



Notice of Meeting

and

AGENDA

of the

Finance, Audit and Risk Committee

in the

**Council Chamber, Third Floor
Office of the Waitaki District Council,
20 Thames Street, Oamaru**

**Tuesday 6 November 2018
9.00am**

COMMITTEE MEMBERSHIP:

Cr Colin Wollstein (Chair)	Mayor Gary Kircher (ex Officio)
Cr Craig Dawson (Deputy Chair)	Cr Peter Garvan
Cr Jim Hopkins	Cr Jan Wheeler

Finance, Audit and Risk Committee

9.00am, Tuesday 6 November 2018

Council Chamber, Third Floor
Office of the Waitaki District Council
20 Thames Street, Oamaru

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1. Apologies	–
2. Declarations of Interest	–
3. Confirmation of Previous Meeting Minutes <ul style="list-style-type: none"> • 2 October 2018 (Public) 	4 – 8
4. Information Services Group Activity Report <ul style="list-style-type: none"> • Memorandum report and Recommendation 	9 – 14
5. Finance and Corporate Development Group Activity Report <ul style="list-style-type: none"> • Memorandum report and Recommendation 	15 – 16
6. Monthly Financial Report – 2018, Period 3 – September 2018 <ul style="list-style-type: none"> • Memorandum report and Recommendation 	17 – 27

7. RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of the proceedings of this meeting, namely agenda items 8, 9, 10 and 11.

The general subject of each matter to be considered while the public is excluded; the reasons 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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter – Section 48(1)
Public Excluded: <ul style="list-style-type: none"> • Confirmation of Previous Meeting Public Excluded Minutes – 2 October 2018 PE • Debtors' Report PE • Decision Regarding Release of Public Excluded Information PE 	To protect the privacy of natural persons. Section 48(1)(a) (The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned.)

These resolutions are made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of the Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above (in brackets) with respect to each item.”

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|------------|--|---------|
| 8. | Confirmation of Previous Meeting Minutes (Public Excluded) | 28 – 30 |
| | <ul style="list-style-type: none"> • 2 October 2018 PE | |
| 9. | Debtors' Report PE | 31 – 35 |
| | <ul style="list-style-type: none"> • Memorandum Report and Recommendation | |
| 10. | Decision Regarding Release of Public Excluded Information PE | |
| 11. | Resolution to Return to the Public Meeting (to be resolved)
<i>“That the Finance, Audit and Risk Committee resumes in open meeting and decisions made in the public excluded session are confirmed and made public as and when required and considered.”</i> | |
| 12. | Release of Public Excluded Information
In accordance with Waitaki District Council Standing Orders 2016 to 2019, Clause 17.5, the Committee will consider approving the release of previously public excluded information because there is no longer a need for its continued protection under section 48(1) of the Local Government Official Information and Meetings Act 1987. If so approved for release, the previously public excluded information will appear in the public minutes of this 6 November 2018 Finance, Audit and Risk Committee Meeting, under Agenda Item 12. | |

Waitaki District Council

Finance, Audit and Risk Committee

**UNCONFIRMED MINUTES of a meeting of the
Finance, Audit and Risk Committee of the Waitaki District Council
held in the Council Chamber, Office of the Waitaki District Council,
20 Thames Street, Oamaru
on Tuesday 2 October 2018 at 9.00am**

Present:	Cr Craig Dawson (Chair), Cr Peter Garvan, Cr Jim Hopkins, Cr Jan Wheeler; and Mayor Gary Kircher (ex officio)
Apology	Cr Colin Wollstein
In Attendance:	Deputy Mayor Melanie Tavendale Cr Jeremy Holding Cr Bill Kingan Cr Hugh Perkins Fergus Power (Chief Executive) Paul Hope (Finance and Corporate Development Group Manager) Lichelle Guyan (Heritage, Environment and Regulatory Group Manager) Bill Chou (Information Services Group Manager) Ian Wells (Accounting Manager) Mike Searle (Policy and Strategy Manager) Richard Maher (Programme Manager) Suzanne Butler (Team Leader Information Systems) (part of meeting) Ainslee Hooper (Governance Advisor)

The Chair declared the meeting open at 9.00am, and welcomed everyone present.

1. Apologies

RESOLVED
FAR 2018/097

Cr Jim Hopkins / Cr Jan Wheeler
That the Finance, Audit and Risk Committee accepts an apology for
absence from Cr Colin Wollstein.

CARRIED

2. Declarations of Interest

There were no declarations of interest.

3. Confirmation of Minutes

RESOLVED
FAR 2018/098

Cr Jim Hopkins / Cr Jan Wheeler
That the Finance, Audit and Risk Committee confirms public minutes
of its previous meeting held on 11 September 2018, as circulated, as
a true and correct record of that meeting, with minor amendments.

CARRIED

4. Pre-Audit Draft Annual Report for the Year Ended 30 June 2018

The report, as circulated, sought to inform the Finance, Audit and Risk Committee of the financial performance of Council for the year ended 30 June 2018 in the form of the pre-audit Draft Annual Report.

The following points were highlighted / clarified during discussion on the report:

Group Manager Paul Hope advised that the Pre-Audit Draft Annual Report showed a positive result for the year. It demonstrated the significant impact of the July 2017 flood event that had been discussed at meetings across the year.

Mr Hope highlighted the commentary in the second last paragraph on page 10 of the agenda papers, referring to the need for Council to make decisions about whether the use of depreciation reserves and separate rate balances (in particular, Oamaru Sewer) is appropriate or whether the Disaster or Self-insurance funds should be utilised. A report analysing the options will be presented to the 6 November 2018 Finance, Audit and Risk Committee Meeting.

Accounting Manager Ian Wells provided an update on the audit process thus far, highlighting the table on page 9 that stated what was presented to the Committee at its 14 August 2018 meeting. The operating surplus had since reduced. Insurance claims were still to be settled, he noted, and it was hoped that they would be this week. Audit New Zealand has advised that it wants to see the insurance claims reflected in the accounts, and that had been passed on to the insurance broker. Audit had confirmed that it would be happy with whatever Council received from the insurance claims. Councillors would be advised directly when the claim response was received.

In response to a question, Mr Hope advised that Aon was the Council's broker and he was very happy with the support the company had provided throughout the claims process. It was a requirement of the policies that claims must go to them in a particular order, and could only move to the next one following a decision on the preceding ones. The current unsettled claim was under the last policy – the 'catch all'.

The fact that last year's surplus had been \$1.5m (recorded on page 12), compared with this year's surplus of \$381k, was raised as a possible concern by one Councillor. Mr Wells noted that it was important for Council to recognise the result shown had been achieved in a year full of adverse events, as summarised on page 10, which had had an impact on the surplus. This was acknowledged.

It was noted that RMA contributions were building up nicely with all the development going on.

There was additional discussion on the bank deposit income being \$150k less than predicted, due to rates of interest not picking up as expected. It was noted that there was already agreement to review the Treasury Strategy to consider options to earn higher rates of interest. Mr Wells also noted, however, that there was also an overriding importance to hold liquid funds to fund extreme weather events like the July flood event, as well as operational requirements.

A correction was requested on page 21, namely that 11 FTEs for "Councillors" should be replaced with "Elected Members".

ACTION: Accounting Manager Ian Wells to change

RESOLVED
FAR 2018/099

Cr Jim Hopkins / Cr Jan Wheeler
That the Finance, Audit and Risk Committee receives and notes the information.

CARRIED

5. Monthly Financial Report – 2018, Period 2 – August 2018

The report, as circulated, reviewed results for the first two months of the 2018/19 financial year.

The following points were highlighted / clarified during discussion on the report:

- Group Manager Paul Hope noted that this was the first look at the new year, so trends were not easily identifiable yet. However, he highlighted the higher level of activity in the building area and planning function shown on pages 26 and 31 and the corresponding increased lines of regulatory charges and development and RMA contributions being significantly ahead of budget. Mr Hope advised that Heritage, Environment and Regulatory Group Manager Lichelle Guyan would report on that detail and the impact of it to the HER Committee Meeting on 9 October 2018, but this report provided an illustration of the impact of the increased activity in financial terms. At the moment, there had not been a proportionate increase in cost, which was a good news story on the level of activity, but it was placing some pressure on staff.
- Mrs Guyan added that 22 resource consents had been received in the last week, which further demonstrated the volume of activity being received.

RESOLVED
FAR 2018/100

Cr Jim Hopkins / Cr Jan Wheeler
That the Finance, Audit and Risk Committee receives and notes the information.

CARRIED

6. Information Services Group Activity Report for the period 1 September to 29 September 2018

The memorandum, as circulated, provided an update to the Finance, Audit and Risk Committee on Information Services Group activities during the reporting period.

Information Services Group Manager Bill Chou highlighted the following points in his report:

- The job resolution rate had increased, as a result of being at the closing stages of some large projects and also managing to fill some of the vacancies within the group.
- Skype for Business was in the final stage, with the transition of the Customer Liaison Team now complete. There were some issues still to be resolved, and they were being worked on now.
- The Authority upgrade will be done next week, and was progressing well.
- The Business Hub development was progressing, but there were some issues and it was more challenging than expected.
- Building Consents online – a conclusion has been reached about which vendor to go with, and a decision would be made by the Executive Team in order for the project to proceed.

One Councillor acknowledged the reference to dedicated training that would be given to Councillors on Infocouncil and LG Hub (page 37). Mr Chou advised that the Governance Advisor was doing some great work to facilitate that.

It was acknowledged that there were some problems with Skype for Business causing a greater portion of calls not being answered as quickly as in the past. Mr Chou said members of his team were working to resolve the issues as soon as possible, including with the Office Manager and Customer Liaison Team.

It was noted that, in the longer term, Skype for Business would enable staff to have face-time conversations with external parties. However, a timeframe for that could not be determined at present, because of the large number of projects and other work (eg on the website) that had been prioritised.

There was also brief discussion about:

- Website and combination of social media and apps (currently a preview project; it would consider current and future needs; and also the changing nature of the customer base and the different needs of users and how they wanted to interact with Council and the community).
- The 3 Waters Asset “valuation” was a “revaluation”; although similar to that done for roading, it would not be in dollar terms.

RESOLVED
FAR 2018/101

Cr Jan Wheeler / Cr Peter Garvan
That the Finance, Audit and Risk Committee receives and notes the information.

CARRIED

7. Finance and Corporate Development Group Activity Report for the period 1 September to 29 September 2018

The memorandum, as circulated, provided an update to the Finance, Audit and Risk Committee on various finance, business development, policy, and health and safety matters.

Group Manager Paul Hope spoke to the report, and highlighted the support to the Phoenix Mill Restoration Trust that had been provided by Corporate Development Officer Mandy Macintosh. It was a significant milestone on 24 September to have the wheel lifted.

The Chair congratulated Ms Macintosh for her excellent work to achieve that result.

RESOLVED
FAR 2018/102

Cr Jim Hopkins / Cr Jan Wheeler
That the Finance, Audit and Risk Committee receives and notes the information.

CARRIED

The Chair advised his intention to move the meeting into public excluded. Members of the public and media left the meeting.

8. Resolution to Exclude the Public

RESOLVED
FAR 2018/103

Cr Jim Hopkins / Cr Peter Garvan
That the public be excluded from the following part of the proceedings of this meeting, namely:

- Confirmation of Public Excluded Meeting Minutes 11 September 2018 PE
- Rates Remission Requests PE
- Decision Regarding Release of Public Excluded Information PE

The general subject of each matter to be considered while the public is excluded; the reasons 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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter – Section 48(1)
Public Excluded:	To protect the privacy of natural persons.
9. Confirmation of Public Excluded Meeting Minutes 11 September 2018 PE	Section 48(1)(a) (The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned.)
10. Rates Remission Requests PE	
11. Decision Regarding Release of Public Excluded Information PE	To enable the Council to carry out commercial negotiations without prejudice or disadvantage. Section 48(l)(a) (Premature disclosure of the information would detrimentally affect the Council's position in the negotiations.)

These resolutions are made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of the Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above (in brackets) with respect to each item."

CARRIED

Public Excluded Minutes apply

12. Resolution to Return to the Public Meeting

RESOLVED
FAR 2018/109

Cr Jim Hopkins / Cr Peter Garvan
That the Finance, Audit and Risk Committee resumes in open meeting and decisions made in the public excluded session are confirmed and made public as and when required.

CARRIED

13. Release of Public Excluded Information

In accordance with Waitaki District Council Standing Orders 2016 to 2019, Clause 17.5, and pursuant to Resolution FAR 2018/106 of this meeting, the Committee APPROVED the release of previously public excluded information as set out below.

Agenda Item 9 – Confirmation of Previous Meeting Public Excluded Minutes PE

RESOLVED
FAR 2018/104

Cr Craig Dawson / Cr Jim Hopkins
That the Finance, Audit and Risk Committee confirms public excluded meeting minutes of 11 September 2018, as circulated, as a true and correct record.

CARRIED

There being no further business, the Chair declared the meeting closed at 10.03am.

TO BE CONFIRMED at the Finance, Audit and Risk Committee Meeting to be held on the 6th day of November 2018 in the Council Chamber, Office of the Waitaki District Council, 20 Thames Street, Oamaru.

Chairman

Finance, Audit and Risk Committee Memorandum

From Information Services Group Manager

Date 6 November 2018

Information Services Group Activity Report for the period 1 October 2018 to 31 October 2018

Recommendation

That the Finance, Audit and Risk Committee receives the information.

Summary

This memorandum provides an update to the Finance, Audit and Risk Committee on Information Services Group activities during the reporting period.

Service Operations

Current resolution rate is approximately 90%. This is very high, given that some of the work being logged in the system is for internal Information Services work, meaning that some long-living jobs can be expected. The two-year fixed term IT Engineer commenced on Monday 1 October, and is now assisting the team.

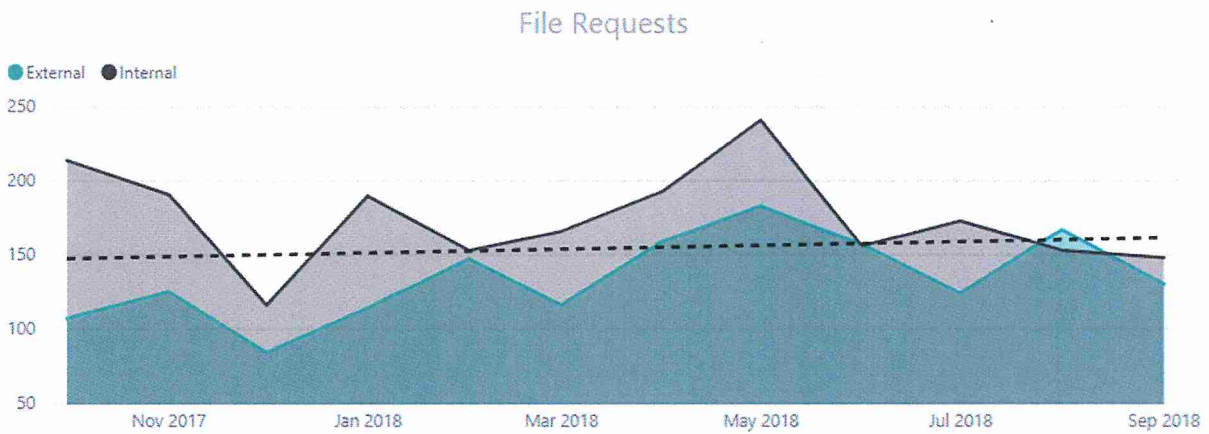


Information and Records Management

One Information Management Officer has started with Council, filling the initial vacancy and bringing a wealth of records management experience in local government, including Timaru District Council and Southland District Council. The most recent vacancy for another Information Management Officer has also been filled, with the new employee due to start on 5 November.

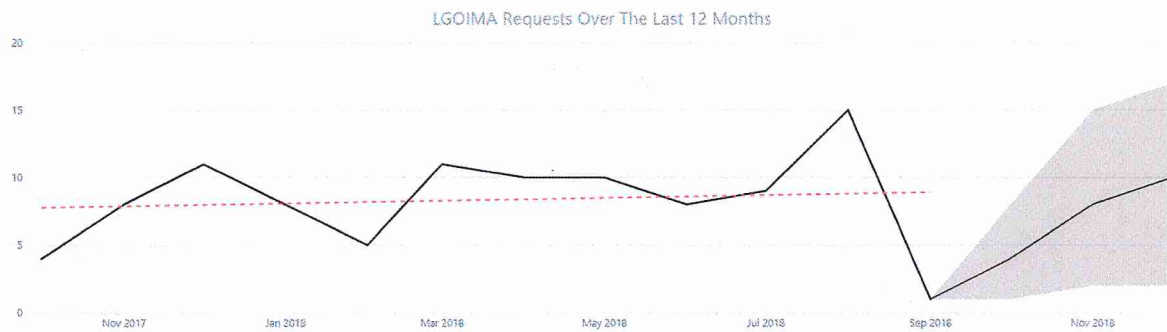
The team recently took part in an information management maturity assessment with other Canterbury territorial authorities which identified some opportunities for improvement. The regulatory E-Services project also has large implications for Information Management, with a likely requirement to scan property files. Because of this and the complete change of staff in the Information Management area, a status assessment will be conducted and improvement plans developed for the short-, medium- and long-term.

The diagram below shows the number of property file requests for the past year.

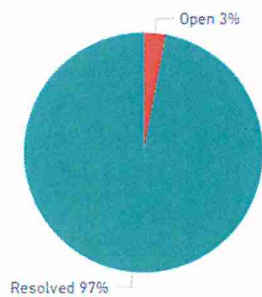


The first diagram below shows the number of LGOIMA requests received over the last 12 months.

The second diagram shows that the number of LGOIMA requests resolved in October was 97%, with only 3% remaining open at the month's end.

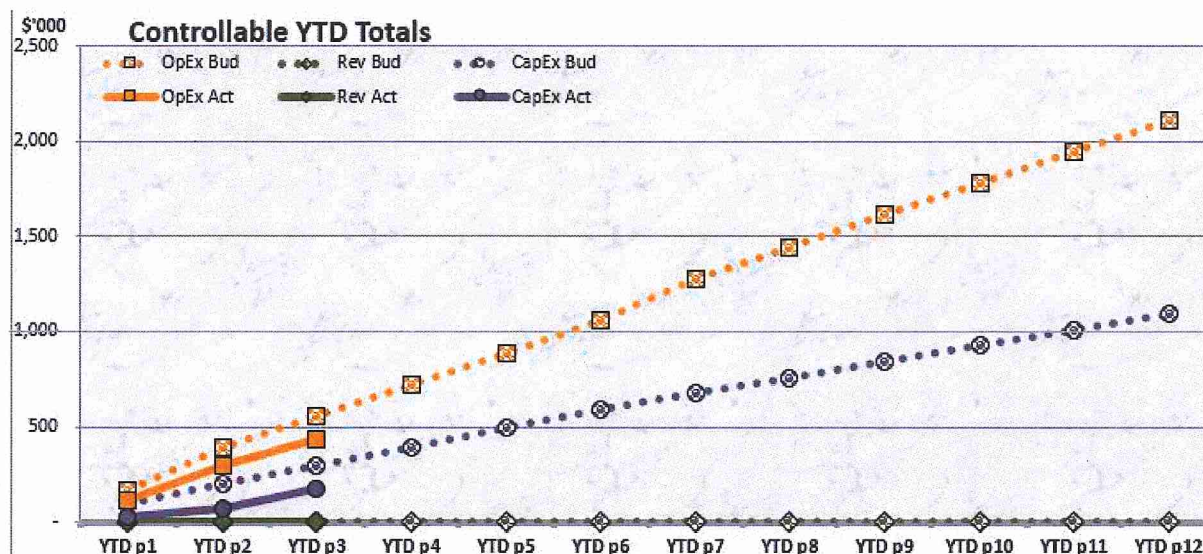


Resolved Requests Last Month



Financials

Every effort is made to monitor spending to ensure the healthy financial position of the Information Services Group. The graph below outlines Capex and Opex spending vs budgeted:



Information Systems

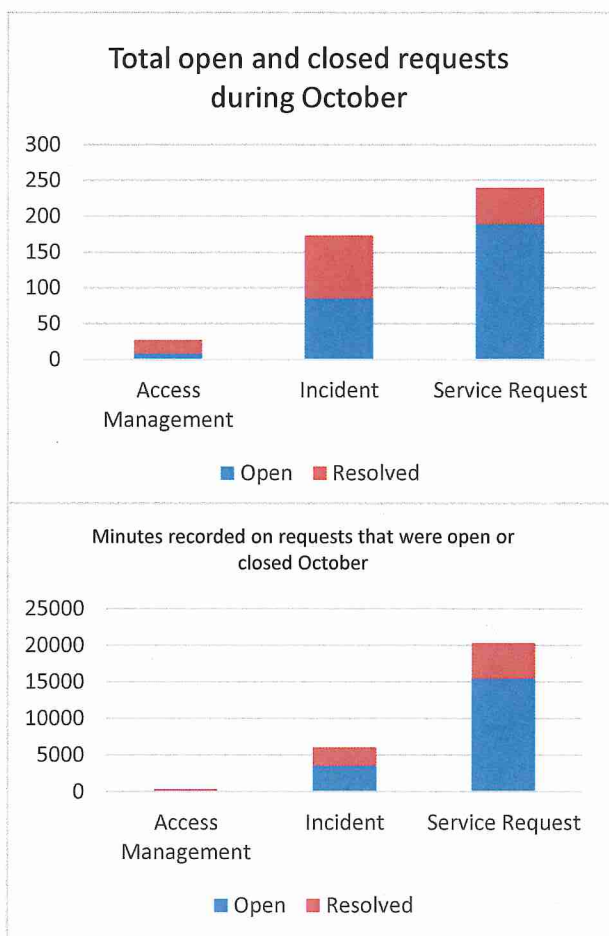
The 3 Waters Asset Valuation process is almost completed, with just the final run to be done. The smooth Authority upgrade was a great team effort, and remaining back-office tasks are now being completed so that the project can be brought to a close.

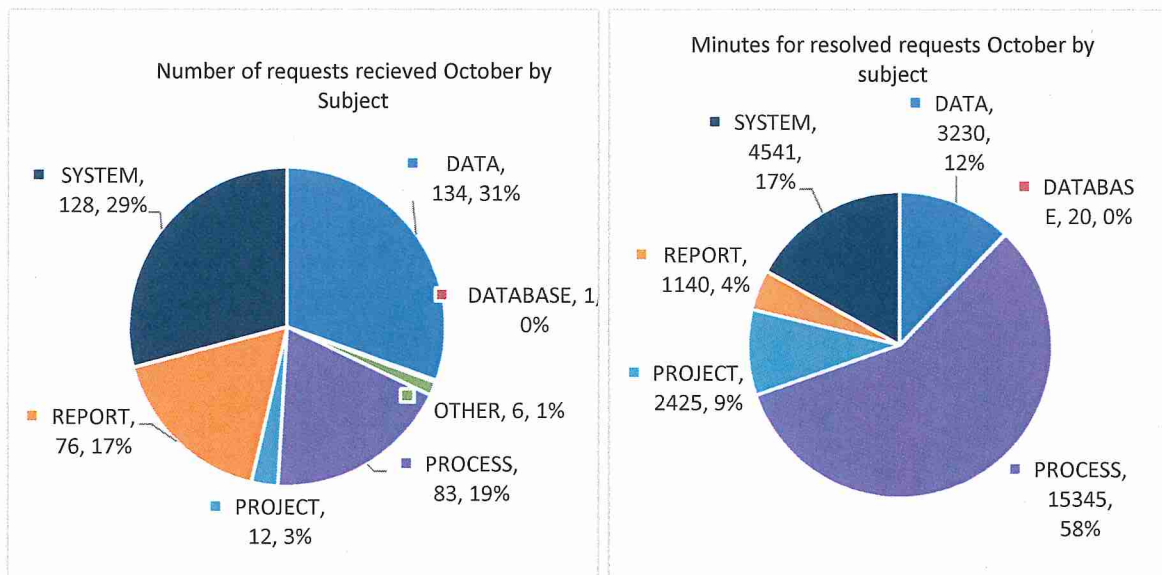
Aside from business as usual requests, the Information Services team has also been involved in the harbour consultation, sourcing an app for the Geopark, and the development of an online consultation tool that allows users to enter spatial information for the item they wish to submit on.

More generally:

- 182 support requests were received in October, which is a large jump from the 77 in September.
- 158 requests were resolved, also a large jump from 66 last month
- 282 support requests remain open, with 239 of these being created prior to October.

The huge jump in support requests relates to a number of new employees needing system permissions and tasks generated from the Authority upgrade.





Programme and Project Status

The following outlines the progress of key projects, and also provides a brief overview of existing risks and how they are affecting progress.

During the last four weeks, the Skype Project team worked closely with Spark to resolve a number of issues that emerged during the final implementation of the new phone system. The majority of these issues have been resolved, and overall the migration has been very successful. The transfer from the old phone system to the new Skype phone system was complicated, in particular because both systems needed to be run in parallel to maintain business continuity. Two issues remain, and these are being worked on.

Over the weekend of 13-14 October, the Authority system was successfully upgraded to a new version, on time and on budget. The upgrade process did have a few issues but most of these have since been rectified. The upgrade minimises a number of risks and also has new opportunities to adopt enhancements made available via the upgrade.

The BIS and HUB replacement achieved a major milestone in this reporting period. In the previous period, the scale and complexity of the BIS and HUB replacement project became clearer, and the project was recognised as being more challenging than originally estimated. In response, the project team devised a new architecture to overcome these challenges, and the implementation of that is passing the testing phase. Whilst the challenges presented a setback for the project, it has been useful to be able to deal with them now rather than a year or so down the track.

Phase Two of the Council eServices (building consents) project has commenced. The successful vendor will be onsite in early November to commence work. Once the project is completed, Council will have a modern, streamlined and digital building consent system. The project has been a focus of the IS group in an attempt to help Council realise these benefits as soon as possible.

The first big issue to be tackled by the e-Services project will be document management, as Council currently has most of the Property files in hard copy. Although document and records management is not the responsibility of this project, and is a much larger, Council-wide challenge, the project will need to establish basic foundations in order for digital consenting to proceed. Document and Record management is very important to Council and it is proposed that it be tackled through a separate project, as it is a serious matter with significant risks.

Bill Chou
Information Services Group Manager

Attachments:

- Appendix 1 – Current Projects
- Appendix 2 – Upcoming Projects
- Appendix 3 – Completed Projects

Appendix 1 – Current Projects

Project Name	Status Update	% Completed	Status
Council eServices – Phase 2 (building consents)	The Implementation of GoSimpli/GoGet will commence on 6 November.	10%	
Skype for Business	The project shifted its focus to decommissioning the legacy phone system and resolving outstanding issues.	98%	
Infocouncil automated agenda management system, and LG Hub	<p>Final testing of agenda and minutes templates identified further configuration bugs which have been referred back to Infocouncil for resolution. Staff leave at the company prevented fast resolution, and ultimately the proposed pilot run of the agenda production for the FAR Committee meeting on 6 November has had to be postponed. Despite that set back, FAR report-writers did initially complete their reports for that meeting in Infocouncil, based on the training they received in late September, which means that similar training for other committee report-writers will be able to be scheduled in the first half of November. If the configuration bugs can be resolved by Infocouncil in the first week of November, then it is proposed that the Community and Culture Committee meeting scheduled for 20 November will be chosen as the pilot run for Infocouncil as the next viable alternative to the 6 November FAR Committee meeting.</p> <p>Dedicated training for Councillors relating to the Infocouncil system and its agenda delivery system LG Hub is still expected to be able to be scheduled sometime in November, following the resolution of the remaining configuration bugs.</p>	90%	
BIS and HUB Replacement (Development of a new Council financial / non-financial reporting system)	The project team has developed a prototype to overcome newly emerged complexities. The prototype is being tested and is exceeding expectations.	55%	
Parcel Data Cleaning (Cleaning of backbone Authority data to make it more meaningful and presentable)	The project is paused. The rates end of year roll caused parcel maintenance to be blocked for 3 months and the delay has also caused us to run into the Authority upgrade. A Civica consultant has recently made contact and we are re-commencing the project.	60%	
Recruitment eServices (Implementation of a HR online service that can streamline and increase the efficiency of our recruitment process)	The project is in design phase and is making good and steady progress.	40%	
New Staff Survey System (The vendor of the old system has pulled out of the NZ market)	The staff survey is almost complete and is expected to be released in early or mid November.	90%	

PayMyParking (Enable car parking fee payment on cellphones using an app)	The project is paused as resources have been focused on resolving Skype issues, BIS and HUB prototype, and initiating the Building eServices project.	5%	
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Key

No Issues reported or exceptions within tolerance – no action required	Project performance outside tolerance level or a number of minor issues reported – attention required	Project performance outside tolerance, more than one issue reported, high probability of project failure – Intervention required
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Appendix 2 – Upcoming Projects

Project Title	Brief Description
WDC Web Presence and Community App	The Information Services team has developed a good understanding of the Web and Online needs of Council, and this has reached a point where a project is required to ensure momentum is maintained. Although the project is only just beginning, there are some clear options for an updated website, community app and social media management system to help Council and the community. The website, social media and community app must complement one another, and work together.
Recreation and Parks	The Recreation team has a number of challenges related to the booking of facilities and management of assets. Team members are working with the Programme Manager to develop a proposal to improve their business functions. There are several opportunities to make improvements that can benefit Council and the community.
Property Management	Similar to the Recreation team, the Property team has some asset management challenges and also some potential for improvements in its leasing management system. The Programme Manager is working closely with Property team members to develop a proposal to improve their business functions. Ideally, there will be commonality across the asset management systems.

Appendix 3 – Completed Projects

Project Title	Brief Description
Authority Upgrade	The Authority system has been successfully upgrade to version 6.11.
Council eServices – Phase 1	The first phase of eServices has been completed. Payments to Council, such as Rates, can now be fulfilled online.
Digital Asset Management	A digital asset management system has been implemented and is being actively used in many projects such as the GeoPark initiative. Digital asset management (DAM) enables the Council to get more value from creative assets like images and videos by making them easy to organise, access and distribute. As a result, activities such as marketing are streamlined.
Authority LTP Submission and Reporting	LTP Submissions have closed. A significant amount of reporting has been developed to support the LTP process. The scope was extended to include the Development Contributions consultation and the Financing Policy consultation.

Finance, Audit and Risk Committee

Memorandum

From Finance and Corporate Development Group Manager

Date 6 November 2018

Finance and Corporate Development Group Activity Report for the period 1 October – 31 October 2018

Recommendation

That the Finance, Audit and Risk Committee receives the information.

Summary

This memorandum provides an update to the Finance, Audit and Risk Committee on various finance, business development, policy, and health and safety matters.

Finance – Policy and General

Highlights

The focus for the month has been completing the Annual Report including securing the audit opinion. Due to the requirement to rotate the Director responsible for the audit and other changes in personnel at Audit New Zealand, there was only one member of the audit team that had been on the engagement before. This meant there was a number of different areas of emphasis during the audit that the finance team needed to respond to. Workloads, the demands of the Long Term Plan, and staff unavailability in other units also created issues with the timely production of some parts of the report. Given the impact of these delays and other matters, the team will be conducting a debrief of the process to look for ways to address these issues in the future.

The other major commitment of time was undertaking the testing process for the upgrade to Authority version 6.11. As the finance and rates teams “own” a significant number of modules that had to be tested to ensure a seamless change, this was a significant collective commitment of time and resource. However, it was time well spent, as the upgrade went smoothly and there were no interruptions to services from a finance perspective. The next task in the process is identifying and implementing any enhancements that are now available to improve the way the team works.

Finance – Rates

The collection process for the year has started, with the commencement of communications to ratepayers with balances outstanding from instalment one and initial contact with mortgagees.

Policy

The 2017/18 Annual Report was adopted at the 30 October 2018 Council meeting. The Policy Unit is now working on a summary of the Annual Report information to be made publicly available by 30 November 2018.

The Dangerous and Insanitary Buildings Policy has been reviewed, and the consultation period closed on 15 October. No submissions were received. Deliberations on the Policy took place on 29 October 2018, and the Policy is scheduled to be adopted by Council at its 4 December 2018 meeting.

The Alcohol Ban Bylaw has also been reviewed, and the consultation period for that also closed on 15 October. Three submissions were received, and hearings and deliberations were held on 29 October 2018. The Bylaw is scheduled to be adopted by Council at its 4 December 2018 meeting.

The recruitment of the Corporate Planner role was also completed during the month, with the appointment of Margaret Mitchell. Mrs Mitchell has previously worked at Council and had been helping out with the Long Term Plan and Annual Report on a casual basis over the last few months.

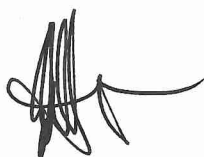
Health and Safety

There has been one hazard identified and eleven incidents reported in October. The hazard was reported by the Opera House at the loading dock Emergency Door. This has been passed to the Property team to investigate and address.

There were two significant incidents reported on the Alps 2 Ocean track which have been investigated by the Recreation Manager. There were also six minor incidents at the Aquatic Centre; one contractor incident at a worksite where no injury was sustained; and two workplace incidents reported where one person sustained an injury and the other prevented injury/property damage.

Applications for the Health and Safety Advisor position have closed. There were a good number of potentially suitable applicants and interviews were conducted in the last week of the month. It is hoped that an offer of employment will be able to be made prior to the Committee meeting.

Given the time it has taken to recruit a new Health and Safety Advisor and the backlog of work that had built up, it was decided to engage an external party to review current practices and help set priorities. 360 Safety, a locally based contractor, was engaged and completed a "health check" review during the month. Its report has now been received and, while no significant issues were found, the review did identify a number of areas where improvement could be made. These improvements will be actioned as appropriate.



Paul Hope
Finance and Corporate Development Group Manager

Finance, Audit and Risk Committee Memorandum

From Finance and Corporate Development Group Manager **Date** 6 November 2018

Monthly Financial Report – 2018, Period 3 – September 2018

Recommendation

That the Finance, Audit and Risk Committee receives the information.

Purpose

This report reviews financial results for the three months ending 30 September 2018, including the Treasury Report for the first quarter. It also provides summaries of both internal loans and special reserve balances at 30 June 2018. Please note that, as the focus of the Finance Department has been primarily directed to the Annual Report, the processing of transfers to and from reserves and the funding of capital and other normal quarterly transactions have not been completed in time to be included in this report. Therefore, the normal variance reports by activity/business unit are not available for this meeting.

Commentary

The GAAP Financial Reports, presented as Appendix A, show an operating deficit of (\$0.570m) against a budget deficit for the same period of (\$1.376m). Council continues to benefit from the current high level of development in the district, which has had a very positive impact on revenue from both Regulatory charges and Development and Financial Contributions.

Financial Operating Results

The GAAP Financial Reports are presented in the format required for external financial reporting. They carry commentary related to significant variances in line items, and indicate that overall, revenue is over budget by \$822k, while expenditure is virtually on budget. Detail relating to significant variances from budget can be found in Appendix A, the Statement of Comprehensive Revenue and Expense.

Capital Expenditure

Overall capital expenditure, at \$3.363m, is over the budget of \$2.356m by \$1.007m. The most significant variations are due to budget timing issues:

- Roothing – total \$797k is over budget by \$173k due to making a strong start to the unsealed metaling work programme.
- Water – total \$1.222m is over budget by \$494k, due to timing of several capital projects.
- Property – total \$723k is over budget by \$296k, largely due to extra work being undertaken to meet Ministry of Justice specification at the Courthouse (note that MOJ is paying for this additional work – this revenue, amounting to \$496k, is included in Government grants).
- Alps2Ocean – total \$114k is over budget by \$101k, due to the timing of physical works.
- Information Technology – total \$167k is under budget by \$182k as the department deals with staffing vacancies and prioritises projects.

More detail on individual projects and budgets has been provided in group activity reports to other Council Committees.



Ian Wells
Accounting Manager



Paul Hope
Finance and Corporate Development Group Manager

Attachments

Appendix A – Financial Reports, period 3, with explanations for significant variances

Appendix B – Treasury Report, First Quarter

Appendix C – Internal Loans at 30 June 2018

Appendix D – Special Funds and Reserves at 30 June 2018

Statement of Comprehensive Revenue and Expense

for the three months ended 30 September 2018

	2019	2019	2019	2018	Variance from		Commentary	\$000
	3 Months	3 Months	Annual	12 Months	YTD Budget			
	Actual	Budget	Budget	Actual	\$000	%		
	\$000	\$000	\$000	\$000				
Revenue								
Rates Revenue	7,905	7,880	31,835	30,779	25	0.3%	Unbudgeted Waterbilling penalties charged	+ 22
User Charges	1,119	1,091	4,327	5,116	28	2.6%	Camping fees timing ahead of budget	+ 35
Regulatory Charges	629	547	1,782	1,573	82	15.0%	Consent fees ahead of budget	+ 82
Development and RMA Contributions	355	172	690	1,351	183	106.4%	Roading	+ 104
							Water	+ 41
							Sewer	+ 17
							RMA financial contributions	+ 21
Government Grants and Subsidies	1,930	1,448	8,496	8,160	482	33.3%	NZTA subsidy - capital works	+ 4
							Courthouse - recover MOJ internal fitout cost	+ 496
							MBIE funding - A2O construction	+ 99
							NZTA subsidy - operational	- -110
Other Grants and Donations	40	27	636	422	13	48.2%		
Finance Revenue	287	281	1,299	1,220	6	2.1%		
Petrol Tax	50	51	205	206	(1)	-2.0%		
Infringements and Fines	16	12	79	89	4	33.3%		
Dividend and Subvention Payments	-	-	500	504	-	0.0%		
Assets vested in Council	-	-	-	976	-			
Other gains and Losses	-	-	-	(724)	-	100.0%		
Total Revenue	12,331	11,509	49,849	49,672	822	7.1%		

Statement of Comprehensive Revenue and Expense

for the three months ended 30 September 2018

	2019	2019	2019	2018	Variance from		Commentary	\$000
	3 Months Actual \$000	3 Months Budget \$000	Annual Budget \$000	12 Months Actual \$000	YTD Budget \$000	%		
Expenses								
Personnel costs	3,313	3,416	12,529	10,824	(103)	-3.0%	Wages & salaries – unfilled vacancies - -131 Kiwisaver contributions - -2 Backfill + 28	
Depreciation and amortisation	3,435	3,428	13,714	13,396	7	0.2%		
Finance Costs	-	-	2	-	-			
Other expenses	6,153	6,041	22,537	24,538	112	1.9%	ACC annual levy under budget - -20 Dredging - budget timing issue - -48 Recruitment costs + 47 Electricity + 65 Insurance premiums + 59	
Total Expenses	12,901	12,885	48,782	48,758	16	0.1%		
Surplus / (Deficit) before Tax	(570)	(1,376)	1,067	914	806	-58.6%		
Other Comprehensive Revenue and Expense								
Gain/(Loss) on revaluation of Infrastructural Assets	-	-	6,621	46,519	(6,621)	0.0%		
Gain/(Loss) on revaluation of Properties	-	-	-	-				
Other Comprehensive Revenue	-	-	-	-				
Total Other Comprehensive Revenue and Expense	-	-	6,621	46,519				
Total Comprehensive Revenue and Expense	(\$570)	(\$1,376)	\$7,688	\$47,433				

APPENDIX (A) – YTD FINANCIAL REPORT, FIRST QUARTER, SEPTEMBER 2018 (CONTINUED)

Statement of Financial Position

As at 30 September 2018

	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000
Public Equity			
Ratepayers' Equity	310,208	310,208	310,208
Revaluation Reserve	460,450	503,977	460,450
Operating Reserve	23,435	27,379	24,515
Other Reserves	14,938	17,587	14,428
Total Public Equity	\$809,031	\$859,151	\$809,601
Non-Current Assets			
Property Plant and Equipment	770,679	819,145	770,691
Intangible Assets	647	755	647
Forestry	253	125	253
Assets held for Sale	1,150	1,150	1,150
Other Financial Assets			
- Investments in CCO's	4,912	4,912	4,912
- Investments in other entities	145	145	145
- Loans to other entities	29,193	26,920	28,606
	806,979	853,152	806,404
Current Assets			
Cash and Cash Equivalents	2,907	2,234	2,216
Receivables	4,953	3,666	6,613
Prepayments	349	245	345
Inventory	10	15	10
Other Financial Assets			
- Term deposits	1,800	5,500	4,250
- Loans to other entities	16	1,366	96
	10,035	13,026	13,530
Total Assets	817,014	866,178	819,934
Non-Current Liabilities			
Provisions	788	358	788
	788	358	788
Current Liabilities			
Trade and Other Payables	5,790	5,539	8,179
Employee Entitlement Liabilities	1,186	1,115	1,126
Provisions	219	15	240
	7,195	6,669	9,545
Total Liabilities	7,983	7,027	10,333
Net Assets	\$809,031	\$859,151	\$809,601

APPENDIX (B) – QUARTERLY TREASURY REPORT

Treasury Overview

This report reviews Treasury performance for the first quarter of the 2018/19 financial year, and projects Council's expenditure profile and anticipated investment maturity over the next twelve months.

Interest rates continue to disappoint, but the benefit of Council's support for North Otago Irrigation Company (NOIC) and the Observatory Village development is now apparent, as interest charged on those advances has resulted in an improved showing for the period.

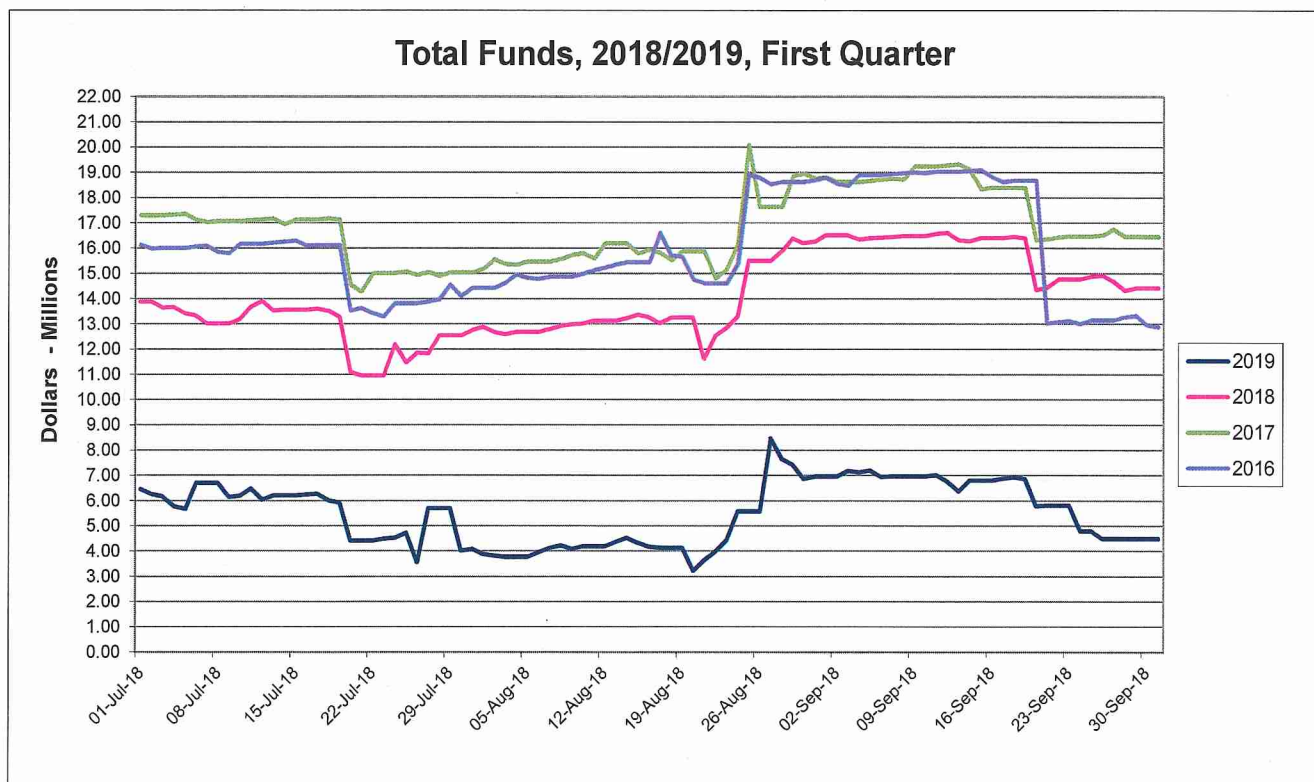
It is to be hoped that several factors, including receipt of agreed insurance claim proceeds, the resolution of problems with collection of overdue debts, finalisation of the Hamnak pipeline project and the end of loan drawdowns for the Observatory Village, will result in increasing funds for investment in the next few months.

Overall Cash Position

Every effort is made to improve, or at least maintain, potential investment returns while still ensuring sufficient funds remain available for normal operational requirements. Amounts invested are based on expected inflows and always allow a margin so no external borrowing will be required.

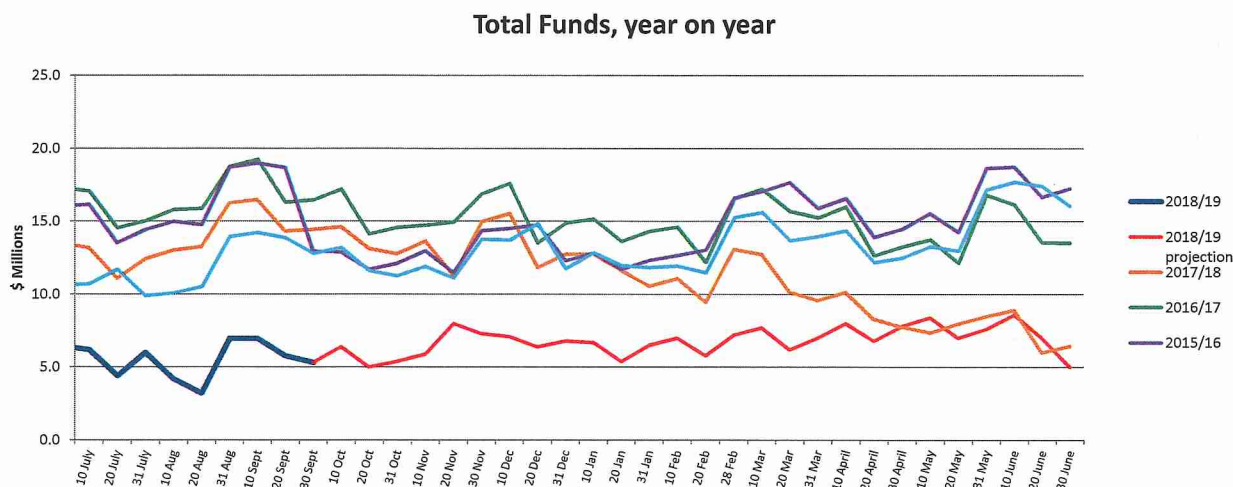
Council uses the four major New Zealand banks for deposits, and compares rates when deciding on investment opportunities. These banks are rated "AA" or better by Standard and Poors. Council has also approved five other "A" rated banks for investment purposes on a more limited basis but, in the short term, neither these or the ASB Bank are being used.

Council's bank account operated in overdraft on a number of occasions over the July/August period – spending a total of eleven days in an overdrawn position. The largest overdrawn balance was (\$189,536), and Council incurred overdraft interest amounting to \$186.



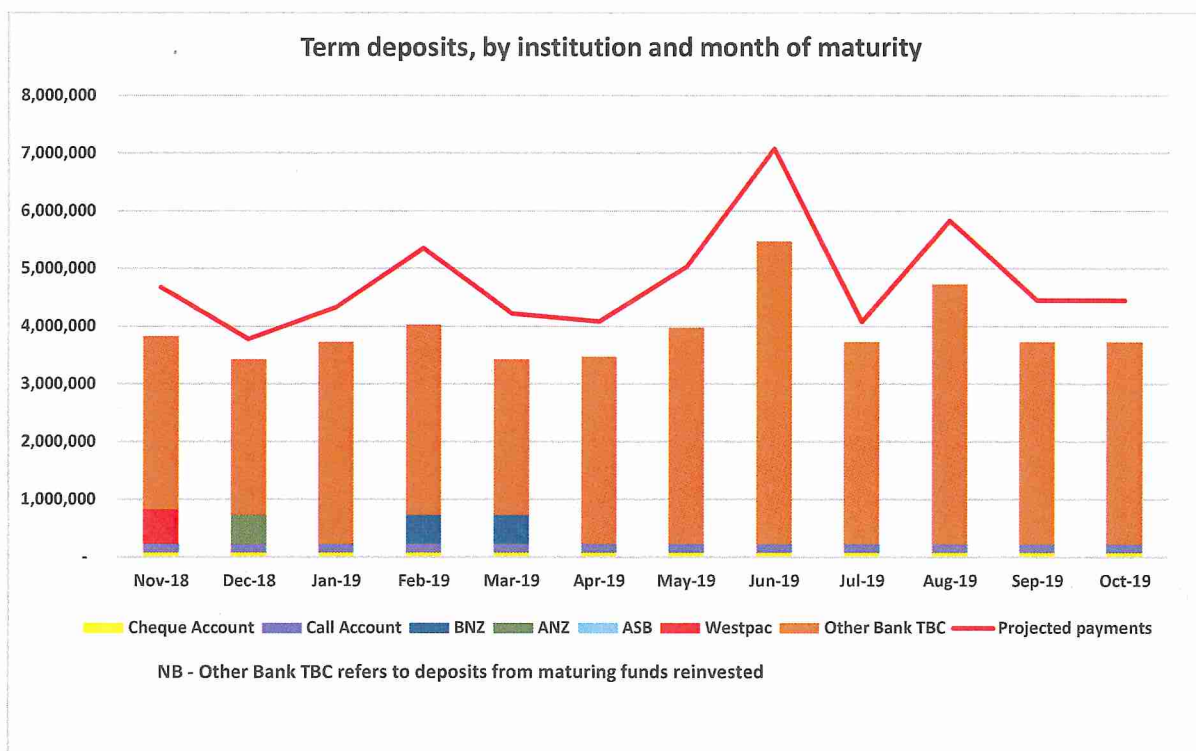
APPENDIX (B) – QUARTERLY TREASURY REPORT (CONTINUED)

Total Funds, 2018/19 Financial Year



Projected investment maturity and outgoings analysis

This graph projects likely cash outgoings and maturing investments by month, with the gap between available funds from bank deposits and projected expenditure being met by current month operating revenues.



Note that projected outgoings for June 2019 include the advance of \$3 million to the Kurow-Duntroon Irrigation Company scheme.

APPENDIX (B) – QUARTERLY TREASURY REPORT (CONTINUED)

“Cash” Investments as at 30 September 2018

Institution	Original Term	Maturity Date	Rate	Amount
BNZ	148 days	23/10/2018	3.32%	\$500,000
BNZ	180 days	24/02/2019	3.33%	\$500,000
BNZ	181 days	20/03/2019	3.34%	\$500,000
Total BNZ				\$1,500,000
ANZ	183 days	23/10/2018	3.60%	\$750,000
ANZ	91 days	20/12/2018	3.10%	\$500,000
Total ANZ				\$1,250,000
Westpac	14 days	04/10/2018	1.72%	\$300,000
Westpac	44 days	10/10/2018	2.50%	\$300,000
Westpac	35 days	25/10/2018	2.50%	\$500,000
Westpac	35 days	01/11/2018	2.53%	\$600,000
Total Westpac				\$1,700,000
Total on deposit 30 September 2018				\$4,450,000

The pattern of investing focuses on ensuring that a range of deposits mature around the 20th of the month, to coincide with Council's monthly payments cycle. A further sequence of deposits matures at other times to match the timing of payroll and other creditor requirements.

Council has been able to generally achieve targets set in the Treasury Strategy during this quarter, and in cases where the target has been missed, the monetary impacts have not been significant:

- Up to 30 days achieved 1.72% – 1.73% (target range 1.75% – 2.00% or better)
- Between 30 and 60 days achieved 2.50% – 2.65% (target range 2.50% – 2.90% or better)
- Between 60 and 90 days achieved 3.10% (one deposit) (target range 2.70% – 3.20% or better)
- 3 – 6 months achieved 3.32% – 3.60% (three deposits) (target range 3.10% – 3.60% or better)
- 6 – 9 months – no qualifying deposits (target range 3.25% – 3.85% or better)
- 9 – 12 months – no qualifying deposits (target range 3.60% – 4.00% or better).

APPENDIX (B) – QUARTERLY TREASURY REPORT (CONTINUED)**Other Investments – Loans and advances**

Council has several loans outstanding to community groups and other entities. The largest of these loans are set out below.

North Otago Irrigation Company Limited –

- Balance at 30 September \$17,000,000
- Interest earned for the quarter \$142,796
- Interest is charged and paid monthly
- The total advance is due to be repaid in 2022.

Observatory Retirement Village Trust –

- Balance at 30 September – total of Stage 1 and Stage 2 loans \$11,675,339
- Interest earned for the quarter on interest-bearing components was \$101,329
- A final drawdown was paid on 4 October
- Interest on the stage 1 loan is accrued monthly, and charged quarterly, while interest on the stage 2 advance is charged and paid monthly.

Oamaru Whitestone Civic Trust –

- Balance at 30 September \$532,500 (\$432,500 interest-bearing, \$100,000 interest-free)
- Interest earned for the period \$3,576
- Interest is charged and paid quarterly
- Council provides a grant to match the quarterly interest charge
- The Trust has an approved loan facility with Council of \$500,000, plus \$100,000 interest-free
- Trust has committed to annual payments of \$15,000 in reduction of the loan balance.

Other Investments – CCTOs

Amounts invested in Council Controlled Trading Organisations (CCTOs) comprise the majority of the value of the other investments held by Council.

Council has included in its budgets for 2018/19 anticipated dividends of \$500,000.

APPENDIX (C) – INTERNAL LOAN BALANCES AT 30 JUNE 2018

	Interest Expense \$000	Balance 1 July 2017 \$000	Increased Borrowing \$000	Principal Repaid \$000	Balance 30 June 2018 \$000
Roads and Footpaths	15	467	150	(71)	546
Waste Water	10	266	149	(56)	359
Stormwater Damage	0	5	-	(5)	-
Water Supply	339	8,947	4,228	(831)	12,344
Waste Management and minimisation	8	433	-	(229)	204
Arts, Heritage and Culture	4	112	-	(11)	101
Parks and Recreation	19	807	14	(304)	517
Community amenities	4	84	84	(4)	164
Oamaru Harbour and Historic Precinct	67	1,852	281	(96)	2,037
Commercial and Development Activities	267	9,700	464	(2,110)	8,054
Support Services	(733)	-	-	-	-
	-	22,673	5,370	(3,717)	24,326

This table shows the internal loan position at 30 June 2018. Significant new loans taken out during the year are detailed below. As has been reported during the year, the largest new internal lending related to the Hamnak water pipeline.

- Hamnak water pipeline project 4,119k
- Saleyards Road sewer extension 130k
- Coastal protection works 278k
- Penguin Colony upgrades 156k
- Property loans – compounding interest 175k
- Harbour roading 150k
- Cultural facilities development 61k

5,060k

There has been a focus in recent years on repaying debt, particularly the compounding interest property loans. To that end, proceeds of the sale of Boundary Creek were used to clear loan balances related to that property (a total of \$1.284m), as were the proceeds of the sale of a part of the Lory Block (\$328k), both contributing to the reduction of \$2.110m noted in the Commercial and Development Activities section of the table above.

Type of Reserve	Purpose of Reserve		Balance at 1 July 2016 \$000	Transfers to Reserves \$000	Transfers from Reserves \$000	Balance at 30 June 2017 \$000	Transfers to Reserves \$000	Transfers from Reserves \$000	Balance at 30 June 2018 \$000
Special Reserves									
<u>Development Funds</u>									
Roading			543	252	(245)	550	340	(413)	477
Water	Future expansion and upgrading infrastructure for growth		1,764	297	(728)	1,333	586	(604)	1,315
Sewer			2,145	176	-	2,321	242	(156)	2,407
Total Development Funds		A	4,452	725	(973)	4,204	1,168	(1,173)	4,199
<u>Other Council-created Funds</u>									
Disaster & Insurance Excess Funds	Contingency for rapid response	C	3,719	202	(66)	3,855	139	(41)	3,953
Land Endowment Fund	Operational funding	D	1,559	298	(236)	1,621	51	(817)	855
Community Housing Fund	Community housing projects & upgrades	E	752	26	(170)	608	18	(7)	619
Forestry Planting Fund	Net proceeds from forestry activities	F	1,174	249	-	1,423	44	(104)	1,363
Other Council-created funds	Established for other specific purposes		904	563	(128)	1,339	75	70	1,484
Total Special Reserves			12,560	2,063	(1,573)	13,050	1,495	(2,072)	12,473
Trust Funds									
Waitaki Heritage Fund	Support for heritage projects		259	251	(136)	374	4	-	378
RMA Reserve	Future recreational developments	G	717	193	(220)	690	341	(80)	951
Oamaru Public Gardens			190	7	-	197	8	(55)	150
North Otago Museum	Grants, donations, bequests and other gifts for specific purposes		133	8	(9)	132	14	-	146
Other community purposes			377	28	(11)	394	8	(75)	327
Total Trust Funds			1,676	487	(376)	1,787	375	(210)	1,952
Reserved Funds									
SPARC and Creative NZ Funds	Funds for community organisation grants		-	30	(26)	4	30	(32)	2
Loan Funds	Repayments of heritage loans		1	-	-	1	-	-	1
Total Reserved Funds			1	30	(26)	5	30	(32)	3
Total Restricted Reserves			\$ 14,237	\$ 2,580	(\$ 1,975)	\$ 14,842	\$ 1,900	(\$ 2,314)	\$ 14,428