

The Chairman and Councillors
Finance and Governance Committee

NOTICE IS GIVEN that the next meeting of the **Finance and Governance Committee** will be held in **Council Meeting Room One, Environment Bay of Plenty, 5 Quay Street, Whakatane** on:

EMBARGOED

Until 2 working days before meeting on:

Tuesday, 14 September 2010

commencing at 11.00 a.m.

Or at the conclusion of the Policy & Planning Committee Meeting whichever is the earlier

Bill Bayfield
Chief Executive

7 September 2010

Working with our communities for a better environment



Finance and Governance Committee

Purpose

- To provide strategic oversight of, and establish policy for, the financial affairs of Council.
- To overview Council's financial reports and annual financial statements, and to monitor Council's financial performance.
- To ensure the effective functioning of the organisation as a corporate body.

Role

- 1 To receive the Council's quarterly overall financial reports and to review the appropriateness of reports received.
- 2 To receive and consider month-end reports between quarters, if required.
- 3 To preview and approve the form and content of the annual financial statements.
- 4 To monitor Council's overall service and financial performance against the Ten Year Plan and Annual Plan, including overseeing the production of the Annual Report.
- 5 To develop and review Council's funding and financial policies, including the Policy on partnerships with the Private Sector, Revenue and Financing Policy, Liability Management Policy, Investment Policy, Policy on Development Contributions or Financial Contributions, Policy on the Remission and Postponement of Rates, Policy on the Remission and Postponement of Rates on Maori Freehold Land, and rating policy in general.
- 6 To review internal systems and their effectiveness.
- 7 To audit decisions if required.
- 8 To consider applications for the remittance of user fees and charges that are not dealt with under delegation.

Delegated Authority

- (a) Authority to delegate to any subcommittee of the Finance and Governance Committee, any authorities that have been delegated by Council to the Committee and to appoint members.
- (b) Authority for the governance of all statutory functions, powers and duties within its terms of reference.
- (c) Authority to make recommendations to Council on financial matters arising from Council's financial reports.
- (d) Authority to determine processes for preparing Council's funding and financial policies, including the Policy on partnerships with the Private Sector, Revenue and Financing Policy, Liability Management Policy, Investment Policy, Policy on Development Contributions or Financial Contributions, Policy on the Remission and Postponement of Rates, Policy on the Remission and Postponement of Rates on Maori Freehold Land, and rating policy in general.
- (e) Authority to remit user charges and rates.
- (f) Authority to approve un-audited annual financial statements for audit purposes.
- (g) Authority, within its terms of reference, to approve the transfer of budget levels between activities or to exceed the budget level for an activity with no commensurate savings elsewhere, up to \$100,000 and to recommend to Council amounts exceeding \$100,000.

Public forum

Council's Standing Orders include the provision for a public forum to be held at the beginning of its meetings. The process that was agreed is as follows:

- 1 A period of up to 15 minutes shall be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
- 2 The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
- 3 No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
 - name of participant;
 - organisation represented (if any);
 - meeting at which they wish to participate; and matter on the agenda to be addressed.
- 4 Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.
- 5 Where a member of the public has specialist knowledge of a matter on the agenda the chair may invite public participants to engage in discussion of that matter at the time of consideration of the agenda item by the committee or subcommittee.

Committee Membership

Chairman:	I Noble
Deputy Chairman:	J Nees
Councillors:	T Eru, R Ford, J Mansell, P Sherry, A von Dadelszen
Ex Officio:	Chairman J Cronin (Environment Bay of Plenty)
Secretary:	S Cubbon

Recommendations in reports are not to be construed as Council policy until adopted by Council.

Agenda

1 Apologies

2 General Business and Tabled Items

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be delayed until a subsequent meeting.

3 Public Excluded Section

Resolution to exclude the public

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

3.1 Investment Performance Report for the month ended 31 July 2010 13

Reason

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Grounds

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment.

3.2 Investment Performance Report for the month ended 31 August 2010 15

Reason

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Grounds

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

3.3 Update - Trade Debtors as at 30 June 2010 17

Reason

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Grounds

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

3.4 Group Managers' report 19

Reason

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to maintain legal professional privilege.

Grounds

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

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Public Excluded Section

Resolution to exclude the public

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Subcommittee Minutes and Workshop Reports

Workshop Report of the Finance & Governance Committee held at the Duxton Hotel, Okawa Bay Rotorua, 366 State Highway 33, Rotorua on Friday, 16 July 2010 commencing at 9.00 a.m.

Present:

Chairman: I Noble

Deputy Chairman: J Nees

Councillors: T Eru, R Ford, J Mansell, P Sherry, A von Dadelszen, M Whitaker

In Attendance: Councillors R Bennett, N Oppatt and K Summerhays, D Stimpson (Consultant), B Bayfield (Chief Executive), E Grogan (Group Manager Water Management), K Tarboton (Group Manager Rivers and Drainage), M Macleod (Group Manager Strategic Development), W Murray (Group Manager Land Management), B Trott (Group Manager Corporate Services), J Warnes (Finance Manager), S Lamb (Acting Manager Strategic Support), M Scott (Strategic Accountant) and J McNicholas (Document Specialist).

Apologies: Chairman Cronin for lateness

1 Background

David Stimpson led the Members through the workbook *Revenue and Financing Policy: Review of Indicative Funding Tools, Bay of Plenty Regional Council*, which also provided the agenda for the workshop.

Councillors discussed how each work programme is currently funded, the principles of value based rates versus uniform and general charges (UAGC), and targeted rate ratios to general funding.

2 Regional Leadership Group of Activities

The Members agreed in principle to maintain the status quo in relation to all funding in this area, but noted the following in relation to *Transport Planning*.

2.1 Transport planning

The Members discussed what this programme funds and it was suggested that a better title would be "Transport Planning and Strategic Initiatives".

Funding for the State Highway and Acceleration Programme was discussed and it was noted that in the current TYP, it was funded from Investment reserves in years four to six. It was suggested that the funding of this should be investigated in the next TYP process.

3 Natural Environment Group of Activities

3.1 Sustainable land use implementation

The introduction of user fees and charges was discussed as a funding option. The Members felt that this wasn't a viable option because it went away from Council's advisory role and could move Council into a consultancy role.

The Members agreed in principle to maintain the status quo in relation to funding.

3.2 Biodiversity

The Members agreed in principle to maintain the status quo in relation to funding.

3.3 Biosecurity

The Members agreed in principle to maintain the status quo in relation to funding.

3.4 Rotorua Lakes

The Members discussed the proposed hectare rate for nutrient discharge and felt that the associated risks and costs to collect were too high. In addition it was considered a difficult rate to collect.

There was discussion on whether the Rotorua Lakes Programme was a regional issue, a Rotorua district issue, or an individual issue. The 44% to 56% funding ratio between general funding and targeted rates was discussed and it was agreed to model a 75% to 25% funding ratio model for the next workshop.

The Members agreed in principle that the value based general rate was a more appropriate model than UAGC, and that the status quo should remain for the three fixed hectare charges.

3.5 Sustainable Coastal Implementation

The Members agreed in principle to maintain the status quo in relation to funding.

3.6 Proposed new Tauranga Harbour Programme

The Members discussed the Tauranga Harbour programme's size and whether it included Maketū and Kaituna. It was agreed in principle that the same funding rationale would be used as for the Rotorua Lakes Programme.

It was noted that the programme was still to be scoped.

3.7 Maritime Operations

The Members agreed in principle to the maintain status quo in relation to user fees and charges but requested further consideration to better reflect this in the new Revenue and Financing policy.

3.8 Rotorua Air Action Plan Implementation

The Members agreed in principle to use uniform UAGC rates.

The 20% to 80% funding ratio between general funding and targeted rates was discussed and it was agreed to model a 75% to 25% funding ratio model for the next workshop.

3.9 Resource consents

The Members agreed in principle to use value based general rates. The Members noted that the 60% user fees and charges to general funding was good practice.

The Members agreed in principle to maintain the status quo in relation to user fees and charges but requested further consideration to better reflect this in the new Revenue and Financing policy.

3.10 Pollution prevention

The Members agreed in principle to use value based general rates.

The Members agreed in principle to maintain the status quo in relation to user fees and charges but requested further consideration to better reflect this in the new Revenue and Financing policy.

3.11 Regional monitoring

The Members agreed in principle to use value based general rates.

4 Sustainable Development and Infrastructure

4.1 Passenger transport

The Members agreed in principle to maintain the status quo in relation to user fees and charges but requested further consideration to better reflect this in the new Revenue and Financing policy.

The 30% to 70% funding ratio between general funding and targeted rates was discussed and it was agreed to model a 75% to 25% funding ratio as well as a 50% to 50% model for the next workshop.

4.2 Regional Economic Development

The Members agreed in principle to use value based general rates.

4.3 Major River Schemes

The Members agreed in principle to maintain the status quo in relation to funding.

It was noted that assets belonging to the Rotorua Lakes Programme should be transferred to the Kaituna catchment scheme. In addition, the Kaituna Catchment Scheme should be split to upper and lower Kaituna. The costs benefits analysis would need to be completed in the future.

5 **Capital Value**

The Members discussed capital value versus land value principles. It was decided that further investigation was required in relation to impacts on property types, e.g. industrial vs commercial and different rural land uses.

5.1 **Cost Indices**

The New Zealand Local Government cost index was discussed and it was noted that the CPI was not an accurate reflection of the cost indices affecting Local Government. The BERL report, which was highlighted at the workshop, suggested a more appropriate inflationary index to use in future TYP and Annual Plans.

The workshop closed at 4.30 p.m.

Reports

File Reference: 1.00035
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Investment Fund spending on Infrastructure Projects as at 30 June 2010

Executive Summary

The purpose of this report is to provide the committee with a biannual breakdown of the PPS Investment Fund spending on Infrastructure projects. The report includes the ongoing spending on infrastructure projects and subsequent capital repayments, which under the binding ruling are to be made available to future infrastructure projects. The intention of the report is to keep the committee informed of the spending in the current period, the balance of funds spent in previous periods and the budgeted future use of funds.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, Investment Fund spending on Infrastructure Projects as at 30 June 2010.**

2 Background

The Bay of Plenty Regional Council raised \$200 million from the issue of 200 million Quayside perpetual preference shares (PPS) in March 2008. After deducting the costs associated with the issue of the PPS the use of the net proceeds amounting to \$194.6 million are subject to the conditions of the Inland Revenue Binding ruling. The binding ruling restricts the use of the funds to approved Infrastructure projects.

In the 2009/2019 Ten Year Plan it was estimated that a total of \$169.9 million (67 percent) of this fund will be spent on developing infrastructure, Rotorua lakes, river flood control and drainage programmes, emergency management systems and improving state highways.

3

Overview

The Investment fund spending as at 30 June 2010 is as follows:-

Infrastructure Project	Opening Balance 1 July 2009	Additional Loan Drawdown	Loan Repayments	Closing Balance 30 June 2010
River Schemes:				
Waioeka – Otara	1,502,070	92,356	(84,118)	1,564,113
Whakatāne – Waimana	4,595,858	339,315	(275,056)	4,673,292
Rangitāiki - Tarawera	6,789,663	1,108,105	(283,149)	6,829,593
Kaituna	1,309,934	414,736	(48,974)	1,329,831
Sustainable Water Activity:				
Rotorua Lakes	7,110,847	273,398	(276,850)	7,080,059
Corporate Property:				
Buildings	10,250,000	0	(40,420)	10,209,580
Total	30,467,125	2,227,910	(1,008,567)	31,686,468
Grants:				
Rotorua Lakes Sewage Subsidy				522,000
				<u>32,208,468</u>

The overall use of the fund since 2008 is as follows:-

PPS Proceeds	200,000,000
Fund Establishment Costs	(5,400,000)
Total Available Funds	<u>194,600,000</u>
Current Spend	(32,208,468)
Remaining Available Fund	<u>162,391,532</u>

In the adopted 2010/2011 Annual Plan the Council has budgeted for spending of a further \$8.1 million as follows.

- Regional Infrastructure Fund – Direct funding
 - Little Waihi/Maketū Sewerage Subsidy \$2.1 million,
 - Lake Rotoiti Sewage Subsidy \$1.9 million
- Rotorua Lakes and Rivers and Drainage advances \$4.1 million

4

Financial Implications**Current Budget**

The Investment Fund spending is within the budget adopted in Year one of the 2009/19 Ten Year Plan.

Future Implications

No future implications outside the 2010/11 Annual plan and the Inland Revenue Binding Ruling.

Ten Year / Annual Plan Implications

Future provisions have been included in the 2009/2019 Ten Year Plan.

Andrew Dixon
Asset Accountant

for Group Manager Corporate Services

27 August 2010

File Reference: 7.00317
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Draft Annual Report for the year ended 30 June 2010

Executive Summary

The purpose of this report is for the Finance and Governance Committee to receive the Draft Annual Report (un-audited) for the year ended 30 June 2010. This report provides an overview of the Bay of Plenty Regional Council's achievements, activity performance and financial results for 2009/10.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, Draft Annual Report for the year ended 30 June 2010.**

2 Background

Under the Local Government Act 2002 Council is required to adopt its Annual Report within four months of the end of the financial year. This year the Council is scheduled to adopt the 2009/10 Annual Report on 30 September 2010.

A Draft Annual Report has been produced to enable the Finance and Governance committee to view the activity performance and financial information, prior to the Annual Report going to Council for adoption. The Draft Annual Report accompanies this paper.

The 2009/10 financial information provided in the Draft Annual Report is for the Council (parent) only. Full consolidated financial statements which include our subsidiaries financial results will be included in the final Annual Report on 30 September.

3 Introduction

This paper provides an overview of the structure of the Draft Annual Report, and summarises the highlights and financial results. A table of changes that have occurred since the fourth Quarterly Performance Report was presented to Council has also been provided.

4 **Structure of the Draft Annual Report**

The Draft Annual Report is set out as follows:

Part A – Chairman’s forward, Chief executive’s report, highlights, financial overview, how we provided opportunities for Maori to contribute to our decision making processes.

Part B – Service performance for each group of activities

Part C – Consolidated financial statements

5 **Highlights**

Organisational achievements

The Draft Annual Report sets out a number of organisational achievements during 2009/10.

These include:

- Improving the water quality of the Rotorua Lakes using a variety of approaches.
- Increased bus services provided and increased patronage.
- Developed a number of initiatives as part of implementing the Rotorua Air quality action plan.

Refer to the highlights section of the Draft Annual Report for more information.

The council performed extremely well against its 67 key performance indicators. At the end of the financial year 79% were on track and none were significantly behind or a potential risk.

Financial results

For the year ended 30 June 2010 Council achieved a net surplus of \$5.21 million compared to a budgeted surplus of \$1.1 million. This result is mainly due to lower than budgeted expenditure as a result of efficiency gains and cost savings across the council as well as work being delayed in the Rotorua Lakes programme.

In addition to these operational under spends, end of year non-cash adjustments have been made, to record unrealised investment gains and unpaid rates plus penalties from previous years. These adjustments totalling \$2.6 million have had a significant impact on the year end net surplus.

Actual revenue was \$67.28 million compared to a budget of \$69.49 million. The difference of \$2.21 million is explained below.

- Rates revenue was \$1.66 million more than budget due to the recognition of prior year rates debtor balances and penalty income (as advised by the Territorial Authorities).
- Trading and other revenue was \$5.32 million less than budget. The vesting of the \$2.1 million Bell Road pump station has been delayed until 2010/11. Rotorua Lakes deed funding income received from the Ministry for the Environment (Mfe) for Rotorua District Council (RDC) of \$4.20 million has been offset by expenditure of the same amount resulting in an under budget variance

of \$4.20 million. In the 2009/10 budget the funds received from Mfe were recorded as income and the money paid to Rotorua District Council recorded as expenditure.

- o Other gains were \$1.29 million more than budget from realised and unrealised gains on our investments.

Actual expenditure was \$62.07 million compared to a budget of \$68.38 million. The difference of \$6.31 million is explained below.

- o Depreciation and amortisation is under budget by \$0.48 million due to lower than expected capital expenditure.
- o Trading and other expenditure under budget by \$6.15 million. This is due to a \$4.2 million payment to Rotorua District Council in respect of deed funding received from the Mfe being offset against income and not recorded as expenditure (to comply with accounting standards). A further \$1.1 million under budget in the Sustainable Water activity due to delays in carrying out planned work in the Rotorua Lakes programme. The balance is due to pleasing cost savings across a number of activities.

6 Financial changes since the fourth Quarterly Performance Report

The table below explains the changes between the financial results presented in the fourth Quarterly Performance Report and the Draft Annual Report.

	Quarter Four Report \$000	Draft Annual Report \$000	Difference \$000	Explanation for change
Operating Revenue				
Rates Revenue	23,600	25,300	1,700	Year end rates adjustment based on rates reconciliations received from Territorial Authorities. This amount includes prior year rates balances, current year adjustments, penalty income and remissions.
Finance Income	23,851	22,645	(1,206)	\$1.29 million has been reclassified as "Other Gains" below. \$85,000 additional interest accrual.
Trading and Other Revenue	22,256	18,041	(4,215)	\$4.2 million - the Rotorua Lakes deed funding has been shown as "Net Revenue" - the grant expenditure has been offset against grant revenue.
Other Gains	0	1,291	1,291	Realised and unrealised gains reclassified from Finance (investment) Income to Other Gains.
	69,708	67,278	(2,430)	
Operating Expenditure				
Employee benefit expenses	20,912	20,852	(60)	Change in long service and sick leave provisions \$60,000 - This is a year end adjustment.
Depreciation and amortisation	3,468	3,295	(173)	Decrease of \$407,000 due to depreciation rate adjustments, plus increase of \$234,000 - depreciation on communal pumps recognised.
Trading and other expenses	41,387	37,859	(3,528)	\$4.2 million decrease - the Rotorua Lakes deed funding has been shown as "Net Revenue" and the grant revenue and expenditure has been offset. \$100,000 increase - Rotorua lakes expenditure reclassified to work in progress. Rates bad debt expenses increased by \$570,000 due to year end doubtful debt adjustments.
Finance costs	41	41	0	
Other losses		25	25	Loss on disposal of assets.
	65,808	62,072	(3,736)	
Net Surplus/(deficit)	3,900	5,206	1,306	

7 **Further adjustments**

The Draft Annual Report is a working draft and is subject to changes.

At the time of preparing the Draft Annual Report, Audit NZ were still in the process of auditing our results, so it is possible that further adjustments may be required. In addition, the following items are not in the Draft Annual Report, but will be included in the final Annual Report.

- Subsidiary information.
- Put option valuation.
- Statistical historic information (financials and rates).
- Provision for court costs and legal expenses relating to the head office relocation court case approximately \$135,000.
- Reserve transfers.
- Rounding.

8 **Financial Implications**

Current Budget

Not applicable

Future Implications

Not applicable

Ten Year / Annual Plan Implications

Not applicable

Tracey Wilson

Financial Accountant

for Group Manager Corporate Services

31 August 2010

File Reference: 2.00075
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Biannual report on Councillors' meeting attendances and expenditure

Executive Summary

As a result of the introduction of the *Sensitive Expenditure – Elected Members* policy, Council is now required to report on their expenditure on a biannual basis. The first report on such expenditure will be for the period of 1 July 2010 to 31 December 2010, and will be presented to the Council at its meeting in February 2011.

The purpose of this report is to put forward a proposed layout for presenting the information required, and seeks the Committee's guidance and feedback on a preferred format.

In addition to Councillors' expenditure, the biannual report proposes that councillors' meeting attendance is also included. Again, this paper seeks the Committee's guidance and feedback on a format on how that information is presented.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 **Receives the report, 'Biannual report on Councillors' meeting attendances and expenditure'.**

2 Councillor expenditure

Below is a table outlining the headings that will be used to report on councillors' expenditure over the six month period:

Councillor	Expenditure type						Comment
	Annual Salary	Meeting fees	Professional Development [\$3500}	Training, Conferences, Tours	Vehicle mileage reimb.	Other	
Bennett	000	000	000	000	000		
Cronin	000	000	000	000	000		
Eru	000	000	000	000	000		

Ford	000	000	000	000	000		
Mansell	000	000	000	000	000		
Marr	000	000	000	000	000		
Nees	000	000	000	000	000		
Noble	000	000	000	000	000		
Oppatt	000	000	000	000	000		
Sherry	000	000	000	000	000		
Summerhays	000	000	000	000	000		
von Dadelszen	000	000	000	000	000		
Whitaker	000	000	000	000	000		

Because the information will become public, it is proposed that the covering report will point out the rationale for any anomalies that do occur.

Where possible, the covering report will also explain the link between the expenditure and either Council policy or statutory authority (such as the Remuneration Authority Determination).

3 **Councillor meeting attendance**

Please refer to the register appended to this report for an indication of a format for reporting meeting attendance.

4 **Financial Implications**

Current Budget

This is an information only report and no decisions are required. There are no financial implications.

Future Implications

This is an information only report and no decisions are required. There are no future financial implications.

Ten Year / Annual Plan Implications

This is an information only report and no decisions are required. There are no Ten Year Plan or Annual Plan implications..

Cindy Butt
Governance Team Leader

for Group Manager Corporate Services

31 August 2010

Appendix

Meeting Attendance Register
April, May, June 2010

	CNCL		F&G		PPC		RMO		RSP		MAO		TRSPT W/SHOP		RTC		RTLSG		CDEMG		RAQ		TMMC		KAITUNA		SGIC		QUAY		A/P WSHOP		RPS		Total meetings attended			
	22-Apr		8-Apr		7-Apr										16-Apr						7-May		21-May				21-Apr		13-Apr		15-Apr		28-Apr					
	4-Jun		13-May				5-May				6-May										7-May		21-May						19-May		17-18 May		27-May					
	24-Jun		17-Jun		17-Jun		9-Jun		22-Jun				25-Jun		11-Jun								22-Jun				16-Jun		29-Jun		1-Jun		14-15 Jun					
	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A	R	A
Bennett	3	2			2	2			1	1	1	1													0								4	4	3	3	14	13
Cronin	3	3	3	3	2	2	2	2	1	1	1	1	1	1			1	1	1	1			1	0					2	3			4	4			22	22
Ford	3	3	3	2	2	2			1		1	1					0				1	1									4	3	3	2	18	14		
Mansell	3	2	3	2			2	0	1	1																	3	2	4	4					16	11		
Marr	3	3			2	2	2	1			1	1	1	0									1	1							4	3			14	11		
Nees	3	3	3	3	2	2							1	1	1	1											2	3	3	2	4	4		2	19	21		
Noble	3	3	3	3			2	2	1	1			1	0											0						4	4		2	14	15		
Oppatt	3	2					2	2	1	1							1	1			1	1							3	0	4	3		1	15	10		
Sherry	3	3	3	2	2	1																									4	4			12	10		
Summerhays	3	2			2	2	2	2					1	1					0		1	1	0								4	3	3	2	16	13		
Eru	3	3	3	3			2	2	1		1	1																			4	4			14	13		
v. Dadelszen	3	3	3	3	2	2							1	1	1	1											2	3			4	4	3	3	19	20		
Whitaker	3	3			2	2	2	2			1	1	1	1									1	1							4	4	3	3	17	17		
Cmte Members	13	35	8	21	9	17	8	13	7		6	6	7	5	2	2	2	2	1	1	2	2	4	3	3	0	3	9	3	4	52	48	4	13				
Non Cmte Attended																																			5			

Venue:																																				
April	WHK	WHK	WHK							ROT																TNG	TNG	TNG	TNG							
May	WHK	WHK		WHK				ROT																			TNG	TNG	TNG	TNG						
June	WHK	WHK	WHK	WHK	WHK							TNG	WHK													TNG	TNG	WHK	TNG							

KEY	
Reqd Attendance as Cmte Member	R
Attended	A

Meeting Attendance Register
April, May, June 2010

Summary		
Councillors	Attended	Absent
Bennett	13	1
Cronin	22	0
Ford	14	4
Mansell	11	5
Marr	11	3
Nees	21	-2
Noble	15	-1
Oppatt	10	5
Sherry	10	2
Summerhays	13	3
Vercoe	13	1
v. Dadelszen	20	-1
Whitaker	17	0

File Reference: 1.00026
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Contracting Report 2009-2010 follow up

Executive Summary

This report provides the Committee with responses to its questions raised at the August meeting about the report, *Contracting Report 2009-2010*.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, *Contracting Report 2009-2010 follow up*.

2 Contracting report 2009-2010

At its meeting on 5 August, Finance and Governance Committee members asked a number of questions pertaining to the report, *Contracting Report 2009-2010*. Below are the answers to those questions and attached, for ease of reference, is a copy of the original report.

1. *Re contract 2009 0193, is the GNS Science report available?*

The Rangitāiki groundwater evaluation report has been drafted and is currently being circulated for comment and review. A meeting with GNS will be held in September to finalise this report before bringing it to Council.

2. *Re contract 2009 0222, can you confirm that it was just the Merriman EP and how many meters of fencing was done?*

This fencing contract is part of an agreed works programme with the Merrimans for biodiversity protection. During the 2009/2010 financial year 3,612m was completed at the cost of \$48,762.20. There is a further 2,888m remaining to be fenced this financial year. While the contract is valued at \$90,000, the cost is shared between council and the landowner as per our biodiversity standard operating procedures.

3. *Re contract 2009 0246, why was an independent consultant used for this?*

An independent consultant was used to provide some neutrality for a piece of work which involved some sensitive issues. The neutral facilitator also allowed the Strategy partners to fully engage and obtain a level of ownership over the project. In addition,

there were several combined strategy and communication actions that needed work and our Council resources were unavailable due to other priorities.

4. *Re contract 2009 0347, is the GNS Science report available?*

The Lake Tarawera groundwater evaluation field work is presently being done and should be completed by the end of August. We hope to have the GNS report drafted by November for comment and review. It is expected that this report will also be presented to Council once it is finalised.

5. *Re contract 2010 0082, both lines 123 and 124 are the same, is this a double up?*

Yes this was a double-up in error.

3 **Financial Implications**

Current Budget

There are no financial implications as a result of this report.

Future Implications

There are no future financial implications as a result of this report.

Ten Year / Annual Plan Implications

There are no Ten Year Plan or Annual Plan implications as a result of this report.

Brian Trott
Group Manager Corporate Services

31 August 2010

Appendix

File Reference: 1.00001
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 5 August 2010
Report From: Ken Tarboton, Group Manager Rivers and Drainage

Contracting Report 2009-2010

Executive Summary

This report provides summary information on Environment Bay of Plenty's contracts awarded during the period 1 July 2009 to 30 June 2010. All contractual agreements at Environment Bay of Plenty should be undertaken in accordance with the Contracts Manual which provides transparency to the contracting process and encourages good contract management.

Contracts to a total of \$4.2 million were entered into for the 2009 – 2010 period. During this period 182 contracts were executed: 170 were short form agreements (value of \$3,107,286.61) and 12 were full contracts (value of \$1,122,239.14).

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, Contracting Report 2009-2010.**

2 Background

Environment Bay of Plenty's Contracts Manual has been operative since November 2006, and is based on Rotorua District Council's Contracts Manual. The manual was developed to provide good practice guidelines for council staff in the use of contracts and to encourage transparency to the contracting process.

3 Tendering requirements

The Contracts Manual lays out clear dollar value limits that designate whether a purchase order, short form agreement or full sealed contract is required. The following table lists the thresholds and tendering requirements as per the Contracts Manual:

Contract Type	Value Limits	Tendering Requirement
Purchase order	Up to \$20,000	<\$10,000 single quote. \$10,000 - \$20,000 three written quotes. Close in Tender Box.
Minor contract (short form)	Up to \$50,000	Three tenders generally sought. Close in Tender Box. Reduced assessment process.
Sealed contract	\$50,000 and above	Public tender. Close in Tender Box.

4 Delegated authority

Tenders can be accepted or a contract signed on behalf of Council up to the following limits (GST exclusive):

Managers	Within financial delegation \$10,000 to \$30,000
Group Manager	Up to \$100,000
Chief Executive	\$100,000 to \$400,000
Chief Executive and Chairperson	\$400,000 to \$1,000,000
Council or Emergency Committee*	over \$1,000,000

* when appointed

5 Waiver of the contract procedures

In accordance with the Contracts Manual, any deviation from the standard contract procedure (that is, not fully tendering, seeking proposals or seeking quotes) must be supported by a written rationale and this must be authorised by the officer with delegated authority to approve the contract. Recommendation not to publicly advertise contracts over \$50,000 must be approved by the Chief Executive. Possible reasons for not publicly tendering include urgency, limited private sector capability, existing contracts extended and works needing a high level of control.

6 Summary of contracts 2009-2010

All contracts issued in 2009-2010 are listed as short form agreements in Appendix I or sealed contracts in Appendix II. A summary of the contracts issued and their total value is given in Table 1 below.

Table 1 Summary of 2009-2010 Contracts

	Number	Value
Short form Agreements		
Short form agreements with values less than \$50,000	147	\$2,079,501.61
Short form agreements with values greater than \$50,000 (executive waiver obtained)	12	\$1,027,785.00
Hourly rate short form agreements	11	Not available
Total	170	\$3,107,286.61
Sealed contracts		
Selected tenderers	2	\$85,018.00
Publicly advertised	10	\$1,037,221.14
Total	12	\$1,122,239.14

Twelve of the 170 short form agreements awarded were greater than \$50,000 and were approved by the Chief Executive.

Of the 12 sealed contracts, 10 were approved by the Chief Executive, two were approved by Group Managers. Of the sealed contracts 83% (10) were publicly tendered and 17% (2) were selected tenderers (executive waiver obtained).

A total of 125 different contractors were used. Table 2 shows contractors that won more than one contract.

Table 2 contractors, consultants or companies awarded more than one contract in 2009-2010

Contractor, Consultant or Company	Number	Total Value
GNS Science	3	\$265,200.00
Go Bus Transport	2	\$227,525.00
Reesby Buses Ltd	2	\$203,997.00
R Irving	5	\$125,100.00
Lakewood Harvesters and Contractors	3	\$119,900.00
Landcare Research	5	\$100,880.00
SM Pinkerton Ltd	4	\$99,620.00
Opus International Consultants	3	\$95,000.00
Wildlands Consultants Ltd	5	\$91,720.00
Boffa Miskell	3	\$80,025.00
Bio Vision Ltd	2	\$70,545.00
NIWA	7	\$60,750.00
Collingbourne Ltd	3	\$56,440.00
R J Mankelow	3	\$30,800.00
B Bancroft	3	\$28,100.00
Isthmus Group Ltd	2	\$26,190.00
Indigenous Landscape	2	\$25,690.00
Beca Carter Hollings & Ferner Ltd	2	\$22,000.00
In Situ Heritage Ltd	2	\$20,000.00
M Corbett	2	\$18,000.00
Waiora Soil Conservation Ltd	4	\$17,400.00
J Whale and Associates Ltd	2	\$16,300.00
M Cole	3	\$15,000.00
N L Taylor	4	\$15,000.00
M Hanna	2	\$14,164.00
Harrison Grierson Consultants Ltd	2	\$12,200.00
J Rhodes	2	\$11,730.00
Cheeky Rooster Communications	2	\$11,370.00
Land Use Consultants Ltd	2	\$11,000.00
APR Consultants Ltd	2	\$9,495.00

7 **Financial Implications**

Current Budget

Contract administration is budgeted for under Corporate Support. The budget covers updates to the Contracts Manual tendering process and funds the production of this report.

Future Implications

None.

Ten Year / Annual Plan Implications

None.

Kirsty Brown

Asset Management Officer

for Group Manager Rivers and Drainage

22 July 2010

File Reference: 1.00411
Significance of Decision: Low



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Rotorua Hot Swap Financial Assistance - Application Approval

Executive Summary

The Rotorua Hot Swap Financial Assistance is a key part of implementing the Rotorua Air Quality Action Plan 2009. In conjunction with this plan recommendation is now sought from the Finance and Governance Committee to the Regional Council in respect of delegating specific staff the authority to approve applications under the Rotorua Hot Swap scheme.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, Rotorua Hot Swap Financial Assistance - Application Approval.**
- 2 Confirms that the significance of the decision has been assessed as LOW, and under Section 79 of the Local Government Act 2002 (LGA) confirms that in light of the level of significance of the decision it does not require: (a) Further identification and assessment of different options under section 77 LGA; (b) Further investigation or consideration of community views under section 78 LGA; (c) Any further written record of the manner in which section 77 and section 78 matters have been addressed.**

That the Finance and Governance Committee recommend that the Regional Council:

- 1 Receives the report, Rotorua Hot Swap Financial Assistance - Application Approval.**
- 2 Delegate authority on a retrospective basis from 16th August 2010 to the following positions to approve applications under the "Rotorua Hot Swap Financial Assistance" package: Group Manager Corporate Services, Finance Manager and Asset Accountant.**

2 Discussion

Council has clear policy direction on this matter from the Ten Year Plan 2009 – 2019 and the Rotorua Air Quality Action Plan 2009. The Rotorua Hot Swap Loan package is a key part of implementing the Rotorua Air Quality Action Plan 2009. In this package, approved contractors (selected via a public tendering process) supply and install clean

heating devices in the Rotorua airshed. A targeted rate is then used to pay back the value of the clean heat services over an agreed period.

The financial amounts involved and being signed off by staff are clearly within delegated authority. However, as the use of targeted rates for re-payment of what are effectively loans is a new way of operating for Council, it was thought useful to seek specific delegations from Council for the avoidance of doubt.

In implementing the Rotorua Hot Swap Loan package the following actions are carried out by staff in relation to an application before any installation is carried out. They are:

- The application is assessed against eligibility criteria
- Contract prices are checked
- Property owner agreement is obtained to pay back loan through a targeted rate on the property.

The maximum amount that can be applied for is \$4,000 excluding GST.

The authority to strike a rate rests fully with Council. Before the commencement of each financial year Council will need to strike the targeted rates that have been committed to under the Rotorua Hot Swap Financial Assistance package. As a result of signing-off applications, staff are committing Council to a course of action – that of striking these rates. It is therefore recommended that Council provide a delegation to staff to recognise this.

3 **Financial Implications**

Current Budget

The cost of the Rotorua Hot Swap Financial Assistance is included in the 2010/11 Annual Plan

Future Implications

No future implications outside the budget in the 2010/11 Annual Plan and 2009/19 Ten Year Plan. The financial risk associated with the scheme has been assessed as low..

Ten Year / Annual Plan Implications

No financial and non-financial implications outside the 2009/19 Ten Year Plan.

Jen Warnes
Finance Manager

for Group Manager Corporate Services

1 September 2010

File Reference: 1.00026
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Finance and Governance Committee Work Schedule

Executive Summary

This report provides the Finance and Governance Committee with a list of reports that will be tabled at future Committee meetings.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, Finance and Governance Committee Work Schedule.**

2 Future Reports

Below is the list of reports that are planned for the Finance and Governance Committee in the coming months. These reports are in addition to the routine reports such as monthly financial statements or investment updates.

Date of meeting	Report title	Purpose	Writer
November / December 2010	Organisational efficiency project - Water User Data Management System	To identify a suitable solution to improve information for water allocation management.	Glenn Ellery
November / December 2010	Property Strategy and Review	To report on all of the property that BOPRC currently owns.	Annabel Bridge
December 2010	Contracting quarterly report – 1 August to 30 November 2010	A summary of Bay of Plenty Regional Council's contracts awarded during this period.	Kristy Brown

February 2011	Bay of Plenty Regional Council website	To provide an update on the Council's website (this is a follow-on from the presentation that was given at the June Committee meeting).	Miles McConway
February 2011	Credit card expenditure – 1 July to 31 December 2010	A bi-annual report on Council's credit card expenditure	Brian Trott
February 2011	Councillors attendance and expenditure	A bi-annual report on Councillors' attendance at meetings and expenditure of Council funds.	Cindy Butt

3 **Financial Implications**

Current Budget

This report has no financial implications for the current budget..

Future Implications

This report has no financial implications for future budgets..

Ten Year / Annual Plan Implications

This report has no financial implications for the Ten Year Plan or Annual Plan..

Brian Trott
Group Manager Corporate Services

30 August 2010

File Reference: 1.00026
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Governance Committee
Meeting Date: 14 September 2010
Report From: Brian Trott, Group Manager Corporate Services

Local Government Cost Index

Executive Summary

This paper provides the Committee with a copy of BERL's report to Local Government New Zealand titled *A Local Government Cost Index for New Zealand*.

1 Recommendations

That the Finance and Governance Committee under its delegated authority:

- 1 Receives the report, **Local Government Cost Index** .

2 BERL's report

Attached for the Committee's information is a copy of BERL's report *A Local Government Cost Index for New Zealand*. The report develops a Local Government Cost Index (LGCI) based on the cost structures applicable to local government.

3 Financial Implications

Current Budget

There are no budgetary implications arising from this report.

Future Implications

There are no future budgetary implications arising from this report.

Ten Year / Annual Plan Implications

There are no Ten Year Plan or Annual Plan implications as a result of this report.

Brian Trott
Group Manager Corporate Services

2 September 2010

Appendix



economics

Report to:

Local Government New Zealand

**A LOCAL GOVERNMENT
COST INDEX
FOR NEW ZEALAND**

**Prepared by
David Norman
Dr Ganesh Nana**

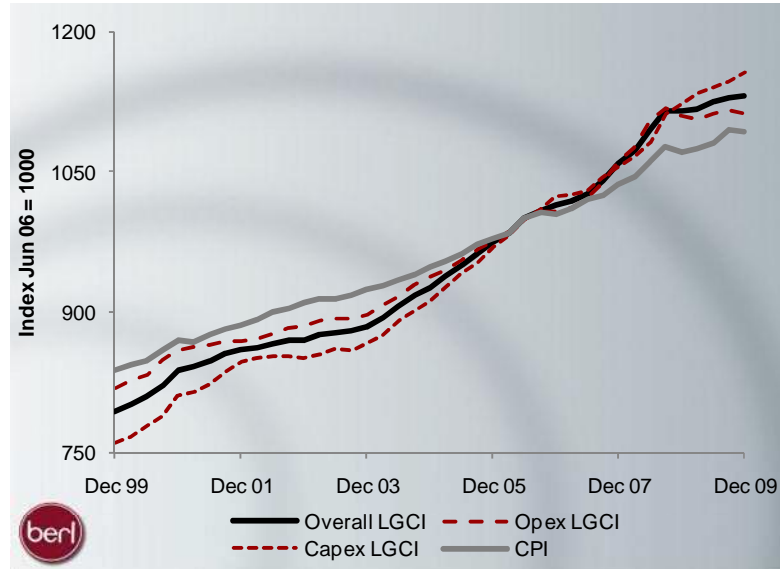
A Local Government Cost Index for New Zealand

1 Executive summary	3
2 Introduction	4
3 Methodology	5
3.1 How much do local governments spend, and on what?	5
3.2 Which price indices best represent each spending category?	7
3.3 Re-basing existing series	9
4 Results	10
4.1 Overall LGCI	10
4.2 Opex LGCI	11
4.3 Capex LGCI	12
5 Appendices	13

1 Executive summary

This project was commissioned by Local Government New Zealand (LGNZ). Its purpose was to develop a Local Government Cost Index (LGCI) based on the cost structures of New Zealand's local governments.

The chief outcomes of the project are summarised in the figure.



The Overall LGCI has risen significantly faster than the consumers price index (CPI). Since 1999, the LGCI has increased by 43.9 percent, compared with a 30.6 percent increase in the CPI. These are average annual rates of 3.6 percent and 2.7 percent respectively.

Major drivers of the higher rise in the Overall LGCI have included:

- a 54.0 percent rise in the Capex LGCI led by:
 - a 67.9 percent rise in the Capex: Three waters index
 - a 56.0 percent rise in the Capex: Transport index
 - a 40.4 percent rise in the Capex: Community index
- a 36.3 percent rise in the Opex LGCI led by:
 - a 42.3 percent rise in the Opex: Goods and services index.

These findings confirm the hypothesis that the cost structures faced by local governments differ significantly from those captured within the CPI basket. We recommend regular updates of the LGCI series to ensure that local governments are able to keep a better track of how the costs they face compare with growth in the CPI.

2 Introduction

This project was commissioned by LGNZ. Its purpose was to develop an LGCI based on the cost structures of New Zealand's local governments.

LGNZ and its members are increasingly aware of the fact that changes in prices faced by local governments are not always in line with the CPI. Local governments face cost increases that often differ significantly from those faced by the consumer because of the different cost structures each deals with.

The result is that consumers often feel that rates rises are not justified, as the rates changes may be larger than rises in the CPI. Local governments thus need a better understanding of how costs they face have changed over time.

Section 3 describes the methodology used to develop the Overall LGCI, the Capex LGCI, and the Opex LGCI.

Section 4 presents the key results of the project in graphic form.

Section 5 provides more technical data in table form.

3 Methodology

This section explains the process undertaken to develop the LGCI series presented in this report.

3.1 How much do local governments spend, and on what?

The first step in developing the LGCI was to determine the scale and composition of local government spending. To do this, we needed to get an idea of what New Zealand's 85 territorial local authorities (at Regional, unitary authority and local level) spend. For example, South Australia has developed a Local Government Price Index (LGPI) that includes 15 categories of operational expenditure and three categories of capital expenditure, based on data showing spending by category. This has allowed the creation of a South Australia LGPI with a component Capex LGPI and an Opex LGPI.

Unfortunately, in New Zealand, breakdowns of operational and capital expenditure by local governments are not available at such a detailed level although we believe this is something the Department of Internal Affairs (DIA) is looking into. Statistics New Zealand publishes operational spending by local governments across four categories:

- purchases of goods and services, grants and donations, and all other expenditure
- employee costs
- depreciation
- interest paid.

No such data is regularly collected on capital expenditure. For this information, we made use of the 2007 *Report of the Local Government rates Inquiry*, which provided estimates of what Local governments were spending on capital outlays in 2007.

Combining these two data sets yielded the results in Table 3.1.

Table 3.1 Expenditure by class, local governments, 2006/07

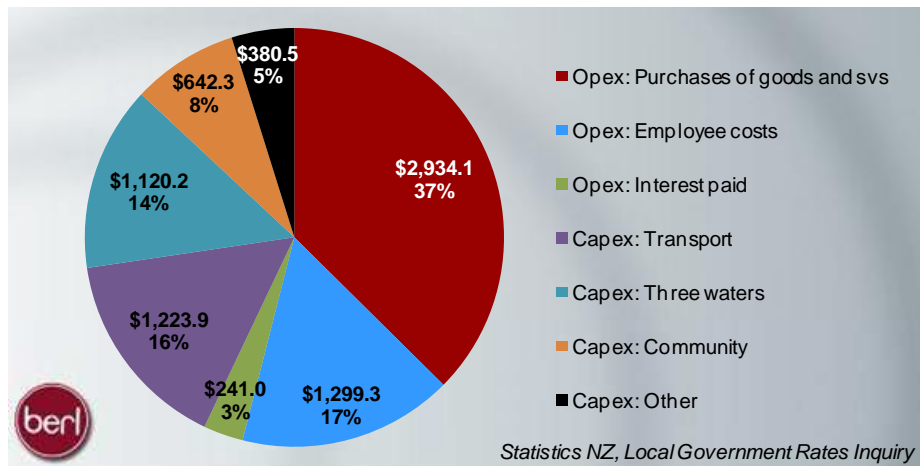
Expenditure class	NZ\$m
Operating expenditure	\$5,631.0
Purchases of goods and services, grants and donations, and all other expenditure	\$2,934.1
Employee costs	\$1,299.3
Depreciation	\$1,156.6
Interest paid	\$241.0
Capital expenditure	\$3,366.9
Transport	\$1,223.9
Three waters	\$1,120.2
Community	\$642.3
Other	\$380.5
Total expenditure	\$8,997.9

Statistics NZ, Local Government Rates Inquiry

By far the largest expense category is the purchase of goods and services, grants and donations, at \$2.93 billion. Several other capital and operational expenditures fall in the \$1.0 billion to \$1.3 billion range.

Taking out depreciation, as it has been replaced by actual expenditure on capital items, yields the results displayed in Figure 3.1. Total spending excluding depreciation is \$7.84 billion.

Figure 3.1 Local government expenditure excluding depreciation, 2006/07, NZ\$m



Almost 40 percent of spending is on purchases of goods and services, with 16.6 percent being employee costs. One dollar in six is spent on transport capital costs, while one in seven is spent on the “three waters” – water supply, wastewater, and stormwater.

Community capital expenditure refers to the renewal, growth in capacity, and improvement of community facilities including parks, pools and property.

3.2 Which price indices best represent each spending category?

Having split up our spending categories as much as possible based on available data, we needed to match existing price indices to each category of spending.

This section summarises the weights used, and the appropriate price indices used for each category of expenditure in our series.

3.2.1 *Opex: Purchase of goods and services*

This component makes up the largest individual share of the LGCI, at more than 37 percent. It refers to purchases by local governments of consumables necessary to carry out their responsibilities. It is based on a single price index from the producers price index.

Source indices: PPI – inputs, Local government and civil defence: 1.00

Weighting: 0.374

In other words, the Opex: Purchase of goods and services index accounts for 37.4 percent of the Overall LGCI.

3.2.2 *Opex: Employee costs*

Employee costs include wages and salaries and are captured by one existing index from the labour cost index (LCI). Employee costs are around one-sixth of total operational and capital spending captured by the LGCI.

Source indices: LCI – All salary and wage rates, Local government sector: 1.00

Weighting: 0.166

In other words, the Opex: Employee costs index accounts for 16.6 percent of the Overall LGCI.

3.2.3 *Opex: Interest paid*

Interest paid refers to interest paid on Local government debts, and is covered by the mortgage interest component of the CPI. No equivalent series exists in the producers price index.

Source indices: CPI – Mortgage interest: 1.00

Weighting: 0.031

In other words, the Opex: Interest paid index accounts for 3.1 percent of the Overall LGCI.

3.2.4 Capex: Transport

The transport component refers to spending on transport projects, in particular roading. It draws on two price indices – one from the CGI and one from the PPI. As one of the most financially demanding components of local government expenditure, it accounts for almost one-sixth of the index.

Source indices: CGI – Transport ways (other construction): 0.75

PPI – inputs, Road transport: 0.25

Weighting: 0.156

In other words, we use two existing indices with relative weights of 75 : 25 to construct the Capex: Transport index, which has a total weighting of 15.6 percent of the Overall LGCI.

3.2.5 Capex: Three waters

In many ways this is the most difficult component to weight with any degree of accuracy, and for which to select the most representative indices. Indices included consider the role of pipeline construction and maintenance; irrigation; and river control. The first of these indices applies to all three waters – supply, waste, and storm. The second applies to water supply only, and the third, to stormwater only.

We therefore took into account the relative spending on each of the three waters as well as the likely split in spending within each to develop this index.

Source indices: CGI – Pipelines: 0.75

CGI – Irrigation and Land Drainage: 0.125

CGI – Reclamation and River Control: 0.125

Weighting: 0.143

In other words, we use three existing indices with relative weights of 0.75 : 0.125 : 0.125 to construct the Capex: Three waters index, which has a total weighting of 14.3 percent of the Overall LGCI.

3.2.6 Capex: Community

Capex: Community refers to capital expenditure on community facilities such as pools, parks and reserves. It covers renewal of existing facilities, increases in capacity, and improvements in levels of service. It is based on two price indices, one from the PPI and one from the CGI.

Source indices: PPI – inputs, Cultural and recreation services: 0.50

CGI – Earthmoving and site work: 0.50

Weighting: 0.082

In other words, we use two existing indices with equal weights (50 : 50) to construct the Capex: Community index, which has a total weighting of 8.2 percent of the Overall LGCI.

3.2.7 Capex: Other

Capex: Other simply refers to capital expenditure not captured elsewhere. We therefore use the All groups index of the CGI.

Source indices: CGI – All groups: 1.00

Weighting: 0.049

In other words, the Opex: Other index accounts for 4.9 percent of the Overall LGCI.

3.3 Re-basing existing series

The various price indices produced by Statistics New Zealand and used in the LGCI have different base dates. For example, the current PPI series are based on the December 1997 quarter, while the current CGI series are based on the September 1999 quarter. The current LCI series are based on the June 2009 quarter, while the current CPI series are based on the June 2006 quarter.

In order to make it possible to compare sub-components of the LGCI, such as and Opex LGCI or the Capex LGCI, it makes sense to rebase them all to a certain quarter. Our choice of base quarter is June 2006. This allows direct comparison to the CPI.

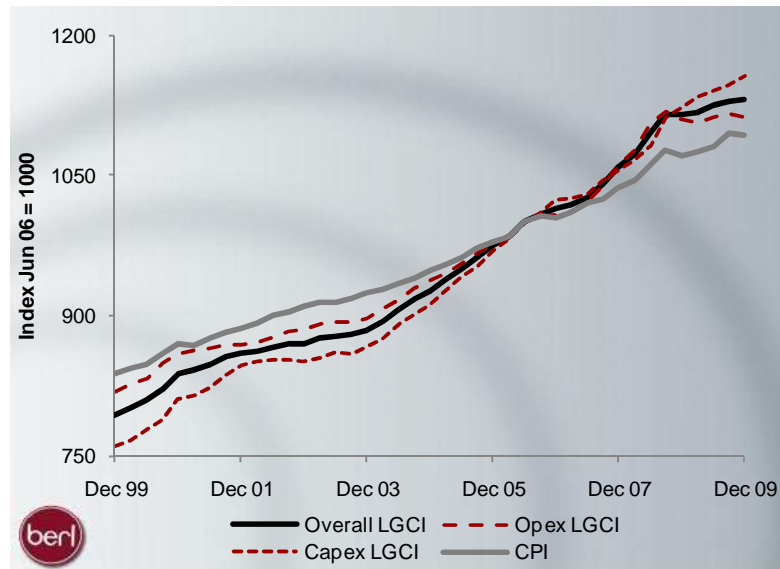
4 Results

This section presents, in graphic form, the LGCI and its sub-components, and compares growth in the LGCI with growth in the CPI over the 10 years to 2009. For a more detailed table showing the actual index figures over the 10-year period, see Section 5.

4.1 Overall LGCI

The Overall LGCI and its two sub-components – the Opex LGCI and the Capex LGCI – are presented in comparison with the CPI in Figure 4.1.

Figure 4.1 LGCI, Opex LGCI, Capex LGI, and CPI, 1999 to 2009



Several key points evident from the graph include:

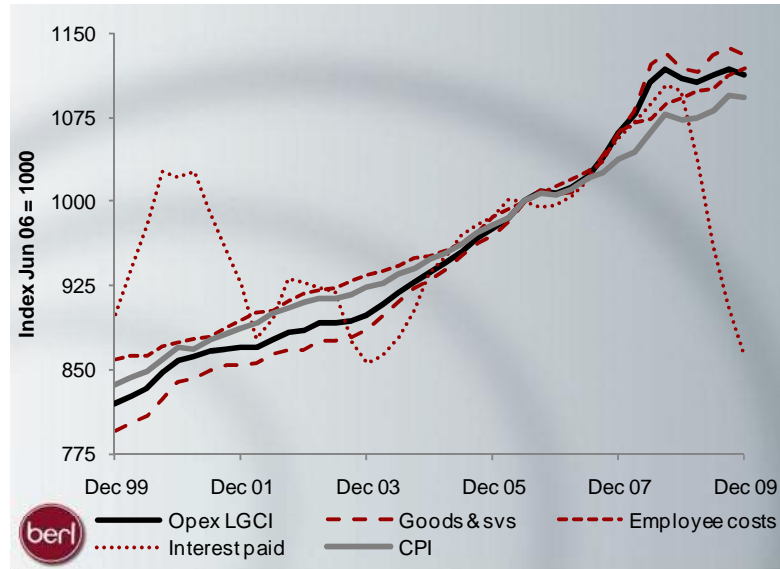
- the Overall LGCI has risen faster than the CPI over the past decade, and is up 43.9 percent on 1999 levels, compared with 30.6 percent for the CPI. This equates to an average annual rate of 3.6 percent for the Overall LGCI and 2.7 percent for the CPI.
- both the Capex LGCI and the Opex LGCI rose faster than the CPI, up 54.0 percent and 36.3 percent respectively. This equates to 4.3 percent and 3.1 percent a year respectively.
- there was a particularly large spike in the Opex LGCI in June 2008, of 2.8 percent quarter-on-quarter. This was largely the result of a 3.9 percent jump in the Opex: Purchase of goods and services index. This appears to be linked to a spike in electricity prices of 50 percent in that quarter, which affected the producer inputs price index

strongly. In fact, the Opex: Purchase of goods and services index raised the Opex LGCI by 2.6 percent in the quarter, and the Overall LGCI by 1.4 percent.

4.2 Opex LGCI

Figure 4.2 presents the changes in the Opex LGCI and its three sub-components for the 10 years to December 2009, compared with changes in the CPI.

Figure 4.2 Opex LGCI and sub-components, 1999 to 2009



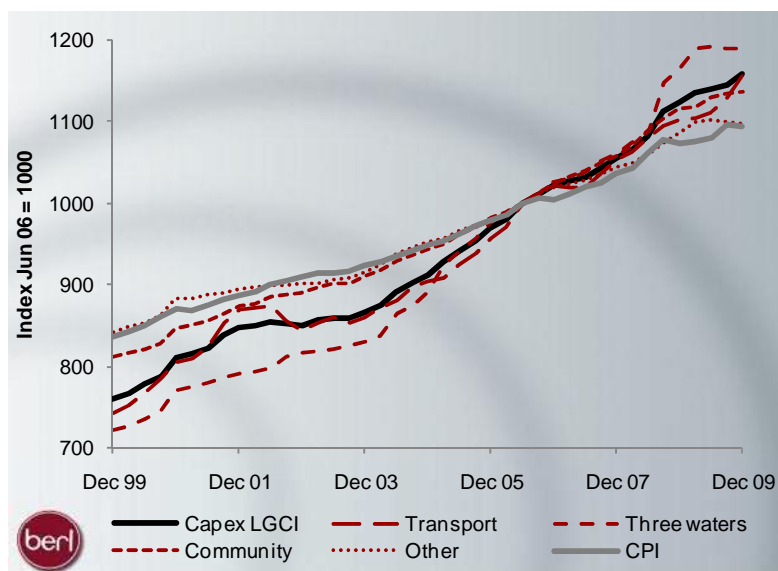
Key points evident from the graph are that:

- the Opex: Purchase of goods and services sub-component most closely mirrors the Opex LGCI. This is because the Opex: Purchase of goods and services sub-component accounts for 65.5 percent of the Opex LGCI. It also shows that the Opex: Purchase of goods and services component of spending has been rising faster than the Opex LGCI.
- the June 2008 quarter experienced a significant spike, particularly in the Opex: Purchase of goods and services sub-component, as discussed elsewhere in this report.
- interest paid, although a small share of the Opex LGCI (5.4 percent) experienced wide fluctuations across the period, ranging between 1103 in September 2008, as interest rates peaked, and 856 in December 2003. Particularly noticeable is the sharp decline in this index between September 2008 and the end of 2009, as interest rates plummeted.

4.3 Capex LGCI

Figure 4.3 presents changes in the Capex LGCI and its three sub-components for the 10 years to December 2009, compared with changes in the CPI.

Figure 4.3 Capex LGCI and sub-components, 1999 to 2009



Again, some key points are evident from the graph:

- Capex: Transport forms 36.4 percent of the Capex LGCI, and therefore most closely mirrors the Capex LGCI.
- Capex: Three waters had a major impact on the Capex LGCI in the September 2008 quarter. This was the result of surges of 6.0 percent in pipeline costs and 6.1 percent in irrigation and land drainage in that quarter alone. The spike in Capex: Three waters pushed the Capex LGCI up by 1.9 percent in that quarter, and the Overall LGCI up by 0.8 percent.
- Increases in Capex: Community and Capex: Other spending have been steadier over the decade, with spending on Capex: Other rising in line with the CPI.

5 Appendices

Table 5.1 Growth in LGCI and sub-components, 1999 to 2009

Component	Quarter ending							%pa change	
	Dec 99	Dec 01	Dec 03	Dec 05	Dec 07	Dec 08	Dec 09	Dec 08 to Dec 09	Dec 99 to Dec 09
Overall LGCI	793	860	884	974	1059	1116	1132	1.5	3.6
Opex LGCI	819	869	898	976	1062	1110	1113	0.3	3.1
Opex: Goods & svs	795	853	885	970	1062	1119	1131	1.1	3.6
Opex: Employee costs	859	895	934	987	1062	1091	1119	2.5	2.7
Opex: Interest paid	899	926	856	986	1056	1098	861	-21.6	-0.4
Capex LGCI	760	847	866	970	1055	1123	1157	3.0	4.3
Capex: Transport	742	868	860	956	1052	1102	1157	4.9	4.5
Capex: Three waters	721	791	830	977	1061	1163	1190	2.3	5.1
Capex: Community	812	875	912	982	1057	1116	1136	1.9	3.4
Capex: Other	843	894	916	980	1044	1086	1096	0.9	2.7
CPI	837	886	924	979	1037	1072	1093	2.0	2.7

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