



# Waitaki

DISTRICT COUNCIL  
TE KAUNIHERA Ā ROHE O WAITAKI

Notice of a meeting of the

## *Finance, Audit and Risk Committee*

in the

Council Chamber, Third Floor, Waitaki District Council  
Headquarters, 20 Thames Street, Oamaru

9am, Wednesday 14 June 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 14 June 2017

Council Headquarters, Council Chamber  
3<sup>rd</sup> Floor, 20 Thames Street, Oamaru

- Apologies
- Declarations of Interest

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"That the public be excluded from the following parts of the proceedings of this meeting, namely items 5 - 9.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter - Section 48(1)
Public Excluded:	To protect the privacy of natural persons.
• Rating Adjustment 105893	Section 48(1)(a)
• Rating Adjustment 104100	(The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned).
• Rating Sales Process Summary	
• Request for Rates Remission	To enable the Council to carry out commercial negotiations without prejudice or disadvantage.
• Accounts Payable Analysis	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."

- |                                    |       |
|------------------------------------|-------|
| 5. <b>Rating Adjustment 105893</b> |       |
| • Report and Recommendation        | 30-33 |

6.	<b>Rating Adjustment 104100</b>	34-36
	• Report and Recommendation	
7.	<b>Rating Sales Process Summary</b>	37-39
	• Memorandum and Recommendation	
8.	<b>Request for Rates Remission</b>	40-50
	• Report and Recommendation	
9.	<b>Accounts Payable Analysis</b>	51-54
	• Report and Recommendation	

## Waitaki District Council

### Finance, Audit and Risk Committee

**Minutes of Finance, Audit and Risk Committee meeting of the Waitaki District Council held in the Council Chamber, Council Headquarters, 20 Thames Street, Oamaru on Wednesday 10 May 2017 at 11.43am**

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**Present:** Crs Wollstein (Chair), Mayor Kircher, Crs Dawson, Garvan, Hopkins, Percival (from 11.45am)

**Apology:**

**In Attendance:** Cr Tavendale  
 Cr Kingan  
 Cr Holding  
 Cr Wheeler  
 Cr Perkins  
 Mr Ross (Chief Executive)  
 Mr Hope (Chief Financial Officer)  
 Dr Cloete (Community Services Group Manager)  
 Mr Jorgensen (Assets Group Manager)  
 Mr Roesler (Policy & Communications Manager)  
 Mr Wells (Accounting Manager)  
 Mrs Tanner (Policy Officer - Governance)

#### **Declarations of Interest**

There were no declarations of interest.

#### **Apologies**

RESOLVED  
 FAR17/019 Mayor Kircher/Cr Hopkins  
 "That the Finance, Audit and Risk Committee accepts an apology for lateness from Cr Percival."

CARRIED

#### **1. Confirmation of Minutes**

RESOLVED  
 FAR17/020 Crs Hopkins/Dawson  
 "That the Finance, Audit and Risk Committee confirms meeting minutes of 12 April 2017."

CARRIED

Mayor Kircher left the meeting at 11.51am and returned at 11.58am

#### **2. Financial Report Period 9 Quarter 3**

This financial report covers the third 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 year to date and expectations, both in terms of revenue and expenditure, are for this to continue.

RESOLVED  
 FAR17/021 Crs Hopkins/Garvan  
 "That the Finance, Audit and Risk Committee receives the information."

CARRIED

Mayor Kircher left the meeting at 12.12pm

Cr Tavendale left the meeting at 12.12pm and returned at 12.14pm

Cr Dawson left the meeting at 12.16pm and returned at 12.19pm

### 3. **Fourth Quarter 2016-2017 Treasury Strategy**

To report on Council's proposed Investment Strategy for the fourth quarter of the 2016-17 financial year.

RESOLVED  
FAR17/022

Crs Hopkins/Garvan

"That the Finance, Audit and Risk Committee recommends that Council adopts the proposed Treasury Strategy for the fourth quarter of the 2016-17 financial year, continuing the use of term deposit facilities for terms between seven days and 12 months, dependent on short-term operational cash requirements and on achieving target interest rates."

CARRIED

### 4. **Cirrus Place**

To reduce financial exposure to Council by paying off debt that has compounding interest and no longer has land assets available to sell to reduce the remaining debt.

RESOLVED  
FAR17/023

Crs Hopkins/Percival

"That the Finance, Audit and Risk Committee recommends that Council write off the Cirrus Place subdivision residual loan balance as at 30 June 2017 and that this be funded from the general reserve."

CARRIED

### 5. **Irrigation Remissions**

To consider whether further remissions should be granted on irrigation schemes entered in the District Valuation Roll (DVR).

RESOLVED  
FAR17/024

Crs Hopkins/Garvan

"That the Finance, Audit and Risk Committee recommends to Council that, due to the resolution of valuation issues, no remissions be granted on irrigation assessments for the 2017-18 rating year."

CARRIED

### 6. **Corporate Group Activity Report to 30 April 2017**

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

RESOLVED  
FAR17/025

Crs Dawson/Garvan

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

CARRIED

There being no further business the Chairman declared the meeting closed at 12.25pm.

Confirmed on this day, 7<sup>th</sup> day of June, at Waitaki District Council Chambers, Oamaru.

Chairman

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# *Finance, Audit and Risk Committee*

## *Memorandum*

**From** Chief Financial Officer

**Date** 14 June 2017

### Financial Report – Period 10

#### **Recommendation**

That Council receives the information.

#### **Financial Overview**

This financial report covers the ten month period ended 30 April 2017. As has been noted in previous periods, all activities are operating close to or better than budget for the year to date and expectations, both in terms of revenue and expenditure, are for this to continue until year end.

#### **Variance Report – refer Appendix (a)**

The overall “controllable” operating position noted in the variance reports shows a favourable variance of \$2.762m (Revenue favourable \$2.203m, Expenditure favourable \$559k) when compared to budget. These variances arise due to numerous factors, including decisions made by Council, deferred or delayed projects and other timing issues. 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 \$1.219m, due primarily to revenues from the Landfill exceeding budget by \$963k. Normal operations at the landfill have now ceased, so this source of additional revenue will not continue. Please note that this over-budget revenue is matched by over-budget costs in the Contractors section of the financial reports. Property rentals are also ahead of budget by \$231k and camping fees received to date are better than budget by \$50k.

#### **Grants, Subsidies, and Contributions –**

Government Grants, which include the NZTA Rooding subsidy and funding for the Alps2Ocean cycle trail construction are under budget by \$97k due mainly to the mix of funding of works completed on the A2O project. Note that Other Grants and donations are reported over budget by \$123k, primarily also due to funding for the cycle trail.

Development and Financial Contributions (DC’s) exceed budget by \$178k. The effect of this is most apparent in the areas of Rooding (\$146k over budget) and RMA contributions (\$85k over budget). DCs received for Oamaru Water and Sewer are well over budget, but generally those for other schemes are under budget.

#### **Finance Income –**

Interest earned to the end of April amounted to \$963k, \$17k over budget. This reflects both improving interest rates and more funds available for investment than budgeted. 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 establish relationships with second tier banks as opportunities arise.

Whitestone Contracting Ltd has provided a dividend of \$150k, \$30k better than was budgeted, and has also made an unbudgeted subvention payment of \$640k. Through the 2017/18 Annual Plan process, Council has now committed all of these funds – refer appendix (d) for an update.

#### **Other Revenue –**

Rates penalties are under budget by \$61k, following adjustments made to recognise the impact of debts affected by the rating sales, otherwise income in this category is fairly close to budget.

#### Employee costs –

These costs are under budget by \$189k for the ten months ended April. Overall salaries and wages are \$216k under budget. This has been reported in detail in previous reports and therefore is not repeated in this agenda.

#### Contractors and Professional Services –

Taken together, these categories are only under by \$253k on a total budget of just over \$12.3m. Overall operational projects and programmed routine maintenance functions are running as planned. There are however, some variance at the activity level that should be noted, particularly in the three waters area. This area is over budget due to an increased number of breakages and other failures. The reasons for this and ongoing implications have been discussed in the Asset Committee meetings. The other major variance relates to the contract works in the Solid Waste area due to the extension of operations at the Oamaru landfill.

#### Operational –

Savings are reported for both insurance premiums (\$45k), which is likely to be a permanent saving, and electricity (\$76k). 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 –

The most significant variance in this category is the bad debts expense, which is reported in April as over budget by \$252k as a consequence of processing estimated movements following the recent rating sales process. The final result of this process has shown this initial estimate to be too conservative and a better net result will be included in reports for May 2017.

#### Capital Expenditure –

Overall for Council, “controllable” capital expenditure is under budget by \$7.693m (Underspent: Rooding by \$524k, Water by \$3.904m, Sewer by \$962k, IT by \$368k, Alps2Ocean by \$313k, Property by \$460k).

Much of the under-budget positions are due to deferred or delayed projects, which in turn, has resulted in more funds available for investment. Given that the year is now almost over, the situation is unlikely to correct itself significantly by the end of June, meaning many projects will have to be carried over to the new financial year.



Ian Wells  
**Accounting Manager**



Paul Hope  
**Chief Financial Officer**

#### Attachments

- Appendix (a) – Internal Loans at March 2017
- Appendix (b) – Special Funds at March 2017 – updated position
- Appendix (c) – Separate Rate accounts at March 2017
- Appendix (d) – WCL dividend allocations – updated position
- Appendix (e) – Variance Reports and Commentaries

## Appendix (a) – Internal Loans

The table below shows movements in internal loan balances, categorized by the department, and demonstrates progress made in reducing these, in particular those related to property development, through the utilization of proceeds from property sales.

Interest expense relates to the internal charges associated with those borrowings, recorded as a charge against the borrowing department and an offsetting “revenue” item in Treasury

	Interest Expense \$000	Balance 1 July 2016 \$000	Increased Borrowing \$000	Principal Repaid \$000	Balance 31 March 2017 \$000
Roads and Footpaths	14	534	-	(51)	483
Waste Water	8	313	13	(49)	277
Stormwater Damage	-	11	-	(4)	7
Water Supply	251	9,416	172	(490)	9,098
Waste Management and minimisation	14	554	-	(90)	464
Arts, Heritage and Culture	-	7	91	(1)	97
Parks and Recreation	21	709	189	(89)	809
Community amenities	3	107	6	(9)	104
Oamaru Harbour and Historic Precinct	41	1,528	12	(77)	1,463
Commercial and Development Activities	290	10,764	1,177	(1,799)	10,142
Environmental Regulation and Safety	-	-	-	-	-
Support Services	(642)				
	-	23,943	1,660	(2,659)	22,944

## Appendix (b) – 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 period ended 31 March 2017, and updates the report presented to the Committee on 10 May 2017.

Account Name	Balance 01-07-16	Interest Received	Movements In	Movements Out	Balance 31-03-17
Ahuriri Playground Fund	2,086.13	55.31	0.00	0.00	2,141.44
Alps2Ocean Fund	0.00	0.00	0.00	0.00	0.00
Aquatic Centre Bequest Funds	6,649.90	176.33	0.00	0.00	6,826.23
Archives Fund	10,047.34	266.42	0.00	0.00	10,313.76
Cemetery Trust A/c - Oamaru	3,794.37	99.73	0.00	-99.73	3,794.37
Cemetery Trust A/c - Herbert	9,678.10	256.62	0.00	0.00	9,934.72
Cemetery Trust A/c - Ngapara	841.60	22.31	0.00	0.00	863.91
Community Housing	752,452.86	19,951.70	0.00	-61,093.05	711,311.51
Council Heritage Project	0.00	0.00	0.00	0.00	0.00
Development Contributions	4,451,384.97	118,659.50	478,457.55	-626,433.00	4,422,069.02
Disaster & Self-insurance Funds	3,718,308.76	0.00	202,308.00	-25,552.08	3,895,064.68
District Endowment Fund	1,579,896.03	41,581.82	242,391.31	-93,019.42	1,770,849.74
District Library Endowment Fund	165,500.00	4,350.25	0.00	-4,350.25	165,500.00
District Resource Management Act Financial Contributions Fund	792,518.04	21,046.29	123,707.81	-160,771.32	776,500.82
Emergency Services Upgrade/Renewal Fund	19,797.45	524.94	0.00	0.00	20,322.39
Forestry Planting	1,070,002.43	28,371.70	0.00	0.00	1,098,374.13
Gallery Bequest Fund	5,543.29	146.98	0.00	0.00	5,690.27
Gallery Lift Appeal	11,417.45	302.73	0.00	0.00	11,720.18
Hakataramea Bridge proceeds	7,743.20	0.00	0.00	-7,743.20	0.00
Harbour Endowment Fund	122,248.46	3,213.36	0.00	-3,213.36	122,248.46
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	131.43	0.00	-131.43	5,000.00
Mulligan Bequest	91,866.48	2,435.90	0.00	0.00	94,302.38
Museum Bequest Fund	125,944.90	3,339.47	0.00	0.00	129,284.37
Oamaru Gardens Bequest Fund	189,111.16	5,014.38	0.00	0.00	194,125.54
Oamaru Gardens / Heritage Buildings / Sports Facilities	99,961.68	2,650.55	0.00	0.00	102,612.23
Oamaru Library Bequest Fund	0.00	0.00	0.00	0.00	0.00
Oamaru Library Book Fund	2,056.40	54.53	0.00	0.00	2,110.93
Oamaru Opera House Bequest Fund	0.00	174.90	10,601.74	0.00	10,776.64
Oamaru Township Beautification	36,515.85	968.25	0.00	0.00	37,484.10
Otago Power Shares	23,102.13	607.23	0.00	-607.23	23,102.13
Omarama Hall Fund	0.00	0.00	0.00	0.00	0.00
Palmerston Library Book Donation	2,525.21	66.96	0.00	0.00	2,592.17
Palmerston Reserve	112,481.93	2,982.52	0.00	0.00	115,464.45
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	97.56	0.00	0.00	3,776.94
Sports Ground Improvement Fund	999.55	26.51	0.00	0.00	1,026.06
Street Tree Fund	61,555.97	1,632.20	0.00	0.00	63,188.17
Valley Boat Ramps Fund	66,921.17	0.00	0.00	-1,141.25	65,779.92
Waitaki Heritage Fund	255,068.94	6,484.36	400.00	-134,782.61	127,170.69
<b>Council Special Funds and Reserves</b>	<b>14,232,694.29</b>	<b>265,692.74</b>	<b>1,061,251.41</b>	<b>-1,118,937.93</b>	<b>14,440,700.51</b>
Waitaki Heritage Fund Loans	3,600.00	0.00	152,280.00	-400.00	155,480.00
Loan Funds	1,040.37	0.00	0.00	0.00	1,040.37
Creative Communities Grants scheme	91.64	0.00	20,579.00	-6,971.72	13,698.92
SPARC Regional Travel scheme	0.00	0.00	9,500.00	0.00	9,500.00
Funds held by Council in trust for distribution	4,732.01	0.00	182,359.00	-7,371.72	179,719.29
<b>Totals</b>	<b>14,237,426.30</b>	<b>265,692.74</b>	<b>1,243,610.41</b>	<b>-1,126,309.65</b>	<b>14,620,419.80</b>

Note that Council has committed \$110,000 from the Palmerston Reserve to fund a portion of the grant made to the East Otago Health Centre development, which was paid out in April 2017. The effect of the funding from the special reserve will be seen in the report for the Fourth Quarter.

It should also be noted that transfers of \$202,308 to the Disaster and Self-insurance funds appearing 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.

## Appendix (c) – 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 March 2017 has now been finalized, and the list of those either operating in deficit, or which require attention for other reasons, has been updated and is presented below for the Committee's information:

	Rate Account balance	Depreciation Reserve balance	Proposed resolution
<i>Water Rate accounts</i>			
Awamoko	(6,446)	No issue	<b>Monitor</b> – deficit is reducing steadily
Kurow	(54,060)	No issue	<b>Monitor</b> – deficit has increased since 1 July
Oamaru Supply	1,599,431	3,337,980	Council approved measures in the 2016/17 annual plan to utilize the surplus in the rate account by reducing rate requirement
Otekaieke	(2,832)	No issue	<b>Monitor</b> – deficit is reducing steadily
Otematata	No issue	(359,451)	<b>Monitor</b> – Capital works exceeded funding. The account will improve over time
Waihemo	(110,194)	(574,066)	<b>Monitor</b> – Capital works exceeded funding. The account is improving slowly
Windsor	(10,729)	No issue	<b>Monitor</b> – deficit has increased since 1 July
<i>Sewer Rate accounts</i>			
Oamaru	945,670	4,638,749	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	217,406	No issue	<b>Monitor.</b> Separate rate balance will be used to fund harbor roading project now underway, and remaining surplus funds may be used to repay harbor-related internal loans
<i>Amenity Rate accounts</i>			
Hampden	84,278	N/A	<b>Monitor.</b> Septic tank cleaning to start soon. \$53,339 of this balance has been rated for this purpose
Shag Point	(3,674)	N/A	<b>Monitor.</b> Planned works were expected to overdraw the account for a short period – will improve over time. Balance will reduce by \$1,500 annually

### Appendix (d) – WCL Dividend – allocations and balance remaining

Whitestone Contracting Ltd has provided dividends and subvention payments in the 2016/17 financial year totaling \$790,000.

Balance uncommitted from 2015/16 dividend/subvention payments	\$32,482
Revenue received 2016/17	<u>\$790,000</u>
Total funding available	\$822,482
Previously committed:	
• Roothing Rural Resilience	\$150,000
• Roothing Traction Seals	\$150,000
• Address urgent rural rooding needs	\$350,000
Resolved at the 30 November meeting:	
• Alps2Ocean stage 3 – finalise funding	\$50,000
• Best Community Ideas/Projects	\$5,000
Resolved at the third Annual Plan workshop 10 May	
• Mini bike parks – Ahuriri ward	\$50,000
• Mini bike parks – Waihemo ward	\$50,000
• Use balance to reduce rate increase for 2017/18	\$17,482
<b>Council has no remaining balance from the Whitestone dividends and subvention payments received in 2015/16 and 2016/17 to allocate</b>	
	<b>\$-</b>

Although Council has only allowed dividend income of \$120,000 from Whitestone Contracting Ltd in the 2017/18 Annual Plan, indications are that a much larger sum will be received. At the third Annual Plan workshop on 10 May 2017, Council made a commitment of \$200,000 in support of the works necessary to complete the construction of the Alps2Ocean cycletrail.

Appendix (e) – Variance Reports and Commentaries

Council – overall total

Level_01	Level_02	Level_03	Level_04	WDC 2017 Operating Statement Thu 01 Jun 2017 6:49 a.m.					
				Full	Res	Act	Pfjs	Prr	
Assets Group	CEO	Accounting Servi...	Ahuhiri	YTD Actual	YTD Living Budget	YTD p10 Actual	YTD p10 Living Budget	YTD p10 Act vs Bud	YTD p10 Act vs Bud %
<b>Controllable YTD Totals</b>									
Revenue	(4,972)	(4,091)	(4,496)	(3,277)	1,219	37%			
User Charges	(5,851)	(9,566)	(6,385)	(6,181)	204	3%			
Grants Subsidies Contributions	(1,521)	(1,808)	(1,482)	(1,520)	(38)	(3%)			
Other Revenues	(1,462)	(1,408)	(1,342)	(1,210)	133	11%			
Statutory Charges	(1,794)	(1,257)	(1,753)	(1,067)	687	64%			
Investment Income	(15,600)	(18,129)	(15,458)	(13,255)	2,203	17%			
<b>Revenue Total</b>									
Expense	9,404	11,272	9,210	9,399	189	2%			
Employee Costs	10,988	13,229	10,951	10,949	18	0%			
Contracts	1,154	1,864	1,193	1,428	235	16%			
Professional Services	3,331	4,150	3,267	3,294	27	1%			
Operational	1,668	2,064	2,011	1,860	(151)	(9%)			
Administration	860	1,015	662	902	220	24%			
Grants Expense	31	61	29	51	21	42%			
Finance Costs	27,435	33,655	27,323	27,882	559	2%			
<b>Expense Total</b>									
Capital Expense	7,180	11,174	6,969	8,722	1,753	20%			
Renewal	4,586	14,697	4,587	10,477	5,940	57%			
Capital	0	0	0	0	(0)	-			
Operational	11,776	25,871	11,507	19,199	7,693	40%			
<b>Capital Expense Total</b>									
<b>Controllable Total</b>	<b>23,611</b>	<b>41,397</b>	<b>23,372</b>	<b>33,827</b>	<b>10,455</b>	<b>31%</b>			
<b>Centrally Controlled</b>									
Revenue	-	-	-	-	-	-			
Asset Disposal & Fair Value Adjus	-	-	-	-	-	-			
Physical Resources Received Free	(29,773)	(29,722)	(24,870)	(24,769)	102	0%			
Rates	(1,830)	(134)	(1,830)	(112)	1,718	1,536%			
Sale Proceeds - Contra Sales	(11,631)	(27,083)	(10,836)	(17,605)	(6,769)	(39%)			
Transfers from Reserves	(43,233)	(56,939)	(37,536)	(42,485)	(4,949)	(12%)			
<b>Revenue Total</b>									
Expense	50	11,380	50	9,483	(60)	(1%)			
Asset Disposal & Fair Value Adjus	11,476	16,515	12,831	13,781	930	7%			
Depreciation	14,935	(15,365)	(16,713)	(13,927)	(700)	(5%)			
Overheads In	1,424	1,796	1,424	1,397	(27)	(2%)			
Overheads Out	12,520	12,977	10,650	10,714	63	1%			
Transfers to Reserves									
<b>Expense Total</b>									
Capital Expense	311	249	294	200	(94)	(47%)			
Renewal	3,020	2,316	3,004	1,150	(1,854)	(161%)			
Capital									
Overheads In	3,331	2,565	3,298	1,350	(1,948)	(144%)			
Transfers to Reserves									
<b>Capital Expense Total</b>									
<b>Centrally Controlled Total</b>	<b>(27,382)</b>	<b>(41,397)</b>	<b>(23,568)</b>	<b>(30,422)</b>	<b>(6,854)</b>	<b>(22%)</b>			
<b>Surplus (-) / Deficit (+)</b>	<b>(3,770)</b>	<b>(0)</b>	<b>(216)</b>	<b>3,405</b>	<b>3,621</b>	<b>106%</b>			

# Appendix (e) – Variance Reports and Commentaries (continued)

## Assets

WDC 2017 Operating Statement Thu 01 Jun 2017 6:49 AM		Level_01	Level_02	Level_03	Level_04	Controllable YTD Totals																						
Full	Res	Act	Prjs	PrR	Assets Group	OEO	Council	Customer Ser...	Management As...	Property	Roading	Solid Waste	Amenity	Collection	Commercial	Community	Avanmoko	Ahuri	Alfatele	Angovan	Avanmoko							
YTD Actual	YTD Living Budget	YTD p10 Actual	YTD p10 Budget	YTD p10 Living Budget	YTD p10 Act vs Bud	YTD p10 Act vs Bud %	YTD p11	YTD p12	YTD p13	YTD p14	YTD p15	YTD p16	YTD p17	YTD p18	YTD p19	YTD p20	YTD p21	YTD p22	YTD p23	YTD p24	YTD p25	YTD p26	YTD p27	YTD p28	YTD p29	YTD p30	YTD p31	YTD p32
<b>Controllable</b>																												
<b>Revenue</b>																												
User Charges	(3,469)	(2,427)	(3,136)	(1,955)	1,181	60%																						
Grants Subsidies Contributions	(5,494)	(7,187)	(5,517)	(5,031)	487	10%																						
Other Revenues	(269)	(474)	(255)	(310)	(55)	(18%)																						
Statutory Charges	(516)	(775)	(516)	(581)	(66)	(11%)																						
Investment Income	(9,765)	(10,862)	(9,423)	(7,876)	1,547	20%																						
<b>Revenue Total</b>																												
<b>Expense</b>																												
Employee Costs	2,557	2,867	2,487	2,426	(60)	(2%)																						
Contracts	7,485	8,527	7,447	6,904	(543)	(8%)																						
Professional Services	502	738	500	616	116	19%																						
Operational	2,164	2,475	2,114	2,012	(102)	(5%)																						
Administration	937	987	919	896	(23)	(3%)																						
Grants Expense	202	240	183	200	17	8%																						
Finance Costs	617	766	617	575	(42)	(7%)																						
<b>Expense Total</b>	<b>14,462</b>	<b>16,580</b>	<b>14,266</b>	<b>13,629</b>	<b>(637)</b>	<b>(5%)</b>																						
<b>Capital Expense</b>																												
Renewal	6,986	10,601	6,778	8,240	1,463	18%																						
Capital	3,155	10,841	3,148	8,144	4,997	61%																						
Contracts																												
<b>Capital Expense Total</b>	<b>10,142</b>	<b>21,442</b>	<b>9,925</b>	<b>16,384</b>	<b>6,459</b>	<b>39%</b>																						
<b>Controllable Total</b>	<b>14,839</b>	<b>27,160</b>	<b>14,768</b>	<b>22,137</b>	<b>7,369</b>	<b>33%</b>																						
<b>Centrally Controlled</b>																												
<b>Revenue</b>																												
Rates	(15,662)	(15,616)	(13,059)	(13,015)	43	0%																						
Sale Proceeds - Contra Sales	(1,827)	(134)	(1,827)	(112)	1,715	1,534%																						
Transfers from Reserves	(9,701)	(21,717)	(9,130)	(14,957)	(5,827)	(39%)																						
<b>Revenue Total</b>	<b>(27,190)</b>	<b>(37,470)</b>	<b>(24,015)</b>	<b>(28,084)</b>	<b>(4,069)</b>	<b>(14%)</b>																						
<b>Expense</b>																												
Asset Disposal & Fair Value Adjus																												
Depreciation	10,161	10,033	8,474	8,351	(114)	(1%)																						
Overheads In	5,712	6,312	4,969	5,260	291	6%																						
Overheads Out	(7,983)	(8,470)	(6,923)	(7,059)	(136)	(2%)																						
Transfers to Reserves	807	1,023	807	815	9	1%																						
<b>Expense Total</b>	<b>8,697</b>	<b>8,897</b>	<b>7,328</b>	<b>7,377</b>	<b>49</b>	<b>1%</b>																						
<b>Capital Expense</b>																												
Renewal	301	249	283	200	(84)	(42%)																						
Capital	2,715	1,163	2,700	876	(1,824)	(208%)																						
Overheads In																												
Transfers to Reserves																												
<b>Capital Expense Total</b>	<b>3,016</b>	<b>1,412</b>	<b>2,983</b>	<b>1,076</b>	<b>(1,908)</b>	<b>(177%)</b>																						
<b>Centrally Controlled Total</b>	<b>(15,477)</b>	<b>(27,160)</b>	<b>(13,704)</b>	<b>(19,631)</b>	<b>(5,927)</b>	<b>(30%)</b>																						
<b>Surplus (-) / Deficit (+)</b>	<b>(638)</b>	<b>(0)</b>	<b>1,064</b>	<b>2,505</b>	<b>1,441</b>	<b>55%</b>																						

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

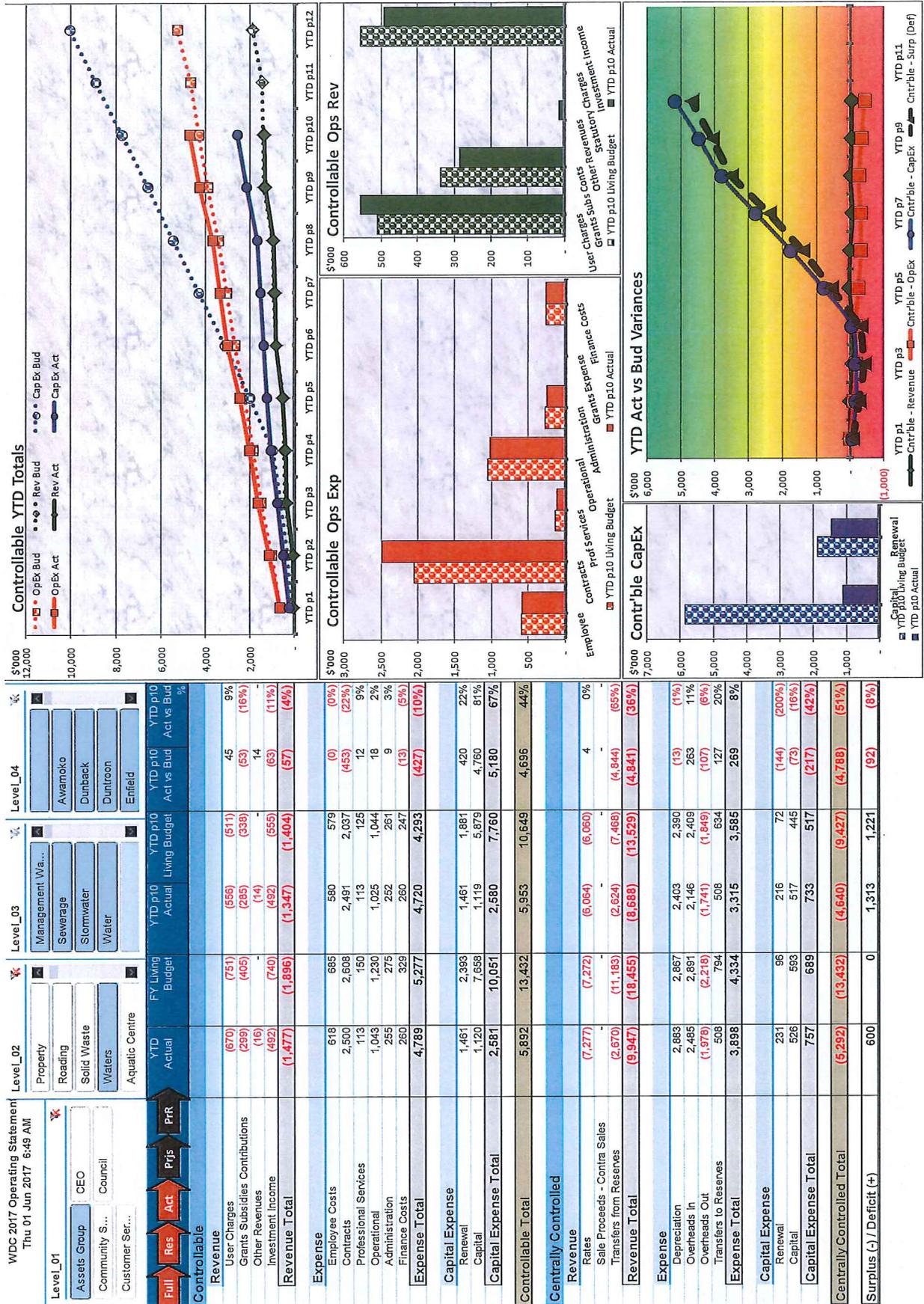
Assets – commentary

	last year YTD	this year YTD	budget YTD	variance YTD	Variance YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
Assets Group	13,242	14,595	22,137	7,542	34%	Overall budgets are being managed appropriately, please see the comments below which provide explanations for each budget area.	Continue to monitor.
Assets_GM	243	276	299	23	8%	All on track.	
Information_Technology	1,472	1,644	1,992	347	17%	The Chief Information Officer is addressing a number of issues that will have an impact on the financial position. These will be reported in more detail to the FAR at a later date.	A Departmental review will align with a new budget strategy for 2017 / 2018
Property	1,686	2,327	2,809	483	17%	Income is ahead of budget as rents are increased to market when they fall due. Expenses are considered and minimised wherever possible. Some planned project work eg Holmes Wharf deck replacement has not yet been completed which creates a significant capital variance.	
Roading	4,289	4,507	5,984	1,477	25%	Programme of works underway with with some already complete with a few small carry overs identified for next financial year	Roading unit to monitor programme and budgets. 2 journals to be completed to improve accuracy of reporting
Utilities_Solid_Waste	(44)	61	403	342	85%	Operating expenditure is tracking to budget. Unbudgeted landfill income has driven the surplus.	Landfill income will help ease the transition to a closed landfill operation
Utilities_Water	4,571	5,126	8,896	3,770	42%	Operating expenditure is tracking above budget in some separate rate accounts. Oamaru and Waihemo expenditure is above budget due to increased reactive works. Capital expenditure is showing an under spend to budget, largely as a result of the timing of the pipeline project to Hampden.	Increased reactive work are being actively managed to identify opportunities to increase efficiencies. Reactive expenditure has reduced back down to normal levels
Utilities_Sewer	971	614	1,374	759	55%	Most of the separate rate accounts, operating expenditure are tracking to budget. Oamaru sewer expenditure is above budget due to increased reactive works.	
Utilities_Waste_Water	53	39	379	340	90%	Operating expenditure is tracking slightly below budget. The redefined Muddy Creek stormwater project is yet to commence and is showing a variance to budget	



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

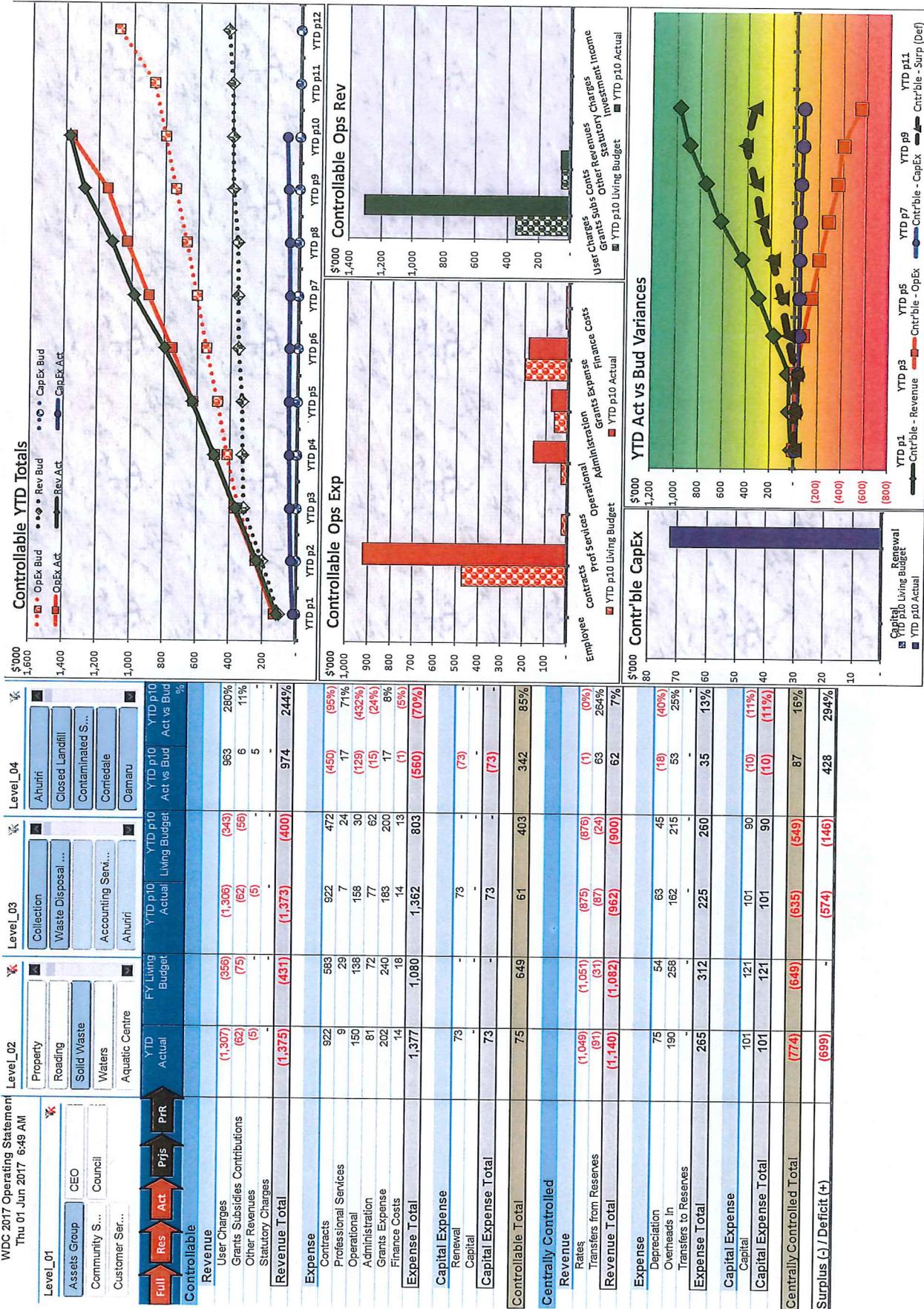
Water, Sewer, Stormwater



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

# Appendix (e) – Variance Reports and Commentaries (continued)

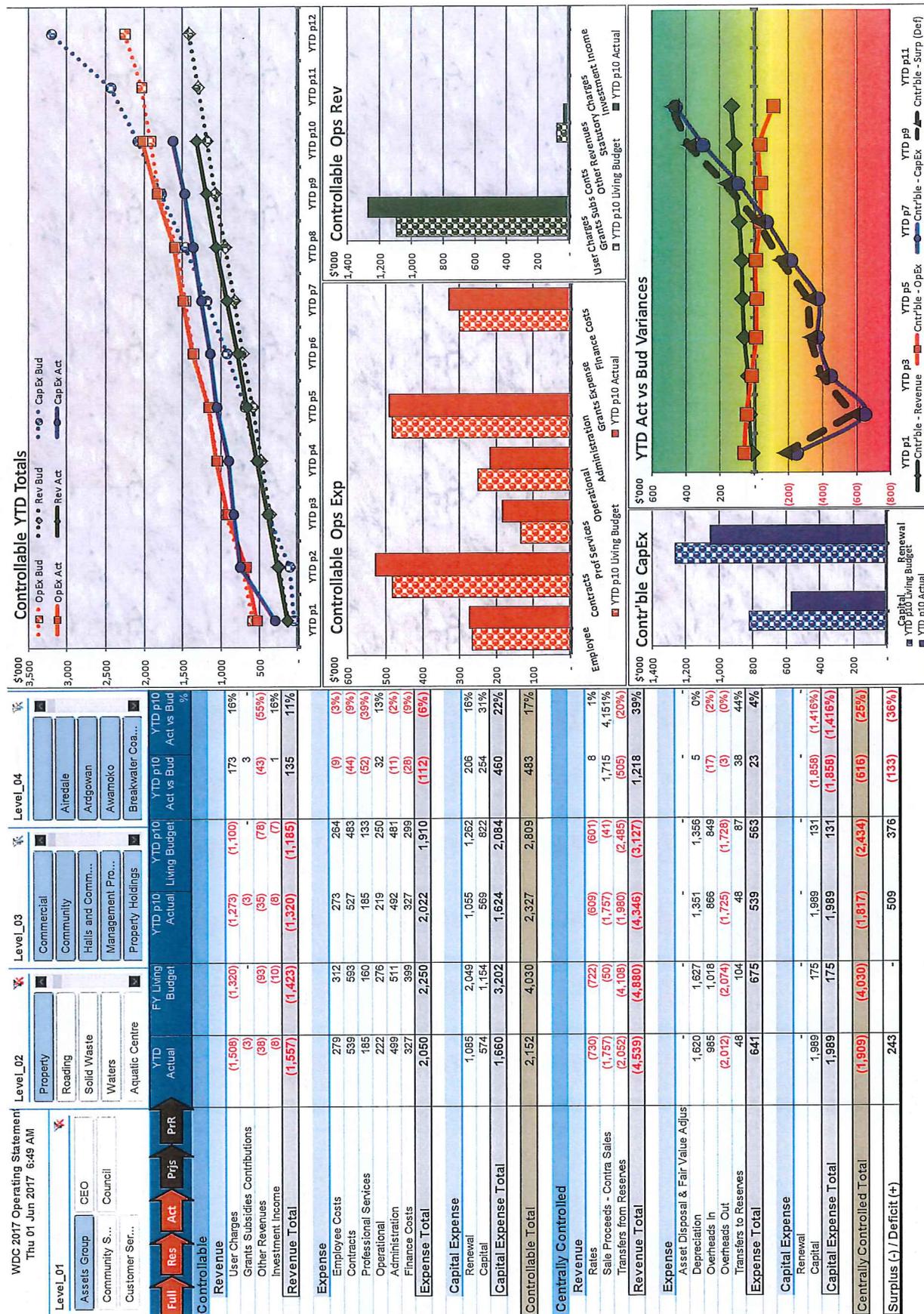
## Solid Waste



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

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

Property

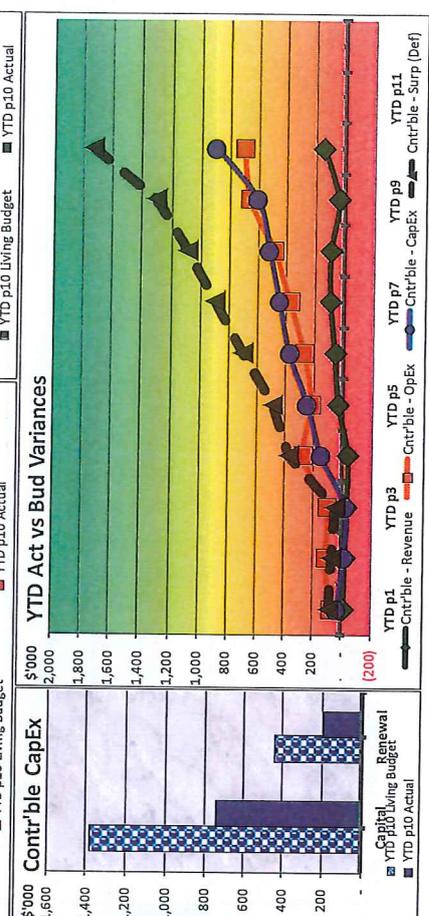
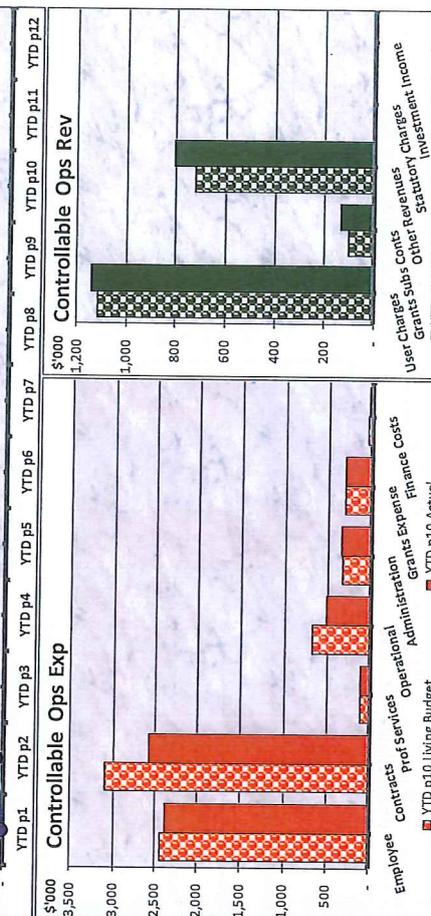
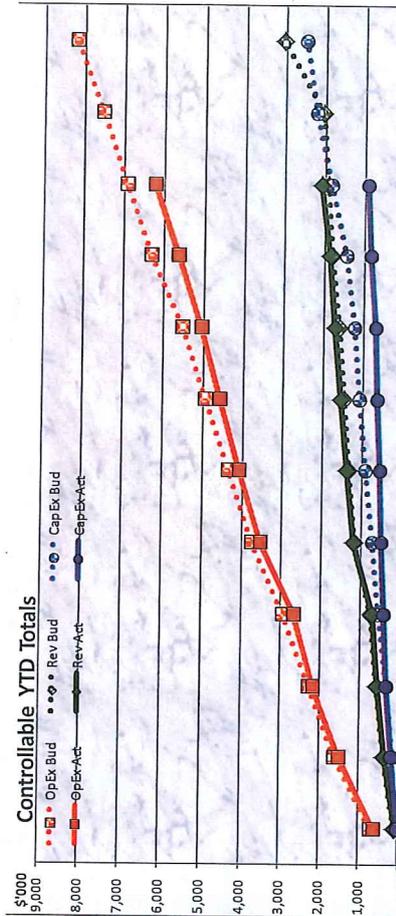


\*For Variances (Act vs Bud), Positive=Surplus, Negative=Deficit \* Key: Act=Actual, Bud=Budget, YTD=Year to Date, pX=Period X

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

Community Services

Level_01	Level_02	Level_03	Level_04	YTD Living Budget		YTD p10		YTD p10		YTD p10		YTD p10		YTD p10		YTD p10		YTD p10		
				Actual	Budget	Actual	Living Budget	Act vs Bud	Act vs Bud	%	YTD p1	YTD p2	YTD p3	YTD p4	YTD p5	YTD p6	YTD p7	YTD p8	YTD p9	YTD p10
<b>Controllable</b>																				
Revenue																				
User Charges	(1,245)	(1,315)																		
Grants Subsidies Contributions	(211)	(956)																		
Other Revenues	(828)	(793)																		
<b>Revenue Total</b>	<b>(2,283)</b>	<b>(3,066)</b>																		
Expense																				
Employee Costs	2,423	2,875																		
Contracts	2,592	3,696																		
Professional Services	103	114																		
Operational	522	804																		
Administration	346	369																		
Grants Expense	301	300																		
Finance Costs	23	41																		
<b>Expense Total</b>	<b>6,310</b>	<b>8,198</b>																		
<b>Capital Expense</b>																				
Renewal	193	532																		
Capital	766	1,961																		
<b>Capital Expense Total</b>	<b>979</b>	<b>2,513</b>																		
<b>Controllable Total</b>	<b>5,005</b>	<b>7,646</b>																		
<b>Centrally Controlled</b>																				
Revenue																				
Rates	(8,148)	(8,148)																		
Sale Proceeds - Contra Sales	(3)	(3)																		
Transfers from Reserves	(1,329)	(3,157)																		
<b>Revenue Total</b>	<b>(9,480)</b>	<b>(11,305)</b>																		
Expense																				
Depreciation	1,126	1,168																		
Overheads In	2,260	2,643																		
Overheads Out	(756)	(1,104)																		
Transfers to Reserves	51	50																		
<b>Expense Total</b>	<b>2,680</b>	<b>2,746</b>																		
<b>Capital Expense</b>																				
Renewal	11	-																		
Capital	125	913																		
Transfers to Reserves	-	-																		
<b>Capital Expense Total</b>	<b>136</b>	<b>913</b>																		
<b>Centrally Controlled Total</b>	<b>(6,664)</b>	<b>(7,646)</b>																		
<b>Surplus (-) / Deficit (+)</b>	<b>(1,659)</b>	<b>(0)</b>																		



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

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

Community Services - commentary

Community Services Group	last year YTD	this year YTD	budget YTD	variance YTD	Variance YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
Community Services Group	4,486	5,078	6,811	1,733	25%	Parks: \$1100k is due to maintenance contract savings and project delays. Additional revenue made up \$185k of the variance. The Aquatic Centre shows a 15% positive variance due to employee savings during the close down and a positive revenue variance due to swim school calendar. Gallery/Museum 24% positive variance relates to underspent capital.	Monitoring the activities. Employed a Projects Manager for Parks - starting the process of prioritising and implementing projects. Savings from the new Parks Maintenance contract is positively affecting the Parks budget.
Community_GM	450	501	491	(11)	(2%)	Unbudgeted Waitaki Heritage Fund Grant given and Youth Council Grant received	No action required
Aquatic_Centre	333	420	495	76	15%	Revenue 21K over budget due to timing of swim school revenue. Expenses 28K under budget due to employee savings during closedown.	No Action
Community_Safety	64	60	114	55	48%	Reduced expenses due to timing of projects.	No action required.
Gallery_Museum	763	554	728	174	24%	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	649	804	829	24	3%	We have started paying for the RFID equipment	Continue to monitor
Oamaru_Opera_House	303	272	288	16	5%	The Opera House is performing well as a meeting hub, experiencing growth in the number of attendees at events. Upcoming bookings include 5 international & national tours and the Youth Orchestra. Focused marketing on conferencing & meetings has yielded good results, with significant increases in bookings. Promoters are expressing frustration over the South Island venue attendances which are lower than usual.	Continue to support for community groups and schools providing meeting and performance space, and expertise of event staff. Programme work and meeting opportunities through industry networks and advertising to increase occupancy. Share promotion and marketing campaign successes with other South Island venues to ensure audience targets are met. Consistent management of controllable finance to keep operational costs down.
Parks_and_Recreation	1,924	2,467	3,866	1,399	36%	Camping - Revenue 50K over budget due to season passes sold. Capital 257K under due to Sailors and Falstone discharge fields deferred pending camping review. Cemetery - Cemetery plot sales 20K under budget and Operational expenses 27K down due to contract savings. Project completed 81K less than budget. Forestry - Revenue 98K over budget due to good harvest profits from 'Milligans Block'. Operating Expense 53K under budget due to delayed harvest of 'Sailors Cutting' block at Macraes. Management Parks - Expenses 55K behind budget due to valuation and toilet strategy phasing. Public Gardens - Revenue 18K over budget due to increased Depot Lease. Expenses 150K down due to contract savings and deferred work due to contractor capacity. Capital 15K down due to deferred work. Parks - Revenue 19K over budget due to higher leased camp revenue and memorial seat sales. Operation expenses 130K down due to contract savings. Capital 80K underspent - Kurow preschool & Hampden camp discharge system deferred, waiting on invoice for Kakanui erosion, minor improvements delayed pending approval of projects. Toilets - Operational Budget 49K under due to contract savings. Capital 322K under budget due delays with Weston toilet.	Camping - Review to start in July 2017. Cemetery - Monitor revenue. Forestry - No Action. Management Parks - No Action. Public Gardens - No Action. Parks - Rephase capital. Toilets - Rephase capital and carry forward future years budgets. Sportsfields - invoice sponsorship in May. Rephase Capital and carry forward budget for King George Park.



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

Customer Services – commentary

	last year YTD	this year YTD	budget YTD	variance YTD	Variance YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
Customer Services Group	1,789	1,927	2,551	623	24%	Generally all units are operating at or better than budget, with no areas of major concern	Continuing to monitor budgets and take action as appropriate
Customer_GM	231	228	262	34	13%	The impact of the restructure means the activity recorded will vary from the budget set. This will be closely monitored to ensure no net overspend.	Continue to monitor and take corrective action as required.
Customer_Contact	413	425	442	17	4%	Budget is on track, monitoring employee cost between HQ and the Waihemo Service Centre. Initial increase in expenditure was in relation to the cost of CCT install at the Waihemo Service Centre in period 1 of this budget. Expecting to reach the end of period 12 with a minor surplus position.	
Emergency_Services	436	433	425	(8)	(2%)	Costs meet expectations. Both capital projects have been deferred due to legislative and structural changes. Civil Defence staffing now invoiced by ORC	N/A
Planning	216	173	434	261	60%	Increased economic activity is reflected in more consents being processed which in turn has caused a positive variance in the year to date.	
Policy	369	335	403	68	17%	Employee costs, largely related to the Corporate Planner and Governance Support roles have generated the underspend. The Corporate Planner position was budget at 1fte with the actual currently 0.5fte. Some consultancy budget is being used to assist in delivering the corporate planning work.	
Regulatory	124	333	585	251	43%	Overall regulatory revenue is over budget - this is activity driven by liquor licensing and commercial building consent applications. Expenditure is under budget. Funds approved for Regulatory Business case have been budgeted against the backfill code. We will be utilising this additional budget in coming months.	Business case approved in December enabling additional staff and funds to support Regulatory



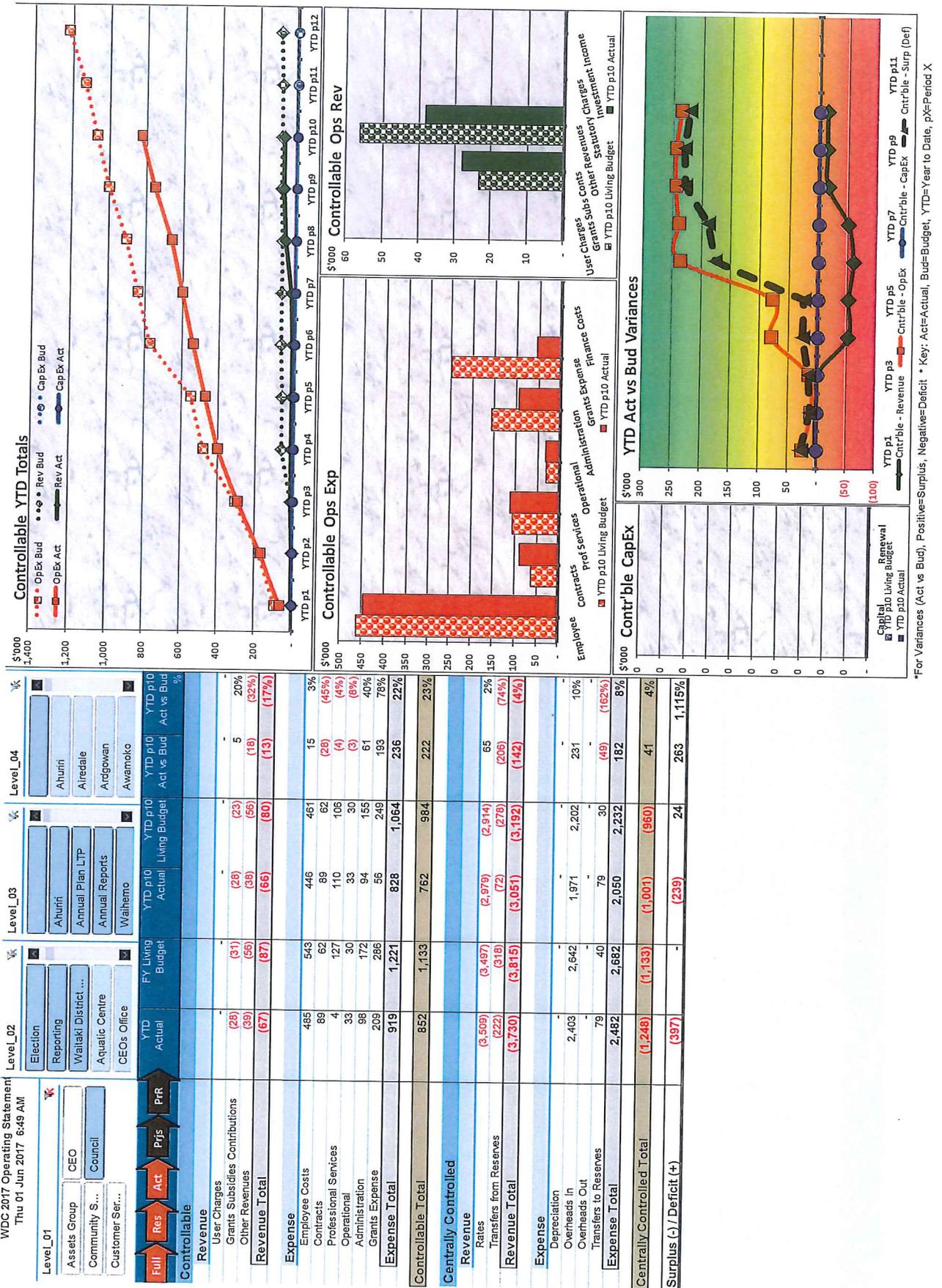
## Appendix (e) – Variance Reports and Commentaries (continued)

## Chief Executive - commentary

	last year YTD	this year YTD	budget YTD	variance YTD	Variance YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
CEO	471	835	1,344	509	38%	Results reflect the adjustments that were made in March. Final adjustments to rating sales results, as per the separate report presented to this meeting, will be reflected in the results for May. The variance in ED primarily relates items where revenue was received last year and carried forward to match expense incurred this year.	Plans are in place to use the finance savings to fund the development of a reporting tool to replace the internally developed HUB. Per the separate report to this meeting, Council has now taken steps to allocate all dividend and subvention payments received from Whitestone Contracting Ltd.
CEO	459	401	389	(13)	(3%)	The variance in professional services expense will be addressed by year end. All other variances are minor in nature.	Underway
Finance	708	752	690	(62)	(9%)	The receipt of the Whitestone distribution is fully reflected in the actual results, creating a significant positive variance. The Business Analyst vacancy will continue for the rest of this financial year.	The replacement for the Business Analyst will be positioned in IT as a Council-wide resource. Salary savings in the current year are being utilised to fund a replacement for the Hub reporting tool - installation and training commenced in late May
Finance	970	905	997	93	9%		
Treasury	(1,904)	(1,499)	(1,005)	483	48%		
ReOrg CCs	3	-	-	-	-		
Human_Resources	235	266	273	7	3%	No issues to report	

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

Council



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

# Finance Audit and Risk Committee Report

From Accounting Manager

Date 14 June 2017

## Council's BNZ Credit Card

### Recommendations

The Finance, Audit and Risk Committee recommends that Council:

1. consider and confirm how and when the credit card should be used
2. authorise officers to apply to the BNZ for a new credit card in the name of another senior officer, to replace that issued to Mr Michael Ross in his capacity as Chief Executive, from 1 July 2017.
3. upon the commencement of the new Chief Executive, cancels all existing credit cards and obtains a new credit card in that individual's name.

### Objective of the Decision

To ensure continued access to credit card facilities during the likely period between the retirement of the present Chief Executive taking effect, and new Chief Executive taking up the role.

### Summary of Decision Making Criteria

	No/Moderate/Key		No/Moderate/Key
Policy/Plan	No	Environmental Considerations	No
Legal	No	Cultural Considerations	No
Significance	No	Social Considerations	No
Financial Criteria	Key	Economic Considerations	Key
Community Views	No	Community Board Views	No
Consultation	No	Publicity and Communication	No

### Background

Council has, for many years, had a Visa card. BNZ has a policy for Visa cards that, although Council is responsible for debt incurred through the use of the credit card, the card itself must be issued in the name of a specific individual rather than Council as a corporate entity. This is why the card is issued in the name of the Chief Executive even though it is only used for corporate purposes.

The Visa card facility currently has a credit limit of \$5,000, and whatever expenditure is incurred during the month is cleared by direct debit by the BNZ around the 11<sup>th</sup> of the month following.

### Use of the Visa card

Two officers are authorized to use the card, currently being the CE and the CFO. The Visa card is used primarily to transact Council business on-line or when making purchases offshore. It is only used when its use is more efficient than other available methods or when no other practical payment methods are available.

Examples of its use are:

- The on-line renewal of motor vehicle registrations and road user charges for Council's vehicle fleet
- Guaranteeing or prepayment of accommodation charges as part of travel booking arrangements
- Payment of conference and similar registration fees, when registering is required to be done on-line or with offshore providers
- Purchasing library books from offshore suppliers
- Purchasing or re-licensing certain computer software from offshore providers
- Minor other purchases from offshore providers when other forms of payment i.e. bank drafts, are uneconomic
- Making other one-off payments when time is of the essence

The card is held by the Senior PA, who is responsible for the renewal of motor vehicle licensing arrangements, and its use has been delegated to selected personnel at the Library. Other use of the card is by approval by either the CE or CFO on a case-by-case basis.

Use of the credit card was reviewed by Deloitte as part of their 2016 shared internal audit service, and no issues were reported as a result of their work.

#### **The Visa card after the CE's departure**

There is no option for Council to retain the card after the CE leaves Council, as it has been issued in his name. Efficiencies arising from its availability would be lost in the event that no replacement facility is available during any gap between his leaving and the new CE taking up the role.

#### **Summary of Options Considered**

- **In relation to Recommendation 1**

**Option 1** – Council confirms the current process regarding the use of the card, subject to the same controls and approval levels (recommended)

**Option 2** – Council directs officers to research and report on alternative processes

#### **Conclusion**

Option 1 is recommended as this provides certainty and continuity for staff, while retaining operational efficiencies which have proven of benefit to Council.

- **In relation to recommendations 2 & 3**

**Option 1** – Apply to the BNZ for the issue of a new credit card as an interim measure while awaiting the commencement of the new CEO, ensuring the availability of a credit card as a payment option.

Note that it is not proposed that Paul Hope, CFO, be the senior officer selected, as that would remove the benefit of the control that is afforded by having two persons authorised to operate the facility.

**Option 2** – Cancel the current credit card, but leave applying for a replacement until the new CE has taken up the role

While this option is certainly available, it is not recommended.

The credit card provides officers an efficient means of transacting business, and that efficiency would be lost over the period of any gap between the retirement of the CE and his replacement starting work. Other consequences of not having access to such a facility might potentially include an increase in reimbursement claims from staff who may be required to use their personal credit cards to arrange accommodation, conference attendance and other costs.

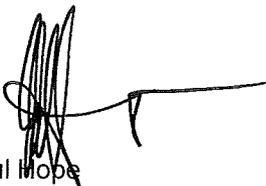
#### **Option 3 – Status Quo - Retain the current credit card in the interim**

While this would continue the efficiencies currently enjoyed, it would not be good business practice, and might even be considered fraudulent. This credit card has been issued in the name of Michael Ross, and if he is no longer in Council's employment he can no longer continue to use it. Even though it is ultimately Council's credit card, its continued use would certainly not be recommended.

#### **Conclusion**

Option 1 is recommended, and, if supported, it is also proposed that officers are authorised to make application for the new credit card well before the CE leaves at the end of June.

Ian Wells  
**Accounting Manager**

  
Paul Hope  
**Chief Financial Officer**

*Finance, Audit and Risk Committee*

**Corporate Services Group  
Activity Report – Verbal Update**