



# Waitaki

DISTRICT COUNCIL

TE KAUNIHERA Ā ROHE O WAITAKI

**I hereby give notice that the  
Performance, Audit and Risk Committee Meeting  
will be held on:**

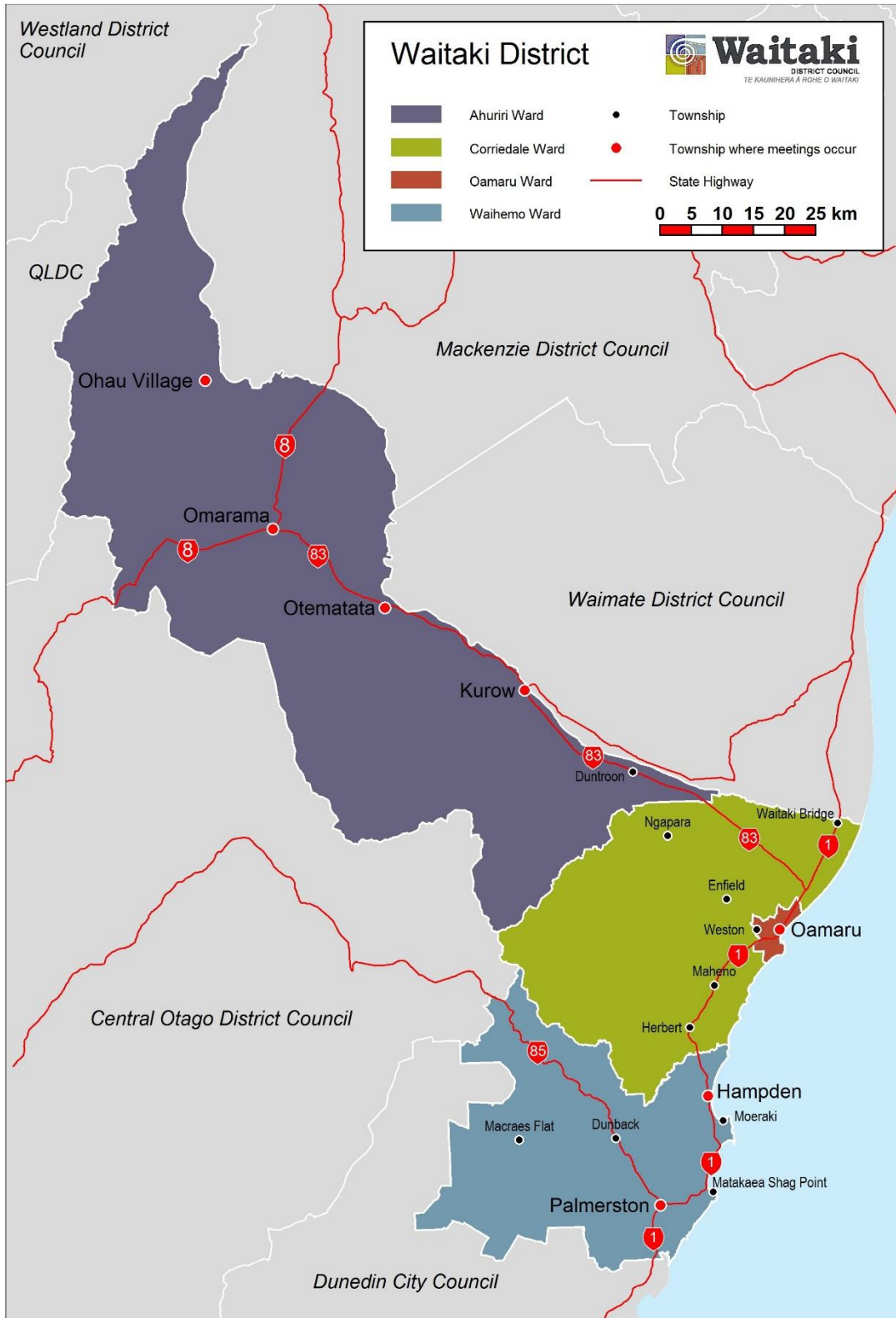
**Date: Tuesday, 27 October 2020**  
**Time: 1.00pm**  
**Location: Council Chamber**  
**Third Floor**  
**Office of the Waitaki District Council**  
**20 Thames Street, Oamaru**

## **Agenda**

### **Performance, Audit and Risk Committee Meeting**

**27 October 2020**

**Fergus Power**  
**Chief Executive**



STRATEGIC FRAMEWORK

# Waitaki THE BEST PLACE TO BE!

Waitaki - Whenua taurikura

## EMPOWERING OUR PEOPLE AND PLACE TO THRIVE

Whakapuāwai takata, Whakapuāwai whenua

COMMUNITY OUTCOMES



STRATEGIC PRIORITIES



Ensuring we get core business done while delivering on our strategic priorities and achieving our community outcomes



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- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**

**3 CONFIRMATION OF PREVIOUS MEETING MINUTES**

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING  
HELD ON 22 SEPTEMBER 2020**

**Author:** Ainslee Hooper, Governance and Policy Advisor

**Authoriser:** Lisa Baillie, People and Culture Group Manager

**Attachments:** 1. **Public minutes of the Performance, Audit and Risk Committee Meeting held on 22 September 2020**

**RECOMMENDATION**

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 22 September 2020, as circulated, as a true and correct record of that meeting.

**UNCONFIRMED MINUTES**

**OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING  
HELD IN THE COUNCIL CHAMBER, THIRD FLOOR,  
OFFICE OF THE WAITAKI DISTRICT COUNCIL, 20 THAMES STREET, OAMARU  
ON TUESDAY, 22 SEPTEMBER 2020 AT 10.16AM**

**PRESENT:** Cr Colin Wollstein (Chair), Cr Jeremy Holding (Associate Chair), Cr Ross McRobie (Associate Chair), Cr Jim Hopkins, Cr Guy Percival (from 10.18am), Cr Hana Halalele, Cr Bill Kingan and Mayor Gary Kircher

**IN ATTENDANCE:** Deputy Mayor Melanie Tavendale  
Cr Kelli Milmine  
Cr Peter Newton  
Fergus Power (Chief Executive)  
Neil Jorgensen (Assets Group Manager /Deputy Chief Executive)  
Paul Hope (Finance and Corporate Development Group Manager)  
Ainslee Hooper (Governance and Policy Advisor)

**IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:**

Mike Searle (Policy and Strategy Manager)

**MEETING OPEN**

The Chair declared the meeting open at 10.16am and welcomed everyone present including those members of the public watching the livestream of the meeting on Council's Facebook page.

**1 APOLOGIES**

**RESOLVED PAR 2020/028**

Moved: Cr Jeremy Holding  
Seconded: Cr Hana Halalele

That the apology for lateness by Cr Guy Percival be accepted.

**CARRIED**

**2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### 3 CONFIRMATION OF PREVIOUS MEETING MINUTES

#### 3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 25 AUGUST 2020

##### RESOLVED PAR 2020/029

Moved: Cr Jeremy Holding  
Seconded: Cr Ross McRobie

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 25 August 2020, as circulated, as a true and correct record of that meeting.

**CARRIED**

### 4 MEMORANDUM REPORTS

#### 4.1 TREASURY RISK MANAGEMENT UPDATE

The report, as circulated, provided information to help guide the development of a revised approach to reporting and monitoring the treasury function as a consequence of Council's decision to join the Local Government Funding Agency (LGFA). Bancorp representative Mr Miles O'Connor was present for this agenda item.

Group Manager Paul Hope introduced the report, and then invited Mr O'Connor to address the meeting. Mr O'Connor gave his presentation and answered questions from Elected Members. It was also clarified that Council's existing loan of around \$6M with the Bank of New Zealand would be converted to an LGFA loan and an additional \$9M borrowed for a total LGFA loan of \$15M. The model presented by Mr O'Connor had used that \$15M loan figure as an example.

Discussion then focused on the agenda report and attached letter. In response to questions, Mr O'Connor explained that interest rate swaps may be used to manage debt, and provided examples; that quarterly strategy meetings would be reported to Mr Hope initially and then to the PAR Committee; that there is provision in the policy for a quarterly policy update; that revaluation of losses would happen annually as part of the annual report; and that a mixture of a floating rate and fixed rate bonds would be used in the beginning (eg \$6M of fixed rate debt, assuming a \$15M debt level).

Mr O'Connor also confirmed that Bancorp's services related to Council's borrowing. It could also assist with investments so long as they related to financial market investments only. He gave a brief overview of Bancorp Treasury Services and Bancorp Corporate Finance and mentioned some of their clients (including 35 other local authorities) and that the main competitor in New Zealand was PWC. Fee structures and company ownership (privately owned) were also discussed.

#### MOTION

Cr Jim Hopkins said he would move the report's recommendation 1 but noted that the meeting had not discussed the request in recommendation 2. When asked by the Chair what direction he required, Mr Hope advised that that could be dealt with in another way. Mayor Gary Kircher seconded the motion.



**Discussion on the motion:**

In response to a question, Mr Hope clarified that at least some of Council's borrowing would need to be with LGFA, but there was no requirement for it to be the sole lender; there was some flexibility to use others. This was acknowledged by the meeting participants.

When asked by the Chair, Mr O'Connor advised that there would be around a 2-3 week time lag between Council's decision to approve and sign the LGFA membership documents and when it could start borrowing from LGFA.

**RESOLVED PAR 2020/030**

Moved: Cr Jim Hopkins

Seconded: Mayor Gary Kircher

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

**CARRIED**

**4.2 WAITAKI ANNUAL RESIDENTS' SURVEY 2019-20**

The report, as circulated, provided the Waitaki Annual Residents' Survey Report July 2020 and noted that it would be made publicly available. Policy and Strategy Manager Mike Searle was present for this meeting and introduced the report.

Discussion focused on the greater importance of trends than on individual ratings. The trends had been largely favourable, with an identifiable need for Council to be communicating more with the public about what is being done around the district. The performance of the two community boards was noted, because one had gone from low to quite reasonable and the other was a reverse. It was suggested that those ratings should not be seen as a reflection of the Community Boards, given that there were dedicated Board members in both the Ahuriri and Waihemo wards. Rather, there was more for Council to do in communicating what the Boards were doing in their communities. Overall, it was highlighted that there was more good news than bad in the survey and there was some good information for the Long Term Plan process.

It was also suggested that, while Council had not 'failed', an examiner might say "could do better". Satisfaction levels in some areas (eg value for money; rates spending and fairness; consultation) were around the 50% mark, meaning that half of the population was not satisfied, and Council needed to be conscious of that. Some places (eg Waihemo) were more dissatisfied than others. Trust levels were up, but there was still more work to do; and the reputation score was "fantastic", it was noted. Unsealed roads remained a problem.

It was noted that other surveys (eg Colmar Brunton) called residents on cell phones as well as landlines and a request was made for officers to ask our providers whether they could do that as well, given that many people no longer had landlines in their residences.

In response, Chief Executive Fergus Power highlighted the importance of looking at the definitional elements in surveys like this. The comments made were in relation to people who were scoring 7, 8, 9 and 10 – which was a very high level of satisfaction. Page 26 of the collated agenda papers provided an assessment of ten different measures of all wards and age brackets. Most were scores of equal to or above 80, which is an outstanding result for Waitaki and represented a quadruple increase over 2018 results. The Chair thanked Mr Power for his comments, which were helpful given that only two of the scores on page 26 were below 80.

Several Elected Members spoke about the results going in the right direction and the need to use this year's results as a learning document and to move forward positively.

The feedback comment on page 49 of the collated agenda in relation to lakes camping was highlighted, because it was made about an area that was not in the Waitaki district. Mayor Gary Kircher felt the comment should remain in the survey, but there should be a footnote added by

Key Research to clarify that the area was in the neighbouring district of Waimate. He also suggested that the Waimate District Council should be informed that such a matter had been reported in Waitaki's residents' survey.

**ACTION: Policy and Strategy Manager, with Key Research and Waimate District Council**

Other suggested actions included a check on the comparisons for the reputation profile of Wards, because the 2019 figures appeared to be the same as the 2020 figures (page 73 of the agenda); and to share the survey directly with WRRT.

**ACTION: Policy and Strategy Manager**

**RESOLVED PAR 2020/031**

Moved: Mayor Gary Kircher

Seconded: Cr Jim Hopkins

That the Performance, Audit and Risk Committee:

1. Receives the Waitaki Annual Residents' Survey Report July 2020; and
2. Notes that the survey results provide an input for completing Council's 2019/20 Annual Report scheduled for Council approval later this year: and
3. Notes that the survey report is to be posted on Council's website.

**CARRIED**

**5 RESOLUTION TO EXCLUDE THE PUBLIC**

**RESOLVED PAR 2020/032**

Moved: Cr Ross McRobie

Seconded: Cr Jeremy Holding

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

The general subject matter 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 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	Ground(s) under section 48 for the passing of this resolution
<p><b>6.1 - Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 25 August 2020</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a)(i) - the public conduct of 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 under section 6 or section 7</p>
<p><b>6.2 - Risk Management Policy PE</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good</p>

	<p>persons, including that of deceased natural persons</p> <p>s7(2)(c)(i) - 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</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>reason for withholding would exist under section 6 or section 7</p>
<p><b>6.3 - Insurance Renewal Review PE</b></p>	<p>s7(2)(b)(ii) - 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</p> <p>s7(2)(c)(ii) - 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 otherwise to damage the public interest</p>	<p>s48(1)(a)(i) - the public conduct of 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 under section 6 or section 7</p>

**CARRIED**

**6 PUBLIC EXCLUDED SECTION**

The public excluded minutes apply to this session of the meeting.

## 7 RESOLUTION TO RETURN TO THE PUBLIC MEETING

### RESOLVED PAR 2020/038

Moved: Cr Jeremy Holding  
Seconded: Cr Hana Halalele

That the Performance, 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.

**CARRIED**

## 8 RELEASE OF PUBLIC EXCLUDED INFORMATION

In accordance with Waitaki District Council Standing Orders, and pursuant to resolutions in the public excluded session of the meeting, the Committee agreed to release the following previously public excluded information in the public minutes of this meeting:

### 6.1 PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 25 AUGUST 2020 PE

#### RESOLVED PAR 2020/033

Moved: Cr Ross McRobie  
Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee confirms the Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 25 August 2020, as circulated, as a true and correct record of that meeting.

**CARRIED**

### 6.2 RISK MANAGEMENT POLICY PE

#### RESOLVED PAR 2020/034

Moved: Cr Jim Hopkins  
Seconded: Mayor Gary Kircher

That the Performance, Audit and Risk Committee:

1. Receives the information; and
2. Recommends that Council adopts the updated Risk Management Policy.

**CARRIED**

#### RESOLVED PAR 2020/035

Moved: Mayor Gary Kircher  
Seconded: Cr Jim Hopkins

That the Performance, Audit and Risk Committee recommends:

That Council delegates to the PAR Committee the development of a timetable for the implementation of the three next steps recommended by Crowe Horwath in the extract from its report.

**CARRIED**

**RESOLVED PAR 2020/036**

Moved: Mayor Gary Kircher  
Seconded: Cr Jim Hopkins

That the Performance, Audit and Risk Committee recommends:

That Council initiates the search for an independent member of the Performance, Audit and Risk Committee.

**CARRIED**

**RESOLVED PAR 2020/037**

Moved: Cr Jim Hopkins  
Seconded: Cr Jeremy Holding

That the Performance, Audit and Risk Committee:

1. Receives and notes the information.

**CARRIED**

**9 MEETING CLOSE**

There being no further business, the Chair declared the meeting closed, at 12.14pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 27 October 2020.

.....  
CHAIRPERSON

## 4 MEMORANDUM REPORTS

### 4.1 PRE-AUDIT DRAFT ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2020

**Author:** Ian Wells, Accounting Manager

**Authoriser:** Paul Hope, Finance and Corporate Development Group Manager

#### RECOMMENDATION

That Performance, Audit and Risk Committee receives and notes the information.

#### PURPOSE

To inform the Performance, Audit and Risk Committee of the likely financial and non-financial performance of the Council for the year ended 30 June 2020.

#### BACKGROUND

Council must produce an Annual Report that meets the requirements of Section 98 of the Local Government Act 2002 and, in a normal year, must have this audited and adopted by 31 October. As 2020 has been anything but a normal year, Government has extended the reporting deadlines. Auditors are presently onsite undertaking the audit with the intention that this be completed, and the annual report be adopted at the 8 December 2020 Council Meeting.

The unaudited Annual Report 2020/2021 is being issued with the final agenda papers to this meeting as a separate PDF document, for Council's consideration in conjunction with this agenda report.

It is important to appreciate that legislation requires Council to measure its performance in the Annual Report against budgets set out in the Annual Plan, not those that have been adjusted to include carry-forward amounts. This means that a project like dredging the harbour, which cost \$331k and which is comfortably under the "living" budget of \$389k, is actually over the Annual Plan budget of \$90k by \$241k and has contributed to the apparent overspend in the Other Expenses category.

#### DISCUSSION

##### Overview

The following commentary sets out in some detailed the variances that have occurred between the result included in the pre-audit Annual Report, the initial result reported to an earlier meeting and what was allowed for in the Annual Plan. The variances in some areas are quite significant and have been driven by a variety of factors. Virtually all of these variances were signalled during the year, but they have now been finalised and the cumulative effect can be seen. Although these variances were identified earlier in the year, the impact of COVID has accelerated and added to what was already going to be a challenging year.

The purpose of this overview section is to explain in broad terms the large variance between the surplus of \$1.67m in the Annual Plan and the deficit of \$3.62m shown in this report. This has been done by grouping the main variances under a number of themes and indicating what action, if any, has been, or is proposed to be, taken.

##### Asset Value Adjustments

(\$2.32m)

This is the combined effect of additional depreciation and writing-off decommissioned assets. There is a very limited amount that Council can do to avoid similar or greater variances in future years, given that even a small percentage variance in asset values can have a dramatic impact on the derived expense. A fully integrated asset management and financial projection system supporting detailed multi-year asset renewal plans would potentially reduce this type of variance.

However, this would require a significant investment in additional systems and staff to support, populate and maintain that type of system.

COVID (\$1.20m)

This a combination of easily identified and less obvious impacts. Areas most directly impacted included:

- Reduced NZTA roading subsidy due to delays in the roading programme of work
- Reduced regulatory charges particularly in the Building Control and Planning activities
- Reduced user charges arising from the effects of the lockdown on the Opera House, Aquatic Centre, Gallery and Museum, 3 Waters and property
- Reduced parking revenue due to Council's decision to extend free parking
- Reduced camping revenue due to the early closure of the camping season.

In addition to the above, there were less obvious changes, like the lost penalty revenue from instalment 4 and the delay in charging the first arrears penalty for the year. The impact on costs was also less obvious as it will take additional analysis to determine additional versus reduced cost versus delayed costs.

Overall, there is very little Council could have done to mitigate this lost revenue. Some of the impacts will continue into 2021 and there are too many factors, including potential further level changes, for these impacts to be reliably estimated. Officers will monitor and report on these during the year.

PGF Funding (\$700k)

This was not received but, as this was for a capital project, it had a direct impact on the surplus / deficit variance.

All other items (Net) (\$1.07)

As has been discussed previously with the Performance, Audit and Risk Committee, operational results have been impacted by a range of factors, both positive and negative, all of which have affected the reported position.

Positive impacts:

- Development and financial contributions, which are well over-budget
- Unbudgeted funding from the Lottery Grants Board towards the Cultural Facilities Redevelopment project
- Penalties imposed on overdue water billing and trade waste charges
- The Whitestone Contracting Limited dividend which, at \$904k, is well in excess of budget
- An unbudgeted dividend from Civic Financial Services Limited of \$100k
- Assets vested in Council amounting to \$119k.

Negative impacts:

- Additional costs incurred due to additional issues occurring during renewal works particularly in the Harbour, Gallery and Museum.
- Increased insurance cost and reduced interest income due to market conditions
- Additional external resources required in the Building Control and Planning activities
- Rates penalties other write-offs.

Most of these issues were identified early and wherever possible addressed during the 2020/21 Annual Plan process. However, some matters, such as how budgets are developed for renewal works on assets that may be 100 years old, will need further consideration during the LTP process.

### DETAILED COMMENTARY

Actual Revenue of \$51.279m is not materially different from the projected \$51.296m but is under budget by (\$1.575m). The table below focuses on items that differ materially from the projected amounts.

Revenue	Draft Annual Report \$000	Previous Projection \$000	Budget \$000	Draft Annual Report Variance \$000
Rates	32,833	32,941	32,931	-98
<ul style="list-style-type: none"> <li>Penalties not applied to unpaid rates for instalments 3 and 4, Water meter charges lower than expected for the six months invoiced in July</li> </ul>				
User Charges	4,289	4,256	5,057	-758
<ul style="list-style-type: none"> <li>Covid-19 impacts on Aquatic Centre, Opera House, car parking = -\$415k, minor impacts of lockdown on Tradewaste and Landfill operations</li> <li>Oceana Gold trucking waste out of the district = reduced revenue</li> <li>Lean Meats three-month closedown + lockdown = reduced Tradewaste</li> </ul>				
Regulatory Charges	1,746	1,755	2,197	-451
<ul style="list-style-type: none"> <li>Consent fees and LIM charges reduced due ambitious budget and COVID-19 lockdown</li> </ul>				
Development Contributions	1,028	1,028	885	+143
Government Grants	8,614	8,426	9,560	-946
<ul style="list-style-type: none"> <li>Roading programme set back by COVID-19 = reduced revenue by about -\$1,075, but mitigated by supplementary claims lodged</li> <li>Application for PGF funding for airport developments not successful/not required = reduced revenue -\$700k</li> <li>Lotteries funding for Gallery = \$500k more income</li> </ul>				
Finance Revenue	976	976	1,065	-89
Dividend and Subvention Payments	1,004	1,084	500	+504
<ul style="list-style-type: none"> <li>\$80k received from WCL was incorrectly treated as a dividend, subsequently treated as user charges</li> </ul>				
Assets vested in Council	119	100	-	+119
<ul style="list-style-type: none"> <li>Further analysis of asset additions proved that the original projection was conservative</li> </ul>				
Other Gains and Losses (refer Expenditure)	-	62	-	-
<ul style="list-style-type: none"> <li>The projection was accurate in terms of gains and losses on assets disposals, but did not predict the scale of write-offs required – now features in the Expenditure section of the report</li> </ul>				



Expenditure of \$54.899m is higher than the previous projection of \$53.959m and is over budget by \$3.716m, principally arising from the Other Gains and Losses expense.

Expense	Draft Annual Report \$000	Previous Projection \$000	Budget \$000	Draft Annual Report Variance \$000
Depreciation	15,177	15,188	14,258	+919
<ul style="list-style-type: none"> <li>Increased charges due largely to the revaluation of Council's property portfolio, including parks and reserves, and the Oamaru Airport. When the projections were completed, charges for the 11 months to May were known; the estimate for June was slightly higher than the actual cost</li> </ul>				
Other Expenses	25,631	25,706	24,357	+1,274
<ul style="list-style-type: none"> <li>Estimate for late accruals at \$400k was too high</li> <li>Unbudgeted impact of mould remediation in the Gallery and refurbishment of both the Gallery and Museum = \$453k</li> <li>Unbudgeted use of external resources in the Building and Planning units = \$223k</li> <li>Harbour dredging, deferred from 2019, is an overspend in 2020 = \$241k</li> <li>Net effect of rating sales and debt write-off = \$177k</li> <li>Covid-19 impacts – reduced travel and training = -174k, reduced general contracting and maintenance = -404k</li> </ul>				
Other non-trading Losses	1,359	-	-	+1,359
<ul style="list-style-type: none"> <li>As noted in the Revenue section, net realised gains/losses from asset disposals and the Forestry revaluation were correctly projected</li> <li>Based on decisions reached as part of the asset capitalization process, assets with value that are replaced and decommissioned or abandoned as part of capital projects, particularly in the 3 Waters area, must be written off. The net impact of these actions was a write-off of \$1.404m</li> </ul>				

The revaluation of Property assets produced a gain of \$38.711m, as per the previous projections. However, the Roding infrastructure revaluation, completed at 1 July 2020, has produced a further gain of \$45.785m. As this is a significant movement, officers have agreed with Audit New Zealand's recommendation that this should be recognised in the 2020 financial year, resulting in a total gain for the year of over \$84.5m.

STATEMENT OF FINANCIAL POSITION

	Draft Annual Report \$000	Previous Projection \$000	Budget \$000	Draft Annual Report Variance \$000
ASSETS				
Property, Plant and Equipment	881,049	837,427	798,459	+82,590
<ul style="list-style-type: none"> <li>Effect of capital projects, including the new Oamaru reservoir which has commenced earlier than planned, the triennial revaluation of property recording a gain of \$38,711k, and the early recognition of the Roding revaluation of \$45,785k less increased property depreciation.</li> </ul>				
Intangible Assets	785	1,040	572	+213
<ul style="list-style-type: none"> <li>Analysis of capital expenditure between intangibles and PPE above was finalised after the projections were completed</li> </ul>				
Forestry	286	294	345	-59
<ul style="list-style-type: none"> <li>Actual valuation was only \$18k over 2019 value. The budget assumed a larger increase in valuation, but did not anticipate the depressing effect on log prices arising from Covid-19</li> </ul>				
Loans to Other Entities – Term Portion	28,534	29,234	30,564	-2,030
Loans to Other Entities – Current portion	4,507	3,807	1,430	+3,077
<ul style="list-style-type: none"> <li>The \$700k loan to Waitaki District Health Services Limited is now expected to be repaid prior to June 2021, meaning it is a current asset.</li> </ul>				
Cash and Cash Equivalents	560	559	967	-408
Receivables	5,153	5,144	6,325	-1,172
<ul style="list-style-type: none"> <li>Effect of late accruals</li> </ul>				
Prepayments	642	656	480	+162
<ul style="list-style-type: none"> <li>Effect of minor adjustments</li> </ul>				
Assets held for sale	386	290	-	+386
<ul style="list-style-type: none"> <li>Detailed analysis of properties being actively marketed at year end, and motor vehicles replaced immediately after 30 June 2020.</li> </ul>				
LIABILITIES				
Trade and Other Payables	7,065	7,264	6,725	+340
<ul style="list-style-type: none"> <li>Allowance for late accruals of \$900k included in the projected figure was too high.</li> </ul>				
Short Term Borrowings	7,400	7,400	-	+7,400
Employee Entitlement Liabilities	1,632	1,632	1,200	+432
Provisions –				
Term	413	365	493	-80
Current	154	262	16	+138
<ul style="list-style-type: none"> <li>Provision for Closed Landfill Aftercare – now reanalysed and updated.</li> </ul>				

Despite the effects of the COVID-19 pandemic which have contributed to this disappointing operating result, and in spite of the unbudgeted requirement to access external funding lines, Council's

Balance Sheet continues to show a sound financial position; key asset values are being maintained; and, given the current availability of historically low interest rates, there has never been a better time for Council to become a net borrower.

### **Group consolidated financials**

During the 2019 audit process, the Office of the Auditor-General determined that Waitaki District Health Services Limited should consolidate the operations of the Observatory Village in its Annual Report, and Council should consolidate the Waitaki Whitestone Geopark operations. These decisions have had a significant impact on the appearance and content of the Group financial reports for the 2020 financial year, and numerous changes have had to be made to the 2019 comparative figures and have flowed through to the notes to the accounts. Full details of all changes made appear in Note 34.

The most noticeable changes appear on the face of the Statement of Financial Position:

- As the Observatory Village is now part of Council's consolidated group, advances from both Council and Waitaki District Health Services are no longer disclosed as assets of the group – refer to note 14
- Council's group now includes a new asset category, Investment Properties, which records the value of the retirement village's property – refer to note 11
- Council's group now also reports a new liability category, Obligations to Residents, which reflects the current liability of the rest home in relation to occupational right agreements – refer to note 25
- New accounting standards related to the recognition of leases have resulted in Council's group now reporting lease liabilities in relation to the scanner owned by Waitaki District Health Services on a finance lease arrangement – refer to note 23.

As usual, the Annual Report includes reporting of actual achievement against the non-financial performance measures included in the 2018-28 Long Term Plan.

### **Outstanding Matters**

There remain a number of aspects of the report that are still to be fully completed. These include:

- The audit of the financial statements by Audit New Zealand has still to be completed. The auditors commenced their work on 12 October and intend finishing by 6 November.
- The consolidated Group result may yet change, as Audit New Zealand has still to complete its review of Waitaki District Health Services Limited and Tourism Waitaki Limited, with potential consequential impacts on numerous Notes to the Financial Statements.

Any changes that are required to the report which come out of the audit process will be reported to Council at that time.

### **Conclusion**

The financial position recorded in the unaudited Draft Annual Report may still change as a consequence of movements in the annual reports of Council Controlled Organisations (CCOs). However, they will still show that Council remains in a strong position to start the 2020-21 financial year.

**Attachment (as a separate PDF document) – Unaudited Draft Annual Report 2020-21**

## **4.2 FINANCIAL REPORT - FIRST QUARTER, 2020-21 FINANCIAL YEAR**

**Author:** Ian Wells, Accounting Manager

**Authoriser:** Paul Hope, Finance and Corporate Development Group Manager

### **RECOMMENDATION**

That Performance, Audit and Risk Committee receives and notes the information.

### **PURPOSE**

This report reviews financial results for the first quarter of the 2021 financial year and includes the Treasury Report, summaries of internal loans at 30 June 2020 and balances of special reserves at the same date.

### **COMMENTARY**

The GAAP Financial Reports (Appendix A) show an operating deficit of \$(1.722m) against a budgeted deficit for the quarter of \$(1.121m).

Council routinely records an operating deficit in the first quarter, normally influenced by expensing the full year's rates on Council-owned properties and the recognition of insurance premiums for the period to 31 October. Added to this, as a result of the COVID pandemic, are the effects of extending free parking until 30 September, the provision of additional grants and rental relief in the form of rent "holidays" and other factors attributable to the crisis.

Some of these impacts are expected to continue for some time, and the second and third quarters are likely to see the impacts of Council's assistance to the residents of Lake Ohau Village whose lives have been disrupted by the devastating fires.

### **STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**

The report appearing in Appendix A contains more detail, but in summary

Revenue for the quarter, reported at \$12,255k, was under budget by \$430k.

- As can be seen in the detailed report, Council recorded improved revenue streams in many areas, due mainly to the timing of the physical works (Alps2Ocean is an example)
- Conversely, the timing of works undertaken in the roading programme has led to revenue from NZTA roading subsidy being reported under budget – much of the programme of works relies on suitable weather and the availability of contractors, and revenue is expected to improve over the balance of the year
- The impact of COVID-19 has affected rental income, carparking charges and operations at the Opera House, but over time it is expected that revenue will recover – car parking charges are now being applied as normal.

Expenditure is reported at \$13,977k, over budget by \$171k.

- Personnel costs and Depreciation are both under budget, and Finance costs are pleasingly slightly below budget as well
- Other expenses are over budget, but not significantly so, and key factors are noted in Appendix A.

## **PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING AGENDA**

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Effect of carry-forward budgets:

The reports included in Appendix A measure financial performance for the period against the Annual Plan budgets, which do not allow for these projects and activities. Future financial reports will measure actual performance against the “living” budget, which will include carry forward budgets, provided these were approved at this morning’s Council meeting.

### **STATEMENT OF FINANCIAL POSITION**

It must be noted that budget figures appearing in the Statement of Financial Position reflect the anticipated position at June 2021, and often cannot be related to the situation reported at periods during the year.

Property, Plant and Equipment

- The Roothing revaluation was brought to account at June 2020, but the full year’s budget for capital expenditure is approximately \$25m, and barely \$7m has been spent to date.

Loans to Other Entities

- These vary from budget as a result of changes which have been made to the loan agreement with both North Otago Irrigation Company and the Observatory Village, and because of unbudgeted lending to Waitaki District Health Services Ltd during the 2020 financial year.
- These new arrangements were agreed after the Annual Plan was adopted, but in time to be reflected in the 2020 Annual Report.
- NOIC reduced the balance of its loan by \$2.0m on 31 August 2020, in accordance with the new loan agreement.

Trade and Other Payables

- Creditors include significant amounts due in relation to the new Oamaru Water Reservoir, Alps2Ocean cycle trail and contractors involved in numerous other projects. Payments made during October have necessitated additional use of the BNZ loan facilities, extending the level of borrowings out to almost \$12m.

Employee Entitlements

- It should be noted that the liability recorded at June 2020 included a full fortnightly payroll of \$600k as well as accumulated leave which has built steadily due to restrictions on staff ability to travel during and since the lockdown.
- The budget anticipates a reduced level of accrual at June 2021, particularly in relation to accrued payroll, due to timing of pays at that time.

Short term borrowings

- This is the balance owing to BNZ at 30 September. As noted in the previous comment, due to the volume of activity in recent months, use of these facilities has increased since the end of the first quarter.
- Council expects to be in receipt of funds from the LGFA in November and also anticipates receipt of funding of over \$4m as a progress payment from MBIE for water projects. These payments will be used to clear BNZ borrowings, and to provide working capital over the balance of the year.

## **CAPITAL EXPENDITURE**

Total capital expenditure to date is \$6.972m, which is well over the Annual Plan budget of \$3.688. The most significant variations are due to budget timing issues, and to the fact that the budgets do not yet include carry forwards:

- Roading – total \$1.303m is over budget by \$160k, primarily due to continuing work on the Severn Street retaining wall – total spent to date \$231k, awaiting approval of carry forward budgets.
- Water – total \$3.416m is over budget by \$2.89m due mainly to works undertaken on the new Oamaru reservoir (total spent \$1.678m) and Oamaru Treatment Plant renewals (spent \$638k), all awaiting approval of carry forward budgets.
- Sewer – total spend of \$170k is over budget by \$162k, due mainly to the timing of budgeted renewals on the Oamaru system.
- Property – total \$560k is under budget by \$146k, primarily due to timing of works on Holmes Wharf (spent to date \$197k, budgeted \$660k) and the Museum and Gallery (spent \$142k, awaiting approval of carry forward budgets) and setting up the offices at Wear Street (spent \$83k unbudgeted).
- Parks and Recreation – total \$261k is over budget by \$27k.
- Alps2Ocean – total \$784k is ahead of budget by \$614k, due to the timing of the next stages of construction works.
- Motor Vehicles – total spent to date on new and replacement vehicles is \$139k, over budget by \$70k due to timing. This total is well within the annual budget of \$278k.
- Information Technology – total spent to date of \$261k is under budget by \$115k as the department deals with unexpected staffing vacancies, some of which have affected capital projects.

More detail on individual projects and budgets has been, or will be, provided in separate group activity reports.

## **IMPACT OF COVID-19 AND OTHER MATTERS**

The financial impact of COVID-19 continues to affect Council's financial results, although the direct impacts have now reduced in severity. The next issue for Council's attention is the Lake Ohau village fire and its aftermath. Council has received \$100k in emergency funding to put towards an initial response; the recovery will be over a very long period; and the future impacts on Council's activities cannot yet be determined.

## **Attachments**

Appendix A – Financial Reports for the first quarter, 2020-21 financial year, with explanations for significant variances

Appendix B – Treasury Report

Appendix C – Internal Loans at 30 June 2020

Appendix D – Special Funds and Reserves at 30 June 2020

APPENDIX (A) – FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

for the three months ended 30 September 2020

	2021 Quarter 1 Actual \$000	2021 Quarter 1 Budget \$000	2021 Annual Budget \$000	2020 12 Months Actual \$000	Variance from Q1 Budget		Commentary on key items	\$000
<b>Revenue</b>								
Rates Revenue	8,012	8,032	33,105	32,833	(20)	-0.3%	Lower Water charges than budgeted	- 42
User Charges	1,105	1,167	5,208	4,289	(62)	-5.3%	Rentals - rent relief, delayed increases	- 115
							Carparking - free parking extended	- 62
							Opera House - reduced events	- 50
							Tradewaste - well down on budget	- 47
							Lakes Camping - NZers making early start?	+ 17
							Gallery & Museum - Burns Pollock exhibition	+ 37
Regulatory Charges	537	567	1,832	1,746	(30)	-5.3%		
Development and RMA Contributions	231	238	954	1,028	(7)	-2.9%	RMA	- 60
							Roading	- 39
							Sewer	+ 26
							Water	+ 66
Government Grants and Subsidies	2,027	2,248	11,426	8,614	(221)	-9.8%	NZTA Roothing subsidy	- 680
							MBIE for Alps2Ocean construction/support	+ 311
							MBIE for Palmerston Sports Hall	+ 61
							MSD for SKIP programme	+ 54
							MBIE for public toilet projects	+ 50
Other Grants and Donations	53	107	2,188	425	(54)	-50.5%		
Finance Revenue	233	261	1,044	976	(28)	-10.7%		
Petrol Tax	47	51	205	200	(4)	-7.8%		
Infringements and Fines	10	14	60	45	(4)	-28.6%		
Dividend and Subvention Payments	-	-	500	1,004	-	0.0%		
Assets vested in Council	-	-	-	119	-			
<b>Total Revenue</b>	<b>12,255</b>	<b>12,685</b>	<b>56,522</b>	<b>51,279</b>	<b>(430)</b>	<b>-3.4%</b>		

APPENDIX (A) – FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020 (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE (CONTINUED)

for the three months ended 30 September 2020

	2021 Quarter 1 Actual \$000	2021 Quarter 1 Budget \$000	2021 Annual Budget \$000	2020 12 Months Actual \$000	Variance from Q1 Budget		Commentary on key items	\$000
				\$000	%			
<b>Expenses</b>								
Personnel costs	2,879	2,983	13,099	12,584	(104)	-3.5%	Wages & salaries - -188 Kiwisaver - Council contributions - -10 Recoveries under budget + 94	
Depreciation and amortisation	3,985	4,064	16,255	15,177	(79)	-1.9%		
Finance Costs	55	61	245	148	(6)	-9.8%		
Other expenses	7,058	6,698	27,805	25,631	360	5.4%	Backfill - external resources utilised + 46 Recruitment costs + 32 Consultants (Assets, CEO, ED, Treasury) + 118 Electricity + 120	
Other gains and Losses	-	-	-	1,359	-	0.0%		
<b>Total Expenses</b>	<b>13,977</b>	<b>13,806</b>	<b>57,404</b>	<b>54,899</b>	<b>171</b>	<b>1.2%</b>		
<b>Surplus / (Deficit) before Tax</b>	<b>(1,722)</b>	<b>(1,121)</b>	<b>(882)</b>	<b>(3,620)</b>	<b>(601)</b>			
<b>Other Comprehensive Revenue and Expense</b>								
Gain/(Loss) on revaluation of Infrastructural Assets	-	-	56,500	45,785				
Gain/(Loss) on revaluation of Properties	-	-	-	38,711				
<b>Total Other Comprehensive Revenue and Expense</b>	<b>-</b>	<b>-</b>	<b>56,500</b>	<b>84,496</b>				
<b>Total Comprehensive Revenue and Expense</b>	<b>(\$1,722)</b>	<b>(\$1,121)</b>	<b>\$55,618</b>	<b>\$80,876</b>	<b>(601)</b>			



**PERFORMANCE, AUDIT AND RISK COMMITTEE  
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**APPENDIX (A) – FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020  
(CONTINUED)**

**Statement of Financial Position**

As at 30 September 2020

	Notes	2021 Actual \$000	2021 Budget \$000	2020 Actual \$000
<b>Public Equity</b>				
Ratepayers' Equity	9	310,208	310,208	310,208
Revaluation Reserve	9	564,372	576,287	564,372
Operating Reserve	9	19,399	22,996	21,149
Other Reserves	9	15,884	15,875	15,856
<b>Total Public Equity</b>		<b>\$909,863</b>	<b>\$925,366</b>	<b>\$911,585</b>
<b>Non-Current Assets</b>				
Property Plant and Equipment	10	884,095	896,272	881,049
Intangible Assets	12	785	833	785
Forestry	13	286	394	286
Assets held for Sale	17	1,150	1,150	1,150
Other Financial Assets				
- Investments in CCO's	14	4,912	4,912	4,912
- Investments in other entities	14	145	145	145
- Loans to other entities	14	28,552	25,859	28,534
		919,925	929,565	916,861
<b>Current Assets</b>				
Cash and Cash Equivalents	15	685	1,049	560
Receivables	16	6,638	6,365	5,153
Prepayments		383	663	642
Inventory	18	140	12	140
Other Financial Assets				
- Term deposits	14	-	1,250	-
- Loans to other entities	14	2,504	3,447	4,507
Assets held for Sale	17	-	-	386
		10,350	12,786	11,388
<b>Total Assets</b>		<b>930,275</b>	<b>942,351</b>	<b>928,249</b>
<b>Non-Current Liabilities</b>				
Provisions	20	411	505	413
Borrowings	22	-	5,000	-
		411	5,505	413
<b>Current Liabilities</b>				
Trade and Other Payables	24	10,599	6,985	7,065
Employee Entitlement Liabilities	21	1,098	1,430	1,632
Provisions	20	154	65	154
Short Term Borrowings	22	8,150	3,000	7,400
		20,001	11,480	16,251
<b>Total Liabilities</b>		<b>20,412</b>	<b>16,985</b>	<b>16,664</b>
<b>Net Assets</b>		<b>\$909,863</b>	<b>\$925,366</b>	<b>\$911,585</b>

**PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING AGENDA**

**APPENDIX (B) – TREASURY REPORT FIRST QUARTER, 2020-21 FINANCIAL YEAR**

**Treasury Overview**

This report reviews Treasury performance for the first three months of the current financial year, and projects Council's expenditure profile and anticipated funding over the next twelve months.

As an investor, Council would find current interest rates disappointing, and under conditions imposed by the COVID-19 pandemic, no improvement is likely for a very long time to come. However, as Council has no funds available for bank deposits, and is now a borrower, continuing low rates are a bonus.

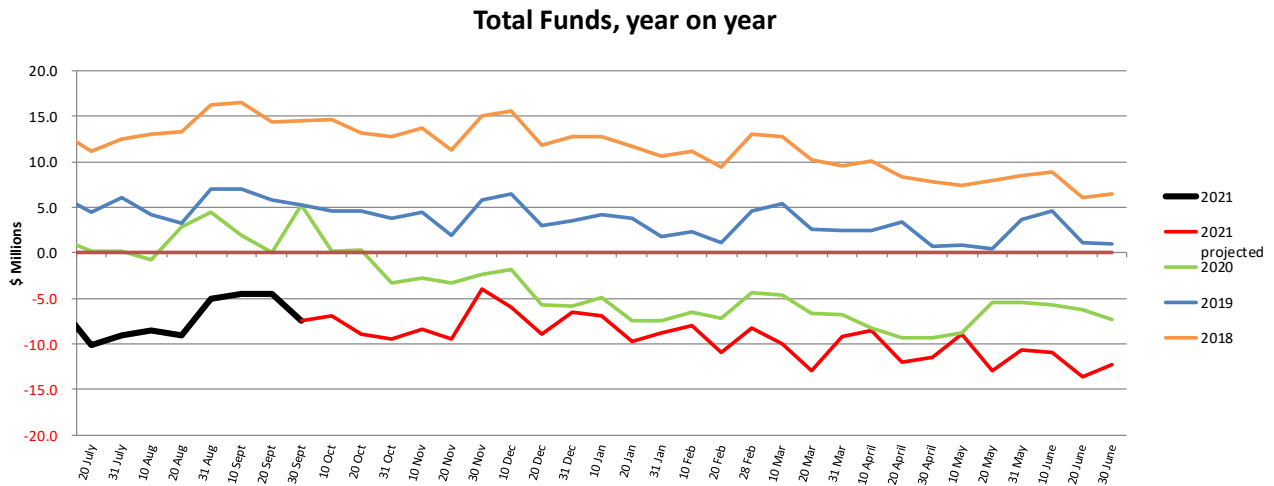
Council has reported Interest income of \$976k. This was under budget by \$89k, primarily arising from greatly reduced interest from bank deposits, as Council is no longer in the position of being able to place funds on deposit. Interest rates earned on Council's loans to external parties continue to provide good returns, but generally interest rates have been far lower than was budgeted.

**Overall Cash Position**

Council's operating cash continues to reach historically low levels, and as the graph below demonstrates, Council is now utilising its Customised Average Rate Loan facilities on a regular basis – at 30 September, the total borrowed amounted to \$8.15 million.

Reasons for the need to borrow have been covered in previous reports, but are largely related to capital projects such as the Hamnak water pipeline, works on the Airport hangar and the new Oamaru water reservoir, unplanned operational expenditure arising from mould remediation at the Forrester Gallery, and advances made to both the Kurow-Dunroon Irrigation Company and to Waitaki District Health Services Limited. Projections are that Council will continue to be a borrower for a lengthy period of time and, for that reason, has now joined the Local Government Funding Agency.

The cost of servicing this level of borrowing, at \$55k for the quarter, is under budget for the same period by \$6k. The 2020-21 Annual Plan provides for \$245k for loan servicing.

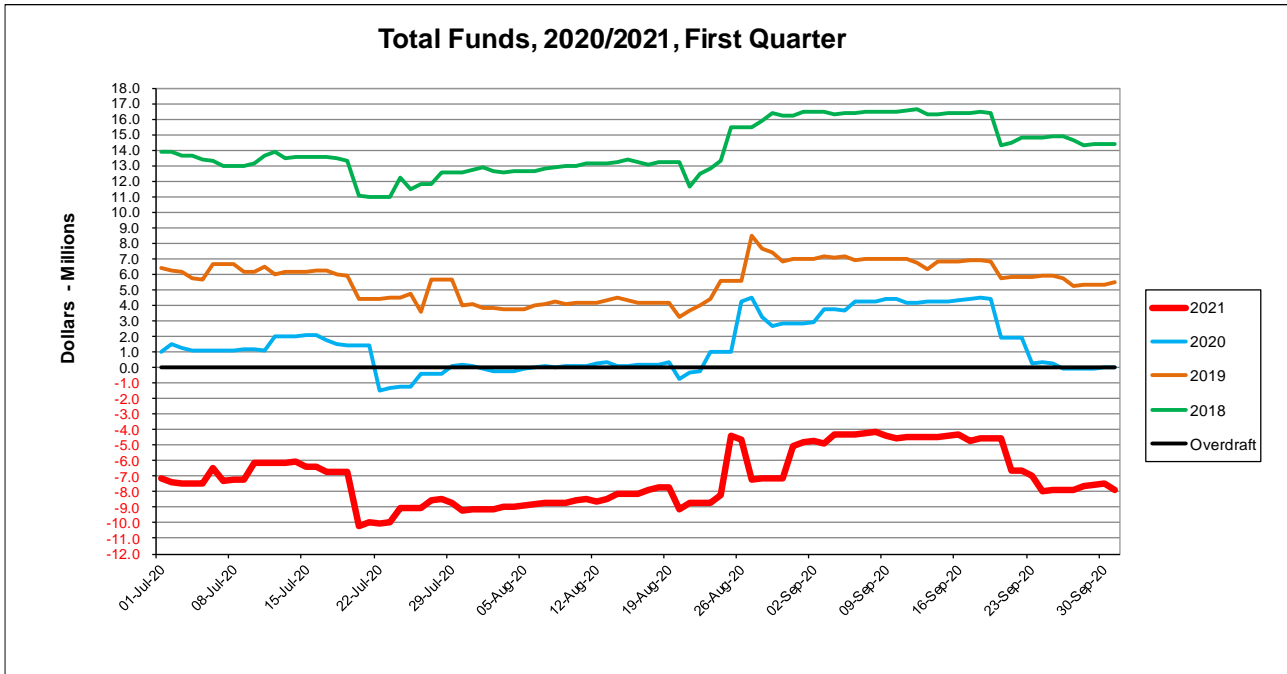


**PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING AGENDA**

**APPENDIX (B) – TREASURY REPORT 2019-20 (CONTINUED)**

The graph below illustrates the cyclical nature of Council’s operations, largely focused on the inflow of funds arising from the quarterly rating cycle, the fortnightly payroll and related payments to the IRD, and the outflow of cash around the 20<sup>th</sup> of every month.

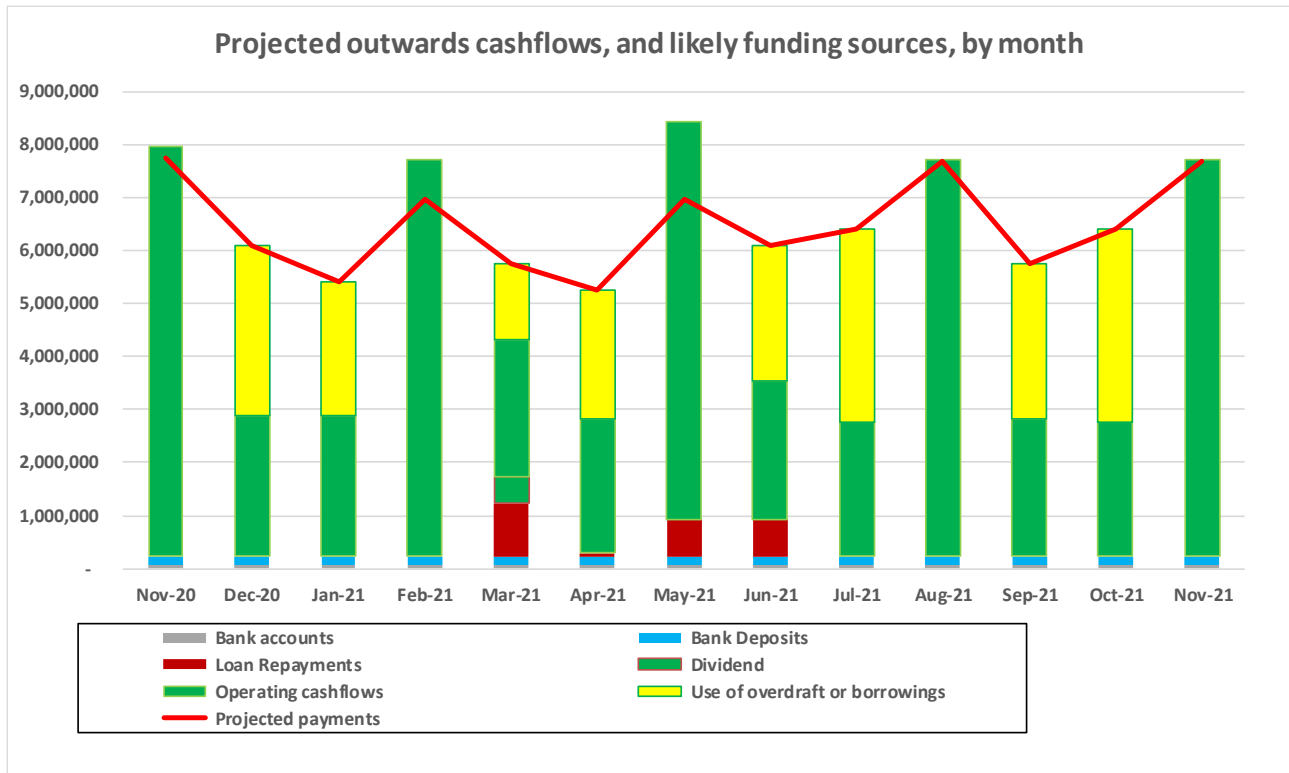
**Total Funds, 2020/21 Financial Year**



**Projected outgoings analysis and likely source of funds**

This graph shows likely cash outgoings by month. Any gap between available funds from operational cash flows and loan repayments, and projected expenditure, is met by additional borrowings. If inwards cashflows exceed operating costs, Council has an opportunity to repay borrowings.

**PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING AGENDA**



## PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING AGENDA

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### APPENDIX (B) – TREASURY REPORT 2019-20 (CONTINUED)

#### Term Deposit investments at 30 September 2020

Council held no term deposits with banking institutions at the end of September. Council is now a member of the Local Government Funding Agency and intends borrowing \$15 million to clear BNZ facilities and fund capital projects. At that time, surplus funds will be placed on deposit, and maturing funds will be utilised to supplement operational and capital funding needs.

The cyclical nature of Council's cashflows as depicted in the graph on the previous page demonstrates that there are only very limited opportunities to place funds on deposit, and even then, for only very short terms. The Treasury Strategy recognises the need to utilise external borrowing facilities, and places on officers the responsibility of managing its dual goals of maximising interest revenue while minimising interest expense.

#### Other Investments – Loans and advances

Council has loans outstanding to community groups and other entities as set out below.

##### North Otago Irrigation Company Limited –

- Balance at 30 September 2020 \$15,000,000
- Interest earned for the quarter \$61,808
- Interest is charged and paid monthly
- The total advance is to be repaid by June 2030.

##### Observatory Retirement Village Trust –

- Balance at 30 September 2020 – total of Stage 1 and Stage 2 loans \$11,656,638
- Interest earned for the quarter on interest-bearing components was \$93,657
- Interest on stage 1 is charged quarterly, interest on stage 2 is charged monthly
- Principal repayments will commence in 2021, with payments totaling \$708,000 expected.

##### Kurow-Duntroon Irrigation Company Limited –

- Balance at 30 September 2020 \$3,094,384, including compounded interest
- Interest earned for the quarter \$17,450
- Interest is compounded to the loan principal quarterly.
- Repayments start date to be confirmed once the project is completed

##### Oamaru Whitestone Civic Trust –

- Balance at 30 September 2020 \$529,000 (\$406,500 interest-bearing, \$122,500 interest-free)
- Interest earned for the quarter \$4,134
- 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 further Heritage Fund facilities
- The Trust has committed to annual payments of \$15,000 for the interest-bearing loan balance and \$24,000 relating to the interest-free advance.

##### New Zealand Airline Academy Limited –

- Balance at 30 September 2020 \$60,000
- Interest earned for the period \$1,210
- Interest is charged and paid quarterly
- The total advance is due to be repaid April 2021.

##### Waitaki District Health Services Limited –

- Balance at 30 September 2020 \$700,000
- Interest earned for the quarter \$5,091
- Interest is charged and paid quarterly.

#### Other Investments – CCTOs

**PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING AGENDA**

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

Council has included in its budgets for 2020-21 dividend revenue of \$500,000.

**APPENDIX (C) – INTERNAL LOAN BALANCES AT 30 JUNE 2020**

	Interest Expense \$000	Balance 1 Jul 2019 \$000	Increased Borrowing \$000	Principal Repaid \$000	Balance 30 Jun 2020 \$000
Roads and Footpaths	16	457	-	(60)	397
Waste Water	49	437	1,808	(30)	2,215
Stormwater Drainage	-	-	-	-	-
Water Supply	370	10,473	1,307	(1,224)	10,556
Waste Management and minimisation	6	184	46	(74)	156
Arts, Heritage and Culture	3	91	5	(8)	88
Parks and Recreation	21	569	29	(32)	566
Community amenities	16	454	202	(64)	592
Oamaru Harbour and Historic Precinct	84	1,891	1,244	(299)	2,836
Commercial and Development Activities	277	7,991	1,171	(523)	8,639
Support Services	(841)	-	-	-	-
	-	22,547	5,812	(2,314)	26,045

This table shows the internal loan position at 30 June 2020. Significant new loans taken out in this financial year are detailed below.

<b>Project</b>	<b>\$000</b>
Moeraki Wastewater	1,218
Oamaru water – new reservoir	1,065
Gallery and Museum remediation and refurbishment	686
Omarama Waste Water improvements	610
Holmes Wharf project	523
Breakwater	480
Airport Hanger infrastructure	295
Harbour dredging	242
Information Services – various projects	205
Property loans – compounding interest	171
Oamaru water – capacity improvements	143
Hampden closed landfill	39
Ohau drinking water standards upgrade	37
Public Toilets	26
<b>New Loans</b>	<b>5,740</b>

APPENDIX (D) SPECIAL FUNDS AND RESERVES BALANCES AT 30 JUNE 2020

Type of Reserve	Purpose of Reserve		Balance at 1 July 2018 \$000	Transfers to Reserves \$000	Transfers from Reserves \$000	Balance at 30 June 2019 \$000	Transfers to Reserves \$000	Transfers from Reserves \$000	Balance at 30 Jun 2020 \$000
<b>Special Reserves</b>									
<u>Development Funds</u>									
Roading	Future expansion and upgrading infrastructure for growth		477	297	(263)	511	246	(273)	484
Water			1,315	654	(1,119)	850	390	(345)	895
Sewer			2,407	332	(44)	2,695	211	(748)	2,158
Total Development Funds		A	4,199	1,283	(1,426)	4,056	847	(1,366)	3,537
<u>Other Council-created Funds</u>									
Disaster & Insurance Excess Funds	Contingency for rapid response	B	3,953	150	(273)	3,830	90	(139)	3,781
Land Endowment Fund	Operational funding	C	855	224	(359)	720	164	(25)	859
Community Housing Fund	Community housing projects & upgrades	D	512	132	143	787	19	-	806
Forestry Planting Fund	Net proceeds from forestry activities	E	1,363	68	(32)	1,399	43	-	1,442
Other Council-created funds	Established for other specific purposes		1,484	1,151	(164)	2,471	1,365	(723)	3,113
<b>Total Special Reserves</b>			<b>12,366</b>	<b>3,008</b>	<b>(2,111)</b>	<b>13,263</b>	<b>2,528</b>	<b>(2,253)</b>	<b>13,538</b>
<b>Trust Funds</b>									
Waitaki Heritage Fund	Support for heritage projects		485	44	(258)	271	29	(35)	265
RMA Reserve	Future recreational developments	F	951	418	(132)	1,237	331	(81)	1,487
Oamaru Public Gardens	Grants, donations, bequests and other gifts for specific purposes		150	5	-	155	5	-	160
North Otago Museum			146	8	-	154	5	(1)	158
Other community purposes			327	2	(98)	231	7	(6)	232
<b>Total Trust Funds</b>			<b>2,059</b>	<b>477</b>	<b>(488)</b>	<b>2,048</b>	<b>377</b>	<b>(123)</b>	<b>2,302</b>
<b>Reserved Funds</b>									
SPARC and Creative NZ Funds	Funds for community organisation grants		2	30	(32)	-	38	(23)	15
Loan Funds	Repayments of heritage loans		1	-	-	1	-	-	1
<b>Total Reserved Funds</b>			<b>3</b>	<b>30</b>	<b>(32)</b>	<b>1</b>	<b>38</b>	<b>(23)</b>	<b>16</b>
<b>Total Restricted Reserves</b>			<b>\$ 14,428</b>	<b>\$ 3,515</b>	<b>(\$ 2,631)</b>	<b>\$ 15,312</b>	<b>\$ 2,943</b>	<b>(\$ 2,399)</b>	<b>\$ 15,856</b>

Note A - Development Contributions fund infrastructure projects that provide expanded service capacity resulting from or in anticipation of growth

Note B - Council-created funds may only be accessed by Council resolution. Disaster & Insurance Excess funds are for use in an emergency

Note C - Endowment Funds provide additional operational funding for specific Council activities

Note D - Funds from the sale of community housing units are held for other community housing initiatives

Note E - Proceeds from Forestry activities held to fund future re-planting requirements

Note F - Financial contributions received from developers under the Resource Management Act provide and upgrade parks and green spaces to service new subdivisions





#### **4.3 FINANCE AND CORPORATE DEVELOPMENT GROUP UPDATE**

**Author:** Ian Wells, Accounting Manager

**Authoriser:** Paul Hope, Finance and Corporate Development Group Manager

#### **RECOMMENDATION**

That the Performance, Audit and Risk Committee receives and notes the information.

#### **PURPOSE**

To update the Performance, Audit and Risk Committee on the activity in the Finance and Corporate Development Group over the first quarter of the new financial year, July to September 2020.

#### **INTRODUCTION**

Although the majority of significant matters that officers have been working on have flowed through to Council, some more internally focused items were started during the first quarter.

These matters included:

- Local Government Funding Agency membership
- CouncilMARK preparation and coordination
- Long term plan (LTP) preparation including workshops
- Annual Report and final audit preparation and action
- Authority Upgrade
- Rates instalment and invoice production
- Rates and debtor payment arrangements and first due date issues

#### **CORPORATE**

The quarter was dominated by three items that took a greater investment of time than was initially expected or planned for. These items were the completion of the Local Government Funding Agency joining process, the CouncilMARK assessment, and the input into Three Waters Reform. The first two items are almost complete. However, the Three Waters process continues to progress and will have a significant and ongoing effect as the year progresses.

#### **FINANCE**

The first quarter of the year is always focused on getting the new financial year underway and the preparation of the Annual Report.

The draft Annual Report is included in this meeting's agenda for consideration. It highlights some of the extra work required this year, including the changes necessary to incorporate the Observatory Village Group into both this and last year's financials.

The start of the new financial year saw an increased focus on making budget holders aware of the new financial reports that are available to them and clarifying reporting and monitoring expectations.

In terms of system changes, the focus is on embedding the systems and processes related to the electronic receipt and approval of supplier invoices. These changes have been designed wherever

possible to accommodate matters raised in previous audit management letters, including improved recording of and access to financial authorities and “one-up” payment approval.

Officers have started work on the building blocks of the 2021-31 LTP and will present elected members with projects that have been proposed for inclusion for consideration. To assist with this, the decision has been made to use an “off the shelf” product to manage the financial aspects of the LTP. This is in the process of being implemented.

## **RATES**

In addition to the usual invoice and assessment notice requirements that occur in the first quarter, the Rates team has been busy ensuring all the required information and adjustments were in place prior to the implementation of the latest general revaluation. This not only included the normal maintenance, but also more technical matters such as processing any rural amalgamations for properties that have been identified as being farmed as one unit by Quotable Value Limited and updating the number of separate parts or uses.

The revaluation is undertaken and processed on a triennial basis, with the effective date of the valuation being 1 September 2020. Once the revaluation has been approved by the Office of the Valuer-General, full data will be inputted to Council’s system late in November and it will be on those new values that the Rates team will base the 2021/2022 year’s rates. Quotable Value Limited will be presenting the valuation results to Council at the Additional Council Meeting being held on the same day as this Committee Meeting.

The property market continues to be very active, with 288 sales processed between 1 July and 30 September 2020. This level of activity will have been helpful to the revaluation process.

The last matter of note is that, like most parts of Council, the Rates team has been testing features and processes as part of the upgrade from Authority 6.11 to Version 7.1. There are a number of significant changes to the way the rating module works. Therefore, considerable focus and effort has gone into this process, given how important the system is to generating Council’s main source of income.

## **POLICY**

CouncilMARK was the most significant matter the Policy team had to address during the quarter. This involved both the production of the Performance Assessment Framework and the hosting and coordination of the visit by the assessors. The assessors are now finalising their report and, when completed, it will be sent to the Independent Assessment Board. The Independent Assessment Board will allocate a final grade and issue the final report. This is due for completion in December 2020.

Preparation of the LTP is well underway and good progress is being made although there is a lot of work to complete before the Christmas break, with the focus on new project proposals and draft budgets. Audit New Zealand has advised that the scheduled first-stage audit for November has been pushed out to February 2021, which may necessitate some re-arranging of our timeframe.

The Policy team also has several key roles to play in the production of the Annual Report, in particular the production of the document and the accumulation of the non-financial performance information. Audit New Zealand has advised that it will not have a final audit opinion for Council until December 2020. Therefore, at this stage, the adoption of the 2019/20 Annual Report is scheduled for the 8 December 2020 Council meeting.

## **HEALTH and SAFETY**

The country is now operating at Alert Level 1.

Overall incidents from 1 July to 30 September 2020 were 72 (2019: 50), the difference almost all directly relating to the new pool floor. This was addressed directly by the Aquatic Centre Supervisor at a recent Committee meeting. The incidents continue to be minor and less frequent, and they are handled well by staff. Follow up is occurring and, where possible, remedial measures taken to mitigate future risk.

Bringing Animal Control in-house created a number of new health and safety considerations. Good health and safety focused policies, procedures, and hazard risk assessment and controls have been developed and put in place. This includes new security considerations, with steps being established to support the safety of staff where heightened risks have been identified. These include the introduction of wearable video cameras. There are strict controls and authorisations for their use and the subsequent handling of recorded data.

With the ongoing impact of COVID-19, staff wellbeing is being closely monitored. It is intended to support staff by offering extra resilience training and resources, and by publishing a comprehensive list of support services available for a wider range of issues. This is intended to encourage staff to access help that is most appropriate to their needs.

### Lake Ohau fire

On Monday 12 October 2020, FENZ handed over the 'site' responsibility to Council's Recovery team. Some of the key roles are to control access to the site, where multiple PCBUs (contractors) are undertaking work, and to arrange overnight security services. These both have a strong health and safety component to them. Health and safety trained personnel have been providing safety briefings, recording site visitor details, and supporting safe work on site. This work will continue until all the fire-related hazards are removed and the site is safe to hand over for the rebuild stage.

Communication, cooperation and coordination between PCBUs is working well on site, with all PCBUs having shared duties under the Health and Safety at Work Act 2015. Contractors are working with residents to allow them safe access. Helping to strengthen everyone's wellbeing is a core aim for all parties involved in site work and is driving an empathetic approach to all interactions. There is a high level of goodwill generated on site because of our 'be kind' approach and willingness to work with contractors to help progress the authorised work.

The FENZ handover report on 12 October 2020 has been reviewed by officers to help ensure that Council is meeting its health and safety responsibilities on site.

## **WORK PLAN / MEETING CONTENT**

There are two more Committee meetings scheduled for the 2020 year. One of these will focus on Information Systems issues (November meeting) and the other on risk and work priority items (December meeting). Two key documents will drive the meeting discussion on priorities, the annual audit management letter, and the findings from the CouncilMARK process in December.

**5 RESOLUTION TO EXCLUDE THE PUBLIC**

**RECOMMENDATION**

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

The general subject matter 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 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	Ground(s) under section 48 for the passing of this resolution
<p><b>6.1 - Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 22 September 2020</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(c)(i) - 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</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a)(i) - the public conduct of 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 under section 6 or section 7</p>
<p><b>6.2 - Water Account Reconsideration PE</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a)(i) - the public conduct of 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 under section 6 or section 7</p>
<p><b>6.3 - Debtors' Report - 2020, Quarter 1 PE</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure</p>

	<p>persons, including that of deceased natural persons</p>	<p>of information for which good reason for withholding would exist under section 6 or section 7</p>
<p><b>6.4 - Accounts Payable Analysis, Quarter 1, 30 September 2020 PE</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - 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</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>s48(1)(a)(i) - the public conduct of 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 under section 6 or section 7</p>

**6 PUBLIC EXCLUDED SECTION**

**7 RESOLUTION TO RETURN TO THE PUBLIC MEETING**

**RECOMMENDATION**

That the Performance, Audit and Risk Committee resumes in open meeting and decisions made in public excluded session are confirmed and made public as and when required and considered.

**8 RELEASE OF PUBLIC EXCLUDED INFORMATION**

In accordance with Waitaki District Council Standing Orders, and pursuant to resolutions in the public excluded session of the meeting, any previously public excluded information that the Committee decides to release will be included here, under Agenda Item 8, in the public minutes of this meeting.

**9 MEETING CLOSE**