.54% <span style="color: red;">✗</span>	1 45,000
<b>Total Income</b>	<b>334,210</b>	<b>322,104</b>	<b>332,530</b>	<b>(10,426)</b>	<b>-3.14%</b>	<b>393,036</b>
<b>Expenses</b>						
Employment Expenses	40,206	45,386	37,460	(7,926)	-21.16% <span style="color: red;">✗</span>	2 44,952
Members Expenses	272,602	291,979	244,340	(47,639)	-19.50% <span style="color: red;">✗</span>	3 293,208
Consultancy Expenses	456	8,307	-	(8,307)	<span style="color: red;">✗</span>	4 -
Administration Expenses	22,028	38,139	37,410	(729)	-1.95% <span style="color: red;">✗</span>	5 44,892
Operational and Maintenance	11	-	-	-	<span style="color: green;">✓</span>	-
Internal Charges	1,620	2,766	8,330	5,564	66.79% <span style="color: green;">✓</span>	9,996
<b>Total Expenses</b>	<b>336,924</b>	<b>386,578</b>	<b>327,540</b>	<b>(59,038)</b>	<b>-18.02%</b>	<b>393,048</b>
<b>Operating Surplus/(Deficit)</b>	<b>(2,714)</b>	<b>(64,474)</b>	<b>4,990</b>			<b>(12)</b>

*Variance Analysis*

1. Lower than anticipated billings in relation to the Elections in October in relation to the DHB
2. Higher than anticipated costs associated with overlapping staff positions for committee clerk in December and January and recognition of diversified work through salary.
3. Higher than anticipated costs associated with elections and by elections for Fairlie and Tekapo
4. Unbudgeted legal costs associated with review of committee structures by legal advisors along with unbudgeted costs of meeting facilitation for Tekapo land.
5. Higher than anticipated costs (\$3,199) associated with media releases this was not contemplated in the budget

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	42,972	-	-			-
Operating Surplus/(Deficit)	(2,714)	(64,474)	4,990			(12)
<b>Total Operating Reserves</b>	<b>40,257</b>	<b>(64,474)</b>	<b>4,990</b>	-	0.00%	<b>(12)</b>
<b>Capital Reserves</b>						
Opening Balance	(5,131)	(4,839)	-			-
<b>Total Capital Reserves</b>	<b>(5,131)</b>	<b>(4,839)</b>	<b>-</b>	-		<b>-</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Corporate Services</b>						
<b>Income</b>						
General Rates	1,315,190	1,560,971	1,560,970	1	0.00%	1,873,164
Other Income	82,293	90,089	87,930	2,159	2.46%	105,516
Internal Income	83,643	78,792	106,420	(27,628)	-25.96%	1 127,704
Internal Interest Income	450	(329)	(230)	(99)	43.13%	(276)
Gain on Sale - Assets	5,000	-	-	-		-
<b>Total Income</b>	<b>1,486,576</b>	<b>1,729,523</b>	<b>1,755,090</b>	<b>(25,567)</b>	<b>-1.46%</b>	<b>2,106,108</b>
<b>Expenses</b>						
Employment Expenses	891,876	963,098	972,200	9,102	0.94%	1,166,640
Consultancy Expenses	109,444	135,281	132,120	(3,161)	-2.39%	155,544
Administration Expenses	202,606	225,945	204,600	(21,345)	-10.43%	2 316,524
Operational and Maintenance	280,622	205,014	236,810	31,796	13.43%	284,172
Internal interest Expense	1,144	5,163	16,010	10,847	67.75%	3 19,212
Depreciation	98,557	90,069	90,090	21	0.02%	108,108
Internal Charges	35,435	39,327	56,860	17,533	30.84%	4 68,232
Loss On Sale and Assets Written Off	(3,556)	-	-	-		-
<b>Total Expenses</b>	<b>1,616,129</b>	<b>1,663,896</b>	<b>1,708,690</b>	<b>44,794</b>	<b>2.62%</b>	<b>2,118,432</b>
<b>Operating Surplus/(Deficit)</b>	<b>(129,552)</b>	<b>65,627</b>	<b>46,400</b>			<b>(12,324)</b>

*Variance Analysis*

1. Internal income charges (milage) is lower than budget.
2. Includes the washup of AuditNZ fees (\$3,646) along with higher than anticipated insurance costs (\$6,493) and photocopy costs (\$10,422) have contributed to this unfavourable variance
3. Lower than anticipated capital reserve interest charged due to lower than anticipated capital reserve balances
4. Internal charges (milage) is lower than budget.

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	96,704	(1,083)	-			-
Operating Surplus/(Deficit)	(129,552)	65,627	46,400			(12,324)
Transfer - Capital Expenditure	(188,920)	(131,903)	(157,310)			(181,572)
Transfers between Reserves	-	-	-			(10,500)
Transfer Capital Expenditure to Capital Reserve	188,920	131,903	157,310			181,572
Add back Non Cash Items	98,557	90,069	90,090			108,108
Transfer Funded Depreciation to Capital Reserve	(55,460)	(90,069)	(90,090)			(108,108)
<b>Total Operating Reserves</b>	<b>10,249</b>	<b>64,544</b>	<b>46,400</b>	-	0.00%	<b>(22,824)</b>
<b>Capital Reserves</b>						
Opening Balance	20,394	(64,231)	(296,275)			(296,275)
Transfers between Reserves	-	-	-			2,208
Transfer Capital Expenditure from Operating Reserve	(188,920)	(131,903)	(157,310)			(181,572)
Transfer Funded Depreciation from Operating Reserves	55,460	90,069	90,090			108,108
Transfer from Operating Reserve	-	-	-			3,252
<b>Total Capital Reserves</b>	<b>(113,066)</b>	<b>(106,065)</b>	<b>(363,495)</b>	-	0.00%	<b>(364,279)</b>

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<b>Capital Expenditure</b>								
<b>Administration</b>								
0018001. Computers	2,776	-	-	-				-
0018925. Plant and Equipment	1,180	1,800	2,500	700				3,000
<b>Total Administration</b>	<b>3,956</b>	<b>1,800</b>	<b>2,500</b>					<b>3,000</b>
<b>Fairlie Council Building</b>								
0088916. Building Renovations	-	16,666	17,150	484				20,580
0088925. Plant and Equipment	1,273	-	-	-				-
0088935. Furniture & Fittings - Admin	16,155	14,735	20,830	6,095				24,996
0088940. Furniture & Fittings - Other	-	260	-	(260)				-
<b>Total Fairlie Council Building</b>	<b>17,428</b>	<b>31,661</b>	<b>37,980</b>					<b>45,576</b>
<b>Twizel Council Building</b>								
0098916. Building Renovations	-	5,171	-	(5,171)			1	-
0098935. Carpets	8,791	-	-	-				-
0098940. Furniture & Fittings - Other	-	4,730	-	(4,730)			1	-
<b>Total Twizel Council Building</b>	<b>8,791</b>	<b>9,901</b>	<b>-</b>					<b>-</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Information Technology</b>						
0788002. PC Server	11,058	51,073	36,000	(15,073)	✗	36,000
0788005. Printers, Copiers & Scanners	4,000	-	-	-	✓	-
0788006. GIS Aerials	-	28,741	-	(28,741)	✗	-
0788010. Network Infrastructure	-	-	2,500	2,500	✓	3,000
0788011. Communications Equipment	-	6,157	30,830	24,673	✓	36,996
0788012. Software	17,500	-	15,000	15,000	✓	18,000
0788014. Web site development	-	155	3,330	3,175	✓	3,996
0788925. Plant and Equipment	2,249	2,415	2,500	85	✓	3,000
<b>Total Information Technology</b>	<b>34,807</b>	<b>88,541</b>	<b>90,160</b>			<b>100,992</b>
<b>Vehicles</b>						
2658930. Vehicles	123,938	-	26,670	26,670	✓	32,004
<b>Total Vehicles</b>	<b>123,938</b>	<b>-</b>	<b>26,670</b>			<b>32,004</b>
<b>Total Capital Expenditure</b>	<b>188,920</b>	<b>131,903</b>	<b>157,310</b>	<b>-</b>	<b>0.00%</b>	<b>181,572</b>

*Variance Analysis*

- Unbudgeted expenditure on Heatpump and office renovations

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Water</b>						
<b>Income</b>						
General Rates	-	-	-	-		-
Targeted Rates	648,755	700,265	699,940	325	0.05% ✓	839,928
Other Income	6,339	(2,236)	920	(3,156)	-343.09% ✗	66,104
Financial Contributions	70,443	82,127	-	82,127	✓	-
Internal Income	2,500	2,500	2,500	-	0.00% ✓	3,000
Internal Interest Income	36,223	39,984	31,690	8,294	26.17% ✓	38,028
Vested Assets	-	-	-	-	✓	118,224
<b>Total Income</b>	<b>764,260</b>	<b>822,639</b>	<b>735,050</b>	<b>87,589</b>	<b>11.92%</b>	<b>1,065,284</b>
<b>Expenses</b>						
Employment Expenses	3,104	-	-	-		-
Consultancy Expenses	300	11,818	29,479	17,661	59.91% ✓	30,397
Administration Expenses	6,291	6,140	9,357	3,217	34.38% ✓	10,979
Operational and Maintenance	315,290	332,090	365,670	33,580	9.18% ✓	432,804
Internal Interest Expense	45,223	51,949	62,660	10,711	17.09% ✓	75,192
Depreciation	305,550	319,363	319,370	7	0.00% ✓	383,244
Internal Charges	2,500	2,500	2,500	-	0.00% ✓	3,000
<b>Total Expenses</b>	<b>678,258</b>	<b>723,860</b>	<b>789,036</b>	<b>65,176</b>	<b>8.26%</b>	<b>935,616</b>
<b>Operating Surplus/(Deficit)</b>	<b>86,002</b>	<b>98,780</b>	<b>(53,986)</b>			<b>129,668</b>

*Variance Analysis*

1. Reversal of over accrual of water charges in the June 2013 financial year has resulted in this unfavourable variance
2. Unbudgeted Financial contributions received during the period has created this favourable variance. This is dependent on developer activity.
3. Better than anticipated capital reserve balances has resulted in higher than anticipated interest income year to date.
4. Unspent money on engineering services to date has resulted in this favourable variance.
5. Better than anticipated capital reserve balances has resulted in lower than anticipated interest charges year to date.

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	92,438	38,556	(36,512)			(39,732)
Operating Surplus/(Deficit)	86,002	98,780	(53,986)			129,668
Transfer - Capital Expenditure	(417,360)	(318,432)	(1,982,015)			(2,387,655)
Transfers between Reserves	-	-	-			(42,720)
Transfer Capital Expenditure to Capital Reserve	417,360	318,432	1,982,015			2,387,655
Add back Non Cash Items	305,550	319,363	319,370			383,244
Transfer Funded Depreciation to Capital Reserve	(281,822)	(293,404)	(293,410)			(352,092)
Transfer Vested Assets to Capital	-	-	-			(118,224)
Transfer to Capital Financial Contributions	(70,443)	(82,127)	-			-
<b>Total Operating Reserves</b>	<b>131,725</b>	<b>81,168</b>	<b>(64,538)</b>	-	<b>0.00%</b>	<b>(39,856)</b>
<b>Capital Reserves</b>						
Opening Balance	650,533	788,802	307,026			306,872
Transfer Capital Expenditure from Operating Reserve	(417,360)	(318,432)	(1,982,015)			(2,387,655)
Transfer - Vested Assets	-	-	-			118,224
Transfer - Financial Contributions	70,443	82,127	-			-
Transfer - Op Surplus from Op Reserve	-	-	-			4,728
Transfer Funded Depreciation from Operating Reserves	281,822	293,404	293,410			352,092
Transfer - from Operating Reserve	-	-	-			42,096
Transfer - to/from Op Rsve	-	-	-			(996)
Transfer from Operating reserves	-	-	-			(3,108)
<b>Total Capital Reserves</b>	<b>585,438</b>	<b>845,901</b>	<b>(1,381,579)</b>	-	<b>0.00%</b>	<b>(1,567,747)</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Capital Expenditure</b>						
<b>Fairlie</b>						
0118201. Town Reticulation - Renewal	135,043	141,311	135,000	(6,311)	✗	135,000
0118206. Service Connections - Renewal	-	810	32,000	31,190	✓	32,000
0118211. Treatment - New	10,051	25,885	70,000	44,115	✓	70,000
0118215. Plant	1,900	-	5,195	5,195	✓	5,195
0118807. Resource Consent Costs	13,043	-	-	-	✓	-
0118982. Water Meters	-	-	1,730	1,730	✓	2,076
<b>Total Fairlie</b>	<b>160,037</b>	<b>168,007</b>	<b>243,925</b>			<b>244,271</b>
<b>Tekapo</b>						
0128211. Treatment - New	158,227	18,709	-	(18,709)	✗	-
0128212. Service Connections - Renew	-	-	870	870	✓	1,044
0128215. Plant	1,900	-	-	-	✓	-
0128981. Water Meters	-	-	1,730	1,730	✓	2,076
<b>Total Tekapo</b>	<b>160,127</b>	<b>18,709</b>	<b>2,600</b>			<b>3,120</b>
<b>Twizel</b>						
0138193. Vested Assets	-	-	-	-	✓	49,776
0138201. Town Reticulation - Renewal	-	6,454	8,660	2,206	✓	10,392
0138204. Headworks - Renewal	61,870	25,396	775,000	749,604	✓	930,000
0138206. Service Connections - Renewal	39,918	42,388	33,330	(9,058)	✗	39,996
0138210. HeadWorks - New	(23,133)	-	-	-	✓	-
0138211. Treatment - New	-	47,469	779,250	731,781	✓	935,100
0138215. Plant	12,574	-	-	-	✓	-
0138251. Fire Hydrant Markers	-	2,537	8,660	6,123	✓	10,392
0138807. Resource Consent Costs	1,360	-	34,630	34,630	✓	41,556
0138984. Water Meters	3,213	1,110	1,730	620	✓	2,076
<b>Total Twizel</b>	<b>95,802</b>	<b>125,354</b>	<b>1,641,260</b>			<b>2,019,288</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Allandale</b>						
0158202. Reticulation Extension	(450)	-	-	-	✓	-
0158211. Treatment	1,422	-	1,730	1,730	✓	2,076
<b>Total Allandale</b>	<u>972</u>	<u>-</u>	<u>1,730</u>			<u>2,076</u>
<b>Ashwick/Opuha</b>						
0168256. Headworks	423	-	-	-	✓	-
<b>Total Ashwick/Opuha</b>	<u>423</u>	<u>-</u>	<u>-</u>			<u>-</u>
<b>Burkes Pass</b>						
0178211. Treatment Upgrade	-	6,362	4,170	(2,192)	✗	5,004
<b>Total Burkes Pass</b>	<u>-</u>	<u>6,362</u>	<u>4,170</u>			<u>5,004</u>
<b>Eversley/Puneroa</b>						
0228807. Resource Consents	-	-	8,330	8,330	✓	9,996
<b>Total Eversley/Puneroa</b>	<u>-</u>	<u>-</u>	<u>8,330</u>			<u>9,996</u>
<b>Manuka Terrace</b>						
0238210. Headworks	-	-	80,000	80,000	✓	103,900
<b>Total Manuka Terrace</b>	<u>-</u>	<u>-</u>	<u>80,000</u>			<u>103,900</u>
<b>Total Capital Expenditure</b>	<u>417,360</u>	<u>318,432</u>	<u>1,982,015</u>	<u>-</u>	<u>0.00%</u>	<u>2,387,655</u>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Sewer</b>						
<b>Income</b>						
General Rates	-	-	-	-		-
Targeted Rates	229,367	353,021	352,920	101	0.03%	423,504
Other Income	629	5,777	-	5,777	✓ 1	-
Financial Contributions	31,379	116,157	-	116,157	✓ 2	-
Upgrade Contributions	60,730	-	-	-	✓	-
Internal Interest Income	19,760	23,713	32,420	(8,707)	✗ -26.86%	38,904
Vested Assets	-	-	-	-	✓	183,072
<b>Total Income</b>	<b>341,866</b>	<b>498,669</b>	<b>385,340</b>	<b>113,329</b>	<b>29.41%</b>	<b>645,480</b>
<b>Expenses</b>						
Consultancy Expenses	-	9,388	11,183	1,795	✓ 16.06%	11,351
Administration Expenses	6,089	5,950	7,720	1,770	✓ 22.92%	9,264
Operational and Maintenance	98,459	110,603	131,769	21,166	✓ 16.06%	155,703
Internal Interest Expense	14,548	4,625	19,490	14,865	✓ 76.27%	23,388
Depreciation	203,940	210,862	210,860	(2)	✗ 0.00%	253,032
<b>Total Expenses</b>	<b>323,036</b>	<b>341,428</b>	<b>381,022</b>	<b>39,594</b>	<b>10.39%</b>	<b>452,738</b>
<b>Operating Surplus/(Deficit)</b>	<b>18,830</b>	<b>157,241</b>	<b>4,318</b>			<b>192,742</b>

*Variance Analysis*

1. Unbudgeted effluent disposal charges has generated this favourable variance
2. Unbudgeted Financial contributions received during the period has created this favourable variance. This is dependent on developer activity.
3. Lower than anticipated capital reserve balances has resulted in lower than anticipated interest income year to date.
4. Unspent money on engineering services to date has resulted in this favourable variance.
5. Lower than anticipated consent monitoring costs in Fairlie (\$3,754) and Tekapo (\$3,924) coupled with lower contractor costs (\$9,454) and Electricity costs (\$6,246) also in Tekapo
6. Better than anticipated capital reserve balances has resulted in lower than anticipated interest charges year to date.

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	5,880	(52,942)	-			-
Operating Surplus/(Deficit)	18,830	157,241	4,318			192,742
Transfer - Capital Expenditure	(24,477)	(29,826)	(43,370)			(128,792)
Transfer Capital Expenditure to Capital Reserve	24,477	29,826	43,370			128,792
Add back Non Cash Items	203,940	210,862	210,860			253,032
Transfer Funded Depreciation to Capital Reserve	(203,940)	(210,862)	(210,860)			(253,032)
Transfer Vested Assets to Capital	-	-	-			(183,072)
Transfer to Loan Account	-	-	(8,080)			(9,696)
<b>Total Operating Reserves</b>	<b>24,710</b>	<b>104,299</b>	<b>(3,762)</b>	-	<b>0.00%</b>	<b>(26)</b>
<b>Capital Reserves</b>						
Opening Balance	415,166	977,571	583,440			583,440
Transfer Capital Expenditure from Operating Reserve	(24,477)	(29,826)	(43,370)			(128,792)
Transfer - Vested Assets	-	-	-			183,072
Transfer Funded Depreciation from Operating Reserves	203,940	210,862	210,860			253,032
<b>Total Capital Reserves</b>	<b>594,629</b>	<b>1,158,608</b>	<b>750,930</b>	-	<b>0.00%</b>	<b>890,752</b>

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<b>Capital Expenditure</b>						
<b>Fairlie</b>						
0278410. New Reticulation - Eversley	-	-	1,700	1,700	✓	1,700
<b>Total Fairlie</b>	-	-	1,700			1,700
<b>Twizel</b>						
0298193. Vested Assets	-	-	-	-	✓	77,088
0298411. Sewer Treatment - New	24,477	29,826	41,670	11,844	✓	50,004
0298999. Transfer to Assets	-	-	-	-	✓	-
<b>Total Twizel</b>	24,477	29,826	41,670			127,092
<b>Total Capital Expenditure</b>	<b>24,477</b>	<b>29,826</b>	<b>43,370</b>	-	0.00%	<b>128,792</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Stormwater</b>						
<b>Income</b>						
Targeted Rates	66,960	60,411	60,410	1	0.00%	72,492
Financial Contributions	15,837	3,860	-	3,860	✓	-
Internal Interest Income	7,190	6,910	13,650	(6,740)	✗	16,380
<b>Total Income</b>	<b>89,987</b>	<b>71,180</b>	<b>74,060</b>	<b>(2,880)</b>	<b>-3.89%</b>	<b>88,872</b>
<b>Expenses</b>						
Consultancy Expenses	-	5,726	5,280	(446)	✗	6,336
Administration Expenses	325	307	2,610	2,303	✓	3,132
Operational and Maintenance	10,112	9,398	16,260	6,862	✓	19,512
Internal Interest Expense	649	-	-	-	✓	-
Depreciation	48,440	50,644	49,930	(714)	✗	59,916
<b>Total Expenses</b>	<b>59,527</b>	<b>66,074</b>	<b>74,080</b>	<b>8,006</b>	<b>10.81%</b>	<b>88,896</b>
<b>Operating Surplus/(Deficit)</b>	<b>30,461</b>	<b>5,106</b>	<b>(20)</b>			<b>(24)</b>

Variance Analysis

1. Unbudgeted Financial contributions received during the period has created this favourable variance. This is dependent on developer activity.
2. Lower than anticipated capital reserve balances has resulted in Lower than anticipated interest income year to date.
3. Lower than anticipated contractor costs across all stormwater activities has created this favourable variance

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	-	-	-	-		-
Operating Surplus/(Deficit)	30,461	5,106	(20)			(24)
Add back Non Cash Items	48,440	50,644	49,930			59,916
Transfer Funded Depreciation to Capital Reserve	(48,440)	(50,644)	(49,930)			(59,916)
<b>Total Operating Reserves</b>	<b>30,461</b>	<b>5,106</b>	<b>(20)</b>	-	0.00%	<b>(24)</b>
<b>Capital Reserves</b>						
Opening Balance	328,573	338,349	346,824			346,824
Transfer Funded Depreciation from Operating Reserves	48,440	50,644	49,930			59,916
<b>Total Capital Reserves</b>	<b>377,013</b>	<b>388,993</b>	<b>396,754</b>	-	0.00%	<b>406,740</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Roadings</b>						
Income						
General Rates	1,100,467	1,079,683	1,082,180	(2,497)	-0.23% <span>✗</span>	1,298,616
Targeted Rates	9,400	11,694	9,040	2,654	29.36% <span>✓</span>	10,848
Subsidies and Grants	1,628,267	902,686	1,283,920	(381,234)	-29.69% <span>✗</span>	1 1,540,704
Other Income	35,655	40,152	24,170	15,982	66.12% <span>✓</span>	29,004
Internal Interest Income	836	7,123	8,070	(947)	-11.74% <span>✗</span>	9,684
Vested Assets	-	-	-	-	<span>✓</span>	114,516
<b>Total Income</b>	<b>2,774,625</b>	<b>2,041,338</b>	<b>2,407,380</b>	<b>(366,042)</b>	<b>-15.21%</b>	<b>3,003,372</b>
Expenses						
Internal Income	-	-	73,160	(73,160)	-100.00% <span>✗</span>	87,789
Employment Expenses	94,760	64,477	73,930	9,453	12.79% <span>✓</span>	2 88,716
Consultancy Expenses	8,465	52,953	55,325	2,372	4.29% <span>✓</span>	94,500
Administration Expenses	3,345	1,376	4,440	3,064	69.01% <span>✓</span>	5,328
Internal Interest Expense	259	3,546	-	(3,546)	<span>✗</span>	-
Roadings	1,634,678	1,282,934	952,210	(330,724)	-34.73% <span>✗</span>	3 1,142,652
Depreciation	1,324,270	1,367,940	1,367,940	-	0.00% <span>✓</span>	1,641,528
Internal Charges	15,182	8,341	83,900	75,559	90.06% <span>✓</span>	100,680
<b>Total Expenses</b>	<b>3,080,959</b>	<b>2,781,567</b>	<b>2,610,905</b>	<b>(316,982)</b>	<b>-12.14%</b>	<b>3,161,193</b>
<b>Operating Surplus/(Deficit)</b>	<b>(306,334)</b>	<b>(740,230)</b>	<b>(203,525)</b>			<b>(157,821)</b>

*Variance Analysis*

1. Higher than anticipated Subsidy claimed due to claims for unanticipated emergency repairs
2. Employment expenses are lower than budgeted due the Roadings Manager being on Parental leave.
3. Detailed roadings expenses shown under separate analysis.

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Detailed Roading Expenditure</b>						
2526285. Traffic Svcs Mtce	7	-	-	-		-
2536120. St Lighting - Electricity	(197)	-	-	-		-
25361201. St Lighting - Elec - Transit	197	-	-	-		-
25362804. Enviro Mtce - 2011/2012 June Snow Event	18,467	-	-	-		-
2546111. Sealed Pavement Mtce	156,539	148,756	141,670	(7,086)	-5.00%	170,004
2546112. Unsealed Pavement Mtce	306,626	274,711	300,000	25,289	8.43%	360,000
2546113. Routine Drainage Mtce	48,599	50,812	50,000	(812)	-1.62%	60,000
25461131. Drainage Mtce - St Cleaning	20,361	20,720	20,260	(460)	-2.27%	24,312
2546114. Structures Maintenance Bridges	30,286	25,528	50,000	24,472	48.94%	60,000
25461141. Structures Maintenance Cattlestops	4,433	2,792	20,000	17,208	86.04%	24,000
2546121. Environmental Mtce	116,212	119,364	118,120	(1,244)	-1.05%	141,744
2546122. Traffic Services Mtce	45,544	26,686	58,330	31,644	54.25%	69,996
25461221. Street Lighting - Maintenanc	30,073	26,764	37,500	10,736	28.63%	45,000
25461222. Street Lighting - Electricit	42,125	36,157	59,120	22,963	38.84%	70,944
2546288. Emergency Reinstatement	745,410	492,773	-	(492,773)		-
2546301. Street Lights - Mtce - Trans	3,961	4,177	14,170	9,993	70.52%	17,004
2546302. Street Lights-Elect - Transl	9,343	7,729	10,000	2,271	22.71%	12,000
2546303. Drainage Mtce - St Cleaning Transit	18,918	19,222	18,870	(352)	-1.86%	22,644
2546304. Footpaths	25,097	26,302	29,170	2,868	9.83%	35,004
2546306. Alps2ocean	12,678	441	25,000	24,559	98.23%	30,000
<b>Total Roading</b>	<b>1,634,678</b>	<b>1,282,934</b>	<b>952,210</b>	<b>(330,724)</b>	<b>-34.73%</b>	<b>1,142,652</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	8,889	(6,885)	28,344			28,344
Operating Surplus/(Deficit)	(306,334)	(740,230)	(203,525)			(157,821)
Transfer - Capital Expenditure	(1,589,938)	(1,467,531)	(1,907,909)			(2,048,821)
Transfers between Reserves	-	-	-			(136,176)
Transfer Capital Expenditure to Capital Reserve	1,589,938	1,467,531	1,907,909			2,048,821
Add back Non Cash Items	1,324,270	1,367,940	1,367,940			1,641,528
Transfer Funded Depreciation to Capital Reserve	(622,407)	(642,932)	(642,932)			(771,518)
Transfer Vested Assets to Capital	-	-	-			(114,516)
Transfer NZTA Capital Subsidy	-	(603,846)	(688,430)			(826,116)
<b>Total Operating Reserves</b>	<b>404,418</b>	<b>(625,952)</b>	<b>(138,603)</b>	-	0.00%	<b>(336,275)</b>
<b>Capital Reserves</b>						
Opening Balance	968,757	1,031,049	(576,954)			(576,954)
Transfer Capital Expenditure from Operating Reserve	(1,589,938)	(1,467,531)	(1,907,909)			(2,048,821)
Transfer Funded Depreciation from Operating Reserves	622,407	642,932	642,932			771,518
Transfer - to/from Op Rsv	-	-	-			577,416
Transfer NZTA Capital Subsidy	-	603,846	688,430			826,116
Transfer Vested Asset from Op reserve	-	-	-			114,516
Transfer - Fund for Capex from Operat Rsv	-	-	13,130			15,756
<b>Total Capital Reserves</b>	<b>1,226</b>	<b>810,296</b>	<b>(1,140,371)</b>	-	0.00%	<b>(320,453)</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Capital Expenditure</b>						
0868001. Computers	8,517	1,415	8,590	7,175	✓	10,308
2508183. Sealed Road Resurfacing	19,071	-	-	-	✓	-
2518182. Minor Improvements	10,000	-	-	-	✓	-
2528182. Minor Improvements	10,000	-	-	-	✓	-
2548193. Vested Assets	-	-	-	-	✓	114,516
2548211. Unsealed Road Metalling	407,015	306,654	425,000	118,346	✓	425,000
2548212. Sealed Road Resurfacing	668,099	589,528	520,000	(69,528)	✗	520,000
2548213. Drainage Renewal	43,585	50,079	35,990	(14,089)	✗	43,188
2548214. Sealed Road Pavement Rehabilitation	-	-	120,929	120,929	✓	120,929
2548215. Structures Component replacements bridges	4,281	3,802	13,070	9,268	✓	15,684
25482151. Structures Component replacements cattlestops	5,780	3,369	8,330	4,961	✓	9,996
2548222. Traffic Services Renewals	57,216	35,912	61,830	25,918	✓	74,196
2548231. Associated Improvements	-	-	4,170	4,170	✓	5,004
2548300. Footpath Minor Maintenance	3,375	-	-	-	✓	-
2548310. Footpaths - Surfacing	66,780	52,483	60,000	7,517	✓	60,000
2548341. Minor Improvements	175,021	80,838	290,000	209,162	✓	290,000
2548390. Streetscape Improvements	62,644	-	-	-	✓	-
2548394. Cemetery carpark overflow	4,480	-	-	-	✓	-
2548395. Sealing Past Houses	-	-	10,000	10,000	✓	10,000
2548396. Manuka Terrace	23,798	343,450	350,000	6,550	✓	350,000
262819110. Roading - Ruataniwha Reserve	(4,989)	-	-	-	✓	-
26381721. Lake Alexandrina Bridge Sealing Works Unsubsidised Roading	25,265	-	-	-	✓	-
<b>Total Capital Expenditure</b>	<b>1,589,938</b>	<b>1,467,531</b>	<b>1,907,909</b>	<b>-</b>	<b>0.00%</b>	<b>2,048,821</b>

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Planning	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Income</b>						
General Rates	197,740	130,969	130,970	(1)	0.00% <span>✗</span>	157,164
Other Income	81,886	85,315	78,900	6,415	8.13% <span>✓</span>	94,680
Reserve Contributions	117,998	153,181	33,330	119,851	359.59% <span>✓</span>	1 39,996
Internal Interest Income	7	10	20	(10)	-48.55% <span>✗</span>	24
<b>Total Income</b>	<b>397,631</b>	<b>369,475</b>	<b>243,220</b>	<b>126,255</b>	<b>51.91%</b>	<b>291,864</b>
<b>Expenses</b>						
Employment Expenses	149,061	224,258	250,760	26,502	10.57% <span>✓</span>	2 300,912
Consultancy Expenses	135,340	177,857	238,430	60,573	25.40% <span>✓</span>	3 286,116
Administration Expenses	11,402	6,493	19,670	13,177	66.99% <span>✓</span>	4 23,604
Operational and Maintenance	588	2,073	7,180	5,107	71.13% <span>✓</span>	8,616
Depreciation	120	137	140	3	2.38% <span>✓</span>	168
Internal Charges	3,346	5,516	4,070	(1,446)	-35.52% <span>✗</span>	4,884
<b>Total Expenses</b>	<b>299,857</b>	<b>416,333</b>	<b>520,250</b>	<b>103,917</b>	<b>19.97%</b>	<b>624,300</b>
<b>Operating Surplus/(Deficit)</b>	<b>97,774</b>	<b>(46,858)</b>	<b>(277,030)</b>			<b>(332,436)</b>

*Variance Analysis*

1. Higher than anticipated developer activity has created this favourable variance.
2. Lower than anticipated costs associated with District Plan review has resulted in this favourable variance
3. Lower than anticipated consultancy costs associated with PC13. Decisions have been released and it is expected that this cost will ramp up now to the end of the year.
4. Lower than anticipated insurance costs (\$6,450) coupled with lower costs of publications (\$3,505) has generated this favourable variance

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	(842,037)	(942,738)	(943,744)			(943,744)
Operating Surplus/(Deficit)	97,774	(46,858)	(277,030)			(332,436)
Add back Non Cash Items	120	137	130			156
Transfer Funded Depreciation to Capital Reserve	(120)	(137)	(130)			(156)
Transfer to/from Land Subdivision Reserve	-	-	(33,330)			(39,996)
<b>Total Operating Reserves</b>	<b>(744,262)</b>	<b>(989,596)</b>	<b>(1,254,104)</b>	-	0.00%	<b>(1,316,176)</b>
<b>Capital Reserves</b>						
Opening Balance	316	473	474			474
Transfer Funded Depreciation from Operating Reserves	120	137	130			156
<b>Total Capital Reserves</b>	<b>436</b>	<b>610</b>	<b>604</b>	-	0.00%	<b>630</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Regulatory</b>						
<b>Income</b>						
General Rates	60,030	78,477	78,480	(3)	0.00% <span>✗</span>	94,176
Targeted Rates	112,920	123,048	123,050	(2)	0.00% <span>✗</span>	147,660
Subsidies and Grants	4,000	-	-	-	<span>✓</span>	-
Other Income	299,390	353,385	270,160	83,225	30.81% <span>✓</span>	1 324,192
Internal Interest Income	595	678	200	478	239.05% <span>✓</span>	240
Gain on Sale - Assets	-	20,986	-	20,986	<span>✓</span>	2
<b>Total Income</b>	<b>476,935</b>	<b>576,574</b>	<b>471,890</b>	<b>104,684</b>	<b>22.18%</b>	<b>566,268</b>
<b>Expenses</b>						
Employment Expenses	126,673	172,373	182,300	9,927	5.45% <span>✓</span>	218,760
Consultancy Expenses	38,113	15,145	30,010	14,865	49.53% <span>✓</span>	3 36,012
Administration Expenses	68,675	38,317	76,120	37,803	49.66% <span>✓</span>	4 86,944
Operational and Maintenance	105,300	118,304	137,964	19,660	14.25% <span>✓</span>	5 148,088
Internal Interest Expense	2,829	4,821	4,270	(551)	-12.90% <span>✗</span>	5,124
Depreciation	30,390	32,176	32,180	4	0.01% <span>✓</span>	38,616
Internal Charges	24,937	17,765	27,290	9,525	34.90% <span>✓</span>	32,748
<b>Total Expenses</b>	<b>396,917</b>	<b>398,901</b>	<b>490,134</b>	<b>91,233</b>	<b>18.61%</b>	<b>566,292</b>
<b>Operating Surplus/(Deficit)</b>	<b>80,018</b>	<b>177,673</b>	<b>(18,244)</b>			<b>(24)</b>

*Variance Analysis*

- Higher than anticipated revenue from building Inspectorate (\$83,216) has contributed to this favourable variance
- Sale of old fire appliance has generated this favourable variance
- BCA Consultancy expenses are below budget by \$11,425 due to timing of spend compared to budget which has contributed to this variance.
- Lower than anticipated insurance costs for the building activity (\$27,717) and Rural fires (\$5,732) which is due mainly to budgeting for an additional call from Riskpool that has not yet eventuated.
- Lower than anticipated contractor costs associated with Animal control, mainly Twizel (\$18,504) has resulted in this favourable variance.

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<b>Operating Reserves</b>						
Opening Balance	-	-	-	-	-	-
Operating Surplus/(Deficit)	80,018	177,673	(18,244)		(24)	
Transfer - Capital Expenditure	(12,000)	(55,500)	(71,470)		(85,764)	
Transfer Capital Expenditure from Operating Reserve	-	-	-		(5,004)	
Transfer Capital Expenditure to Capital Reserve	12,000	55,500	71,470		85,764	
Add back Non Cash Items	30,390	32,176	32,180		38,616	
Transfer Funded Depreciation to Capital Reserve	(30,390)	(32,176)	(32,180)		(38,616)	
<b>Total Operating Reserves</b>	<b>80,018</b>	<b>177,673</b>	<b>(18,244)</b>	<b>-</b>	<b>0.00%</b>	<b>(5,028)</b>
<b>Capital Reserves</b>						
Opening Balance	(72,579)	(49,280)	(38,717)		(50,349)	
Transfer Capital Expenditure from Operating Reserve	(12,000)	(55,500)	(71,470)		(85,764)	
Transfer Funded Depreciation from Operating Reserves	30,390	32,176	32,180		38,616	
<b>Total Capital Reserves</b>	<b>(54,189)</b>	<b>(72,604)</b>	<b>(78,007)</b>	<b>-</b>	<b>0.00%</b>	<b>(97,497)</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Capital Expenditure</b>						
<b>Civil Defence</b>						
0108925. Plant and Equipment	-	-	19,170	19,170	✓	23,004
<b>Total Civil Defence</b>	-	-	19,170			23,004
<b>Animal Control</b>						
0698925. Plant and Equipment	-	-	4,170	4,170	✓	5,004
<b>Total Animal Control</b>	-	-	4,170			5,004
<b>Rural Fire</b>						
0838925. Plant and Equipment	-	8,000	6,460	(1,540)	✗	7,752
0838930. Vehicles	12,000	47,500	41,670	(5,830)	✗	50,004
0838999. Transfer to Assets	-	-	-	-	✓	-
<b>Total Rural Fire</b>	12,000	55,500	48,130			57,756
<b>Total Capital Expenditure</b>	<b>12,000</b>	<b>55,500</b>	<b>71,470</b>	-	0.00%	<b>85,764</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Solid Waste</b>						
<b>Income</b>						
General Rates	455,137	152,740	152,740	-	0.00% ✓	183,288
Targeted Rates	11,352	359,800	359,800	-	0.00% ✓	431,760
Other Income	108,074	115,786	84,840	30,946	36.48% ✓	103,108
Internal Interest Income	60	-	(1,160)	1,160	-100.00% ✓	(1,392)
Gain on Sale - Assets	826	-	-	-	✓	-
<b>Total Income</b>	<b>575,450</b>	<b>628,326</b>	<b>596,220</b>	<b>32,106</b>	<b>5.38%</b>	<b>716,764</b>
<b>Expenses</b>						
Employment Expenses	23,659	20,777	15,640	(5,137)	-32.85% ✗	18,768
Consultancy Expenses	1,646	11,065	15,630	4,565	29.20% ✓	18,756
Administration Expenses	9,655	8,160	5,016	(3,144)	-62.67% ✗	5,852
Operational and Maintenance	484,098	573,919	535,739	(38,180)	-7.13% ✗	644,717
Internal Interest Expense	-	13,273	-	(13,273)	✗	-
Depreciation	5,610	16,742	16,740	(2)	-0.01% ✗	20,088
Internal Charges	2,820	3,644	8,810	5,166	58.64% ✓	10,572
<b>Total Expenses</b>	<b>527,488</b>	<b>647,581</b>	<b>597,575</b>	<b>(50,006)</b>	<b>-8.37%</b>	<b>718,753</b>
<b>Operating Surplus/(Deficit)</b>	<b>47,962</b>	<b>(19,255)</b>	<b>(1,355)</b>			<b>(1,989)</b>

*Variance Analysis*

1. Higher than anticipated gate fees has created this favourable variance.
2. Higher than anticipated costs associated with the ESL contract has created this unfavourable variance
3. Unbudgeted costs associated with the Waste Capital reserve deficit has resulted in this unfavourable variance

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	(388,647)	(393,312)	(275,880)			(331,056)
Operating Surplus/(Deficit)	47,962	(19,255)	(1,355)			(1,989)
Add back Non Cash Items	5,610	16,742	16,740			20,088
Transfer Funded Depreciation to Capital Reserve	(5,610)	(16,742)	(16,740)			(20,088)
<b>Total Operating Reserves</b>	<b>(340,685)</b>	<b>(412,567)</b>	<b>(277,235)</b>	-	0.00%	<b>(333,045)</b>
<b>Capital Reserves</b>						
Opening Balance	(481,932)	(464,156)	(6,899)			(6,899)
Transfer Funded Depreciation from Operating Reserves	5,610	16,742	16,740			20,088
<b>Total Capital Reserves</b>	<b>(476,322)</b>	<b>(447,414)</b>	<b>9,841</b>	-	0.00%	<b>13,189</b>

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Community Facilities</b>						
<b>Income</b>						
General Rates	226,300	234,606	234,450	156	0.07%	281,340
Subsidies and Grants	757	435	550	(115)	-20.95%	660
Other Income	85,373	94,375	95,300	(926)	-0.97%	114,360
Internal Interest Income	1,804	1,936	3,580	(1,644)	-45.91%	4,296
<b>Total Income</b>	<b>314,234</b>	<b>331,352</b>	<b>333,880</b>	<b>(2,528)</b>	<b>-0.76%</b>	<b>400,656</b>
<b>Expenses</b>						
Consultancy Expenses	-	5,079	-	(5,079)		1
Administration Expenses	23,724	25,049	24,320	(729)	-3.00%	29,184
Operational and Maintenance	281,986	274,726	291,240	16,514	5.67%	349,488
Internal Interest Expense	-	681	7,720	7,039	91.17%	9,264
Depreciation	42,100	41,816	41,820	4	0.01%	50,184
<b>Total Expenses</b>	<b>347,810</b>	<b>347,350</b>	<b>365,100</b>	<b>17,750</b>	<b>4.86%</b>	<b>438,120</b>
<b>Operating Surplus/(Deficit)</b>	<b>(33,576)</b>	<b>(15,998)</b>	<b>(31,220)</b>			<b>(37,464)</b>

*Variance Analysis*

1. Unbudgeted Legal fees associated with the Twizel medical facilities and The Mackenzie Medical Trust has created this unfavourable variance

MACKENZIE DISTRICT COUNCIL  
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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	61	-	-			-
Operating Surplus/(Deficit)	(33,576)	(15,998)	(31,220)			(37,464)
Transfer - Capital Expenditure	-	(46,629)	(250,480)			(300,576)
Transfer Capital Expenditure to Capital Reserve	-	46,629	250,480			300,576
Add back Non Cash Items	42,100	41,816	28,500			34,200
Transfer Funded Depreciation to Capital Reserve	(9,340)	(13,926)	(13,930)			(16,716)
<b>Total Operating Reserves</b>	<b>(755)</b>	<b>11,892</b>	<b>(16,650)</b>	-	0.00%	<b>(19,980)</b>
<b>Capital Reserves</b>						
Opening Balance	90,813	102,491	85,886			85,886
Transfer Capital Expenditure from Operating Reserve	-	46,629	250,480			300,576
Transfer Funded Depreciation from Operating Reserves	(9,340)	(13,926)	(13,930)			(16,716)
<b>Total Capital Reserves</b>	<b>81,473</b>	<b>135,194</b>	<b>322,436</b>	-	0.00%	<b>369,746</b>
<b>Capex</b>						
Public Toilets	-	46,629	250,480	203,851		300,576
<b>Total Capex</b>	<b>-</b>	<b>46,629</b>	<b>250,480</b>	<b>203,851</b>	<b>81.38%</b>	<b>300,576</b>

MACKENZIE DISTRICT COUNCIL  
ACTIVITY REPORT  
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Recreational Facilities

	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Income</b>						
General Rates	96,548	98,504	99,700	(1,196)	-1.20% <span>✗</span>	119,640
Targeted Rates	957,755	913,885	913,650	235	0.03% <span>✓</span>	1,096,380
Subsidies and Grants	17,048	17,048	17,280	(232)	-1.34% <span>✗</span>	20,736
Other Income	144,300	170,514	156,280	14,234	9.11% <span>✓</span>	187,536
Internal Interest Income	9,449	1,897	9,840	(7,943)	-80.72% <span>✗</span>	11,808
<b>Total Income</b>	<b>1,225,100</b>	<b>1,201,848</b>	<b>1,196,750</b>	<b>5,098</b>	<b>0.43%</b>	<b>1,436,100</b>
<b>Expenses</b>						
Employment Expenses	97,765	81,302	65,190	(16,112)	-24.72% <span>✗</span>	78,228
Administration Expenses	207,314	226,346	213,560	(12,786)	-5.99% <span>✗</span>	256,272
Operational and Maintenance	664,110	709,588	745,870	36,282	4.86% <span>✓</span>	895,044
Internal Interest Expense	30,456	24,961	31,200	6,239	20.00% <span>✓</span>	37,440
Depreciation	179,390	187,984	187,990	6	0.00% <span>✓</span>	225,588
Internal Charges	308	1,463	-	(1,463)	<span>✗</span>	-
<b>Total Expenses</b>	<b>1,179,344</b>	<b>1,231,644</b>	<b>1,243,810</b>	<b>12,166</b>	<b>0.98%</b>	<b>1,492,572</b>
<b>Operating Surplus/(Deficit)</b>	<b>45,756</b>	<b>(29,796)</b>	<b>(47,060)</b>			<b>(56,472)</b>

Variance Analysis

- Higher than anticipated revenue from Tekapo Hall hire (\$5932) along with higher than anticipated revenue from Fairlie Pool (\$4,189) offset by lower than anticipated income from the Twizel Pool (\$2,461) has contributed to this favourable variance
- Employment costs for the 2 pools is above budget due to the timing of the budget. There will be a cost overrun of \$3,074 for the year due to under-budgeting the pool labour costs
- Lower than anticipated expenditure on township projects has created this favourable variance.

MACKENZIE DISTRICT COUNCIL  
ACTIVITY REPORT  
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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	730,929	668,683	64,239			78,721
Operating Surplus/(Deficit)	45,756	(29,796)	(47,060)			(56,472)
Transfer - Capital Expenditure	(331,424)	(146,885)	(75,830)			(90,996)
Transfers between Reserves	-	-	(77,500)			(93,000)
Transfer Capital Expenditure to Capital Reserve	331,424	146,885	75,830			90,996
Add back Non Cash Items	179,390	187,985	57,180			68,616
Transfer Funded Depreciation to Capital Reserve	(31,980)	(52,737)	(43,980)			(52,776)
<b>Total Operating Reserves</b>	<b>924,094</b>	<b>774,135</b>	<b>(47,121)</b>	-	0.00%	<b>(54,911)</b>
<b>Capital Reserves</b>						
Opening Balance	(502,484)	(690,943)	(1,015,251)			(1,015,251)
Transfer Capital Expenditure from Operating Reserve	(331,424)	(146,885)	(75,830)			(90,996)
Transfer Funded Depreciation from Operating Reserves	31,980	52,737	43,980			52,776
Transfer - to/from Op Rsve	-	-	-			91,092
Transfer from Operating Reserve	-	-	-			300
<b>Total Capital Reserves</b>	<b>(801,928)</b>	<b>(785,091)</b>	<b>(1,047,101)</b>	-	0.00%	<b>(962,079)</b>

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<b>Capital Expenditure</b>									
0528965. Comm Asset - Public Amenities	-	-	25,000	25,000				30,000	
0528977. Playground Upgrade	5,256	-	-	-				-	
0548961. Development Plan Projects	-	90,082	-	(90,082)				-	
0558516. Implement of Development Plan	71,468	-	-	-				-	
1068192. Other Projects	-	2,125	33,330	31,205				39,996	
1248917. Aorangi Cres Upgrade	252,684	5,066	-	(5,066)				-	
1248940. Furniture & Fittings - Other	-	20,444	12,500	(7,944)				15,000	
1248950. Community Assets - Buildings	(0)	4,587	-	(4,587)				-	
1248978. Resurfacing Tennis Court	0	15,076	-	(15,076)				-	
1408215. Plant	-	4,753	2,500	(2,253)				3,000	
1408925. Plant and Equipment	2,016	-	-	-				-	
1428215. Plant	-	4,753	2,500	(2,253)				3,000	
<b>Total Capital Expenditure</b>	<b>331,424</b>	<b>146,885</b>	<b>75,830</b>	<b>-</b>			<b>0.00%</b>	<b>90,996</b>	

MACKENZIE DISTRICT COUNCIL  
ACTIVITY REPORT  
FOR THE PERIOD ENDED APRIL 2014

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Commercial Activities</b>						
<b>Income</b>						
General Rates	(902,680)	139,313	129,250	10,063	7.79% ✓	155,100
Targeted Rates	88,891	81,021	99,910	(18,889)	-18.91% ✗	119,892
Investment Income	715,255	699,924	804,170	(104,246)	-12.96% ✗	965,004
Other Income	116,816	307,427	72,500	234,927	324.04% ✓	1 87,000
Other Gains and Losses	(5,223)	180,115	994,000	(813,885)	-81.88% ✗	2 994,000
Internal interest Income	99,258	124,514	148,590	(24,076)	-16.20% ✗	178,308
<b>Total Income</b>	<b>112,316</b>	<b>1,532,314</b>	<b>2,248,420</b>	<b>(716,106)</b>	<b>-31.85%</b>	<b>2,499,304</b>
<b>Expenses</b>						
Members Expenses	17,554	24,170	21,670	(2,500)	-11.54% ✗	26,004
Consultancy Expenses	128,670	75,601	137,910	62,309	45.18% ✓	3 151,742
Administration Expenses	60,552	67,316	92,370	25,054	27.12% ✓	110,844
Operational and Maintenance	232,196	262,640	300,290	37,650	12.54% ✓	360,348
Internal Interest Expense	80,524	97,417	114,300	16,883	14.77% ✓	137,160
Depreciation	44,160	41,820	43,190	1,370	3.17% ✓	51,828
<b>Total Expenses</b>	<b>563,656</b>	<b>568,964</b>	<b>709,730</b>	<b>140,766</b>	<b>19.83%</b>	<b>837,926</b>
<b>Operating Surplus/(Deficit)</b>	<b>(451,340)</b>	<b>963,350</b>	<b>1,538,690</b>			<b>1,661,378</b>

*Variance Analysis*

1. Includes \$183,345 of unbudgetd forestry sales due to wind damage earlier in the year requiring forestry stands to be harvested. Also includes higher than anticipated rental returns with the inclusion of the Pukaki visitors centre building.
2. Budgeted to have sold land at the Tekapo lake front
3. Consultancy costs are lower than anticipated due to lower than expected legal costs associated with the Tekapo development.

MACKENZIE DISTRICT COUNCIL  
ACTIVITY REPORT  
FOR THE PERIOD ENDED APRIL 2014

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	LYTD ACT. APRIL 2013	YTD ACT. APRIL 2014	YTD BUD APRIL 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
<b>Operating Reserves</b>						
Opening Balance	(582,890)	(221,186)	(8,250)			(9,900)
Operating Surplus/(Deficit)	(451,340)	963,350	1,538,690			1,661,378
Transfer - Capital Expenditure	-	(115,986)	-			-
Transfers between Reserves	155,499	-	-			(732,912)
Appropriation Interest	(9,557)	(2,068)	(7,910)			(9,492)
Add back Non Cash Items	44,160	42,759	43,200			51,840
<b>Total Operating Reserves</b>	<b>(844,129)</b>	<b>666,869</b>	<b>1,565,730</b>	-	0.00%	<b>960,914</b>
<b>Capital Reserves</b>						
Opening Balance	(292,946)	151,233	82,879			63,217
Transfer - from Operating Reserve	-	-	-			(88,200)
Transfer from Operating reserves	(155,499)	-	-			(36,072)
<b>Total Capital Reserves</b>	<b>(448,445)</b>	<b>151,233</b>	<b>82,879</b>	-	0.00%	<b>(61,055)</b>
<b>Capex</b>						
Tekapo Development	-	216,733	-	(216,733)	×	-
<b>Total Capex</b>	<b>-</b>	<b>216,733</b>	<b>-</b>	<b>(216,733)</b>		<b>-</b>

## **MACKENZIE DISTRICT COUNCIL**

**REPORT TO:** FINANCE COMMITTEE

**SUBJECT:** ALPINE ENERGY LIMITED – DRAFT STATEMENT OF  
CORPORATE INTENT 2014-2017

**MEETING DATE:** 12 JUNE 2014

**REF:** FIN 9/3/3

**FROM:** MANAGER – FINANCE AND ADMINISTRATION

**ENDORSED BY:** CHIEF EXECUTIVE OFFICER

### **PURPOSE OF REPORT:**

As part of the Targets and Objectives placed on Council in the Commercial Activities in the LTP, the Council is required to review the Statement of Corporate Intent for Alpine Energy Limited on an annual basis.

### **STAFF RECOMMENDATIONS:**

1. That the report be received.
2. That the draft Statement of Corporate Intent for the year ended 30 June 2015 and two subsequent years be adopted.

**PAUL MORRIS**  
**MANAGER – FINANCE & ADMINISTRATION**

**WAYNE BARNETT**  
**CHIEF EXECUTIVE OFFICER**

**ATTACHMENTS:**

Appendix 1: Draft Statement of Corporate Intent for Alpine Energy Limited.

**BACKGROUND:**

The draft Statement of Corporate Intent (SCI) for Alpine Energy Limited (AEL) has been provided to the shareholders. The SCI will be formally adopted and issued by AEL, subject to shareholder comments before 30 June 2014.

The SCI for the 2014/17 period is consistent with those presented in previous years. AEL has, over the past few years, experienced large growth in demand and as such its current network configuration requires a significant capital injection. This cannot be phased and is a step change. AEL has borrowed to achieve this goal.

The company has also obtained a variation from its price path from the Commerce Commission and as such has in recent times increased its line charges.

The ordinary dividend will be 19.3 cents per share or 90% of consolidated tax paid profit (excluding customer capital contributions), whichever is greater. This level is predicted to increase in 2015/16 to 20.30 cents and 22.00 cents in 2016/17. This is consistent with an increase in revenue allowed by the Commerce Commission.

**CONCLUSION:**

It is recommended that the Council approves the Statement of Corporate Intent as presented.



**ALPINE ENERGY LTD**

**STATEMENT OF  
CORPORATE INTENT**

**2014/17**

March 2014 Draft V2

## **ALPINE ENERGY LIMITED**

### **2014 STATEMENT OF CORPORATE INTENT**

Alpine Energy Limited (the "Company") is an energy company (as that term is defined in the Energy Companies Act 1992). The Company's growth opportunities have been developed according to the Electricity Industry Reform Act 1998. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2014 to 31 March 2015 and the two succeeding financial years.

#### **(a) The Objectives of the Company**

##### **Mission**

To ensure continuing commercial success by providing safe; reliable; and efficient energy delivery and infrastructure services.

##### **Vision**

To be a high performing, efficient company with group revenues in excess of \$70 million per annum by 31 March 2020.

##### **Our Values**

We will:

- put Health and Safety First
- act Environmentally Responsibly
- show Respect, Integrity, and Honesty, to build Trust (RIgHT)
- strive for Professional Excellence
- contribute positively to the Community

##### **Business Plan Goals**

##### **- Shareholders**

To pursue business policies which will maximise the value of the company in the medium and long term.

##### **- Customers**

To provide customers with the safe, efficient, economic and reliable delivery of energy and services.

##### **- Efficient Use of Resources**

To promote energy efficiency and effective utilisation of resources under our management.

- **Human Resources**

To be regarded as a fair and reasonable employer in our region and a company for whom staff are proud to work.

- **Public and Social Responsibility**

To be a law abiding and responsible company.

**(b) Nature and Scope of Activities to be Undertaken**

The Company's business will primarily be that of quality energy delivery, water resource utilisation, and infrastructure asset ownership and management.

The Company, through a subsidiary company, NetCon Limited, is also involved in contracting activities which support and develop the Business.

Consistent with its objectives the Company will pursue activities designed to ensure the efficient utilisation of its capital assets and human resources.

Opportunities for investment in activities consistent with its Mission will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment in activities other than the safe, efficient, reliable and cost effective delivery of energy, and will not proceed without the approval of a majority of shareholders.

**(c) Proprietorship Ratio**

The ratio of shareholders' funds to total assets will be maintained at not less than 50 percent.

Total assets will comprise all the recorded tangible assets of the Company at their value as defined in the Company's statement of accounting policies.

Consolidated shareholders' funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

**(d) Accounting Policies**

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

Details of the current accounting policies and their application are contained in Appendix A.

**(e) Financial Performance Targets**

The Company has developed financial performance targets to be used to instigate productivity improvements in each of the main business units and these will comprise specific measurable standards monitored for each unit. The following performance measures have been established for the Group:

	2014/15	2015/16	2016/17
(i) Ratio of net profit after tax to shareholders funds:	10.90%	11.22%	11.66%
(ii) Net Tangible Assets per share	5.07	5.38	5.55
(iii) Earnings per share	32.8	35.4	38.6
(iv) Ordinary Dividend per share	19.30	20.30	22.00
<b>Financial Projections</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Revenue	59.0	62.1	64.9
Operating Expenses	40.9	42.5	43.5
Operating Surplus Before Tax	18.1	19.6	21.4
<b>Net Operating Surplus After Tax</b>	<b>13.5</b>	<b>14.6</b>	<b>16.0</b>
<b>Shareholder Funds</b>	<b>127.2</b>	<b>133.3</b>	<b>140.3</b>
Current assets	7.8	7.9	8.1
Non current Assets	201.9	214.4	221.3
<b>Total Assets</b>	<b>209.7</b>	<b>222.3</b>	<b>229.4</b>
Current Liabilities	6.5	7.1	7.5
Non current liabilities	76.0	81.8	81.6
<b>Total Liabilities</b>	<b>82.5</b>	<b>88.9</b>	<b>89.1</b>
<b>Net assets</b>	<b>127.2</b>	<b>133.3</b>	<b>140.3</b>
<b>Customer Capital Contributions</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
<b>Capital Expenditure</b>	<b>20.7</b>	<b>17.6</b>	<b>14.4</b>

**(f) Operating Performance Targets**

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focussed. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on these criteria.

- (i) Electricity Line Losses < 6% per year
- (ii) Average Interruption Duration (SAIDI) < 164 minutes of interruption p.a.
- (iii) Average Interruption Frequency (SAIFI) < 1.69 interruptions per customer

**(g) Dividend Distribution Policy**

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 19.3 cents per share in 2014/15, 20.3 cents in 2015/16 and 22.0 cents in 2016/17.

The Board of Directors of the Company will include within its report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends of 20% of the annual dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

**(h) Information to be Provided to Shareholders**

The Company will provide information which complies with the requirements of the Companies Act 1993, the Energy Companies Act 1992, and the Financial Reporting Act 1993. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

- (i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and
- (ii) financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to the Company's shareholders within three months of the end of each financial year and will comprise:

- (i) a report from the directors covering the operations for the year, including significant activities of the Company in regard to its associate company investments;
- (ii) audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries (if any);
- (iii) auditors' report on the financial statements and the performance targets (together with other measures by which performance of the Company has been judged in relation to the Company's objectives).

The Company's audited consolidated financial statements will comprise the following:

- \* Income Statement
- \* Balance Sheet
- \* Statement of cash flows
- \* Statement of changes in equity
- \* Details of all transactions entered into during the financial year by the Company or any of its subsidiaries and certain other bodies
- \* Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Information for disclosure for the separated line and energy businesses prepared for the purposes of the Electricity (Information Disclosure) Regulations 1994 will be delivered to the Company's shareholders within three weeks of the information being published in the New Zealand Gazette.

Draft statements of corporate intent will be delivered to the Company's shareholders one month before the end of each financial year.

Shareholders may request further information or reports from the Directors, and the Company shall supply this information to all Shareholders in such manner as shall from time to time be agreed between the Company and Shareholders.

(i) **Procedures for Acquisition of Interests in Other Companies or Organisations**

As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the investments being considered, which shall reflect the market cost of debt and the market cost of equity.

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders approval.

**(j) Transaction Details**

The following information is disclosed in terms of Section 39(2) (i) of the Energy Companies Act 1992:-

- Contractual arrangements with the District Councils include:-
  - \* Development, installation and maintenance of community lighting facilities.
  - \* Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc after underground cabling and new subdivisions.
  - \* Negotiation of a contribution towards the overhead line to underground conversion programme.

All transactions between the Company and its Shareholder District Councils will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities of the Company, are incorporated into the operating costs and revenues of the Company.

**(k) Further Matters**

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.

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## APPENDIX A

### STATEMENT OF ACCOUNTING POLICIES

Financial statements will be prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They will comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

#### **(a) Basis of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies will be consistently applied to all the periods presented, unless otherwise stated.

##### *Entities reporting*

The financial statements for the “Parent” are for Alpine Energy Limited as a separate legal entity.

The consolidated financial statements for the “Group” are for the economic entity comprising Alpine Energy Limited, and its subsidiaries and associates.

The Company and Group are designated as profit oriented entities for financial reporting purposes.

##### *Statutory base*

Alpine Energy Limited is a company registered under the Companies Act 1993.

The financial statements are prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

##### *Functional and presentation currency*

The Company's and Group's financial statements are presented in New Zealand dollars, which is the Company's and Group's functional and presentation currency.

##### *Historical cost convention*

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

#### **(b) Critical accounting estimates and judgements in applying the entity's accounting policies**

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and judgements form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgments are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

## **(c) Principles of consolidation**

### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alpine Energy Limited and the results of all subsidiaries for the year. Alpine Energy Limited and its subsidiaries together are referred to in financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries will be changed where necessary to ensure consistency with the policies adopted by the Group.

### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless

the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates will be changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are accounted for at cost in the Parent financial statements.

#### **(d) Revenue recognition**

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

##### *(i) Sales of goods*

Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

##### *(ii) Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

##### *(iii) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### *(iv) Construction contracting*

Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

##### *(v) Rental income*

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

##### *(vi) Dividend income*

Dividend income is recognised when the right to receive payment is established.

##### *(vii) Grants*

Assets constructed for which a government grant is received are recorded net of the grant. Grants received are recognised in the Income Statement when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

**(e) Capital and operating expenditure**

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of Alpine Energy Limited.

**(f) Taxation**

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**(g) Goods and Services Tax (GST)**

The Income Statement is prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**(h) Leases***(i) The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

*(ii) The Group is the lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**(i) Impairment of non financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill are not subject to amortization and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(k) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**(l) Investments and other financial assets**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

*(i) Financial assets at fair value through profit and loss*

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

*(ii) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in

current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

*(iii) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

*(iv) Available for sale financial assets*

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**(m) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

**(n) Inventories**

Inventories are stated at the lower of average cost and net realisable value.

**(o) Contract work in progress**

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts.

**(p) Investment properties**

The initial cost of investment properties is the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Investment properties are revalued annually, using the fair value approach, by an independent registered valuer who has a working knowledge of the location and category of the investment property. Fair value gains and losses are recognised in the Income Statement.

**(q) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings 1% - 2.5%
- Plant and Equipment 7.5% - 50%
- Motor vehicles 15% - 26%
- Reticulation system 1.4% - 10%

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

#### **(r) Non-current assets held for sale**

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the income statement.

#### **(s) Intangible assets**

##### *Software costs*

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

### *Easements*

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment.

### **(t) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(u) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### **(v) Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **(w) Provisions**

Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### **(x) Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

### **(y) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**(z) New standards and interpretations not yet adopted**

The Company only adopts new accounting standards once they have been issued and are effective.

## **MACKENZIE DISTRICT COUNCIL**

**REPORT TO:** MACKENZIE DISTRICT COUNCIL

**SUBJECT:** EXEMPTION MACKENZIE HOLDINGS LTD UNDER SECTION 7(3) OF LOCAL GOVERNMENT ACT 2002

**MEETING DATE:** 12 JUNE 2014

**REF:** LAN 15

**FROM:** MANAGER – FINANCE AND ADMINISTRATION

**ENDORSED:** CHIEF EXECUTIVE OFFICER

### **PURPOSE OF REPORT:**

Recommend to Council to resolve to exempt Mackenzie Holdings Limited as a Council-Controlled Organisation under Section 7(3) of the Local Government Act 2002.

### **STAFF RECOMMENDATIONS:**

1. That the report be received.
2. That Council considers Mackenzie Holdings Ltd to be a small organisation that is not a council-controlled trading organisation. As Mackenzie Holdings Ltd does not provide any activity on behalf of the Council, and that benefits, in terms of cost savings, will accrue to Council and ultimately, the community, that an exemption under Section 7(3) of the Local Government Act 2002 be granted in respect of Mackenzie Holdings Ltd.

**PAUL MORRIS**  
**MANAGER – FINANCE AND ADMINISTRATION**

**WAYNE BARNETT**  
**CHIEF EXECUTIVE OFFICER**

## **ATTACHMENTS:**

None.

## **BACKGROUND:**

The Council set up Mackenzie Holdings Ltd (MHL) to operate its airport operations, which included subdivisions and land sale, at the Pukaki Airfield.

This would have led to significant tax issues for Council so it was decided to operate this activity as a Committee of Council.

This has left Council with a non-trading company with tax losses.

Management has taken steps to minimize the costs involved in maintaining the company and preserving the tax losses available to Council, which amount to \$181,333.

The major costs relating to this company are:

1. Tax return and preparation costs.
2. Maintaining the yearly record at the Companies Office.
3. Audit of the Annual Accounts. This occurs because MHL is owned by Council and forms part of the Council reporting group and under the Local Government Act 2002(LGA) is required to be audited as part of Council.

We have applied and been granted 'Inactive' Company Status from the Inland Revenue Department, which means Council is no longer obligated for as long as the company is inactive, to file annual tax returns.

Council can take steps to reduce the cost of audit by utilizing Sec 7 of the LGA.

## **SIGNIFICANCE OF DECISION REQUIRED:**

The decision required is considered to be routine.

## **ISSUES:**

### ***Legal***

The LGA provides under Sec 7(3) that 'A local authority may, after having taken account of the matters specified in subsection (5), exempt a small organisation that is not a council-controlled trading organisation, for the purpose of Section 6(4)(i).'

Section 6(4)(i) provides that an organisation exempted under Section 7 is not a council-controlled organisation for the purposes of the LGA. If an organisation is not a council-controlled organisation then it is not required to be audited.

Matters under subsection (5) that should be taken into account "are:

- The nature and scope of activities provided by the organisation, and
- The costs and benefits, if an exemption is granted, to the local authority, the council-controlled organisation, and the community."

Section 6(1)(a) gives a definition of a council-controlled organisation. MHL is caught because it is:

- “A company:
  - In which equity securities carrying 50% or more of the voting rights at a meeting of shareholders of the company, are
    - Held by 1 or more local authorities.”

Section 6(1) also defines a council-controlled trading organisation as....”a council-controlled organisation that operates a trading undertaking for the purpose of making a profit.”

Based on these definitions, Council should be satisfied of the following:

1. Is MHL currently a council-controlled organisation i.e. it meets the control test outlined in Section 6(1)(a)? Clearly the answer is yes it does as Council is 100% owner of the equity securities giving rights to vote at a meeting of shareholders.
2. Given that MHL is a council-controlled organisation, is it a council-controlled trading organisation? I believe the answer is no. it currently does not trade and has been granted inactive tax status by the Inland Revenue Department.

Given that MHL is considered only to be a council-controlled organisation and not a council-controlled trading organisation, Council needs to apply the rules under Section 7(5)(a) and (b) to determine whether Council can grant an exemption to MHL.

In considering the nature and scope of the activities provided, MHL does not provide any. Therefore, MHL can be considered for exemption.

Council must also consider the cost and benefit if the exemption is granted. In this case, granting an exemption would not incur any additional cost to Council nor MHL. The benefits to Council would be reducing direct compliance costs in that MHL would no longer be required to be audited and allow for better utilization of staff time to more productive work. There would be no detrimental impact on the community.

If Council decides to exempt MHL, it must review its exemption within 3 years of granting it and must after the first review, review its decisions at intervals of not less than 3 years Sec 7(6) and (b).

Council may revoke its exemption at any time.

## **CONCLUSION:**

Mackenzie Holdings Ltd has tax losses available to Council totalling \$181,333. Management has reduced the cost of compliance of Mackenzie Holdings Ltd by obtaining inactive tax status from the Inland Revenue Department. By granting exemption under Section 7 of the Local Government Act 2002, Council can effectively reduce the compliance costs of Mackenzie Holdings Ltd to the cost of Companies Office filings by eliminating the requirement for a council-controlled organisation to be audited.

Therefore I recommend that Council grant an exemption for Mackenzie Holdings Ltd under Section 7(3) of the Local Government Act 2002.

## **MACKENZIE DISTRICT COUNCIL**

**REPORT TO:** Finance Committee

**SUBJECT:** Funding Request from Fairlie Community Board

**MEETING DATE:** 12 June 2014

**REF:** WAS 3/3/1

**FROM:** Garth Nixon Community Facilities Manager

### **PURPOSE OF REPORT:**

To provide back ground information for Fairlie Community Boards Request for funding toward the Village Green project

### **STAFF RECOMMENDATIONS:**

1. That the report be received.
2. That Council provide a maximum \$ 5,200 funding from the Lands Subdivision Reserve toward this project
3. That the Project be run through the Fairlie Township Account.

**GARTH NIXON**  
**COMMUNITY FACILITIES MANAGER**

## **ATTACHMENTS:**

Fairlie Lions summary of costs

## **BACKGROUND:**

The Fairlie Community Board considered a request from The Fairlie Lions for funds to complete the covering of the rail car on the Village Green.

The total materials cost of the project is estimated at \$8,000.00 The Lions can contribute \$ 1,500.00 and the Community Board holds approximately \$ 1,300.00 of Village Green funds. The Lions and the Fairlie Community Board seek the balance of funds required from the Land subdivisions Reserve.

## **POLICY STATUS:**

Land subdivision funds are collected from developers to develop parks and recreation facilities for the district.

## **SIGNIFICANCE OF DECISION:**

Not a significant issue under the significance policy

## **ISSUES & OPTIONS:**

The options are to fund or not to fund from this reserve

## **CONSIDERATIONS:**

### ***Legal***

### ***Financial***

At the end of 2013 the balance on the Land Subdivision Reserve was \$ 840,000 and year to date there have been contributions of \$153,000 therefore at year end it is likely to have a balance in excess of \$ 993,000

### ***Other***

The Fairlie Lions would like to press on with this project over the winter months and hopefully complete this prior to the new statue proposed for the Village Green.

Much of the Village green project over time has been funded with grants and donation from the community as well as work in kind from contractors and suppliers The entire labour component of this project will be completed by the lions and there are no labour costs included in this costing.

They have also requested that the project be run through the Council account providing the GST advantages and discount from suppliers where appropriate

## **ASSESSMENT OF OPTIONS:**

This project is likely to go ahead whether funded by the Council or not.

Not providing the funding will delay the project and other funding will need to be sought.

The funding of this from the Land subdivision reserve is in line with purpose of the Reserve. It will allow the project commence immediately and it will leave funds in other community organisation for other projects

**CONCLUSION:**

Council should support the Fairlie Community Board request and fund this project for the balance of funds required up to a maximum of \$ 5,200



Fairlie Lions Club Inc  
5 Mt Cook Rd  
Fairlie

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May 2014

Garth Nixon  
MDC

Garth.

Proposed to build replica carriage on railway wagon on village green. This will be enclosed on three sides open to mound area. Steel framed, imitation T & G plywood, lined inside, flat tin roof. Lions have voted \$1500-00 and committed their time to build and paint it.

Approximate Costing's GST Exclusive

Gibsons	Supply of Steel	\$3000-00
Mitre 10	Supply Plywood	\$2700-00
Paint ?		\$800-00
Water blast/paint undercarriage		\$1000-00
Window frames		\$500-00
Total		\$8000-00

Cost of paint just a guess, undercarriage may need to be sandblasted but there should be enough allowed, Window frames to be built by local tradesman, material cost only. Will be painted a heritage green colour of the period.

What funding is available from Council sources.

Attached artist impression.

Yours sincerely

*Norman Blakemore*

Norman Blakemore

