

STAFF REPORT

TO: Chair & Members, Corporate Services Committee
FROM: Murray Staite
DATE: 19 November 2007
SUBJECT: Corporate Services Manager's Report

1. FINANCIAL MATTERS

a. Funding Requirements

At the meeting of 16 August 2007 it was resolved that staff prepare on an annual basis for Council adoption, a list of all loans contained within the annual plan and that staff be permitted to raise budgeted loans as expenditure is incurred, subject to that loan being included within the appropriate annual plan.

THAT:

- i) The Council shall borrow the sum of twenty five million, five hundred and twenty one thousand, eight hundred and ninety one dollars (\$25,521,891) from (Bank).
- ii) The loan documentation shall comprise the following:
 - a. Existing deed of charge entered into between Tasman District Council, Bank of New Zealand, National Bank of New Zealand, Westpac and ASB Bank Ltd.
 - b. A letter of offer from Westpac.
- iii) The Mayor and the Chief Executive are authorised to sign the loan documentation on behalf of the Council.
- iv) The Chief Executive is authorised to sign a certificate, pursuant to s122ZG(3) of the Local Government Act 1974.
- v) The loan advance of dollars shall be used to finance the following projects identified in Council's Annual Plan:

	\$
Roading:	
Drainage Renewals Culverts	217,196
Maintenance Chip Seals	680,515
Seal Widening	178,737
Thorpe Orinoco Stage 1	113,800
Moutere Highway George Harvey	334,888
Pavement Rehabilitation	760,206
Traffic Services Renewal	173,592
Minor Safety Projects	312,043

Footpath Rehabilitation	154,200
Footpath Motueka Pah Street	41,120
Footpath Mapua Iwa Street	16,448
Kerb and Channel District-wide	46,877
Paton Road	102,800
Hart Road	323,820
Seaton Valley Road	25,116
Old Coach Road	49,048
Road Construction Overhead	88,819
Seal Extension Low Traffic	125,416
Richmond Town Centre Development	1,536,400

Stormwater:

Richmond Headingly Lane – Ditch widening	240,000
Bateup Road Drain	93,342
Bird/Elizabeth Streets pipes	950,900
Poutama Drain – new drain	374,400
Hunt/Lowry Streets – new drain	297,000
Templemore Drive – widen stormwater	106,821
Mapua/Ruby Bay Causeway – new outfall	306,920
Orange Drain – clean and improve	37,008
Cornwall Place - pipes	190,180
Kaiteriteri Martin Farm Road - improvement	87,380

Refuse:

Richmond Refuse transfer station site redevelopment	71,960
Mariri refuse transfer station – site redevelopment	19,532
Murchison leachate/pump	46,054
Takaka Site Development	20,560

Water:

Lee Valley Investigation	250,000
New High Level Reservoir - Richmond	70,675
Cropp Place Pump Station	9,560
Queen Street Main Reservoir	143,611
Replace System Fire Hydrants	23,130
Telemetry Upgrades	61,680
Motueka Watermain Installation	412,016
New Brightwater Reservoir	1,350,000
Coastal Water Pipeline Abstraction	938,936
Tapawera: Pipeline Replacements	164,274
Tapawera: 107 Main Road Source Treatment	23,643
Wakefield Treatment Plant	56,950
Takaka Water Study	90,000

Wastewater:

Motueka WWPT Upgrade	1,289,910
Headingly Lane – pump station	800,000
Richmond Telemetry Upgrades	61,680
Richmond Pipeline Renewals	106,916
Takaka WWTP Upgrades	1,704,440
Collingwood WWTP upgrades	268,362
Collingwood: Telemetry Upgrades	99,605
Riwaka/Motueka Bridge	747,281
Tapawera WWTP	872,886
Upper Takaka WWTP	185,040
Pohara/Tata Beach Upgrade	2,283,916
Coastal Structures:	
Old Mill Protection Stage 1	309,622
Port Motueka	102,800
Aerodromes:	
Takaka Runway	100,000
Council Cottages:	
Mears Haven Housing	350,000
Camping Grounds:	
Fearon Bush	250,000
Other:	
Motueka Hospital Grant	120,000
Property Capital Purchases	514,000
Main Office Building	51,400
Motueka Service Centre	10,280
Takaka Library	575,680
Murchison Sports Ground	1,800,000
Saxton Field Athletics	510,000
Trafalgar Centre	528,000
Golden Bay Library car park	<u>162,500</u>
	\$25,521,891

- vi) The Council shall charge rates revenue as security for the loan and the performance of its obligations pursuant to the loan documentation.
- vii) The Council acknowledges that by charging rates revenue, the Council is deemed to have made a special rate of such amount each year, on the rateable value of every rateable property in the district, as is sufficient to provide in that year for the payment of its commitments in respect of the loan or loan documentation during that year plus 10% thereof until the loan is repaid or the obligations incurred under the loan documentation are fully performed.

- viii) **The Council has considered the risks and benefits to the Council of the loan and loan documentation and of the security to be given in relation to the loan and loan documentation.**
- ix) **The Council is satisfied that the general terms and conditions of the loan and loan documentation and of the security to be given in relation to the loan and loan documentation are in accordance with the borrowing management policy adopted by the Council and, in particular, the limits and guidelines set out in that borrowing management policy.**
- x) **The Council delegates to the Chief Executive and the Corporate Services Manager the authority to further determine the precise terms and conditions of the loan, loan documentation and security, to be negotiated at the best current terms and conditions, such terms and conditions to be advised to the Council following the raising of the loan.**

2. JOB COSTING

The job costing project is making good progress and is scheduled for completion by the middle of April 2008. To date we have 17 staff trained and using the system with a further six going on in December of this year. Once the rollout is complete we should see an improvement in cost recovery.

3. ANNUAL PLAN 2008/2009

The first workshops for the 2008/2009 annual plan are scheduled for 5 and 6 December 2007. The 2008/2009 annual plan is in fact year 3 of the Long Term Council Community Plan (LTCCP). The purpose of the workshops will be to review the assumptions contained within that LTCCP and to consider the financial implications of recent decisions made by Council.

It is important to remember that the LTCCP is the lead statutory financial and planning document for Council and that there are major implications that could arise if we were to significantly vary that document.

4. ANNUAL REPORT 2007

The annual report was adopted at the end of October this year and is scheduled for release to the public by 30 November 2007. In addition to the full report adopted by Council, there is a statutory requirement to produce a summary report. This will also be available to the public on 30 November 2007.

5. TREASURY

A review is underway of Council's treasury function and once complete will be reported initially to the Audit Subcommittee, reporting back to Corporate Services Committee in the new year.

6. REPORTING : SEPTEMBER QUARTER

The financial results for the three months to September 2007 in \$000 shows revenue of \$16,620, operating expenses of \$16,099, with a reported profit of \$521. Working capital has declined from \$4,986 in June 2007 to \$3,883. Total net assets are \$927,466 and cash at bank is \$3,766. It is expected that activities will trade to budget through this financial year. Attached to this report is a Statement of Financial Performance, Statement of Financial Position and Statement of Cashflows to September 2007.

A review is underway on ensuring appropriate financial information is provided to Council and respective committees. The results of this review will be reported back in the new year.

7. ELECTED MEMBERS TAXATION

With the start of a new term of Council it is timely to remind Councillors of the tax treatment of payments to elected members.

a) Status of elected members

The relationship between an elected member and a council is a statutory relationship of service, rather than an employer/employee relationship. As a result, for tax purposes, an elected member is not an employee of the council, but is self-employed. Accordingly, their remuneration is not classified as "salary or wages", but as honoraria.

b) Withholding income

Honoraria are classified in Part B of the Income Tax (Withholding Payments) Regulations 1979 ("the Regulations") as Withholding Payments.

c) Tax on withholding payments

Generally, withholding tax must be deducted from payments made to elected members at a rate of 33 cents per \$1, provided that a Tax Code Declaration form (IR 330) has been provided by the elected member. If an IR 330 has not been provided, withholding tax is required to be deducted at a rate of 48 cents per \$1 (the non-declaration rate).

The rate of withholding tax required to be deducted may be varied, either by a Certificate of Exemption ("COE") or by a Special Rate Certificate ("SRC"). If an elected member supplies Council with a COE, withholding tax is not

required to be deducted at all. If the elected member supplies Council with an SRC, withholding tax will be deducted in accordance with the rate specified on that SRC.

Applications for either a COE or an SRC should be made in writing to the Inland Revenue Department ("IRD") by the elected member, and will only be granted where the recipient meets the criteria set out in the Regulations and the recipient's tax affairs are in order, with no outstanding tax amounts or returns.

d) Tax relief for expenses

As self-employed taxpayers, elected members are able to claim a tax deduction when filing their tax returns for all costs associated with the derivation of their gross income. However, any expenditure reimbursed and treated as exempt from tax should not be claimed as a deduction.

Each member's circumstances will be different, and they should seek independent professional advice.

e) ACC

Elected members are responsible for their own ACC premiums, i.e. earner premium and self-employed levy. Being self-employed taxpayers, elected members can also claim such ACC levies paid in relation to honoraria payments as a deduction when filing tax returns.

f) GST

Section 6 (3)(c)(iii) of the Goods and Services Tax Act 1985 excludes any engagement, occupation or employment as a chairman or member of any local authority from constituting a taxable activity. Therefore, elected members do not need to be registered for GST purposes, and no GST input tax can be claimed in relation to costs incurred in deriving honoraria.

(Source: Toovey Eaton and Macdonald)

8. MEMBERS INTEREST REGISTER

I wish to remind Councillors of their obligations in regard to the members' interest register. Noted below is an extract of a report prepared in February 2005.

The Audit Office has recommended that the Council establish a Members Interests Register. It is proposed that the register record the names of all members and the existence of a pecuniary interest in a stated matter. However, there is no obligation at law to disclose the nature or extent of a pecuniary interest, so a member cannot be forced to expand upon the nature of his or her pecuniary interest in the interests register. Furthermore, recording a member's interest in a register does not take the place of the minutes of the meeting. There is still an obligation on you to disclose a

pecuniary interest at the meeting at which the matter is discussed and to ensure that your declaration, and abstention from voting and discussion, is recorded in the minutes of the meeting. Simply recording it in the interests register is not sufficient.

The Act also places restrictions on being involved in contracts with the Council. I remind you that you cannot be a member of the Council, Community Board or a committee of Council or a Community Board if the total payments made by the Council in respect of a particular contract in which you are concerned or interested, exceeds \$25,000. The prohibition is not restricted to contracts to which you are a party. It extends to contracts between the Council and a company in which you or your spouse have an interest. Once again, there are exceptions to the general rule, but they are limited and if you are in any doubt, I suggest that you raise the matter with either the Chief Executive or myself.

The interests register is held in my office if any Councillor wishes to declare an interest as noted above.

Murray Staite
Corporate Services Manager