



Waitaki

DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

Notice of a meeting of the

Finance, Audit and Risk Committee

in the

**Ink Box, Oamaru Opera House
Thames Street, Oamaru**

Wednesday 1 March 2017

MEMBERSHIP:

Cr Wollstein (Chair)
Cr Dawson
Cr Hopkins

Mayor Kircher (ex Officio)
Cr Garvan
Cr Percival

***In the interests of the environment and to help reduce photocopying costs,
please bring your Committee agenda with you to the meeting***

Finance, Audit and Risk Committee

9am, Wednesday 15 February 2017

**Ink Box, Oamaru Opera House
Thames Street, Oamaru**

- **Apologies**
- **Declarations of Interest**

		Page
1.	Financial Report Period 6 / Quarter 2	
	• Memorandum and recommendation	3-28
2.	Corporate Group Activity Report	
	• Memorandum and recommendation	29-30

"That the public be excluded from the following parts of the proceedings of this meeting, namely item 3.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter - Section 48(1)
Public Excluded:	
• Rates Collection Update	To protect the privacy of natural persons. Section 48(1)(a) (The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned). To enable the Council to carry out commercial negotiations without prejudice or disadvantage. Section 48(1)(a) (Premature disclosure of the information would detrimentally affect the Council's position in the negotiations).

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

3.	Rates Collection Update	
	• Memorandum and recommendation	31-38

Finance, Audit and Risk Committee

Memorandum

From Chief Financial Officer

Date 1 March 2017

Financial Report – Period 6 / Quarter 2

Recommendation

That Council receives the information.

Financial Overview

This financial report covers the second quarter of the 2016-17 financial year, and shows that Council has continued its strong start to the year. All activities are operating close to or better than budget for the first six months and expectations, both in terms of revenue and expenditure, are for this to continue.

Key factors affecting the timing of budgeted expenditure and revenues are changing work flows between winter and summer and the design and construction cycle of projects, particularly those related to new and renewal capital works. Budgets have been spread across the year to reflect the expected operating patterns, but this timing may change as managers become aware of delays or other issues.

Commentary

The financial reports show an operating surplus of \$1.045m against a budgeted deficit for the same period of (\$591k). Overall reported revenue is ahead of budget by \$1.241m, with most revenue categories reporting on or over budget. Expenditure is also tracking below budget, by \$395k. Details of some of the more significant variances are provided below.

GAAP Financial Reports – refer Appendix (a)

Note that these reports are presented in the format required for Council's external financial reports. While they are based on information provided in the variance reports appearing in Appendix (b), that information is re-stated to meet financial reporting standards and so the two sets of reports don't necessarily align.

Variance Report – refer Appendix (b)

The overall "controllable" operating position noted in the variance reports shows a favourable variance of \$1.612m (Revenue favourable \$1.076m, Expenditure favourable \$536k) when compared to budget. These variances arise due to a number of factors, including decisions made by Council, deferred or delayed projects and other timing issues, and significant items are discussed in the analysis below.

The key variances in line items are as follows:

User Charges –

These are ahead of budget by \$622k, due primarily to revenues from the Landfill exceeding budget by \$433k. The budget anticipated the closure of the facility at the end of September, so all revenue from this source from that time until the facility closes in March 2017 represents unbudgeted income. Property rentals are also ahead of budget by \$97k and Camping fees received to date are better than budget by \$20k.

Grants, Subsidies, and Contributions –

Government Grants, mainly the NZTA Rooding subsidy, are over budget by \$401k after the first half year due to the timing of the works programme, and to ongoing construction works on the Alps2Ocean cycletrail.

Other Grants and donations are reported under budget by \$75k, but this will turn around as further funding is received for elements of the cycletrail.

Development and Financial Contributions exceed budget by \$116k. The effect of this is most apparent in the areas of Roading (\$89k over budget) and RMA contributions (\$49k over budget). DCs received for Oamaru Water and Sewer are over budget, but generally those for other schemes are under plan.

Finance Income –

Interest earned in the first six months of the year amounted to \$573k, \$4k over budget. This is a good result considering the level of interest rates available from the major banks, and is largely due to Council having had more funds available for investment than was anticipated. Property sales and the deferral of a number of projects have contributed to this position.

As usual, Officers continue to maximise available returns where practical, and will look to open relationships with second tier banks as opportunities arise.

There has been no income from dividends or subvention payments to date this year, and none was budgeted during this period. However the dividend of \$700k that has been declared by Whitestone Contracting is well ahead of the budgeted \$120k.

Other Revenue –

Rates penalties are running under budget by \$10k, otherwise income in this category is fairly close to budget.

Employee costs –

These costs are under budget by \$116k for the first two quarters. Overall salaries and wages are \$69k under budget, and the annual ACC levy was under budget by \$28k. The cost of salaries and wages fluctuates during the year as positions become vacant and are then filled, but the saving on the ACC levy is permanent.

Contractors and Professional Services –

Taken together, these categories are under budget by \$51k, virtually on budget, indicating that operational projects and programmed routine maintenance functions are generally running as planned. These costs may increase as the district plan review commences.

Operational –

Savings are reported for both Insurance premiums (\$47k), which is likely to be a permanent saving, and Electricity (\$55k). Much of the saving in electricity is driven by the Water and Sewer activities where, due to increased rainfall, less pumping has been required.

Administration –

Savings are reported in the areas of Bad debts, where expenses are under budget by (\$50k) and Advertising, which is under budget by (\$22k). Bad debts are likely to be reported nearer budget after the effects of upcoming rating sales are known.

Capital Expenditure –

Overall capital expenditure is down on budget by \$2.015m (Under: Roading by \$556k, Water by \$1.198m, Sewer by \$524k, IT by \$191k. Over: Property by \$255k and Alps2Ocean by \$40k). Much of the under-budget positions are due to deferred or delayed projects, which in turn, has resulted in more funds available for investment. The situation is expected to correct itself over the next few months.



Ian Wells
Accounting Manager



Paul Hope
Chief Financial Officer

Attachments

- Appendix (a) – Second Quarter Financial Reports
- Appendix (b) – Variance Reports and Commentaries
- Appendix (c) – Quarterly Treasury Report
- Appendix (d) – Separate Rate Accounts
- Appendix (e) – Special Funds

Appendix (a) – Second Quarter Financial Reports

Statement of Comprehensive Revenue and Expense

for the six months ended 31 December 2016

	Council Only			
	2017 6 Months Actual \$000	2017 6 Months Budget \$000	2017 12 Months Budget \$000	2016 12 Months Actual \$000
Revenue				
Rates Revenue	15,186	15,150	30,385	30,375
User Charges	3,155	2,451	4,059	6,410
Regulatory Charges	806	776	1,354	1,289
Development and RMA Contributions	413	297	595	545
Government Grants and Subsidies	3,203	2,802	8,009	6,574
Other Grants and Donations	96	171	1,105	677
Finance Revenue	573	569	1,137	1,264
Petrol Tax	94	95	190	192
Infringements and Fines	60	34	54	38
Dividend and Subvention Payments	-	-	120	562
Assets vested in Council	-	-	-	63
Other gains and Losses	-	-	-	(2,722)
Total Revenue	23,586	22,345	47,008	45,267
Expenses				
Personnel costs	5,248	5,345	10,665	9,914
Depreciation and amortisation	5,756	5,690	11,380	11,463
Finance Costs	-	-	-	-
Other expenses	11,537	11,901	22,307	22,620
Total Expenses	22,541	22,936	44,352	43,997
Surplus / (Deficit) before Tax	1,045	(591)	2,656	1,270
Income Tax Expense / (Refund)	-	-	-	-
Surplus / (Deficit) after tax	1,045	(591)	2,656	1,270
Other Comprehensive Revenue and Expense				
Gain/(Loss) on revaluation of Infrastructural Assets	-	-	5,250	5,824
Gain/(Loss) on revaluation of Properties	-	-	-	-
Other Comprehensive Revenue	-	-	-	-
Total Other Comprehensive Revenue and Expense	-	-	5,250	5,824
Total Comprehensive Revenue and Expense	\$1,045	(\$591)	\$7,906	\$7,094

Appendix (a) – Second Quarter Financial Reports (continued)

Statement of Financial Position

As at 31 December 2016

	Council Only		
	2017 Actual \$000	2017 Budget \$000	2016 Actual \$000
Public Equity			
Ratepayers' Equity	310,208	310,208	310,208
Revaluation Reserve	407,513	414,526	407,462
Operating Reserve	20,415	26,378	19,271
Other Reserves	14,735	14,575	14,237
Total Public Equity	\$752,871	\$765,687	\$751,178
Non-Current Assets			
Property Plant and Equipment	710,379	726,558	709,513
Intangible Assets	877	839	895
Forestry	253	72	253
Inventory	2,519	1,735	2,519
Other Financial Assets			
- Investments in CCO's	4,912	4,912	4,912
- Investments in other entities	145	145	145
- Loans to other entities	20,204	25,650	17,663
	739,289	759,911	735,900
Current Assets			
Cash and Cash Equivalents	3,625	1,775	2,463
Receivables	4,061	4,125	4,259
Prepayments	579	340	356
Inventory	27	15	29
Other Financial Assets			
- Term deposits	11,250	6,500	14,750
- Loans to other entities	1	1	1
Assets held for Sale	441	-	441
	19,984	12,756	22,299
Total Assets	759,273	772,667	758,199
Non-Current Liabilities			
Provisions	387	285	387
	387	285	387
Current Liabilities			
Trade and Other Payables	4,749	5,545	5,270
Employee Entitlement Liabilities	925	975	1,015
Provisions	341	175	349
	6,015	6,695	6,634
Total Liabilities	6,402	6,980	7,021
Net Assets	\$752,871	\$765,687	\$751,178

Appendix (a) – Second Quarter Financial Reports (continued)

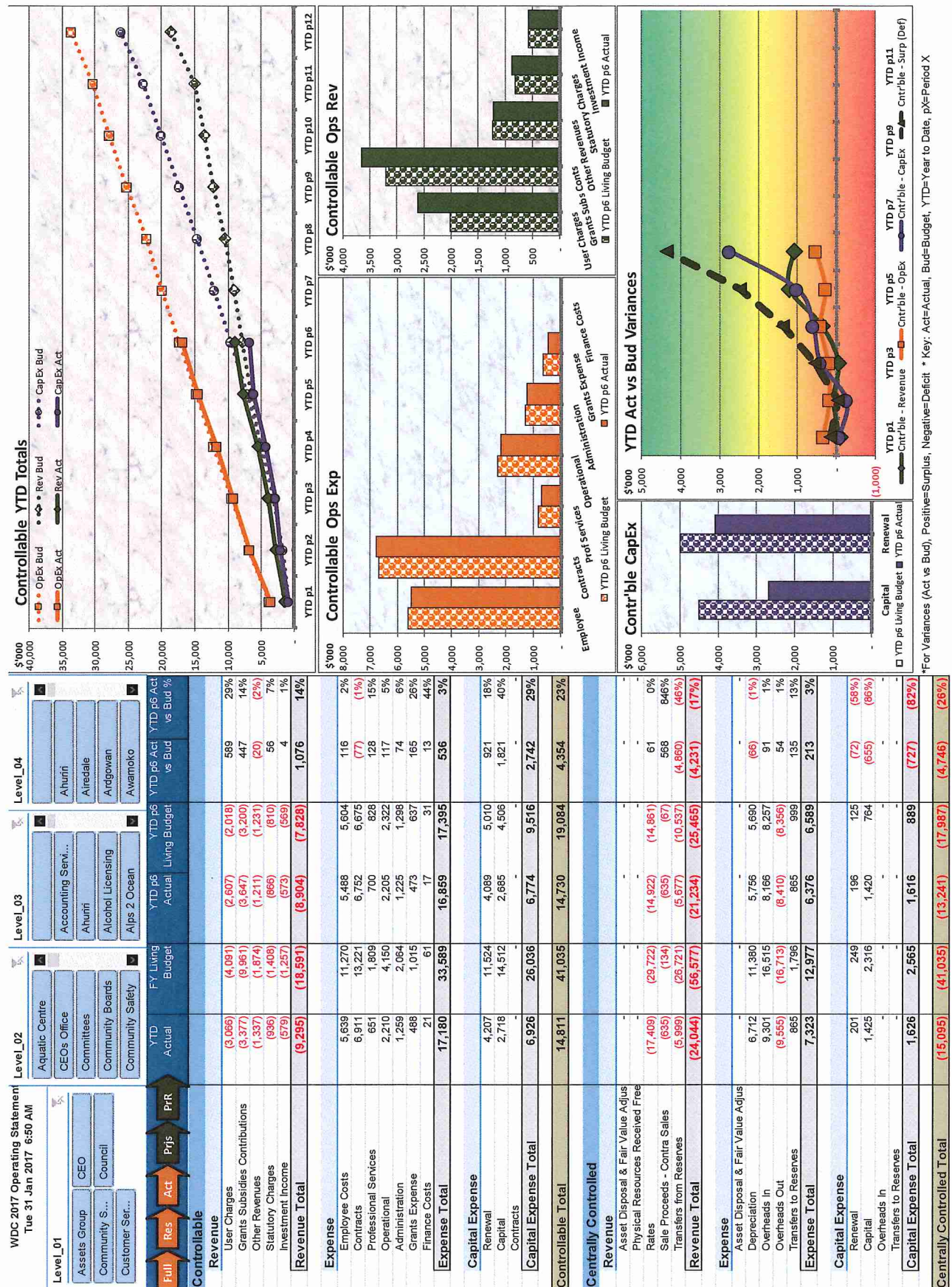
Commentary on variance in the Financial Reports

Councillors will note that the line “Finance Costs” appearing in the Statement of Comprehensive Revenue and Expense records no cost, despite many activities reporting finance costs. This may not seem sensible at first glance, and this brief comment is intended to remind committee members how the process related to internal loans works:

1. For external reporting purposes, and for the Statement of Comprehensive Revenue and Expense, the term “Finance Costs” equates to External Interest, being interest charged on external borrowings and overdrafts. Internally, the category “Finance Costs” includes interest charges and bank fees. Bank fees, for the purposes of external reporting, are treated as a component of Other Expenses.
2. Internal loans bear interest, which is charged to the activity which has had the benefit of the funding, and is included in “Finance Costs” at the activity level. However, the charge is only a notional cost, and reference to the Treasury activity will reveal a significant offsetting credit entry which clears internal interest charges across all of Council.

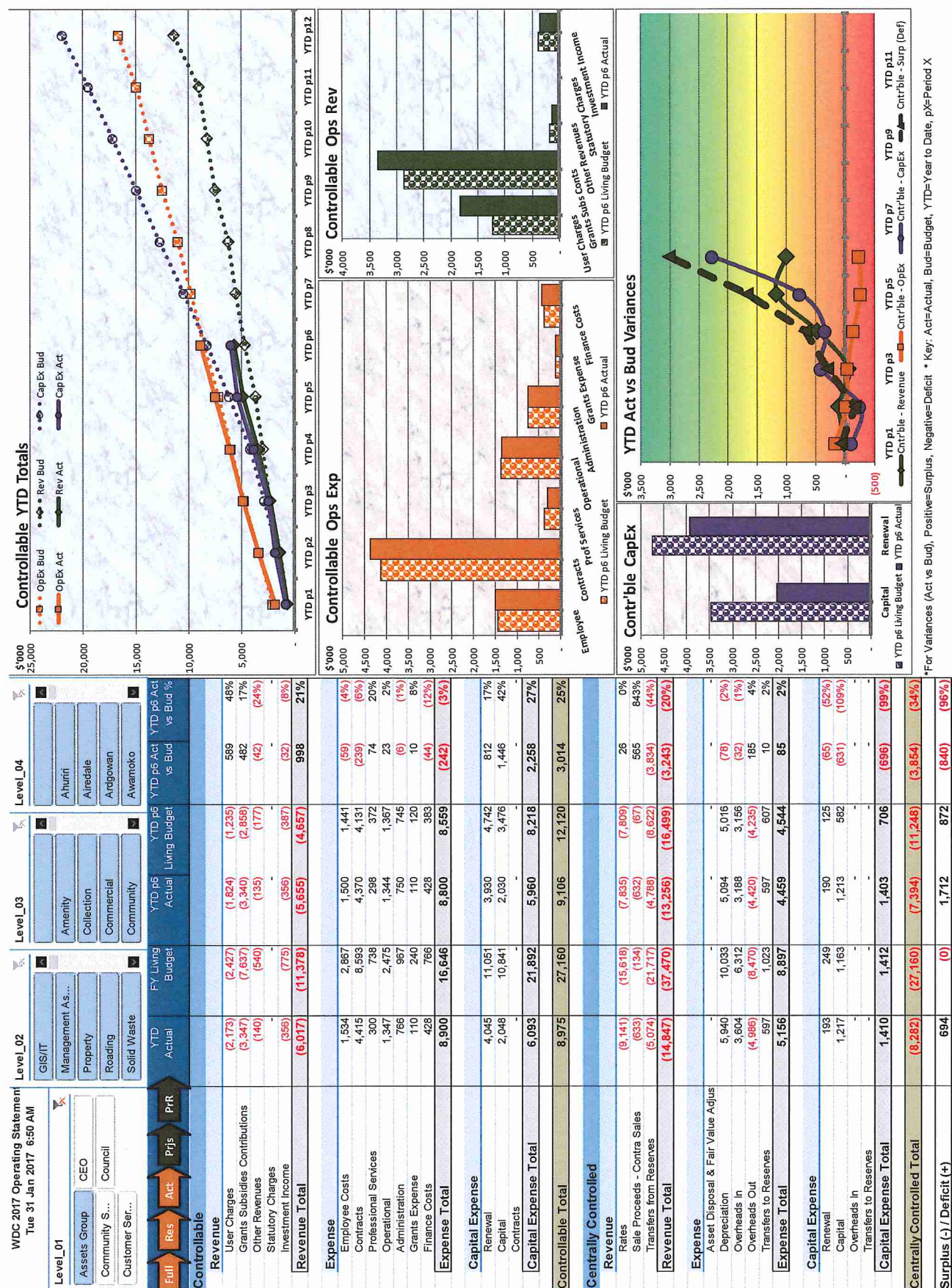
Appendix (b) – Variance Reports and Commentaries

Council – overall total



Appendix (b) – Variance Reports and Commentaries (continued)

Assets



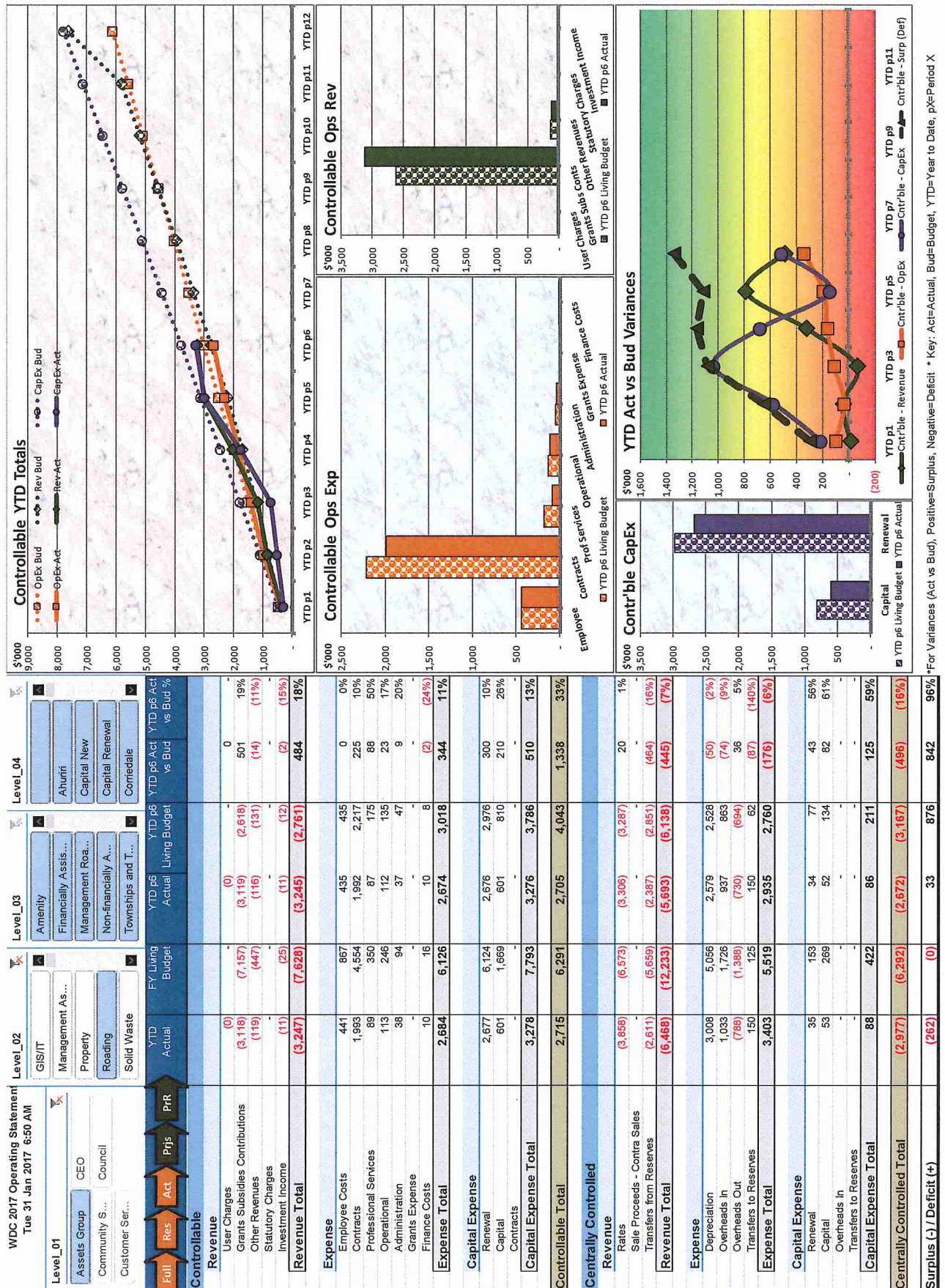
Appendix (b) – Variance Reports and Commentaries (continued)

Assets – commentary

Assets Group	last year	this year	budget	variance	Variance	Manager/Activity(s) Overview:	Solutions/Actions Overview:
	YTD	YTD	YTD	YTD	YTD%		
	8,361	8,945	11,925	2,980	25%	Overall budgets are being managed appropriately and I have no overall comments in addition to the comments below.	Continue to monitor.
Assets_GM	154	178	183	4	2%	All on track as at period 6.	
Information_Technology	885	976	1,141	166	15%	The new IS Manager is now in place and will be undertaking a review of the department. In the meantime, the department continues to fulfil its role, and remains within budget	A Departmental review will align with a new budget strategy for 2017 / 2018
Property	1,326	1,706	1,599	(106)	(7%)	Income is slightly ahead of budget. Rents increased to market when they fall due. Capital and renewal expenditure is higher than budget mainly due to the Penguin Colony redevelopment. Expenses are considered and minimised wherever possible. Some planned project works has not yet been completed.	
Roading	2,152	2,705	4,043	1,338	33%	Programme of works underway with some renewal activities complete by the end of the second quarter	Roading unit to monitor programme and budgets. Income to be adjusted to correctly reflect expenditure.
Utilities_Solid_Waste	39	7	187	180	96%	Operating expenditure is tracking to budget. Unbudgeted landfill income is continuing to accumulate.	Landfill income will help ease the transition to a closed landfill operation
Utilities_Water	3,183	2,894	4,145	1,251	30%	Operating expenditure is tracking above budget in some separate rate accounts. Oamaru water expenditure is above budget due to increased reactive works and also as a result of third party damage to infrastructure where costs will be recovered. Capital expenditure is showing a variance to budget which will be corrected via reserve transfers	
Utilities_Sewer	580	444	577	134	23%	Operating expenditure is generally tracking to budget. Oamaru sewer expenditure is above budget due to increased reactive works and logging operation works at the Oamaru Sewer Treatment Plant.	
Utilities_Waste_Water	44	36	50	13	27%	Operating expenditure is tracking slightly below budget.	

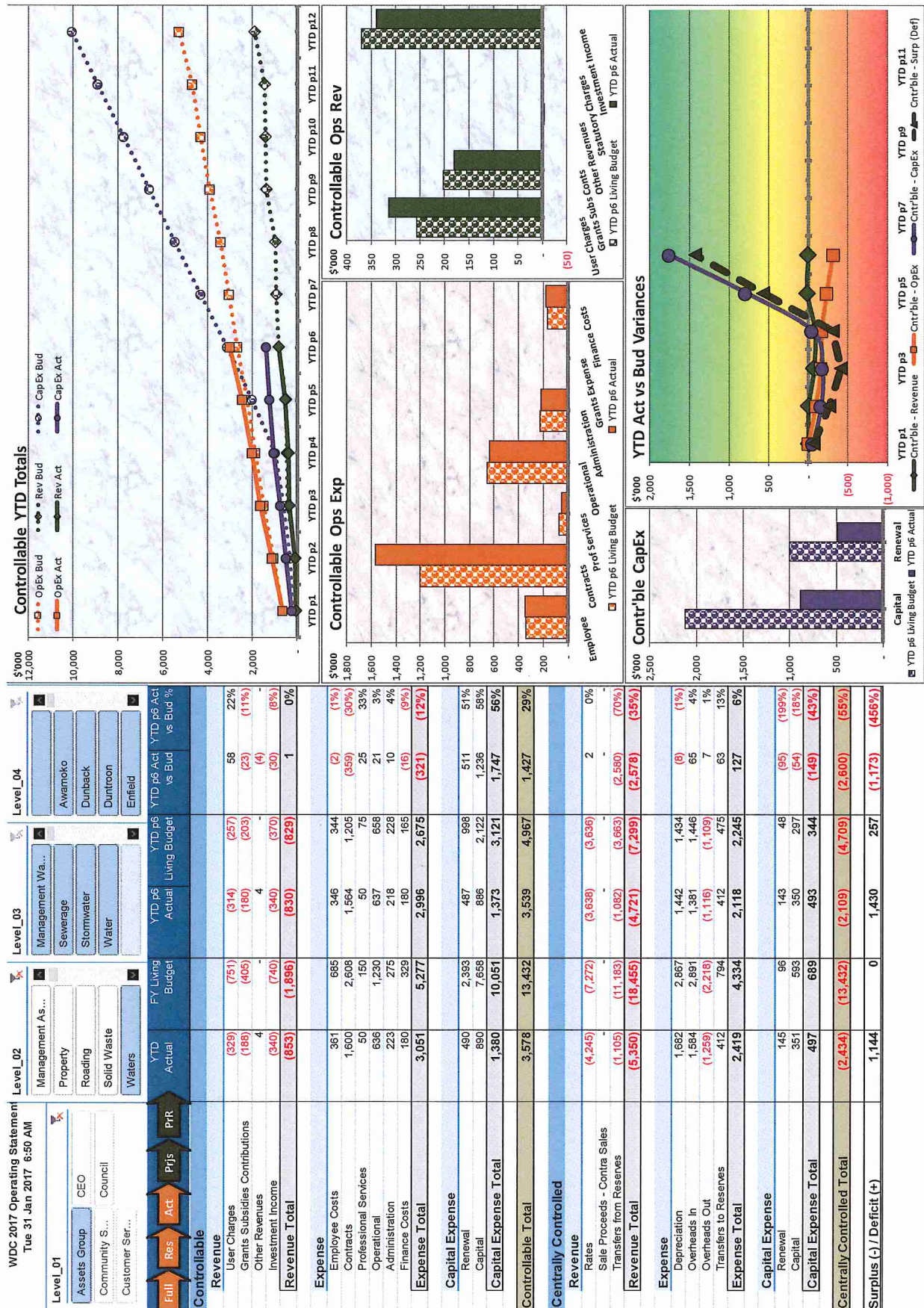
Appendix (b) – Variance Reports and Commentaries (continued)

Roading



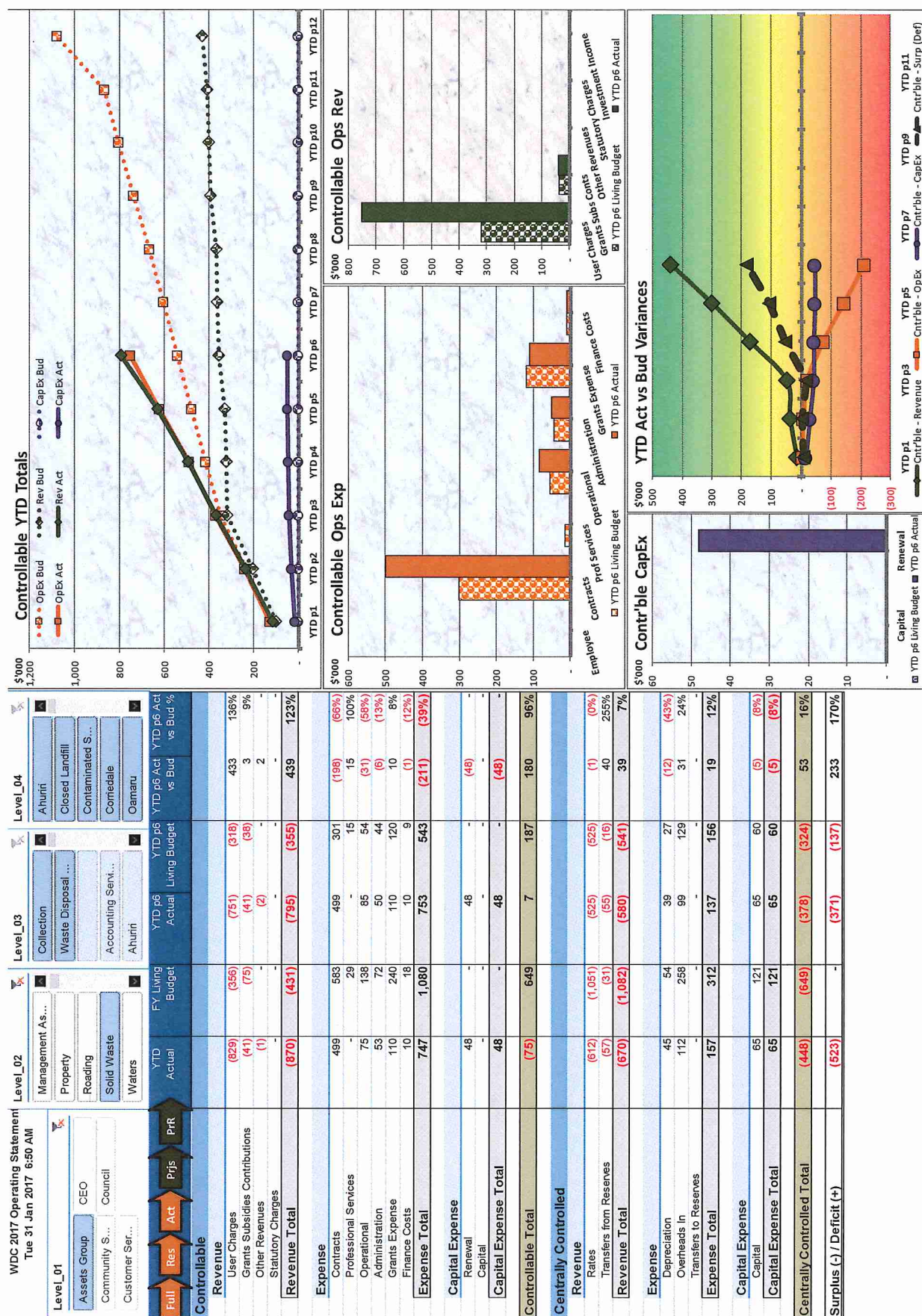
Appendix (b) – Variance Reports and Commentaries (continued)

Water, Sewer, Stormwater



Appendix (b) – Variance Reports and Commentaries (continued)

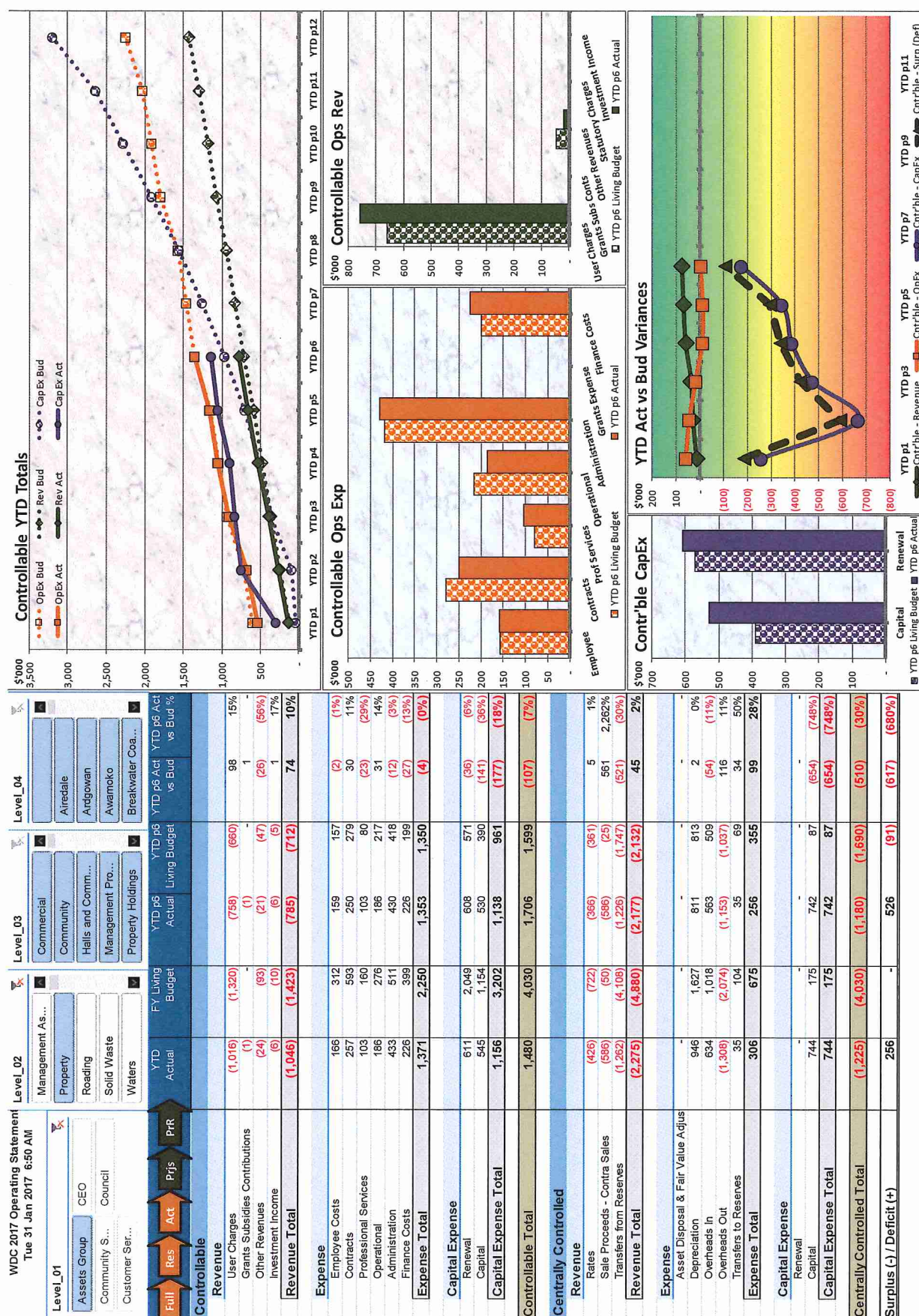
Solid Waste



For Variances (Act vs Bud), Positive=Surplus, Negative=Deficit * Key: Act=Actual, Bud=Budget, YTD=Year to Date, pX=Period X

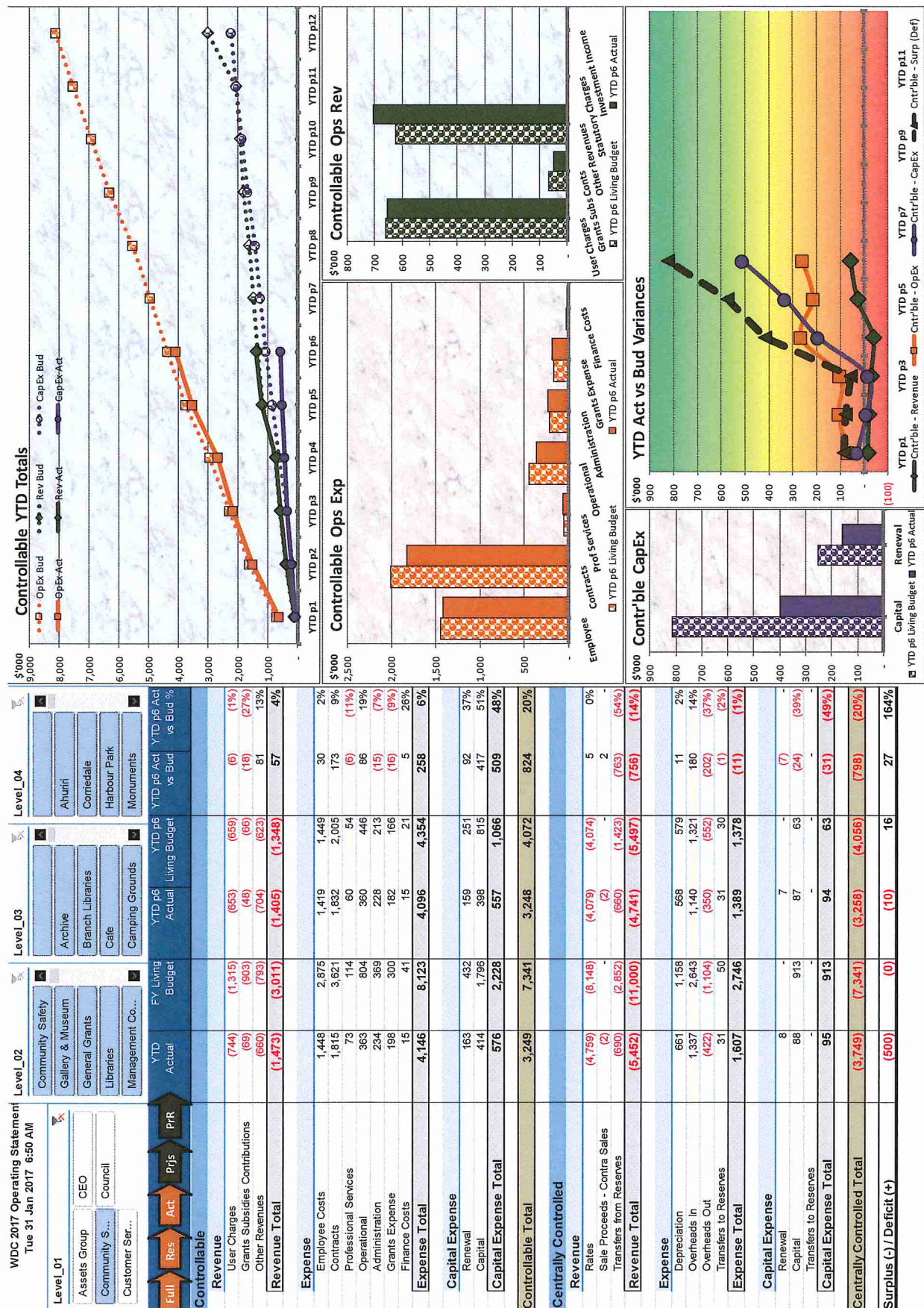
Appendix (b) – Variance Reports and Commentaries (continued)

Property



Appendix (b) – Variance Reports and Commentaries (continued)

Community Services



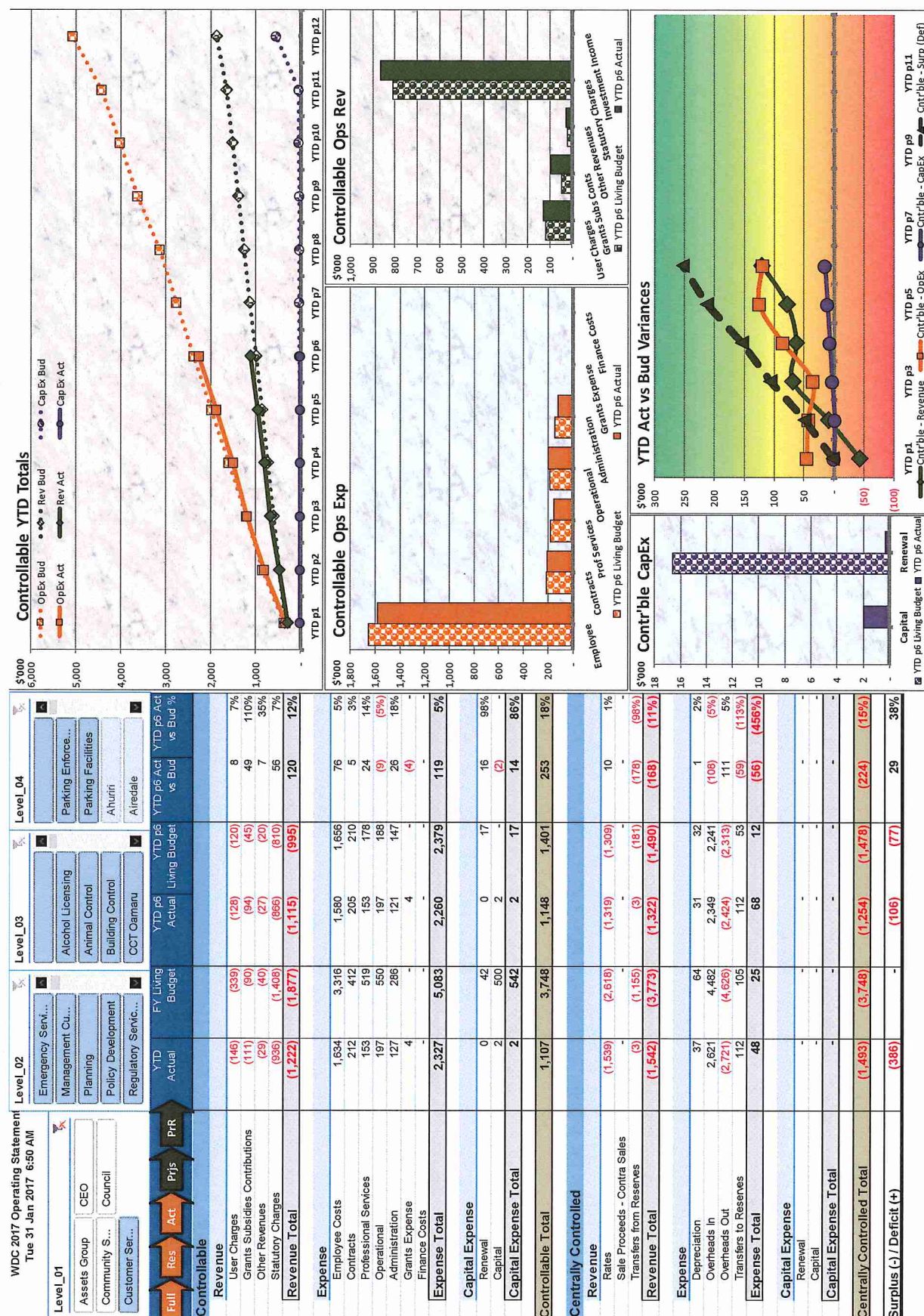
Appendix (b) – Variance Reports and Commentaries (continued)

Community Services - commentary

Community Services Group	this year				variance		Manager/Activity(s) Overview:	Solutions/Actions Overview:
	last year YTD	YTD	budget YTD	YTD	YTD	YTD%		
Community Services Group	3,126	3,125	4,072	948	23%		Parks: \$395,000 is project related and a small amount is attributed to finalising the Whitestone contract. The Opera House have a few local, NZ, international and school shows coming up to the end of the financial year. The Aquatic Centre shows a 10% positive variance due to employee savings during the close down and a \$21,000 Capital underspend in this period. The Rest of the variance is related to timing of projects, expenditure and revenue.	Monitoring the activities. Employing a Projects Manager for Parks will minimise the project back log.
Community_GM	291	313	287	(26)	(9%)		Timing of grants, will even out over year.	No action required
Aquatic_Centre	235	329	368	39	10%		Revenue 4K under budget as Aquatic centre closed one month and Budget evenly distributed over year. Expenses 21K under budget due to employee savings during closedown. Capital expense 22K under budget.	No Action
Community_Safety	48	39	68	30	43%		Reduced expenses due to timing of projects.	No action required.
Gallery_Museum	479	367	447	81	18%		Reduced income due to focus upon revenue raising through grants being focus of Cultural Facility Development Project (CFDP) and focus of output also related to CFDP rather than revenue at this time.	No action required.
Library	405	478	507	29	6%		We have started paying for the RFID equipment.	Continue to monitor
Oamaru_Opera_House	162	154	177	23	13%		The Opera House has had a quiet start to the financial year with no touring productions over the first two months. Room bookings have been on a par with previous years and the winter months are generally quieter. Influenza outbreak has increased demands on staffing.	Leading into the end of the year OOH was busy with 3 local productions, 5 international shows, 2 NZ touring shows and a full heritage week programme, including school tours. Two full houses over Heritage weekend and one near full house on the following Tuesday for the Russian Ballet.
Parks_and_Recreation	1,506	1,445	2,218	773	35%		Camping - Revenue 20K up due season passes. Capital 26K down as Sailors & Falstone discharge fields to be completed in Autumn 17. Cemetery - Capital 81K under budget as landscaping for Cemetery extension to be completed in Autumn. Forestry - Revenue 137K over budget as 'Milligans Block' harvested earlier than budget. Management Parks - Revenue 51K behind budget as reserve transfers for film set demolition not needed. Expenses 22K behind budget due to valuation and toilet strategy phasing - completion in Autumn. Public Gardens - Revenue 7K up with increase in Depot Lease. Expenses 72K lower due to December contract claim payment delay. Capital Expenses 15K less due to deferral of work. Parks - Contractors 85K behind budget due delayed December claim. Capital 48K underspent - to discuss work with new community boards and work delayed on Waihero walkways. Toilets - Expenses 51K behind budget due delayed December claim. Capital 114K under budget due to phasing Sportsfields - Revenue 10K down as sponsorship not being invoiced. Capital 115K behind budget. Work on Mill Domain scheduled after Cricket season. King	Camping - Monitor Cemetery - Monitor revenue. Rephase Capital. Forestry - No Action. Management Parks - No Action. Public Gardens - No Action. Parks - Rephase capital. Toilets - Rephase capital. Sportsfields - Invoice sponsorship in April. Rephase Capital.

Appendix (b) – Variance Reports and Commentaries (continued)

Customer Services



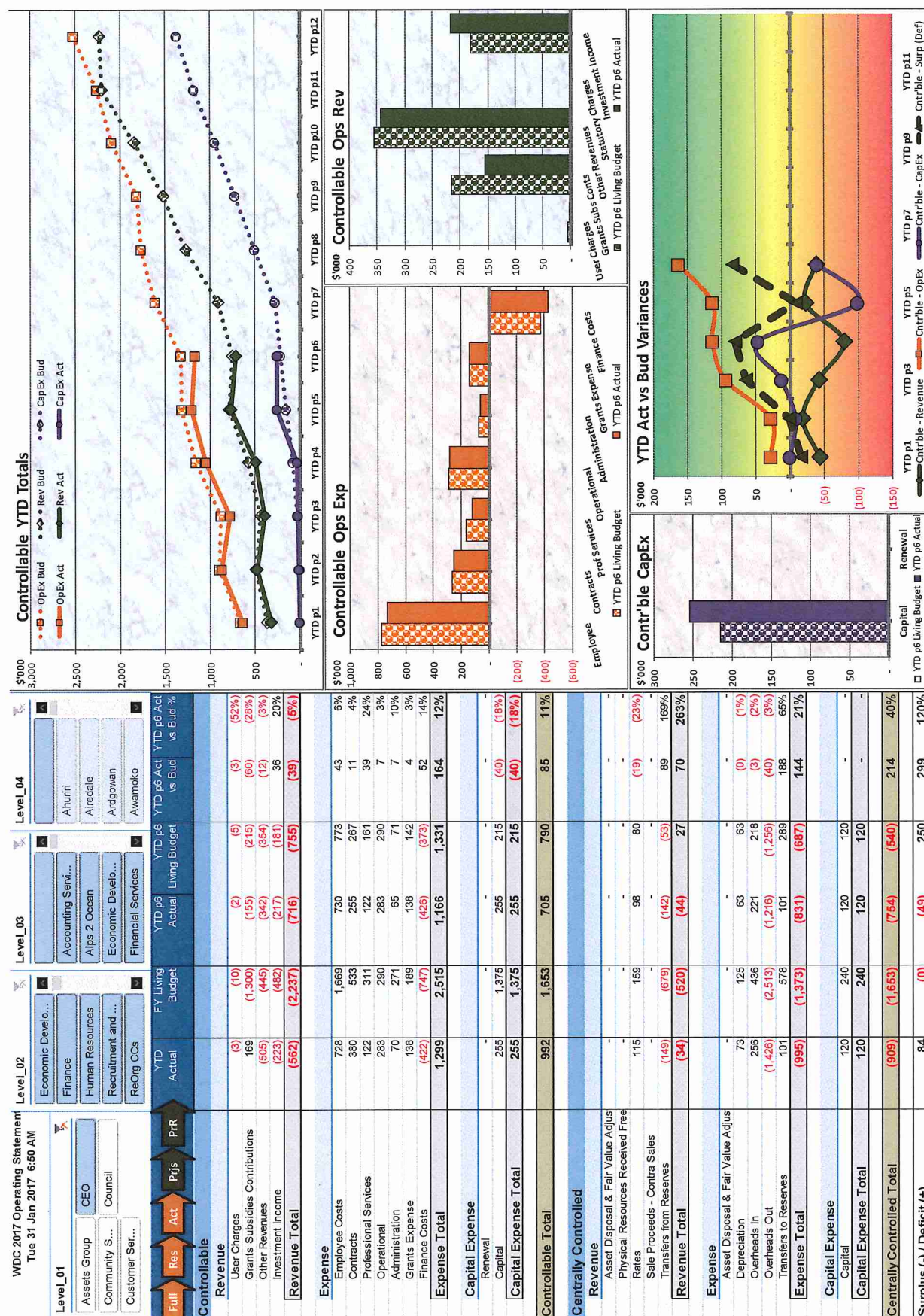
Appendix (b) – Variance Reports and Commentaries (continued)

Customer Services – commentary

				Manager/Activity(s) Overview:	Solutions/Actions Overview:
last year YTD	this year YTD	budget YTD	variance YTD		
YTD	YTD	YTD	YTD%		
Customer Services Group	952	1,150	1,577	427	27%
Customer_GM	145	203	157	(47)	(30%)
Customer_Contact	254	256	264	8	3%
Emergency_Services	261	254	435	181	42%
Planning	118	110	254	144	57%
Policy	220	206	241	35	15%
Regulatory	(46)	121	226	105	46%

Appendix (b) – Variance Reports and Commentaries (continued)

Chief Executive



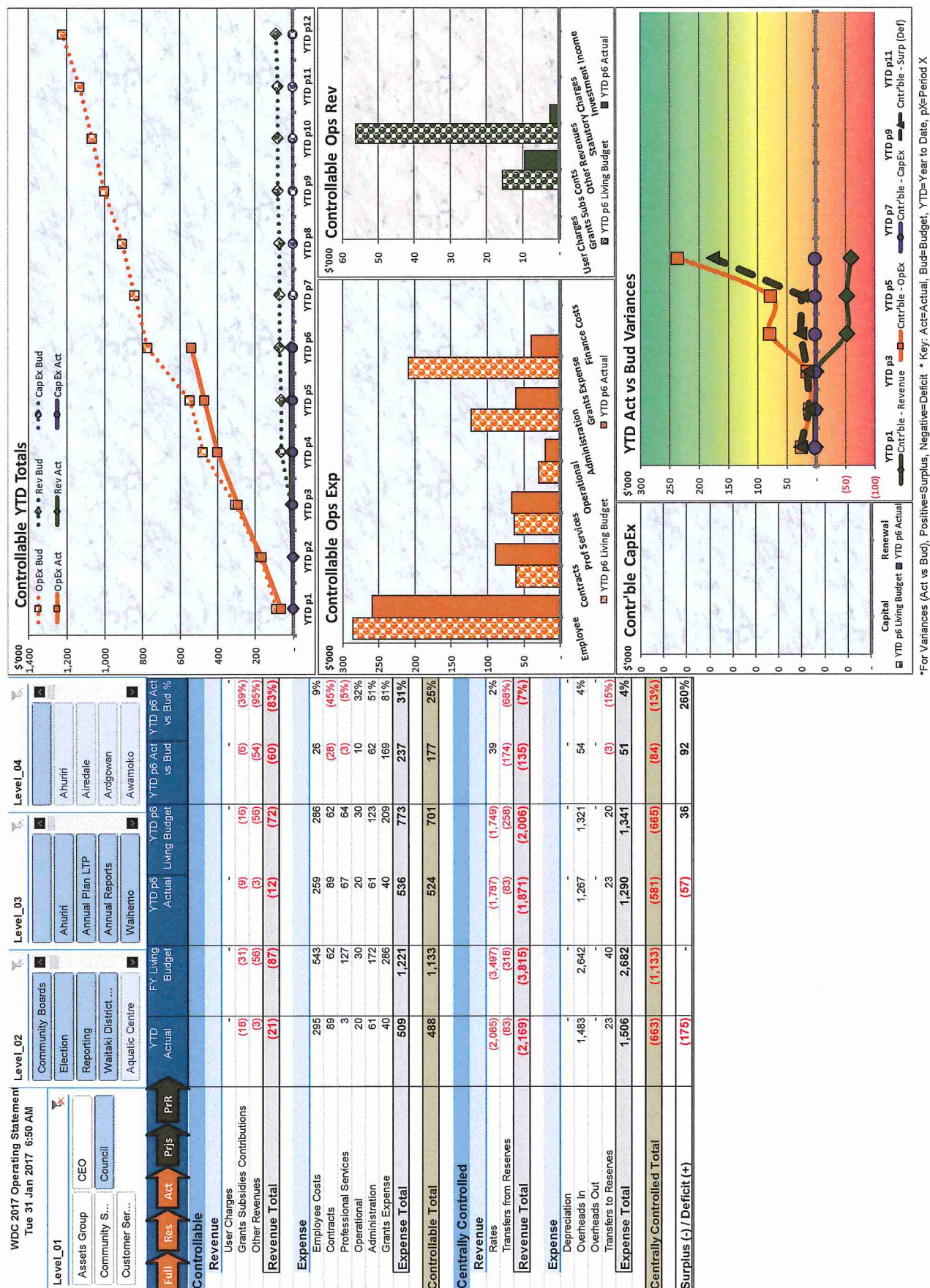
Appendix (b) – Variance Reports and Commentaries (continued)

Chief Executive - commentary

	last year YTD	this year YTD	budget YTD	variance YTD	Variance YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
CEO	551	852	790	(62)	(8%)	Treasury - refer treasury section of the report. The drivers are more funds being available because of property sales, a lower drawdown from ORV, and stabilised interest rates. The other variances are driven by two vacancies.	The treasury variance is positive and it is hoped this will grow. Recruitment for the vacancies is underway, the cost of which will be funded from the savings to date.
CEO	336	217	231	14	6%	The only variance is in the professional advice area where there has been limited demand to date. Costs are expected to catch up with budget as the recruitment and LTP issues start to flow through.	Not required.
Finance	476	647	413	(234)	(57%)	The main variance comes from Business Analyst vacancy. The nature and focus of this role is currently under discussion. Treasury to be covered in the Treasury Report	Savings will be used to address urgent issues in the new year particularly reporting services redevelopment.
Finance	578	529	596	66	11%		
Treasury	(961)	(690)	(613)	77	13%		
ReOrg CCs	0	-	-	-	-		
Human_Resources	123	148	163	15	9%	Timing issues. Will be resolved. Health and Safety Advisor position filled, commencing 5 December 2016	-

Appendix (b) – Variance Reports and Commentaries (continued)

Council



Appendix (c) –Quarterly Treasury Report

Treasury Overview

This report reviews treasury performance for the second quarter of the 2016-17 financial year, and includes projections of Council's expenditure profile and anticipated investment maturity over the next twelve months. These projections include further loan drawdowns by the Observatory Village Charitable Trust based on the Trust's anticipated requirements.

The recent drop in the Official Cash Rate to 1.75% was generally expected by the banking industry and caused no really significant change in interest rates offered to Council – in fact, rates have continued to stabilise and even start to rise over the past few months. Council remains in a fortunate position, as the rate charged to NOIC on its \$17 million loan is set for the full twelve months based on rates applying at 31 May, and this provides a solid base of revenue.

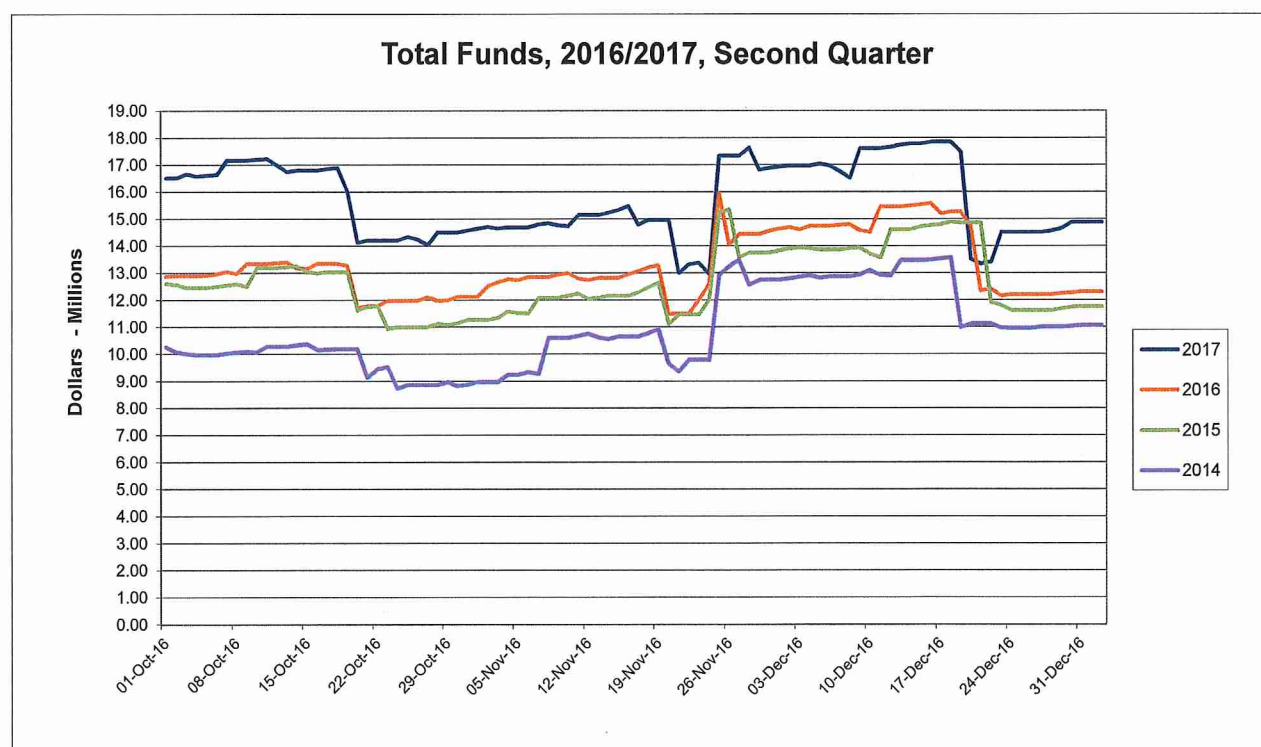
The stable NOIC interest rate was factored into the budget for 2016/17, but Council's investment income was slightly better than budget for the second quarter because it also had more funds available for investment than had been forecast. This position arose as a result of property sales, the extension of the operating life of the landfill and the deferral of a number of capital projects.

Council utilises the four major New Zealand banks for deposits, and consequently enjoys the benefits of being able to compare rates when deciding on investment opportunities. These four banks are rated "AA" or better by Standard and Poors. Council has approved the use of five other "A" rated banks for investment purposes, and officers will consider involving these other providers as opportunities arise.

Overall Cash Position

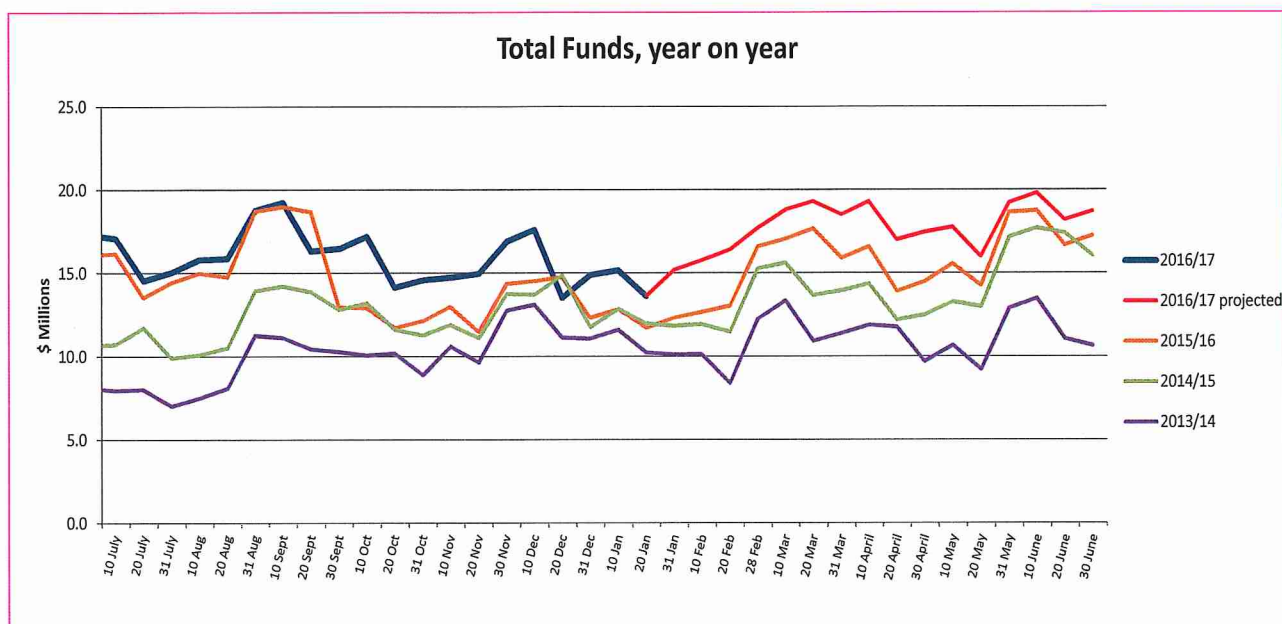
Every effort is being made to improve, or at least maintain, potential returns while ensuring sufficient funds remain available for normal operational requirements. Amounts invested are based on expected inflows and always allow a margin so no external borrowing will be required.

Total cash funds, second quarter movements



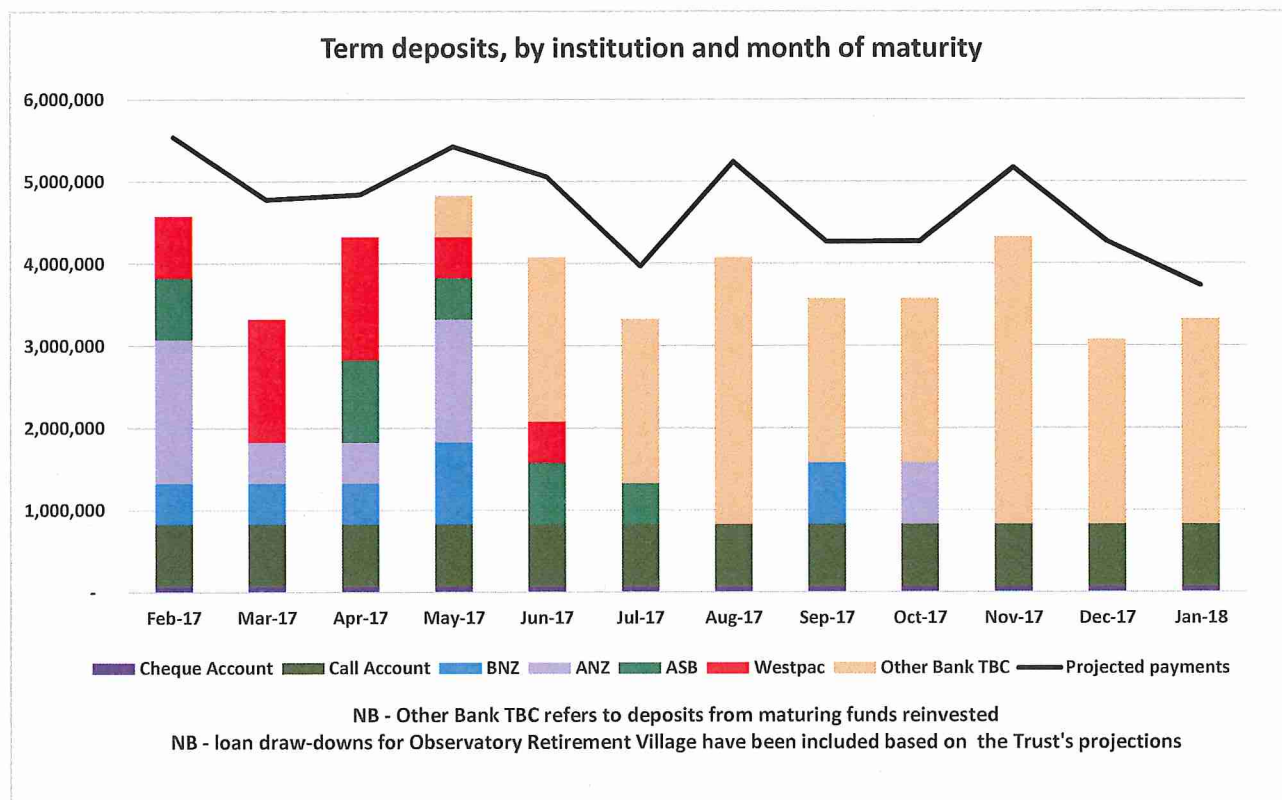
Appendix (c) –Quarterly Treasury Report (continued)

Total funds, actual and projected, 2016/17 financial year



Projected investment maturity and outgoings analysis

This graph represents likely cash outgoings and maturing investments by month. As always, the gap between available funds from bank deposits and projected expenditure is met by current month operating revenues. Payments projected anticipate drawdown for the retirement village loan in line with the Trust's projections.



Appendix (c) –Quarterly Treasury Report (continued)

“Cash” Investment as at 31 December 2016

Institution	Original Term	Maturity Date	Rate	Amount
BNZ	150 days	20/01/2017	3.07%	\$500,000
BNZ	178 days	20/02/2017	3.19%	\$500,000
BNZ	206 days	20/03/2017	3.40%	\$500,000
BNZ	266 days	22/05/2017	3.25%	\$1,000,000
BNZ	296 days	20/09/2017	3.60%	\$750,000
Total BNZ				\$3,250,000
ANZ	42 days	09/01/2017	2.95%	\$500,000
ANZ	151 days	23/01/2017	3.20%	\$750,000
ANZ	365 days	25/02/2017	3.65%	\$750,000
ANZ	206 days	22/05/2017	3.50%	\$1,000,000
ANZ	81 days	17/02/2017	3.40%	\$500,000
ANZ	84 days	17/02/2017	3.20%	\$500,000
ANZ	112 days	17/03/2017	3.40%	\$500,000
Total ANZ				\$4,500,000
ASB	98 days	16/01/2017	3.28%	\$500,000
ASB	58 days	19/01/2017	2.81%	\$750,000
ASB	81 days	17/02/2017	3.22%	\$750,000
ASB	203 days	19/06/2017	3.54%	\$750,000
Total ASB				\$2,750,000
Westpac	21 days	04/01/2017	1.99%	\$250,000
Westpac	181 days	20/02/2017	3.30%	\$750,000
Westpac	206 days	20/03/2017	3.30%	\$750,000
Westpac	140 days	29/03/2017	3.40%	\$250,000
Westpac	140 days	12/04/2017	3.40%	\$250,000
Westpac	237 days	20/04/2017	3.30%	\$500,000
Westpac	140 days	26/04/2017	3.40%	\$250,000
Total Westpac				\$3,000,000
Total on deposit 31 December 2016				\$13,500,000

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

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

- Up to 30 days achieved 1.99% – 2.27% (target range 2.20% - 2.60% or better)
- Between 30 and 60 days achieved 2.70% – 2.95% (target range 2.45% - 2.75% or better)
- Between 60 and 90 days achieved 2.79% - 3.22% (target range 2.70% - 3.10% or better)
- 3 – 6 months achieved 3.12% – 3.40% (target range 3.10% - 3.50% or better)
- 6 – 9 months achieved 3.30% - 3.65% (target range 3.25% - 3.70% or better)
- 9 – 12 months achieved 3.25% - 3.60% (target range 3.30% - 3.75% or better)

The loan to NOIC carries an interest rate of 3.58% (last year 4.57%) which, in this environment, is proving a real bonus. That rate remains effective until 30 June 2017, at which time it will be re-set for the next 12 month period.

Appendix (c) –Quarterly Treasury Report (continued)

Other Investments

Council has several loans outstanding to community groups and other entities. These are the largest of those loans:

North Otago Irrigation Company Ltd –

- Balance at 31 December \$17,000,000
- Interest earned for the six months to 31 December \$306,801.
- Interest is paid monthly

Observatory Retirement Village Trust –

- Balance at 31 December \$2,451,628
- Interest earned for the six months to 31 December \$13,628.
- Interest is compounded to the loan balance

In January a further \$440,000 was drawn down by the Trust.

The total advanced to date is below the Trust's initial projections.

Ultimately, Council's support is capped at \$8,000,000

Oamaru Whitestone Civic Trust –

- Balance at 31 December \$455,000
- Interest earned for the six months to 31 December \$3,671.
- Interest is paid quarterly

The Trust has an approved loan facility with Council of \$500,000.

Council provides the Trust a quarterly grant to match the interest payment

Otago Rural Fire Authority –

- Balance at 31 December \$285,145

Interest is not charged on the loan, which reflects the value of equipment transferred to the Authority in the 2014/15 financial year

Other Investments

Amounts invested in CCTOs comprise the majority of the value of the other investments Council holds. Whitestone Contracting has committed to pay a dividend of at least \$120,000 annually, and the recent announcement that the company will pay a dividend of \$700,000 will see this revenue item well above budget by year end.

In 2016, Council received subvention payments from both Whitestone and Tourism Waitaki. These payments are not budgeted for, and whether any will be received during the 2016/17 financial year is unknown at present and is dependent on those companies' tax positions.

Appendix (c) –Quarterly Treasury Report (continued)

Internal Loans

Details of movements in internal loans have not been finalized for the quarter ended 31 December, and will be presented to the Committee when available. The table below reflects the internal loan position at 30 September 2016.

	Interest Expense \$000	Balance 1 July 2016 \$000	Increased Borrowing \$000	Principal Repaid \$000	Balance 30 Sept 2016 \$000
Roads and Footpaths	5	534	-	(16)	518
Waste Water	3	313	5	(15)	303
Stormwater Damage	0	11	-	(1)	10
Water Supply	95	9,416	77	(136)	9,357
Waste Management and minimisation	6	554	-	(29)	525
Arts, Heritage and Culture	-	7	-	-	7
Parks and Recreation	7	709	131	(30)	810
Community amenities	1	107	5	(3)	109
Oamaru Harbour and Historic Precinct	15	1,528	-	(24)	1,504
Commercial and Development Activities	105	10,764	751	(198)	11,317
Support Services	(238)	-	-	-	-
	-	23,943	969	(452)	24,460

Significant increased borrowing during the first quarter included:

Interest compounded to property loans	\$86k
To fund development of the cultural facility	\$31k
Penguin colony upgrade	\$336k
Public toilet accessibility upgrades	\$82k
RSA building asbestos removal	\$34k
RSA building improvements	\$71k
Services for Observatory Village development	\$180k
To fund work on Otematata drinking water standards upgrade	\$58k
To fund work on Hampden public toilets	\$38
To fund work on Oamaru Courthouse	\$13k
To fund work on Oamaru cemetery extension	\$10k

Appendix (d) – Separate Rate Accounts

Separate Rate Accounts are maintained for each of Council's targeted rate levies. Officers update the current position of each separate rate account at the end of each quarter.

The position at 31 December has still to be finalized, but at 30 September 2016, the following are either operating in deficit or require attention for other reasons:

	Rate Account balance	Depreciation Reserve balance	Proposed resolution
<i>Water Rate accounts</i>			
Awamoko	(13,060)	No issue	Monitor – deficit is reducing steadily
Kurow	(75,597)	No issue	Monitor – deficit has increased in the first quarter
Oamaru Supply	1,604,380	3,125,552	Council approved measures in the 2016/17 annual plan to utilize the surplus in the rate account by reducing rate requirement
Otekaieke	(4,302)	No issue	Monitor – deficit is reducing steadily
Otematata	No issue	(368,751)	Monitor – Capital works exceeded funding. The account will improve over time
Waihemo	(92,533)	(635,633)	Monitor – Capital works exceeded funding. The account will improve over time
Windsor	(10,801)	No issue	Monitor – deficit has increased in the first quarter
<i>Sewer Rate accounts</i>			
Oamaru	990,444	4,390,511	Council approved measures in the 2016/17 annual plan to utilize the surplus in the rate account by reducing rate requirement
<i>Harbour Rate accounts</i>			
Total Harbour	163,776	No issue	Monitor. Consider using surplus funds to repay related internal loans
<i>Amenity Rate accounts</i>			
Hampden	77,278	N/A	Monitor. Rated for septic tank cleaning, but no cost yet incurred, so balance is increasing. Septic Tank fund \$48,339 of this balance
Shag Point	(4,049)	N/A	Monitor. Planned works were expected to overdraw the account for a short period – will improve over time. Balance will reduce by \$1,500 annually

Appendix (e) – Special Funds

These are Special Reserves, Trust funds and other balances held by Council for specific purposes. The report below details movements in these reserves for the six months ended 31 December 2016, subject to further adjustments as part of the quarterly capitalization process, and will be updated in subsequent reports.

Account Name	Balance 01-07-16	Interest Received	Movements In	Movements Out	Balance 31-12-16
Ahuriri Playground Fund	2,086.13	38.08	0.00	0.00	2,124.21
Alps2Ocean Fund	0.00	0.00	0.00	0.00	0.00
Aquatic Centre Bequest Funds	6,649.90	121.40	0.00	0.00	6,771.30
Archives Fund	10,047.34	183.42	0.00	0.00	10,230.76
Cemetery Trust A/c - Oamaru	3,794.37	68.95	0.00	-37.39	3,825.93
Cemetery Trust A/c - Herbert	9,678.10	176.67	0.00	0.00	9,854.77
Cemetery Trust A/c - Ngapara	841.60	15.36	0.00	0.00	856.96
Community Housing	752,452.86	13,736.12	0.00	0.00	766,188.98
Council Heritage Project	0.00	0.00	0.00	0.00	0.00
Development Contributions	4,451,384.97	82,377.49	164,040.94	-29,763.18	4,668,040.22
Disaster & Self-insurance Funds	3,718,308.76	0.00	202,308.00	-10,410.25	3,910,206.51
District Endowment Fund	1,579,896.03	28,280.94	0.00	-67,361.42	1,540,815.55
District Library Endowment Fund	165,500.00	3,007.66	0.00	-1,631.06	166,876.60
District Resource Management Act Financial Contributions Fund	792,518.04	14,620.19	66,348.69	-47,992.30	825,494.62
Emergency Services Upgrade/Renewal Fund	19,797.45	361.40	0.00	0.00	20,158.85
Forestry Planting	1,070,002.43	19,533.03	0.00	0.00	1,089,535.46
Gallery Bequest Fund	5,543.29	101.19	0.00	0.00	5,644.48
Gallery Lift Appeal	11,417.45	208.42	0.00	0.00	11,625.87
Hakataramea Bridge proceeds	7,743.20	0.00	0.00	0.00	7,743.20
Harbour Endowment Fund	122,248.46	2,221.64	0.00	-1,204.80	123,265.30
Harbour Enhancement - Canterbury Spinners	0.00	0.00	0.00	0.00	0.00
Harbour Projects Fund	0.00	0.00	0.00	0.00	0.00
Haven Street Reserve	61,924.74	0.00	0.00	0.00	61,924.74
Library Acclimatisation Fund	5,000.00	90.87	0.00	-49.28	5,041.59
Mulligan Bequest	91,866.48	1,677.04	0.00	0.00	93,543.52
Museum Bequest Fund	125,944.90	2,299.13	0.00	0.00	128,244.03
Oamaru Gardens Bequest Fund	189,111.16	3,452.24	0.00	0.00	192,563.40
Oamaru Gardens / Heritage Buildings / Sports Facilities	99,961.68	1,824.82	0.00	0.00	101,786.50
Oamaru Library Bequest Fund	0.00	0.00	0.00	0.00	0.00
Oamaru Library Book Fund	2,056.40	37.54	0.00	0.00	2,093.94
Oamaru Opera House Bequest Fund	0.00	88.18	10,601.74	0.00	10,689.92
Oamaru Township Beautification	36,515.85	666.61	0.00	0.00	37,182.46
Otago Power Shares	23,102.13	419.82	0.00	-227.67	23,294.28
Omarama Hall Fund	0.00	0.00	0.00	0.00	0.00
Palmerston Library Book Donation	2,525.21	46.10	0.00	0.00	2,571.31
Palmerston Reserve	112,481.93	2,053.37	0.00	0.00	114,535.30
Plan Review Reserve	259,512.96	0.00	3,385.00	0.00	262,897.96
Refuse Disposal, Landfill & Hazardous Sites	104,555.46	0.00	0.00	0.00	104,555.46
RSA Rose Garden Bequest	3,679.38	67.17	0.00	0.00	3,746.55
Sports Ground Improvement Fund	999.55	18.25	0.00	0.00	1,017.80
Street Tree Fund	61,555.97	1,123.72	0.00	0.00	62,679.69
Valley Boat Ramps Fund	66,921.17	0.00	0.00	0.00	66,921.17
Waitaki Heritage Fund	255,068.94	4,656.31	0.00	0.00	259,725.25
Council Special Funds and Reserves	14,232,694.29	183,573.13	446,684.37	-158,677.35	14,704,274.44
Waitaki Heritage Fund Loans	3,600.00	0.00	0.00	0.00	3,600.00
Loan Funds	1,040.37	0.00	0.00	0.00	1,040.37
Creative Communities Grants scheme	91.64	0.00	10,289.50	-385.86	9,995.28
SPARC Regional Travel scheme	0.00	0.00	0.00	0.00	0.00
Funds held by Council in trust for distribution	4,732.01	0.00	10,289.50	-385.86	14,635.65
Totals	14,237,426.30	183,573.13	456,973.87	-159,063.21	14,718,910.09

It should be noted that transfers of \$202,308 to the Disaster and Self-insurance funds which appear in the above table are rate-funded, but the transfers are not reflected in operating expenses. For that reason, the rate funding element is a component of each year's budgeted surplus or deficit.

Finance, Audit and Risk Committee

Memorandum

From Chief Financial Officer

Date 1 March 2017

Corporate Group Activity Report

Recommendation

That the Committee receives the information.

Summary

This memorandum provides an update to the Committee on various finance and information management related matters.

Introduction

With the change and expansion of the activities reporting through the Chief Financial Officer, the format of this update needed to change to make it more consistent with the other group activity reports. In addition to the recent activities in the key corporate activities there are also suggestions on the potential development areas the teams will focus on. Feedback on the report, including the development priorities, is requested.

Discussion

Finance – Policy and General

There were limited opportunities to advance the policy and general issues during the last part of 2016. The focus was in the other areas noted below.

The priorities for the coming year area as follows:

- Replace of the HUB reporting system
- Procurement policy finalisation through Council
- Procurement guidelines, including position limits and authorities
- Investment policy review and development
- Risk management improvements primarily population of a risk register
- Funding policy reviews prior to the Long Term Plan
- Financial Strategy refresh.

Finance – Accounting and Transactional

The second quarter of every year focuses on the transition from preparing and finalising the Annual Report to preparing the budgets for the Annual Plan. The focus was on providing a complete budget picture for consideration prior to the Christmas break. The primary improvement achievement was completing the first stage of the Annual Plan workflow project with the development and installation of the new Authority Reporting and Access Hierarchy.

The priorities for the coming year are:

- Annual Plan Workflow stage 2 – on line requisitions and workflow implementation
- Action on Audit Management letter issues.

Finance – Rates

The priority of the rates team in the second quarter included recruitment and training both a new rates officer and a rating data base officer in addition to the usual acceleration of the debt collection process. Action by the Courts at the end of the 2016 year meant that some of the oldest outstanding debts may now be resolved prior to the start of the new rating year.

The priorities for the coming year are:

- Clearing of a significant portion of the oldest outstanding balances
- Staff training and development

- Preparation for the new rating year, including improving the data transfer process with Quotable Value
- Implementing the upgraded Authority Rating Module.

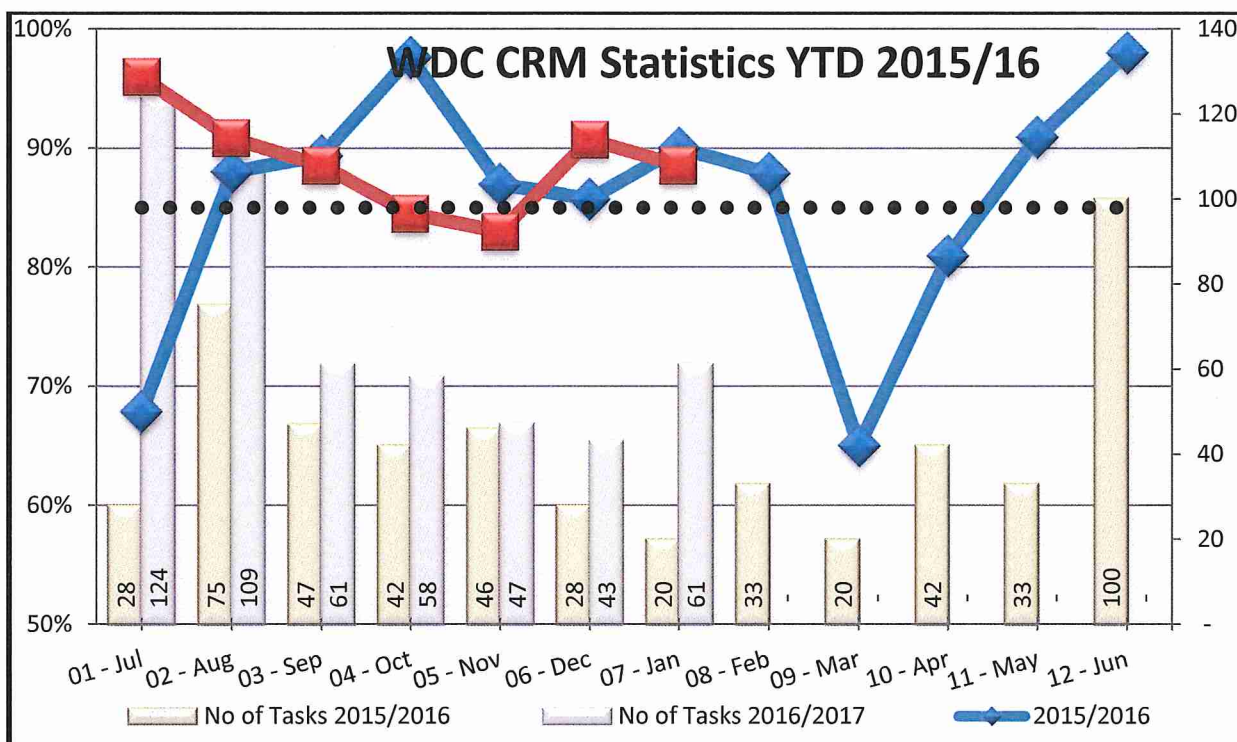
Information Management

The key focus and achievement for the period was the recruitment and selection of a new manager for this activity. The Chief Information Officer will make a separate presentation on his findings and priorities to date.

Council Controlled Organisation and Other Entity Monitoring

The task is working with the Council Controlled Organisations and North Otago Irrigation Company Limited on the timing of the presentation of the half year reports.

Finance CRM's



Paul Hope
Chief Financial Officer