



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:**

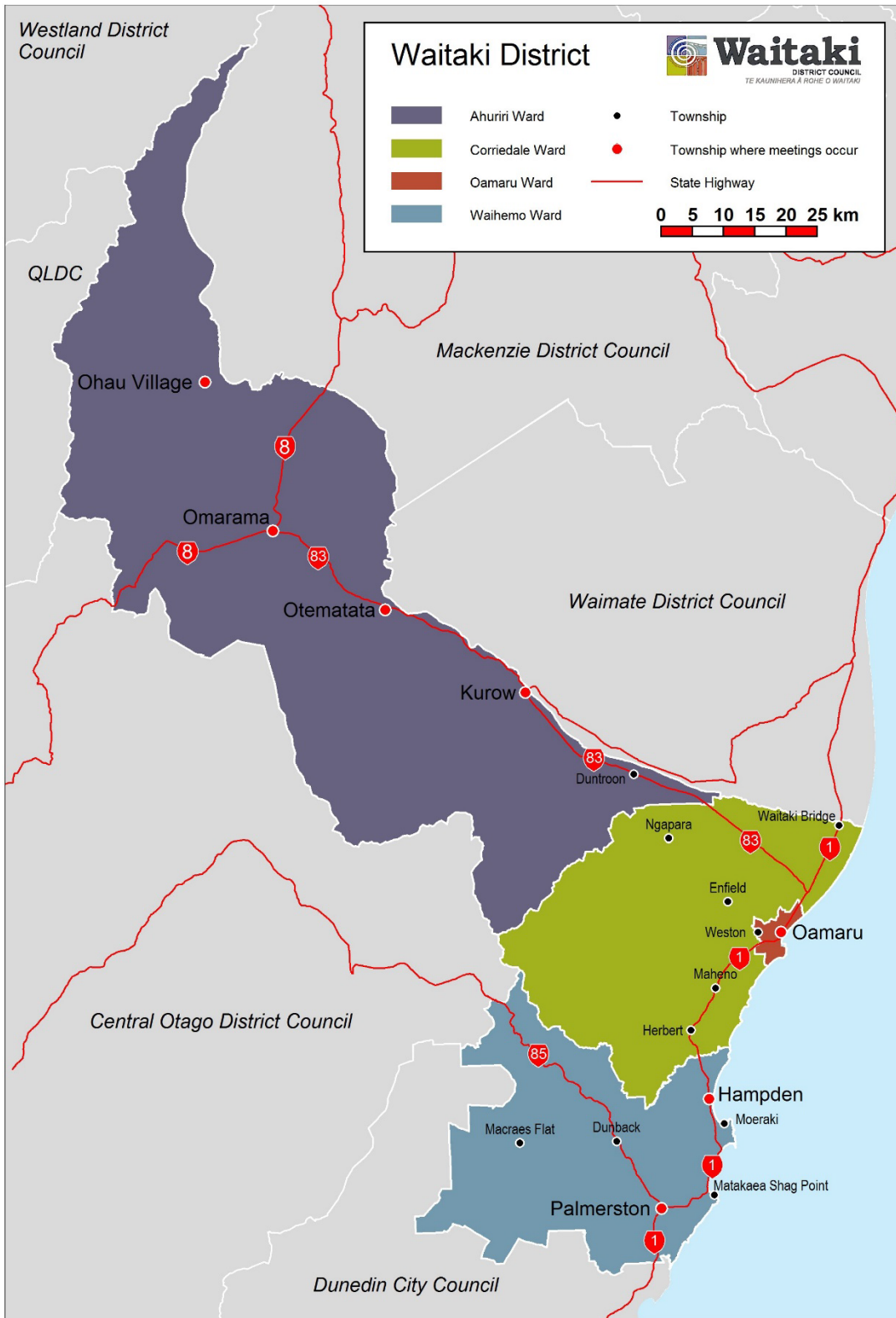
Date: Tuesday, 25 February 2025
Time: 2.45pm
**Location: Council Chamber, Third Floor
Office of the Waitaki District Council
20 Thames Street, Oamaru**

Agenda

Performance, Audit and Risk Committee Meeting

25 February 2025

**Alex Parmley
Chief Executive**





Agenda Items

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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 17 DECEMBER 2024**

Author: Ainslee Hooper, Governance and Policy Advisor

Authoriser: Lisa Baillie, Director Community Engagement and Experience

Attachments: 1. **Public Minutes of the Performance, Audit, and Risk Committee Meeting held on 17 December 2024**

RECOMMENDATION

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 17 December 2024, as circulated, as a true and correct record of that meeting.

MEETING UNCONFIRMED MINUTES

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
AND VIA ZOOM VIDEO-CONFERENCE
ON TUESDAY, 17 DECEMBER 2024 AT 3.35PM**

PRESENT: Mr Simon Neale (Chair), Deputy Mayor Hana Halalele, (Deputy Chair), Cr Tim Blackler (via Zoom), Cr Jim Hopkins, Cr John McCone, Cr Rebecca Ryan, and Mayor Gary Kircher

IN ATTENDANCE: Cr Jeremy Holding
Alex Parmley (Chief Executive)
Paul Hope (Director Support Services)
Roger Cook (Director Natural and Built Environment)
Louise van der Voort (Interim Director Strategy, Performance and Design)
Joanne O'Neill (Director Strategy, Performance and Design)
Ainslee Hooper (Governance and Policy Advisor)

IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:

Amelia Lines (Risk and Procurement Advisor) (until 4.15pm)
Amanda Nicholls (Chief Financial Officer)
Mandy McIntosh (Strategy and Commissioning Lead)

Meeting Livestream Recording

This meeting was livestreamed on Council's YouTube page.

A direct link to that livestream location is provided below.

[Performance, Audit & Risk \(PAR\) Committee Meeting - 17 December 2024](#)

MEETING OPEN

The Chair declared the meeting open at 3.35pm and welcomed everyone present. He apologised for the delayed start to this Performance, Audit and Risk Committee (PAR) meeting in order to enable the Council Meeting held earlier in the day to continue with its deliberations on key business matters.

1 APOLOGIES

There were no apologies.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

The Chair asked if any Elected Member wanted to speak to the Public Excluded Minutes of the previous meeting. When no one said they did, he ruled that the Public Excluded Minutes of the 29 October 2024 Performance, Audit and Risk Committee would be confirmed in the public session without discussion as the new Public Agenda Item 3.2.

MEETING UNCONFIRMED MINUTES

3 CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 29 OCTOBER 2024

Amendment: Under agenda item 5.1, third paragraph, second line, replace the word “forecasted” with “forecast”.

RESOLVED PAR 2024/074

Moved: Cr Jim Hopkins
Seconded: Cr Rebecca Ryan

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Performance, Audit and Risk Committee Meeting held on 29 October 2024, with one minor amendment agreed at this meeting, as a true and correct record of that meeting.

CARRIED

3.2 PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 29 OCTOBER 2024

RESOLVED PAR 2024/075

Moved: Cr Jim Hopkins
Seconded: Cr John McCone

That the Performance, Audit and Risk Committee confirms the Public Excluded Minutes of the Performance, Audit and Risk Committee Meeting held on 29 October 2024, as circulated and without discussion, as a true and correct record of that meeting.

CARRIED

4 DECISION REPORTS

4.1 REVISED RISK MANAGEMENT POLICY

The report, as circulated, sought the Committee’s review of the changes made to the Risk Management Policy and provide a recommendation to Council to approve and adopt the policy.

Risk and Procurement Advisor Amelia Lines spoke to the report. Discussion addressed the differences between organisational risks, organisational risk event management, and key risks and how they would be reported.

RESOLVED PAR 2024/076

Moved: Cr Rebecca Ryan
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee recommends:

That Council adopts the revised Risk Management Policy.

CARRIED

MEETING UNCONFIRMED MINUTES

4.2 REVISED PROCUREMENT POLICY

The report, as circulated, sought the Committee's review of the updated Procurement Policy to its proposed adoption by Council at a future Council Meeting.

Discussion then focused on the different views about placing greater importance on improving the economy compared with the importance of affordability for ratepayers; what was captured by the concept of 'value for money' and what may not be; the need to identify opportunities and maximise local content wherever possible if it fits, but also to enable pursuit of central government opportunities as well; and the consideration of cost but also of other values for the community that might be able to be achieved.

It was clarified that the GETS (Government Electronic Tender Service (GETS) system is used to advertise most tender contracts, and it is independently managed on behalf of the New Zealand Government.

Elected Member requests:

- (a) In the Progressive Procurement Guidelines, under "What does Good Look Like?", add a fifth bullet point, relating to "Affordability and ensuring that costs are not an unnecessary burden on local people".
- (b) In the Guidelines document, under "When are Broader Outcomes Appropriate?", and under section where "Broader outcomes may not be appropriate when", add a fourth bullet point of "Where their application would adversely affect costs".

Ms Lines also undertook to update the Procurement Policy based on discussions at this meeting. The Chair then asked, given the discussion and commitments given at this meeting, if PAR Committee Members were comfortable recommending the revised Policy to Council. Indications of support were provided in response, and the Chair asked for that to be noted in the Minutes.

ACTION: Risk and Procurement Advisor to action requests and update Procurement Policy

RESOLVED PAR 2024/077

Moved: Cr John McCone
Seconded: Cr Rebecca Ryan

That the Performance, Audit and Risk Committee recommends:

That Council adopts the revised Procurement Policy.

CARRIED

AGAINST: CR TIM BLACKLER

The Chair then directed the meeting forward to Item 5.1 Risk Management Update.

5.1 RISK MANAGEMENT UPDATE

The report, as circulated, provided an update on risk management activity throughout the organisation.

Risk and Procurement Advisor Amelia Lines highlighted the reduction of one risk (political uncertainty) but the retention of six key risks with a 'very high risk' rating.

MEETING UNCONFIRMED MINUTES

Discussion focused on the changes to operational risk reporting, the 'live' nature of the Key Risk register, and the data integrity risk associated with additional action required for Land Information Management (LIM).

By way of a summary, the Chair advised that there was nothing new of significance that was being reported in this quarterly risk management update.

RESOLVED PAR 2024/078

Moved: Cr Jim Hopkins

Seconded: Deputy Mayor Hana Halalele

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

CARRIED

5.2 PROCUREMENT UPDATE

The report, as circulated, provided an update on procurement activity over \$10,000 in the months of September, October, and November 2024.

Risk and Procurement Advisor Amelia Lines highlighted the correction in the number of items and, for the first time, the inclusion of some forward procurement items.

The Chair commended Mrs Lines for her work and thanked her for the update. He then advised that he wanted to challenge the information she had been receiving, as he was surprised to learn that there had been only nine contracts over the \$10,000 limit amount in the last three months and that none of those were related to water. As a third point, he queried the costs associated with the design of the marketplace parking and works that were shown as \$300k. He reiterated his point that his challenge was about the quality of information being provided to Mrs Lines to report on, not about what she was doing. Another Member agreed with the Chair's comments about the quality of the information.

A different Member suggested that concerns about the content of the agenda should be taken up separately. The Chair shared that view and noted that he had brought that up at the beginning of this comments. He said he would close off the discussion and would take it up with the operational leadership team.

ACTION: PAR Committee Chair, with Executive Team

RESOLVED PAR 2024/079

Moved: Mayor Gary Kircher

Seconded: Cr Jim Hopkins

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

CARRIED

The Chair announced that this meeting was Mrs. Lines' final PAR Committee attendance due to her resignation. He expressed gratitude on behalf of himself and other Members of the Committee for her valuable contributions as Risk and Procurement Advisor at Council.

Mrs Lines left the meeting at 4.15pm.

MEETING UNCONFIRMED MINUTES

4.3 TREASURY STRATEGY, FY 2024-2025 THIRD QUARTER

The report, as circulated, referred to the Committee the Treasury Strategy for the third quarter of FY2024-2025 for discussion and a recommendation to Council, for discussion on the benefits arising from Council's membership of the Local Government Funding Agency (LGFA), and consideration of the recommendations.

Chief Financial Officer Amanda Nicholls spoke to the Treasury strategy, highlighting that it was the same strategy as had been implemented in the past. She advised that interest rates are reducing, and that Council's lending to external entities would follow suit when the interest is reset at the end of this month given that it was the end of the second quarter.

The discussion covered the earlier-than-expected repayment of the loan to the Observatory Retirement Village, the resulting decrease in interest income, and plans to report to the Council on this matter in February or March. They also discussed updates on debt levels, the balance sheet, and the capital projects report from the Council meeting earlier in the day.

The Chair praised Ms. Nicholls and her team for their work on cash management and short-term borrowing, and he expressed interest in the forthcoming report on options for the returned funds. A Committee Member agreed with the Chair's praise. Another Member suggested that some of the repaid loan came from reserves, like the Oamaru endowment fund, and inquired whether the report would address replenishing these reserves or other debts, such as the Opera House debt. Ms. Nicholls noted she hadn't considered that detail for the report but said it could be included or discussed in the Long Term Plan regarding loan management and replenishment. The Chair encouraged Members to email Ms. Nicholls with any options based on historical precedents.

ACTION: Council Elected Members

There was brief reference to the liability and investment policy and links to debt levels and water and the relationship between those and the Council's Treasury strategy relating to borrowed money. Ms Nicholls clarified that Bancorp kept on eye on Treasury strategy matters, and that the time such matters received the most scrutiny was annually. It was also clarified that the report's figures for the loan to Kurow Duntroon Irrigation Company did not reflect the new arrangement with them, because that was not yet in place but was expected to be prior to Christmas given that the relevant documents had been received from KDIC earlier today.

RESOLVED PAR 2024/080

Moved: Cr Jim Hopkins
Seconded: Cr John McCone

That the Performance, Audit and Risk Committee recommends:

That Council:

1. Adopts a Treasury Strategy for the third quarter of the 2024-25 financial year which includes:
 - a) Monitoring available cash and projecting future cash requirements
 - b) Liaising with the Local Government funding Agency (LGFA) to ensure Council's ability to function and deliver on behalf of its communities is not impeded by lack of funds
 - c) Obtaining advice and support from Bancorp Treasury Services on key projects in addition to ensuring compliance with policy limits
 - d) Investing funds considered surplus to immediate requirements based on current forecasts to best advantage to maximise returns.

CARRIED

MEETING UNCONFIRMED MINUTES

5 MEMORANDUM REPORTS

5.3 FINANCIAL SUMMARY (TO 31 OCTOBER 2024)

The report, as circulated, presented a high-level financial summary for the period ended 31 October 2024.

Chief Financial Officer Amanda Nicholls explained that the Financial Summary was initially published in the agenda papers for the November PAR Committee meeting, which was cancelled at short notice.

There was a brief reference to prior discussions on unexpected income from the early repayment of the ORV loan, the forecasted debt levels of \$99m in the FY2024-2025 budget and carry forward items. It was clarified that these funds could either reduce the debt balance or be used for other purposes as previously discussed.

In response to a question about when debt levels would start decreasing, Ms. Nicholls noted that if Waters remained within the Council, debt levels would continue rising since all capital works were being funded through debt. The Member who asked the question pointed out that all capital expenditure was additional to the Council's current rate take.

RESOLVED PAR 2024/081

Moved: Mr Simon Neale
Seconded: Mayor Gary Kircher

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

CARRIED

The Chair acknowledged that, because the Public Excluded Minutes of the previous meeting had been confirmed in the public session of the meeting, there was no requirement for Agenda Items 6, 7, 8, and 9 at this meeting.

11 MEETING CLOSE

The Chair declared the meeting closed at 4.32pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 25 February 2025.

.....
CHAIRPERSON

UNCONFIRMED MINUTES

**OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING
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Roger Cook (Director Natural and Built Environment)
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Joanne O'Neill (Director Strategy, Performance and Design)
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1 APOLOGIES

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RESOLVED PAR 2024/076

Moved: Cr Rebecca Ryan
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee recommends:

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CARRIED

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ACTION: Risk and Procurement Advisor to action requests and update Procurement Policy

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ACTION: PAR Committee Chair, with Executive Team

RESOLVED PAR 2024/079

Moved: Mayor Gary Kircher

Seconded: Cr Jim Hopkins

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CARRIED

The Chair announced that this meeting was Mrs. Lines' final PAR Committee attendance due to her resignation. He expressed gratitude on behalf of himself and other Members of the Committee for her valuable contributions as Risk and Procurement Advisor at Council.

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ACTION: Council Elected Members

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RESOLVED PAR 2024/080

Moved: Cr Jim Hopkins

Seconded: Cr John McCone

That the Performance, Audit and Risk Committee recommends:

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1. Adopts a Treasury Strategy for the third quarter of the 2024-25 financial year which includes:
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CARRIED

5 MEMORANDUM REPORTS

5.3 FINANCIAL SUMMARY (TO 31 OCTOBER 2024)

The report, as circulated, presented a high-level financial summary for the period ended 31 October 2024.

Chief Financial Officer Amanda Nicholls explained that the Financial Summary was initially published in the agenda papers for the November PAR Committee meeting, which was cancelled at short notice.

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RESOLVED PAR 2024/081

Moved: Mr Simon Neale
Seconded: Mayor Gary Kircher

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

CARRIED

The Chair acknowledged that, because the Public Excluded Minutes of the previous meeting had been confirmed in the public session of the meeting, there was no requirement for Agenda Items 6, 7, 8, and 9 at this meeting.

11 MEETING CLOSE

The Chair declared the meeting closed at 4.32pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 25 February 2025.

.....
CHAIRPERSON

4 MEMORANDUM REPORTS

4.1 FINANCIAL REPORT FOR QUARTER 2 FY2025

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

RECOMMENDATION

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

PURPOSE

This report presents financial results for the six months ended 31 December 2024 and includes explanations for variances against budget.

SUMMARY

Overall, the Council's net financial result for the first six months of the 2025 financial year is behind budget. The operating deficit for the period is \$12.24m against a budgeted deficit of \$9.36m, worse than budget by \$2.88m, or 30.8%.

Revenue at \$38.4m is \$397k, or 1.0%, above than budget due largely to income associated with capital projects, most notably the Waitaki Event Centre and the first contribution from the Otago Community Trust.

Expenditure at \$50.72m is \$3.26m or 6.9% over budget. Personnel costs, Depreciation and the costs of Project Reclaim are all running over budget.

Overall, the balance sheet position is as expected, with the most significant variances being the result of opening balances as at 30 June 2024 differing from what was expected in the 2025 Enhanced Annual Plan, and the scheduled annual revaluation of Roding infrastructure and triennial revaluation of Property, including Parks and the Airport, still to be processed.

Borrowings have increased slightly from their June 2024 level but, in light of Council's decision to defer circa \$20m capital projects from the 2025 financial year and the recent \$16m early loan repayment by Observatory village, are highly unlikely to reach the budgeted total by year end

Capital expenditure for the period is slightly over budget. Decisions made by Council on 17 December have been incorporated in the budgets.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (P&L)

The operating result of the Council for the second quarter of the 2025 financial year, along with the full 12 month forecast against budget and prior year, is below.

	2025 6 months Actual \$000	2025 6 months Budget \$000	Variance from YTD Budget		2025 12 Months Forecast \$000	2025 Annual Plan Budget \$000	2024 12 Months Actual \$000
			\$000	%			
Revenue							
Rates Revenue	23,157	23,071	86	0.4%	46,776	46,602	41,280
User Charges	1,360	957	403	42.1%	5,770	4,060	3,456
Property Rental	1,469	1,526	(57)	-3.7%	2,939	3,053	2,716
Regulatory Charges	1,254	1,246	8	0.6%	2,367	2,352	2,270
Development and RMA Contributions	483	741	(258)	-34.8%	967	1,483	1,121
Government Grants and Subsidies	5,578	6,970	(1,392)	-20.0%	16,526	28,526	11,524
Other Grants and Donations	3,765	1,957	1,808	92.4%	8,289	5,088	709
Finance Revenue	1,202	1,430	(228)	-15.9%	2,404	2,860	2,365
Petrol Tax	113	102	11	10.8%	194	204	176
Infringements and Fines	56	40	16	40.0%	108	77	100
Dividends received	-	-	-	0.0%	350	350	200
Assets vested in Council	-	-	-	0.0%	-	-	572
Total Revenue	38,437	38,040	397	1.0%	86,689	94,655	66,489
Expenses							
Personnel costs	9,616	8,932	684	7.7%	19,538	18,148	18,164
Depreciation and amortisation	11,607	10,769	838	7.8%	22,136	20,538	20,554
Finance Costs	1,964	1,860	104	5.6%	3,928	3,720	2,965
Other expenses	27,554	25,898	1,656	6.4%	46,691	43,887	39,564
Non-Trading Losses / (Gains)	(20)	-	(20)	0.0%	1,310	1,310	3,532
Total Expenses	50,721	47,459	3,262	6.9%	93,603	87,603	84,779
Share of joint venture's surplus / (deficit)	-	-	-	0.0%	-	100	(52)
Interest on LGFA Borrower Notes	40	57	(17)	-29.8%	79	113	57
Surplus / (Deficit) before Tax	(12,244)	(9,362)	(2,882)	30.8%	(6,835)	7,265	(18,285)
Other Comprehensive Revenue and Expense							
Gain/(Loss) on revaluation							
- of Infrastructural Assets	-	-	-	0.0%	19,635	19,635	97,984
- on revaluation of Properties	-	-	-	0.0%	9,520	9,520	-
Other Comprehensive Revenue	-	-	-		-	-	-
Total Other Comprehensive Revenue and Expense	-	-	-	0.0%	29,155	29,155	97,984
Total Comprehensive Revenue and Expense	(\$12,244)	(\$9,362)	(\$2,882)	30.8%	\$22,320	\$36,420	\$79,699

Key variances to 2025 Annual Plan budget for the year to date are:

- Government Grants and Subsidies and Other Grants and Donations combined are over budget as a result of external funding for the Waitaki Events Centre and Gallery project this period.
- Finance revenue is under budget. Rates charged for loans to external parties based on LGFA rates are reduced as LGFA rates are decreasing. However borrowing costs are over budget due to the timing of new borrowing undertaken in October and December.
- Personnel costs are over budget. Remuneration increases were higher than was allowed in the budget and the deferral of capital projects resulted in lower recoveries.
- Depreciation costs are higher than anticipated due to the revaluations of Waters and Roding infrastructure recognised at 30 June 2024. This trend will continue through the year.
- Other expenses are over budget. The largest single contributor, Project Reclaim, has cost \$8m to date compared with budget \$6.7m (for the full year). A closure report on Project Reclaim including a review of cost versus budget will be produced once the waste levy issue is resolved

It is likely that inflationary pressures will continue to affect Council's operations until year end. The forecast indicates that both revenue and expenditure will finish the year under budget, with a slight reduction on budgeted surplus for the year.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The financial position of the Council at 31 December 2024 is set out below.

	2025 Actual \$000	2025 Budget \$000	2024 Actual \$000
Public Equity			
Ratepayers' Equity	310,208	310,208	310,208
Revaluation Reserves	915,269	919,470	915,276
Operating Reserves	(16,649)	(5,463)	(4,366)
Other Reserves	17,525	14,205	17,836
Total Public Equity	\$1,226,353	\$1,238,420	\$1,238,954
Non-Current Assets			
Property, Plant and Equipment	1,266,964	1,287,525	1,260,208
Intangible Assets	2,099	2,744	2,400
Forestry	918	952	918
Financial Assets			
- Investments in CCOs	4,703	4,703	4,703
- Investment in Joint Venture	1,677	1,880	1,677
- Investments in other entities	2,008	1,553	1,502
- Loans to other entities	33,808	32,415	34,648
	1,312,177	1,331,772	1,306,056
Current Assets			
Cash and Cash Equivalents	2,672	4,391	6,422
Receivables	7,634	6,240	5,230
Prepayments	1,362	1,400	1,366
Inventory	118	122	118
Financial Assets			
- Term deposits	-	2,000	2,018
- Investments in other entities	303	634	303
- Loans to other entities	2,603	2,331	1,853
Assets held for Sale	-	-	1,195
	14,692	17,118	18,505
Total Assets	1,326,869	1,348,890	1,324,561
Non-Current Liabilities			
Borrowings	59,900	66,000	51,900
Provisions	83	115	83
Employee Entitlements	124	95	122
	60,107	66,210	52,105
Current Liabilities			
Trade and Other Payables	11,332	8,933	11,446
Employee Entitlements	2,274	2,218	2,097
Borrowings	26,586	33,098	19,741
Provisions	217	11	218
	40,409	44,260	33,502
Total Liabilities	100,516	110,470	85,607
Net Assets	\$1,226,353	\$1,238,420	\$1,238,954

As always, it must be appreciated that budget figures reported are for the position at 30 June 2025 and so comparing the current position with that budgeted at year end may not always be helpful or meaningful.

Key variances to budget are:

- Property, plant, and equipment is lower than budgeted as the forecast revaluations of Roothing and of Property, Parks, and the Oamaru Airport will not be recognised until year end.
- External Borrowings amount to \$86m plus accrued interest. Although debt was expected to rise due to the effects of capital projects and Project Reclaim, the deferral of capital projects noted below and the full repayment of the loan to Observatory village in February 2025 mean it will not reach the budgeted level of \$99m. If Council decides to use the Observatory Village funds to repay debt, total debt could be as low as \$70m as at 30 June 2025.

CAPITAL EXPENDITURE

The capital expenditure summarised by department for the second quarter of the 2025 financial year is set out below:

	Dec-24 Actual \$000	Dec-24 Budget \$000	Variance from YTD Budget \$000	%
Roothing	3,488	4,449	- 961	-21.6%
Water	5,898	5,214	684	13.1%
Sewer	780	1,028	- 248	-24.1%
Property	1,100	4,168	- 3,068	-73.6%
Parks	5,642	7,523	- 1,881	-25.0%
IT	1,070	1,156	- 86	-7.4%
Vehicles	-	154	- 154	-100.0%
Other	203	250	- 47	-18.8%
	18,181	23,942	(5,761)	-24.1%

Generally, capital expenditure is behind budget. Capital expenditure budgets have been amended to take into account decisions made by Council on 17 December.

Better progress has been achieved on projects in the Waters activity. All other activities, even Parks & Recreation which is involved in construction of the Waitaki Events Centre, have seen actual expenditure falling below budget largely due to timing differences. The largest projects impacted in this way are the Kakanui bridge and the Forrester Gallery where significant progress is expected over the next few months.

Carry Forwards and other budget changes

When approving the \$14m carry forward projects from the 30 June 2024 financial year to the current financial year, Council requested a list of projects that were not expected to be completed in the current year, to “offset” the approved carry forwards, to ensure that debt position remains at or below what was budgeted as at 30 June 2025.

Based on a report provided to the 17 December 2024 Council meeting highlighting projects that met those criteria, Council resolved to remove or defer a significant number, valued at approximately \$20m, until later years. The budget figures provided above take those deferrals/cancellations into account.

4.2 TREASURY REPORT TO 31 DECEMBER 2024

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

Attachments: 1. Bancorp - Waitaki DC Dashboard 31 December 2024

RECOMMENDATION

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

PURPOSE

To provide members of the Committee with an overview of the Treasury function for the second quarter of the 2024-25 financial year ended 31 December 2024, and the Bancorp Quarterly Treasury Dashboard Report for the same period (Attachment 1).

BACKGROUND

Council is engaged in activities involving the holding, spending, borrowing, and lending of substantial sums of money. This quarterly report summarises Council's cash reserves, its lending to external parties, and its borrowings so that Committee members are fully informed and up to date.

SUMMARISED RESULTS

Overall, Council is in a stable financial position. Loans to external parties are now earning interest at rates exceeding those that Council pays, and interest rates paid on borrowings continue to be lower than could be obtained from the bank. Borrowings are projected to finish the year under budget due to unplanned loan repayments from our lending to external parties and timing changes of capital projects that influences cashflow requirements.

The Council's net position (interest-earning investments against external borrowings) is -\$45.4m compared with budget -\$55.8m. The overall return on investments (finance revenue) at 6.13% is running just under budget of 6.86% and comfortably exceeds the 4.60% effective interest rate on borrowings. This is the result of using LGFA rates as the base for on-lending to external parties.

Detailed analysis on the various balances below is discussed in more detail in the following pages.

	2025	2025	2024	Variance from	
	YTD Actual	Budget	Actual	Budget	
	\$000	\$000	\$000	\$000	%
Cash and Cash Equivalents	2,672	4,391	6,422	(1,719)	-39.1%
Financial Assets					
- Term deposits	-	2,000	2,018	(2,000)	100.0%
- Investments in other entities	1,980	2,187	1,980	(207)	-9.5%
- Loans to other entities	36,411	34,746	36,501	1,665	4.8%
Total Cash and Investments	41,063	43,324	46,921	(2,261)	-5.2%
Finance revenue	1,242	2,973	2,422	(1,731)	-58.2%
<i>Effective interest rate</i>	6.13%	6.86%	5.16%		
Total Borrowings	86,486	99,098	71,641	(12,612)	-12.7%
Finance costs	1,964	3,720	2,965	(1,756)	-47.2%
<i>Effective interest rate</i>	4.60%	3.75%	4.14%		
Net position	(45,423)	(55,774)	(24,720)	10,351	-18.6%

1 – Cash and term deposits – position at 31 December 2024

Type of account	Maturity	Interest rate	Balance \$000	Budget \$000
BNZ current accounts	N/A	-	145	144
BNZ retentions account	N/A	1.95%	472	300
BNZ Call account	N/A	1.95%	2,055	940
BNZ deposit			-	2,000
Accrued interest			-	-
Total Cash Resources			\$2,672	\$3,384
<i>Reported as</i>				
Cash and Cash Equivalents			2,672	1,384
Term Deposits			-	2,000
Total Cash Resources			\$2,672	\$3,384

Deposits with original terms of 90 days or less are considered part of Cash and Cash Equivalents while those with longer maturity dates are categorised as Term Deposits. Interest accrued on bank accounts is added to those balances for financial reporting purposes.

The BNZ retentions account ensures Council is compliant with legislation requiring funds held as retentions under construction contracts on behalf of contractors to be held separately from normal operational accounts.

Interest earned on cash and term deposit balances for the year to date is shown in the table below.

	Actual YTD \$000	Budget \$000
Interest on bank deposits	62	75

Interest rates available on the call account have reduced from 2.75% to 1.95% during the 2nd quarter, and for term deposits range up to about 5.0% for terms between 6 and 9 months. Funds are held in the call account to ensure their availability when needed to make payments to suppliers and contractors. There has been less use of term deposits during the year to date than was envisaged, the focus instead being on restraining borrowings from the LGFA. As a consequence, bank interest is unlikely to achieve the level projected in the Annual Plan.

2 – Investments in other entities

Investments in other entities include shares in Lower Waitaki Irrigation Limited and Civic Financial Services Limited. Council's shareholdings in these entities are minor holdings only and Council has little effective involvement in the operations of either business.

The remainder of this category relates to LGFA Borrower Notes. As a condition of borrowing, Council currently holds \$2,037,500 in borrower notes and this holding will increase as more is borrowed from the LGFA. Interest is paid at varying rates linked to rates paid on the related borrowings, and is payable on maturity, which occurs when the associated borrowing matures. Interest accrued on the borrower notes amounts to \$112,342, with \$39,818 compounded in the six months to December 2024. Because of the nature of this particular investment, revenue from this source must be reported separately in Council's Annual Report.

3 – Loans and advances to other entities

Council has loans to community groups and other entities as detailed below. Interest is charged and paid either monthly or quarterly on all loans.

Entity	31/12/24 Actual \$000	2025 year-end Budget \$000	30/06/24 Actual \$000
Observatory Village Group	15,624	14,121	15,624
North Otago Irrigation Company Limited	13,343	13,260	13,526
Kurow-Duntroon Irrigation Company Limited	3,145	3,137	3,156
Waitaki District Health Services Limited	1,958	1,950	1,950
Whalan Lodge Trust	1,488	1,390	1,387
Ōamaru Whitestone Civic Trust	425	403	425
Ōmārama Airfield Limited	410	467	419
Corriedale Water Management Company Limited	18	18	18
Total loans and advances to other entities	36,411	34,746	36,501

Observatory Retirement Village Trust –

- Loan balance includes accrued interest \$23,094 (June 2024 \$21,729)
- All loan balances were repaid in full 3 February 2025 (refer to Council report on 25 February 2025)
- Total interest earned to December \$424,946 and to repayment date was \$503,469

North Otago Irrigation Company Limited –

- Interest rate from 1 July 2024 8.025% from 1 Sept 2024 7.7255% from 1 January 2025 6.565%
- Interest earned for the period is \$519,000.
- Principal repayments of \$66,670 per quarter during the current financial year.
- Principal repayments also occur when shares in the company are sold

Kurow-Duntroon Irrigation Company Limited –

- Interest rate reduced during the period to 4.85%
- Interest earned for the period is \$115,799.
- Interest is charged and paid quarterly.

Waitaki District Health Services Limited –

- Interest rate 7.88%
- Interest earned for the period is \$77,529
- New loan agreement yet to be signed; initial principal repayment required has still to be made. Expect some form of principal repayment during this financial year.

Whalan Lodge Trust –

- Advances provided to date \$1,350,000 over three approved facilities, plus compounding interest
- Interest rate 5.51%
- Interest compounded to the first loan this year \$2,643 takes it to its maximum limit
- Interest now invoiced quarterly

- The second loan is being serviced from rates
- A third loan relates to a stand-by facility \$100,000 drawn down during the period
- Total interest earned on these loans for the period is \$39,398

Ōamaru Whitestone Civic Trust –

- Balance includes interest-bearing and interest-free components
- Interest rate on interest-bearing part matches Council’s internal loan rates set quarterly
- Interest earned for the period is \$13,640
- Approved loan facility with Council of up to \$500,000, plus further Heritage Fund facilities.

Ōmārama Airfield Limited –

- Advances provided to date \$430,746 including compounding interest.
- Interest rate is 10.88%
- Interest compounded to the loan to date this year totals \$22,923
- Full repayment due November 2025, two years after initial drawdown.

4 – Finance Revenue

This consists of income reported by source for the quarter, against full year budgeted and full year for the prior year. As noted, bank interest is unlikely to reach the level projected in the budget, and interest rates on loans that are set quarterly based on rates charged by the LGFA are expected to trend downwards over the rest of the year.

Entity	2025 Actual \$000	2025 Budget \$000	2024 Actual \$000
Bank / call account / term deposit interest	62	413	281
Observatory Village Group	425	931	893
North Otago Irrigation Company Limited	519	1,087	772
Kurow-Duntroon Irrigation Company Limited	118	242	244
Waitaki District Health Services Limited	78	152	153
Whalan Lodge Trust	39	80	34
Ōamaru Whitestone Civic Trust	14	20	22
Ōmārama Airfield Limited	23	48	23
Total loans and advances to other entities	1,278	2,859	2,365

5 – External Borrowings

Key: CP = Commercial Paper

FRN = Floating Rate Notes FRB = Fixed Rate Bills

Type of security	Maturity	Interest rate	Principal \$
LGFA CP	16-Apr-25	4.346%	13,500,000
LGFA FRB	15-Apr-25	0.73%	1,500,000
LGFA FRB	15-Apr-25	4.93%	2,500,000
LGFA FRN	15-Apr-25	5.21%	5,600,000
LGFA FRN	15-Apr-25	5.14%	2,000,000
LGFA FRB	15-Apr-26	0.84%	1,500,000
LGFA FRB	15-Apr-26	5.41%	1,000,000
LGFA FRB	15-Apr-26	6.22%	2,500,000
LGFA FRB	15-Apr-27	0.93%	2,000,000
LGFA FRB	15-Apr-27	4.17%	2,000,000
LGFA FRB	15-Apr-27	5.16%	1,500,000
LGFA FRB	15-Apr-27	5.66%	3,000,000
LGFA FRB	15-May-28	2.32%	3,000,000
LGFA FRB	15-May-28	4.26%	1,000,000
LGFA FRB	15-May-28	5.18%	2,000,000
LGFA FRB	15-May-28	5.74%	3,000,000
LGFA FRB	20-Apr-29	5.45%	11,400,000
LGFA FRB	15-May-30	5.21%	4,500,000
LGFA FRN	15-Apr-26	5.30%	2,000,000
LGFA FRN	15-Apr-26	5.29%	2,500,000
LGFA FRN	15-Apr-26	5.20%	2,000,000
LGFA FRN	15-Apr-26	5.41%	1,000,000
LGFA FRN	15-Apr-26	5.13%	4,500,000
LGFA FRN	15-Apr-27	5.39%	2,000,000
LGFA FRN	15-Apr-27	5.36%	2,000,000
LGFA FRN	15-Apr-28	5.40%	2,500,000
LGFA FRN	15-May-28	5.33%	2,000,000
LGFA FRN	20-Apr-29	5.59%	2,000,000

Balance 31 December 2024	Total principal	\$86,000,000
	Accrued interest	486,084
	Total	\$86,486,084

Comparable rates – BNZ CARL facility = 7.40%, BNZ Overdraft = 12.15% plus margin

Council has utilised LGFA funding for the purposes outlined in the table below.

Purpose and timing of LGFA borrowing	Amount \$
November 2020 – Hamnak pipeline/other waters projects (replaced BNZ CARL)	15,000,000
July 2021 – Oamaru water reservoir, de-sludge sewer ponds	5,000,000
April 2022 – Refinance WDHSL / Observatory Village loan \$4.6M	5,000,000
August 2022 – 3 Waters and other capital projects	4,000,000
October 2022 – new loan to WDHSL, emergency roading works	5,000,000
December 2022 – road sealing programme; 3 Waters projects	4,000,000
May 2023 – Capital expenditure in April/May	4,000,000
July 2023 – Capital expenditure in June/July/August	4,000,000
October 2023 – Capital requirements, lending commitments	5,000,000
November 2023 – Capital expenditure, Project Reclaim brought forward	10,000,000
April 2024 – capital expenditure, Project Reclaim	11,000,000
July 2024 – Project Reclaim	5,000,000
November 2024 – capital expenditure, Project Reclaim	9,000,000
Total	\$86,000,000

Departmental Borrowing

Of the \$86m total borrowings, around \$50m is related to 3 waters, \$13m is related to property, and \$2m is related to roading capital work. The remaining \$21m is split relatively equally between solid waste (Project Reclaim), parks and recreation, and other borrowing (Digital Services etc.).

Borrowing Forecast

The full repayment of its loan by Observatory Village on 3 February 2025 provides Council with several options. On 15 April, \$25.1 million of LGFA loans mature, and must either be repaid or refinanced. The most prudent approach, which officers recommend, is for Council to approve the repayment of those maturing loans in April, less any funding that is required to fund capital as future demands on Council resources become clearer.

Note: The Observatory Village funds, together with rates monies due by 25 February, have been/will be placed on term deposit to earn a higher return until the loan maturities in April.

6 – Borrowing Costs

	2025 half-year Actual \$000	2025 full-year Actual \$000	2024 Actual \$000
LGFA borrowing	1,963	3,718	2,963
BNZ CARL facility	1	2	2

Total Borrowing cost	1,964	3,720	2,965
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- Borrowing costs are slightly over budget, due to timing of recent borrowings. Interest rates are declining as the market takes stock of recent OCR changes and anticipates upcoming ones. Considering both this factor and the potential to significantly reduce debt as outlined above, borrowing costs are expected to be much lower than budget by June 2025.
- The BNZ CARL facility is a stand-by facility of \$1m which is used instead of the overdraft as its rate is better. It has had only minimal use during this financial year to date.



Quarterly Treasury Dashboard

31 December 2024

STRICTLY PRIVATE AND CONFIDENTIAL



Economic Commentary (for the December 2024 quarter)

2

Global

10 Year Government Bond Rates						
	US	NZ	Australia	UK	Germany	China
30-Sep-24	3.85%	3.76%	4.00%	4.00%	2.12%	2.17%
31-Dec-24	4.60%	3.75%	4.36%	4.57%	2.36%	1.67%
Change	+0.75%	-0.01%	+0.36%	+0.57%	+0.24%	-0.50%

As the above table shows, US long-term rates have moved significantly higher in the December quarter. Behind this move is a view that Trump's pro-growth policies will make the US Fed more cautious in delivering further rate cuts. Trump's inauguration on the 20th of January will be closely watched as he rolls out his policies, focusing on tariffs, geopolitics, immigration settings and future US government debt levels. Market expectations of further Fed rate cuts have been paired back with no rate cut expected at the next meeting on 29 January. However, there remain expectations of at least two rate cuts in 2025.

The US remains the global economy's bright spot, with China and Europe remaining weak. China is particularly vulnerable, given the threat of significant US tariffs. Europe is emerging from a period of stagnation and a Ukrainian/Russian-induced energy crisis and is exposed to protectionist US trade policies.

In Australia, the Reserve Bank of Australia ("RBA") has continued with a cautious approach to monetary policy, saying that inflation remains too high. This has resulted in continued restrictive policy settings. However, the market is pricing in 50 basis points of cuts by August 2025.

New Zealand

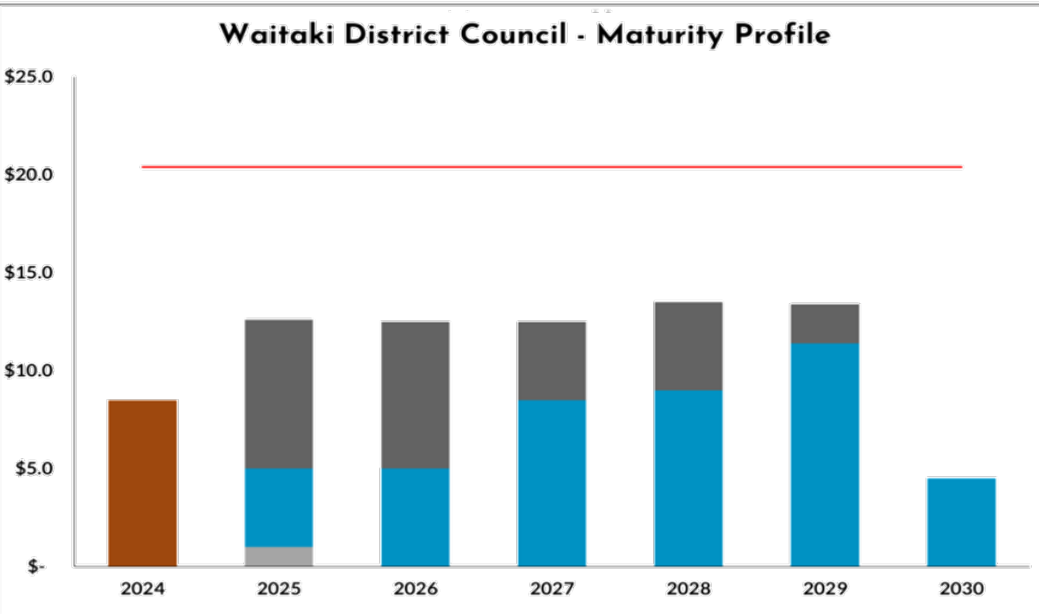
	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30-Sep-24	5.25%	4.87%	3.58%	3.47%	3.55%	3.70%	3.89%
31-Dec-24	4.25%	4.17%	3.38%	3.38%	3.52%	3.72%	3.93%
Change	-1.00%	-0.70%	-0.20%	-0.09%	-0.03%	+0.02%	+0.04%

Over the last quarter, the Reserve Bank of New Zealand ("RBNZ") cut the Official Cash Rate ("OCR") by 50bps in October and a further 50 basis points in November to take it to 4.25%. In delivering the Monetary Policy Statement ("MPS") on 27 November, the RBNZ expressed confidence that inflation was near the midpoint of the 1.0-3.0% inflation target while indicating that economic activity is subdued and that the economy has excess productive capacity. The shock September quarter Gross Domestic Product ("GDP") released in mid-December reinforced that the RBNZ has more work to do with the market now, expecting a 50 basis point cut in February. The GDP result revealed a 1.0% decline in the September quarter compared to market expectations of -0.4% and a downward revision to the June quarter fall of -1.2%, representing the deepest recession since the Covid-driven slump of 2020.

Over the quarter, the upward movement in US long-term rates saw significant changes in the shape of the NZ yield curve, resulting in substantial changes in forward-start swap pricing. However, the typical correlation between NZ and US longer-term rates has temporarily broken down following the GDP numbers, which has helped deliver more attractive swap rates. Current market expectations are for 1.00% of cuts by July 2025 and an OCR low of 3.00% by October 2025.



Liquidity and Funding



Policy Compliance

Policy Compliance	Compliant	Flag
Have all transactions been transacted in compliance with policy?	Yes	
Is fixed interest rate cover within policy control limits? (using the adjusted for NOIC profile)	Yes	
Is the funding maturity profile within policy control limits?	Yes	
Is liquidity within policy control limits?	No	
Are all counterparty exposures within policy control limits?	Yes	



3

Debt
\$86.0m
External Council Drawn Debt

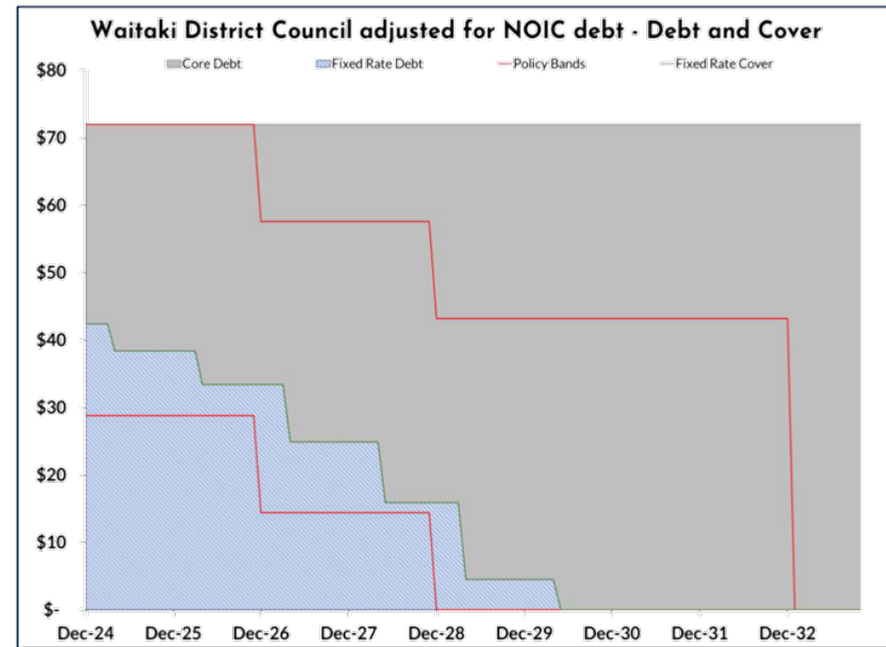
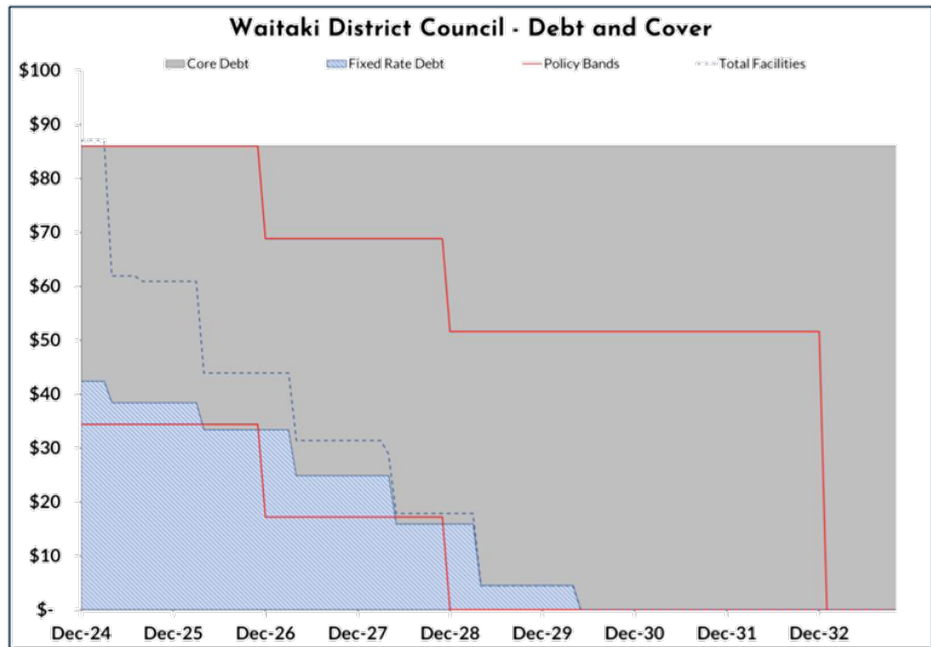
LGFA
\$86.0m
Funds Drawn from LGFA

Bank facility headroom + term deposits + cash in bank
\$3.67m

Liquidity Ratio (must be > 110%)
104.27%
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Weighted average cost of funds
4.70%
All up weighted average cost of funds including margin.

Interest Rate Risk Management



Current Position

Two scenarios are shown in the above graphs:

- The top left graph shows WDC's gross debt position; the graph on the top right lowers the gross debt position down by \$14m to reflect the on-lending to NOIC. Adjusting the debt level corrects the representation of WDC debt exposed to interest rate risk.
- The graphs show that WDC is running at Treasury Policy minimums, meaning that it is getting the full benefit of the lower rates, allowed within its policy parameters.
- Based on the current level of debt WDC will not be compelled to enter further fixed rate cover for policy requirements until Q2 of 2025.
- Depending on WDC's approach to Water, debt levels could change significantly; however, putting this aside, 2025 will likely see the lows in interest rates in this current interest rate cycle



LGFA Borrowing Rates

5

Listed below are the credit spreads and interest rates applicable to Waitaki District Council as an unrated guarantor of the LGFA as of 31 December 2024 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	4.37%	N/A
6 month CP	0.20%	4.07%	N/A
April 2025	0.61%	4.78%	4.54%
April 2026	0.61%	4.78%	4.54%
April 2027	0.78%	4.95%	4.02%
May 2028	0.92%	5.09%	4.07%
April 2029	1.05%	5.22%	4.24%
May 2030	1.15%	5.32%	4.36%
May 2031	1.22%	5.39%	4.53%
May-2032	1.25%	5.42%	4.68%
April 2033	1.29%	5.46%	4.79%
May 2035	1.32%	5.49%	4.96%
April 2037	1.38%	5.55%	5.13%



Funding

6

As of 31 December 2024, WDC had \$86.0 million of debt sourced from the LGFA using Commercial Paper, FRNs, and FRBs. WDC also has a bank facility with BNZ Bank for \$1.0 million that is maturing on 31 August 2025. This facility is presently not being utilised.

Instrument	Maturity	Yield	Margin	Amount
LGFA FRB	15-Apr-25	0.73%	N/A	\$1,500,000
LGFA FRN	15-Apr-25	5.14%	0.49%	\$2,000,000
LGFA FRB	15-Apr-25	4.93%	N/A	\$2,500,000
LGFA FRN	15-Apr-25	5.21%	0.56%	\$5,600,000
LGFA CP	16-Apr-25	4.41%	N/A	\$13,500,000
LGFA FRB	15-Apr-26	0.84%	N/A	\$1,500,000
LGFA FRN	15-Apr-26	5.20%	0.55%	\$2,000,000
LGFA FRN	15-Apr-26	5.41%	0.76%	\$1,000,000
LGFA FRB	15-Apr-26	5.55%	N/A	\$1,000,000
LGFA FRN	15-Apr-26	5.30%	0.65%	\$2,000,000
LGFA FRB	15-Apr-26	6.22%	N/A	\$2,500,000
LGFA FRN	15-Apr-26	5.29%	0.64%	\$2,500,000
LGFA FRN	15-Apr-26	5.13%	0.65%	\$4,500,000
LGFA FRB	15-Apr-27	0.93%	N/A	\$2,000,000
LGFA FRB	15-Apr-27	4.17%	N/A	\$2,000,000
LGFA FRB	15-Apr-27	5.16%	N/A	\$1,500,000
LGFA FRN	15-Apr-27	5.39%	0.74%	\$2,000,000
LGFA FRB	15-Apr-27	5.66%	N/A	\$3,000,000
LGFA FRN	15-Apr-27	5.36%	0.71%	\$2,000,000
LGFA FRN	15-Apr-28	5.40%	0.75%	\$2,500,000
LGFA FRB	15-May-28	2.32%	N/A	\$3,000,000
LGFA FRB	15-May-28	4.26%	N/A	\$1,000,000
LGFA FRB	15-May-28	5.18%	N/A	\$2,000,000
LGFA FRB	15-May-28	5.74%	N/A	\$3,000,000
LGFA FRN	15-May-28	5.33%	0.88%	\$2,000,000
LGFA FRN	20-Apr-29	5.59%	1.00%	\$2,000,000
LGFA FRB	20-Apr-29	5.45%	N/A	\$11,400,000
LGFA FRB	15-May-30	5.21%	N/A	\$4,500,000



Disclaimer

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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>6.1 - Accounts Receivable to 31 December 2024 PE</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>6.2 - Accounts Payable Report to 31 December 2024 PE</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)(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>

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

9 MEETING CLOSE