



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

9.00am, Wednesday 12 July 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

9.00am, Wednesday 12 July 2017

Council Headquarters, Council Chamber
3rd Floor, 20 Thames Street, Oamaru

- Apologies
- Declarations of Interest

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4. Corporate Services Group Activity Report	25-31
• Memorandum and Recommendation	

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

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.
• Confirmation of Public Excluded Meeting Minutes – 14 June 2017	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."

5. Confirmation of Meeting Minutes	33-34
• 14 June 2017	

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 14 June at 9am

Present: Crs Wollstein (Chair), Mayor Kircher, Crs Dawson (from 9.10am) Garvan, Hopkins, Percival

Apology:

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

Declarations of Interest

There were no declarations of interest.

Apologies

RESOLVED
 FAR17/026

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

CARRIED

1. Confirmation of Minutes

RESOLVED
 FAR17/027

Cr Hopkins/Garvan
 "That the Finance, Audit and Risk Committee confirms meeting minutes of 10 May 2017."

CARRIED

2. Financial Report – Period 10

This memorandum covers the 10 month period ended 30 April 2017.

RESOLVED
 FAR17/028

Cr Hopkins/Garvan
 "That the Finance, Audit and Risk Committee receives the information."

CARRIED

Mayor Kircher left the meeting at 9.21am and returned at 9.24am

3. Council's BNZ Credit Card Report

This report is to ensure continued access to credit card facilities during the likely period between the retirement of the present Chief Executive taking effect and the new Chief Executive taking the role.

RESOLVED

FAR17/029

Mayor Kircher/Cr Hopkins

"That 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 Neil Jorgensen, Acting Chief Executive, 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."

CARRIED

4. Corporate Services Group Activity report – Verbal Update

Mr Hope verbally updated the committee on activities within the Corporate Services Group as the Council prepares for the start of the new financial year.

RESOLVED

FAR17/030

Crs Hopkins/Dawson

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

CARRIED

RESOLVED

FAR17/031

Crs Garvan/Hopkins

"That the public be excluded from the following part of the proceedings of this meeting, namely:

- Rating Adjustment 105893
- Rating Adjustment 104100
- Rating Sales Process Summary
- Request for Rates Remission
- Account Payable Analysis."

CARRIED

"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:	
• Rating Adjustment 105893	To protect the privacy of natural persons.
• Rating Adjustment 104100	Section 48(1)(a)
• Rating Sales Process Summary	(The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned).
• Request for Rates Remission	
• Account Payable Analysis	

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."

Refer to Public Excluded Minutes

RESOLVED
FAR17/039

Mayor Kircher/Cr Garvan
"That Council resumes in open meeting and decisions made in public
excluded session are confirmed and made public as and when required and
considered."

CARRIED

There being no further business the Chairman declared the meeting closed at 1.47pm.

Confirmed on this day, 12th day of July, at Waitaki District Council Chambers, Oamaru.

Chairman

Finance, Audit and Risk Committee

Memorandum

From Chief Financial Officer

Date 12 July 2017

Financial Report – Period 11

Recommendation

That Council receives the information.

Financial Overview

This financial report covers the eleven months ended 31 May 2017. As has been reported all year, most activities are operating close to or better than budget for the year to date.

Variance Report – refer Appendix (a)

The overall “controllable” operating position noted in the variance reports shows a favourable variance of \$2.916m (Revenue favourable \$2.303m, Expenditure favourable \$613k) 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 \$1.346m, due primarily to revenues from the Landfill exceeding budget by \$967k. This source of additional revenue will not continue following the closure of the landfill. It must be noted 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 \$252k and camping fees received to date are better than budget by \$47k.

Grants, Subsidies, and Contributions –

Government Grants, which include the NZTA Rooding subsidy and funding for the Alps2Ocean cycle trail construction are under budget by \$315k due in part to the mix of funding of works completed on the A2O project.

Other Grants and donations are reported over budget by \$275k, primarily also due to funding for the cycle trail.

Development and Financial Contributions (DC's) exceed budget by \$114k. The effect of this is most apparent in the Rooding department (\$100k over budget) and RMA contributions (\$86k 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 for the eleven months amounted to \$1,071k, \$31k over budget due largely to having more funds available for investment than budgeted as a consequence of property sales and the deferral of several sizeable capital projects.

The dividend received from Whitestone Contracting Ltd was \$30k over budget, and an unbudgeted subvention payment of \$640k made by the company has also contributed to Council's improved financial position.

Other Revenue –

Rates penalties are under budget by \$35k after allowing for adjustments resulting from the rating sales process, but otherwise income in this category is fairly close to budget.

Employee costs –

These costs are under budget by \$128k for the period to May. Salaries and wages themselves are \$202k under budget, but the costs of backfill and Council's Kiwisaver contributions are over budget. This has been reported in detail in previous reports and, as no significant changes have occurred, is not covered in this report.

Contractors and Professional Services –

Taken together, these categories are under budget by \$361k on a total budget of just under \$13.6m. Savings have been made as a result of the new parks contract. Overall, operational projects and programmed routine maintenance functions are running as planned, but there are some variances at the activity level, particularly in the three waters area, where costs are currently running 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. As previously noted, the extension of operations at the Oamaru landfill has resulted in costs running ahead of budget by \$730k in the Solid Waste area.

Operational –

Taken in total, this area is virtually on plan. Savings are reported for both insurance premiums (\$45k), which is likely to be a permanent saving, and electricity (\$57k). 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 –

Bad debts expense, which has been the subject of recent reports concerning the rating sales process, is over budget by \$109k. However, this result does not include final adjustments made following resolutions passed at the last Council meeting regarding rates write-offs which have resulted in a further \$83k of expense.

Capital Expenditure –

Overall for Council, "controllable" capital expenditure is under budget by \$9.247m (Underspent: Roading by \$554k, Water by \$4.526m, Sewer by \$1.027m, IT by \$370k, Motor Vehicles by \$135k, Alps2Ocean by \$454, Property by \$682k). More detail on these projects will be provided in the upcoming group activity reports. They are also all likely to feature in the carry forward report to be presented once amounts are finalised.

Much of the under-budget positions are due to deferred or delayed projects, such as the water pipeline to Hampden and Herbert. This, in turn, has resulted in more funds available for investment. Given that the year is now almost over, the situation will not correct itself significantly by the end of June, so many projects will have to be carried over to the new financial year.



Ian Wells
Accounting Manager



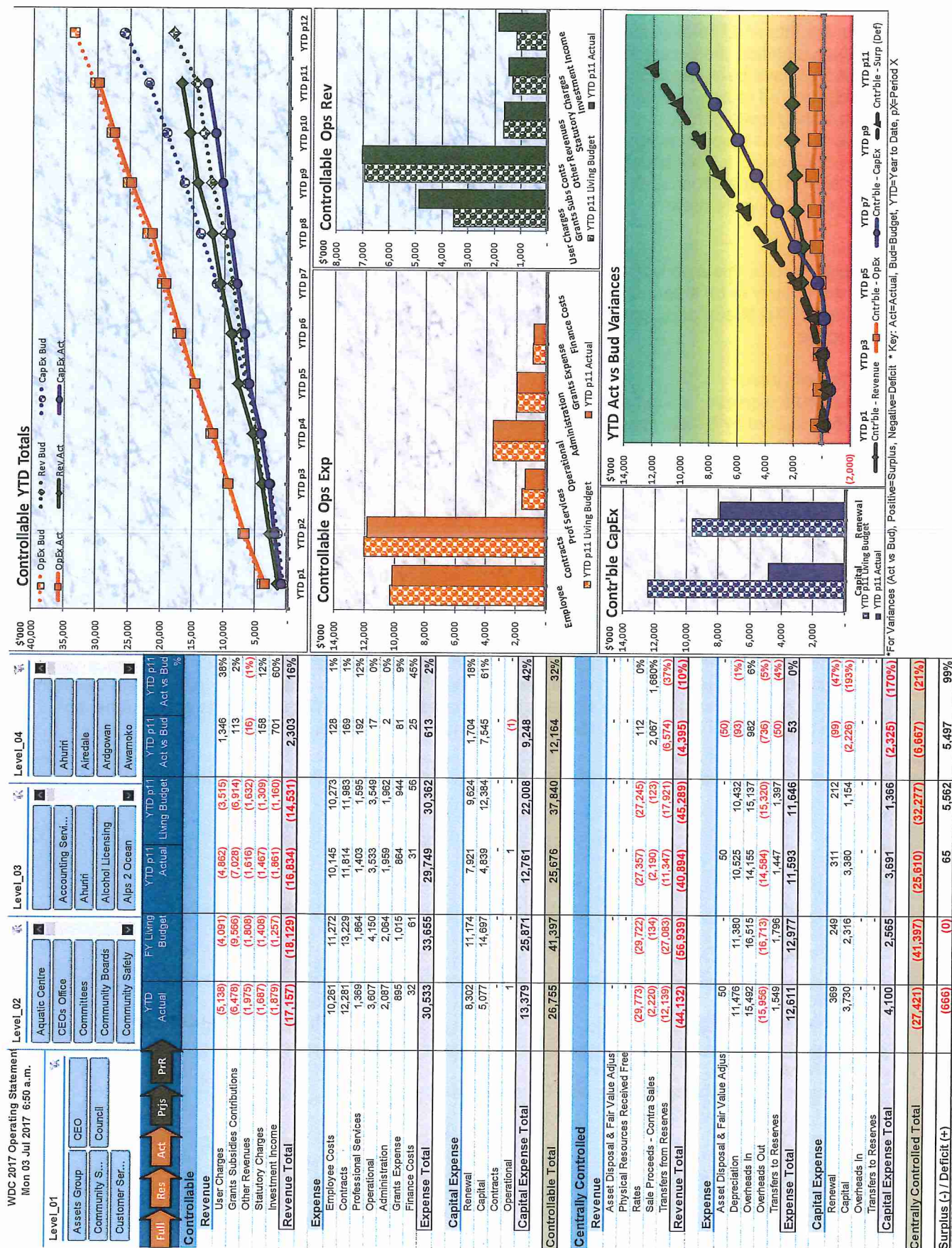
Paul Hope
Chief Financial Officer

Attachments

Appendix (a) – Variance Reports and Commentaries

Appendix (a) – Variance Reports and Commentaries

Council – overall total



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

Assets

WDC 2017 Operating Statement Mon 03 Jul 2017 6:50 AM									
Level_01	Level_02	Level_03	Level_04	Full	Res	Act	Prjs	PR	
Assets Group	GIS/IT	Management As...	Amenity						
Community S...	Property	Collection	Alredale						
Customer Ser...	Roading	Commercial	Argowan						
	Solid Waste	Community	Avamoko						
Controllable									
Revenue									
User Charges	(3,528)	(2,427)	(3,382)	(2,072)	1,310	63%			
Grants Subsidies Contributions	(6,094)	(7,187)	(5,973)	(5,524)	449	8%			
Other Revenues	(346)	(474)	(306)	(347)	(41)	(12%)			
Statutory Charges									
Investment Income	(676)	(775)	(516)	(581)	(66)	(11%)			
Revenue Total	(10,635)	(10,862)	(10,177)	(9,525)	1,652	19%			
Expense									
Employee Costs	2,771	2,867	2,734	2,646	(88)	(3%)			
Contracts	8,222	8,527	8,044	7,640	(404)	(5%)			
Professional Services	591	738	567	677	110	16%			
Operational	2,339	2,475	2,297	2,173	(125)	(6%)			
Administration	966	967	960	931	(29)	(3%)			
Grants Expense	220	240	202	220	18	8%			
Finance Costs	800	766	617	575	(42)	(7%)			
Expense Total	15,909	16,590	15,421	14,862	(559)	(4%)			
Capital Expense									
Renewal	8,090	10,601	7,719	9,107	1,388	15%			
Capital	3,483	10,841	3,298	9,460	6,162	65%			
Contracts									
Capital Expense Total	11,573	21,442	11,017	18,567	7,550	41%			
Controllable Total									
16,847 27,160 16,261 24,904 8,643 35%									
Centrally Controlled									
Revenue									
Rates	(15,662)	(15,618)	(14,364)	(14,317)	47	0%			
Sale Proceeds - Contra Sales	(2,217)	(134)	(2,187)	(123)	2,064	1,678%			
Transfers from Reserves	(10,172)	(21,717)	(9,430)	(15,233)	(5,803)	(39%)			
Revenue Total	(28,051)	(37,470)	(25,982)	(29,673)	(3,691)	(12%)			
Expense									
Asset Disposal & Fair Value Adjus									
Depreciation	10,161	10,033	9,319	9,197	(122)	(1%)			
Overheads In	5,944	6,312	5,455	5,786	331	6%			
Overheads Out	(8,262)	(8,470)	(7,697)	(7,764)	(167)	(2%)			
Transfers to Reserves	845	1,023	807	815	9	1%			
Expense Total	8,688	8,897	7,984	8,033	50	1%			
Capital Expense									
Renewal	358	249	301	212	(88)	(42%)			
Capital	3,332	1,163	3,075	880	(2,195)	(249%)			
Overheads In									
Transfers to Reserves									
Capital Expense Total	3,691	1,412	3,376	1,092	(2,283)	(209%)			
Centrally Controlled Total									
(15,672) (27,160) (14,622) (20,547) (5,825) (29%)									
Surplus (-) / Deficit (+)									
1,176 (0) 1,639 4,357 2,718 62%									

Controllable YTD Totals															
YTD p1	YTD p2	YTD p3	YTD p4	YTD p5	YTD p6	YTD p7	YTD p8	YTD p9	YTD p10	YTD p11	YTD p12	YTD p13	YTD p14	YTD p15	
OpEx Bud	OpEx Act	CapEx Bud	CapEx Act	Rev Bud	Rev Act	CapEx Bud	CapEx Act	Rev Bud	Rev Act	CapEx Bud	CapEx Act	Rev Bud	Rev Act	CapEx Bud	CapEx Act
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Controllable Ops Exp	Controllable Ops Rev	Employee	Contracts	Prof Services	Operational	Administration	Finance Costs	User Charges	Grants	Statutory	Investment	Income	YTD p11 Actual	YTD p11 Budget	YTD p11 Actual
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
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YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual
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YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
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YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual
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1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
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YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual	YTD p11 Living Budget	YTD p11 Actual
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
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*For Variances (Act vs Bud), Positive=Surplus, Negative=Deficit * Key: Act=Actual, Bud=Budget, YTD=Year to Date, pX=Period X

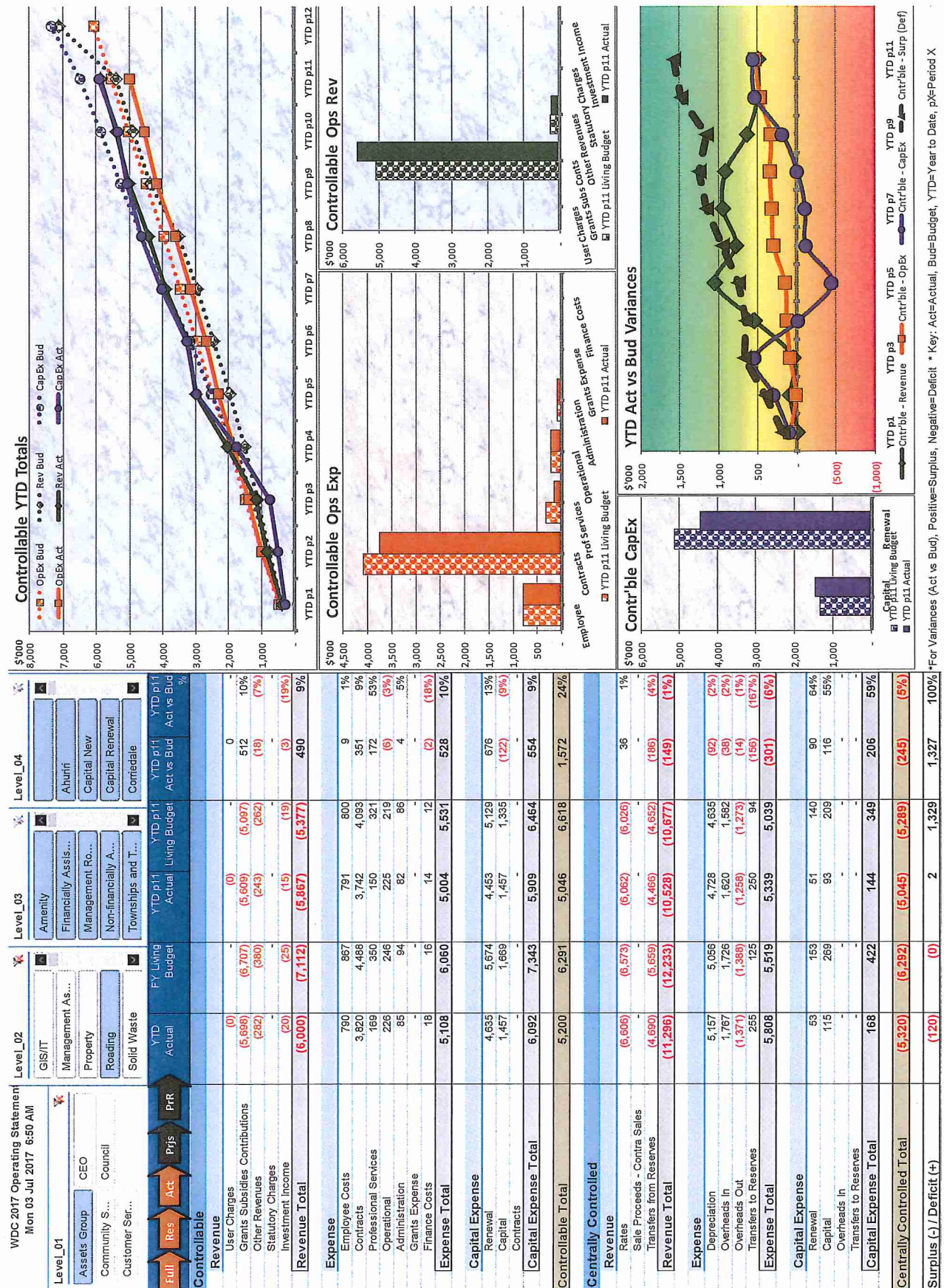
Appendix (a) – Variance Reports and Commentaries (continued)

Assets – commentary

	last year				this year				budget				variance				Manager/Activity(s) Overview:	Solutions/Actions Overview:
	YTD			YTD%	YTD			YTD%	YTD			YTD%	YTD			YTD%		
Assets Group	14,474			35%	16,261			35%	24,904			35%	8,643			35%	Overall budgets are being managed appropriately, please see the comments below which provide explanations for each budget area.	Continue to monitor.
Assets_GM	266			7%	303			7%	325			7%	22			7%	All on track.	
Information_Technology	1,746			18%	1,799			18%	2,198			18%	399			18%	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	1,771			23%	2,423			23%	3,165			23%	742			23%	Revenue is significantly ahead of budget with a focus on bringing rents to market rates when they fall due. Expenditure is reviewed 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	4,702			24%	5,046			24%	6,618			24%	1,572			24%	Most road renewal works complete with a few small carry overs to next financial year	Roading unit to monitor programme and budgets. 1 journal to be completed to improve accuracy of reporting
Utilities_Solid_Waste	(61)			73%	123			73%	463			73%	340			73%	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	4,981			42%	5,852			42%	10,108			42%	4,256			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	1,005			57%	675			57%	1,567			57%	892			57%	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	65			91%	40			91%	461			91%	422			91%	Operating expenditure is tracking below budget. The redefined Muddy Creek stormwater project is yet to commence and is showing a variance to budget	

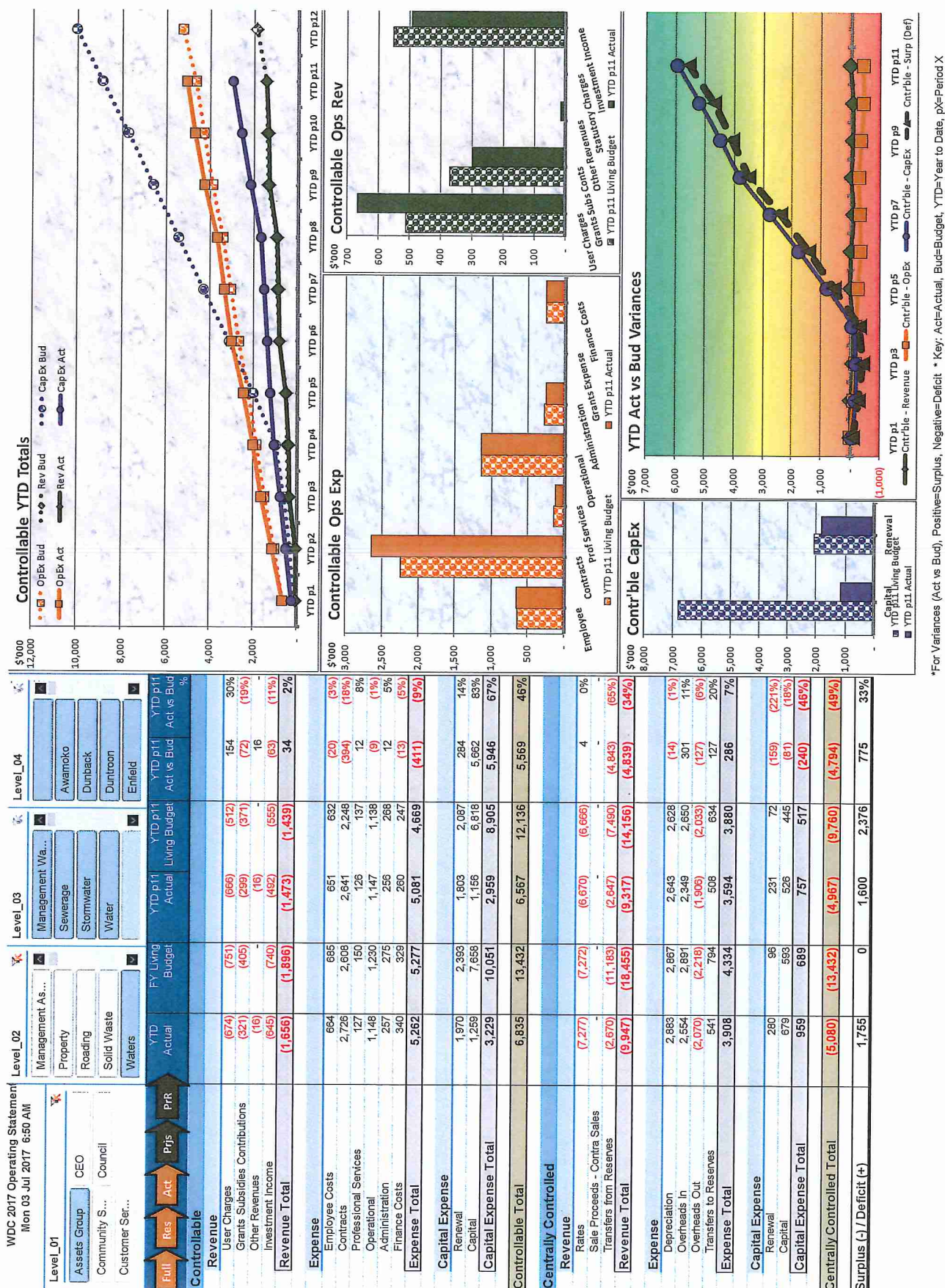
Appendix (a) – Variance Reports and Commentaries (continued)

Roading



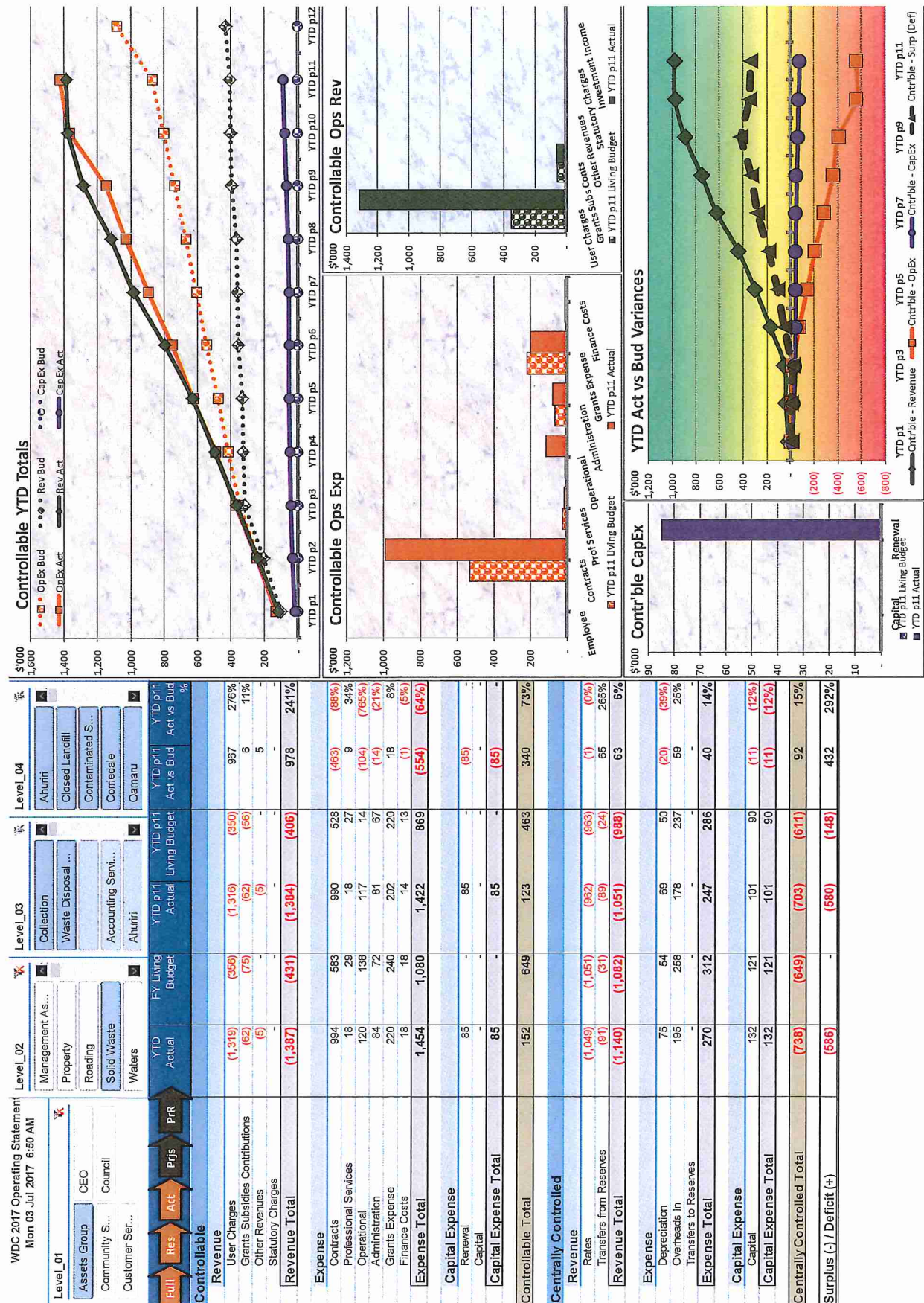
Appendix (a) – Variance Reports and Commentaries (continued)

Water, Sewer, Stormwater



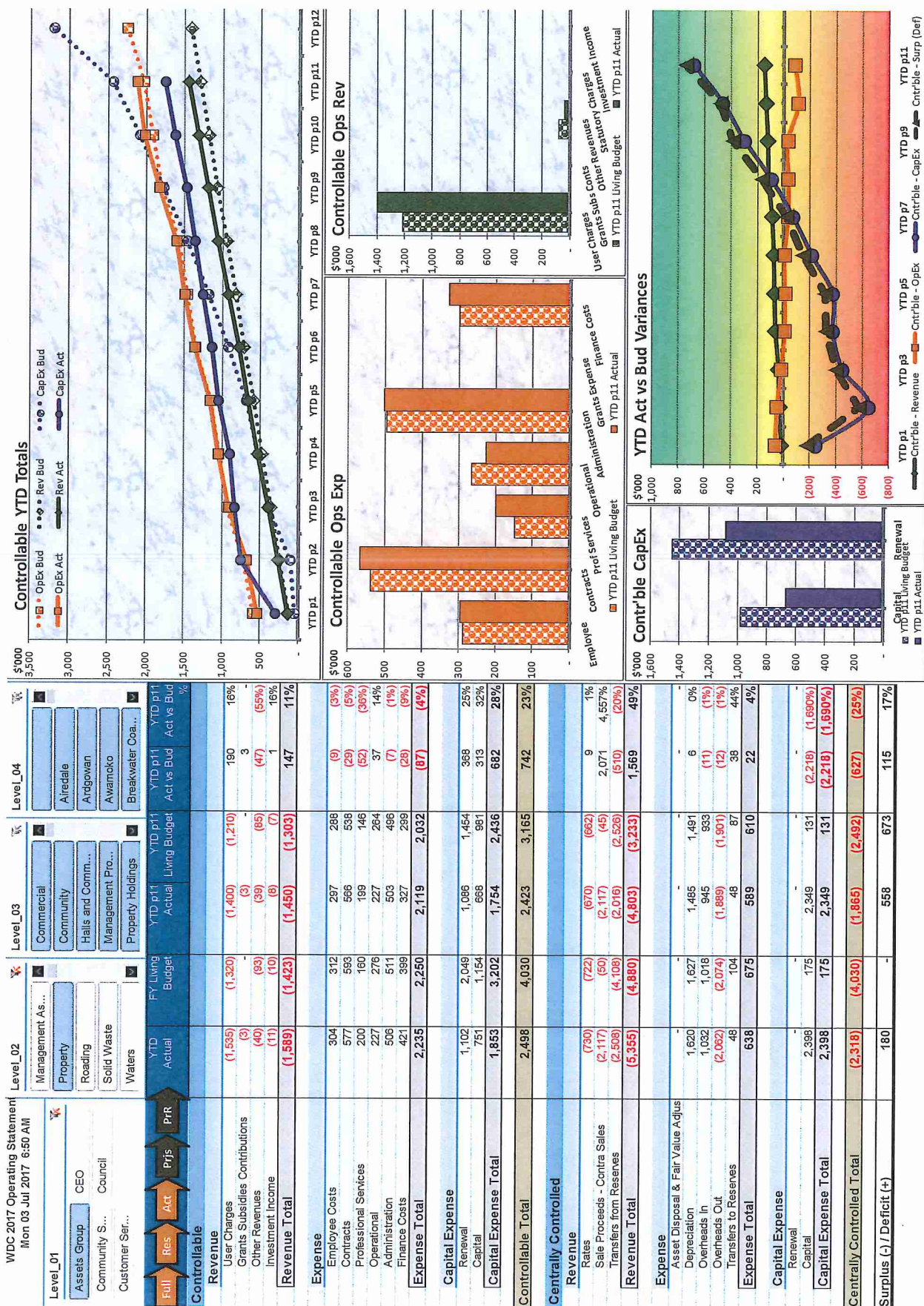
Appendix (a) – Variance Reports and Commentaries (continued)

Solid Waste



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

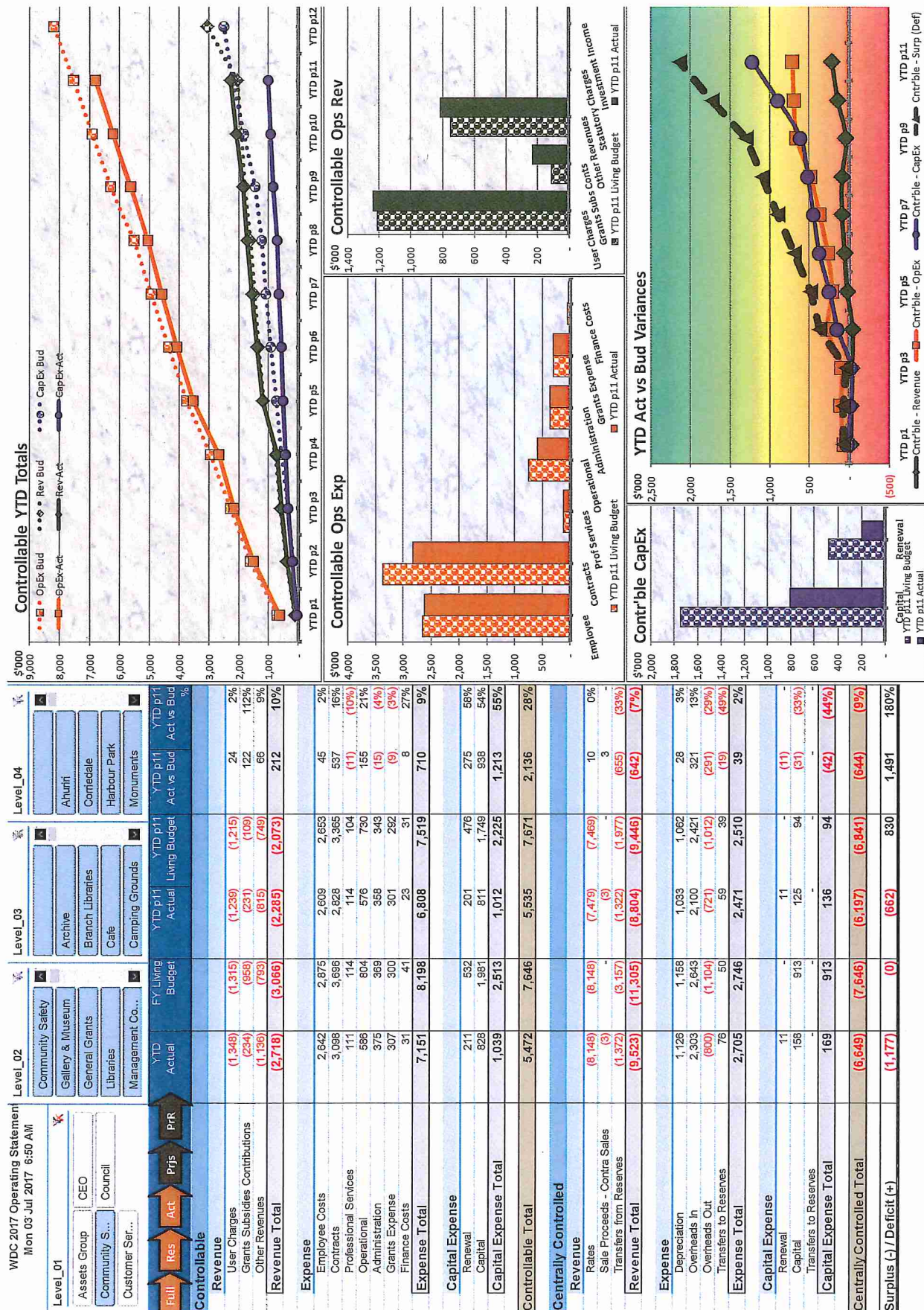
Property



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

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

Community Services



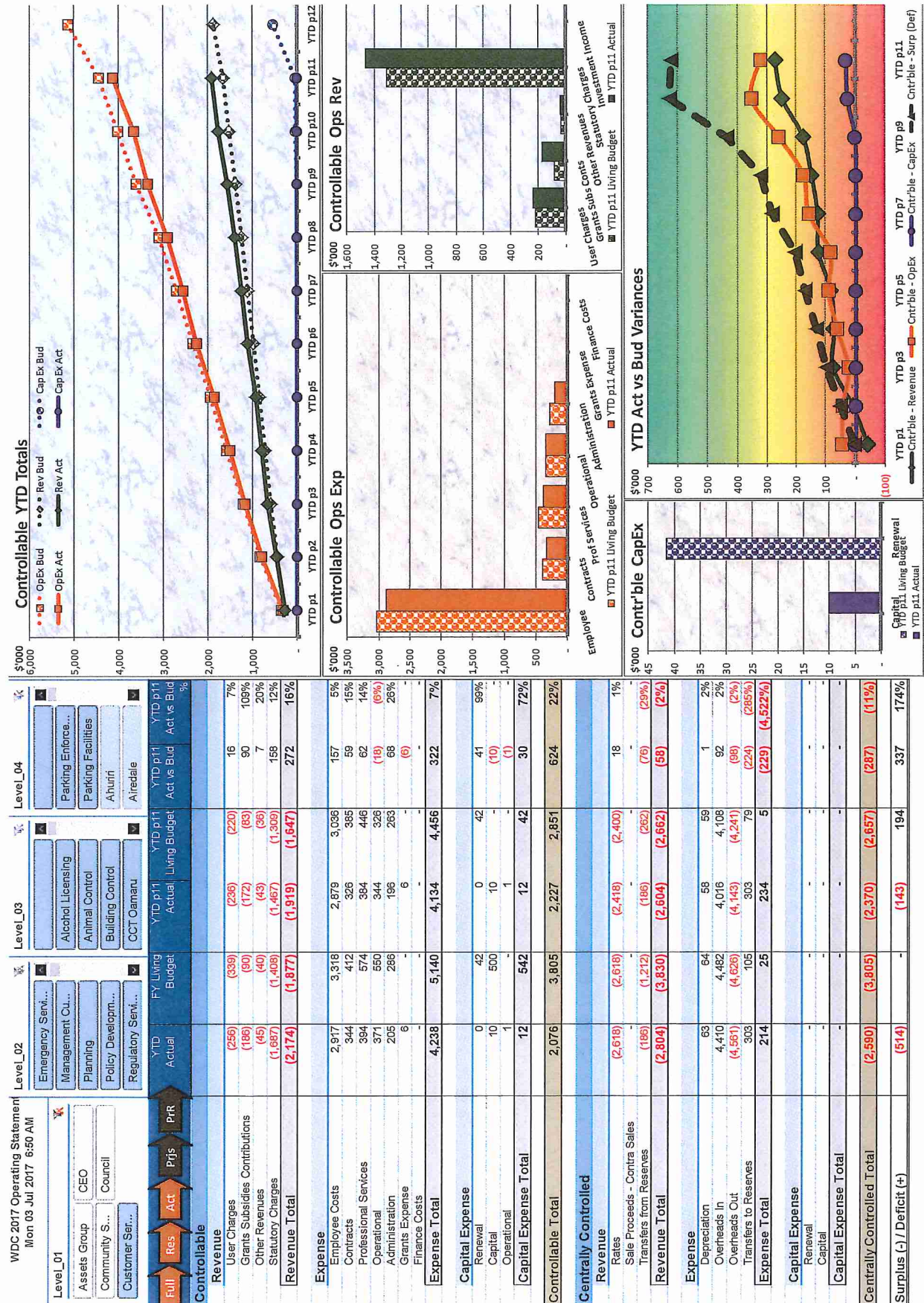
Appendix (a) – Variance Reports and Commentaries (continued)

Community Services - commentary

	last year YTD	this year YTD	budget YTD	variance		Manager/Activity(s) Overview:	Solutions/Actions Overview:
				YTD	YTD/%		
Community Services Group	5,039	5,535	7,671	2,136	28%	Parks: \$1472K is due to maintenance contract savings and project delays. Additional revenue made up \$64K of the variance. The Aquatic Centre shows a 13% 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. As a whole the group is tracking well.	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	485	527	520	(7)	(1%)	Unbudgeted Waitaki Heritage Fund Grant made (funded from Heritage fund) and Youth Council Grant received	No action required
Aquatic_Centre	387	460	530	69	13%	Revenue 19K over budget due to timing of swim school revenue. Expenses 25K under budget due to employee savings during closedown.	No Action
Community_Safety	74	66	125	59	47%	Reduced expenses due to timing of projects.	No action required.
Gallery_Museum	838	605	797	192	24%	Reduced income due to 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	711	866	906	40	4%	Tracking on target	Continue to monitor
Oamaru_Opera_House	312	299	315	16	5%	The Opera House continues to perform well as a meeting hub and is experiencing growth in the number of attendees at meetings and events.	Consistent management of controllable finance to keep operational costs down.
Parks_and_Recreation	2,233	2,712	4,478	1,766	39%	Camping - Revenue 47K over budget due to season passes sold. Capital 315K down as Sailors and Falstone discharge fields deferred. Cemetery - Cemetery plot sales 28K down, operational expenses 32K under budget due to contract savings. Oamaru extension 67K under budget and now complete. Forestry -Revenue 83K over with harvest of 'Milligans Block', operating Expense 64K under harvest of 'Sailors Cutting' block at Macraes delayed. Management Parks - Expenses 63K under due to valuation and toilet strategy phasing Public Gardens - Revenue 20K over budget with increased Depot rent. Expenses 168K under with contract savings and deferred work due to contractor capacity Parks - Revenue 23K over budget due to higher leased camp rents. Operation expenses 148K under budget due new contract. Capital 100K under - Kurow preschool and Hampden camp discharge system cancelled. Toilets - Operational 57K under budget due to new contract. Capital budget 360K under due to delays with Weston toilet and projects deferred Sportsfields - Capital 166K under budget. Mill Domain delayed to due ground conditions. King George Park work now scheduled for next year.	Camping - Review to start in August 2017. Cemetery - Monitor revenue. Forestry - No Action. Management Parks - No Action. Public Gardens - No Action. Parks - No Action Toilets - Carry forward future years budgets. Sportsfields - Carry forward budget for King George Park.

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

Customer Services



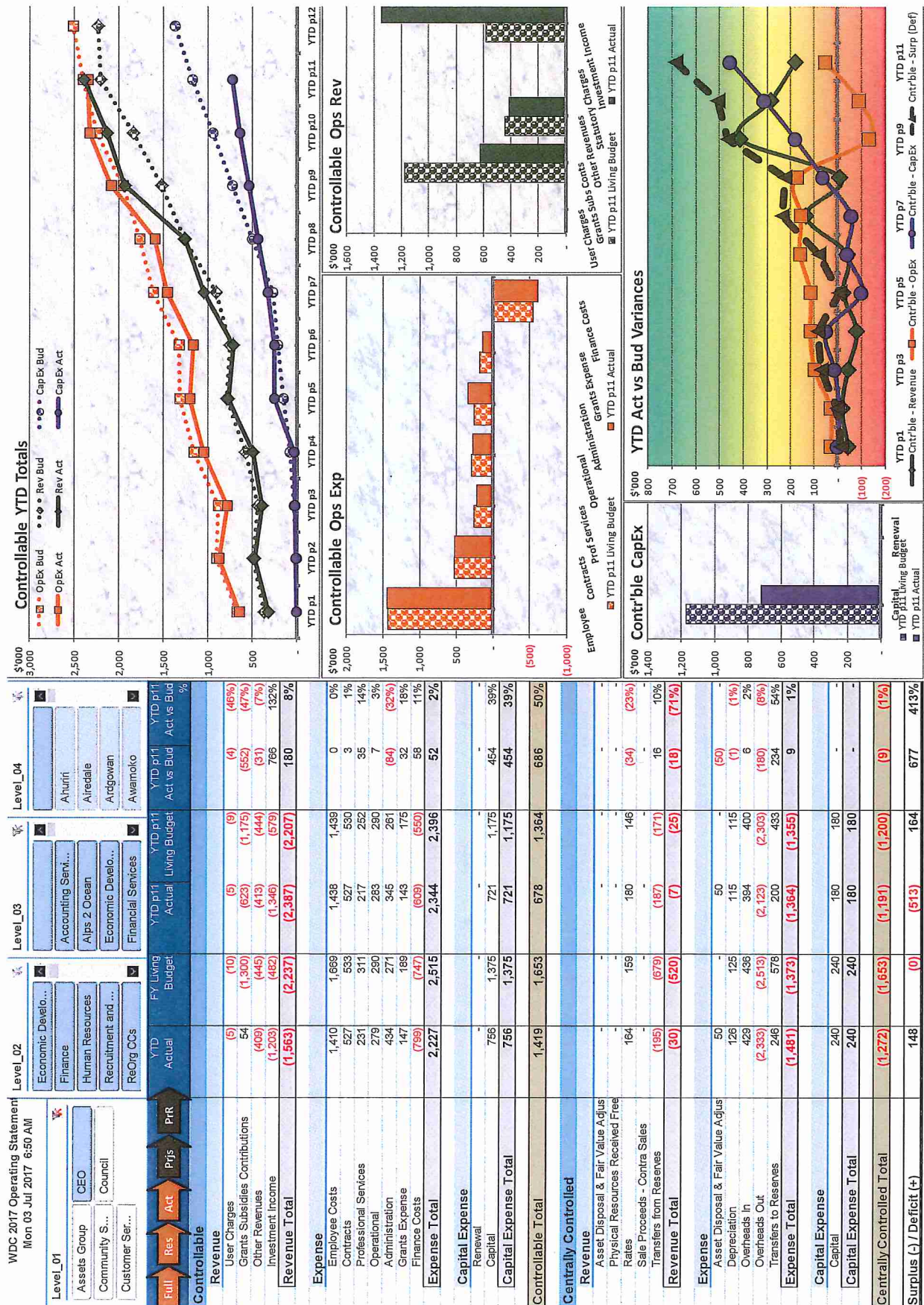
Appendix (a) – Variance Reports and Commentaries (continued)

Customer Services – commentary

	this year				budget		variance			Manager/Activity(s) Overview:	Solutions/Actions Overview:
	last year YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD%		
Customer Services Group	1,988	2,226	2,851	625	22%					Generally all units are operating at or better than budget, with no areas of major concern. Expecting a surplus at year end position.	Continuing to monitor budgets and take action as appropriate
Customer_GM	251	230	286	56	19%					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	450	466	482	16	3%					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	478	474	465	(9)	(2%)					Costs meet expectations. Both capital projects have been deferred due to legislative and structural changes.	N/A
Planning	236	247	475	228	48%					Increased economic activity is reflected in more consents being processed which in turn has caused a positive variance in the year to date.	
Policy	407	375	440	65	15%					Employee costs under budget re the Corporate Planner and Governance Officer positions. Both were budgeted as 1 FTE, but the Corporate Planner is currently 0.5FTE and the Governance Officer is substantially less. This shortfall has been compensated via the Policy and Communication Managers time, support from Executive Administration Staff, and the consultancy budget.	
Regulatory	166	433	703	269	38%					Overall regulatory budget is 9% over revenue \$124 - driven by alcohol and building consent applications. The only area under budget is environmental health which is impacted by the new Food Act and some businesses transferring registrations to MPI. Expenditure is 6% underspent \$114K. This is better than previously reported as additional project funding approved in December is now included. We expect most of this to be utilised in June and any backfill surplus to transfer to the next financial year.	It was expected year end Regulatory could be over budget for expenditure, however, revenue is ahead of forecast in some areas and now looks like it will be on track.

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

Chief Executive



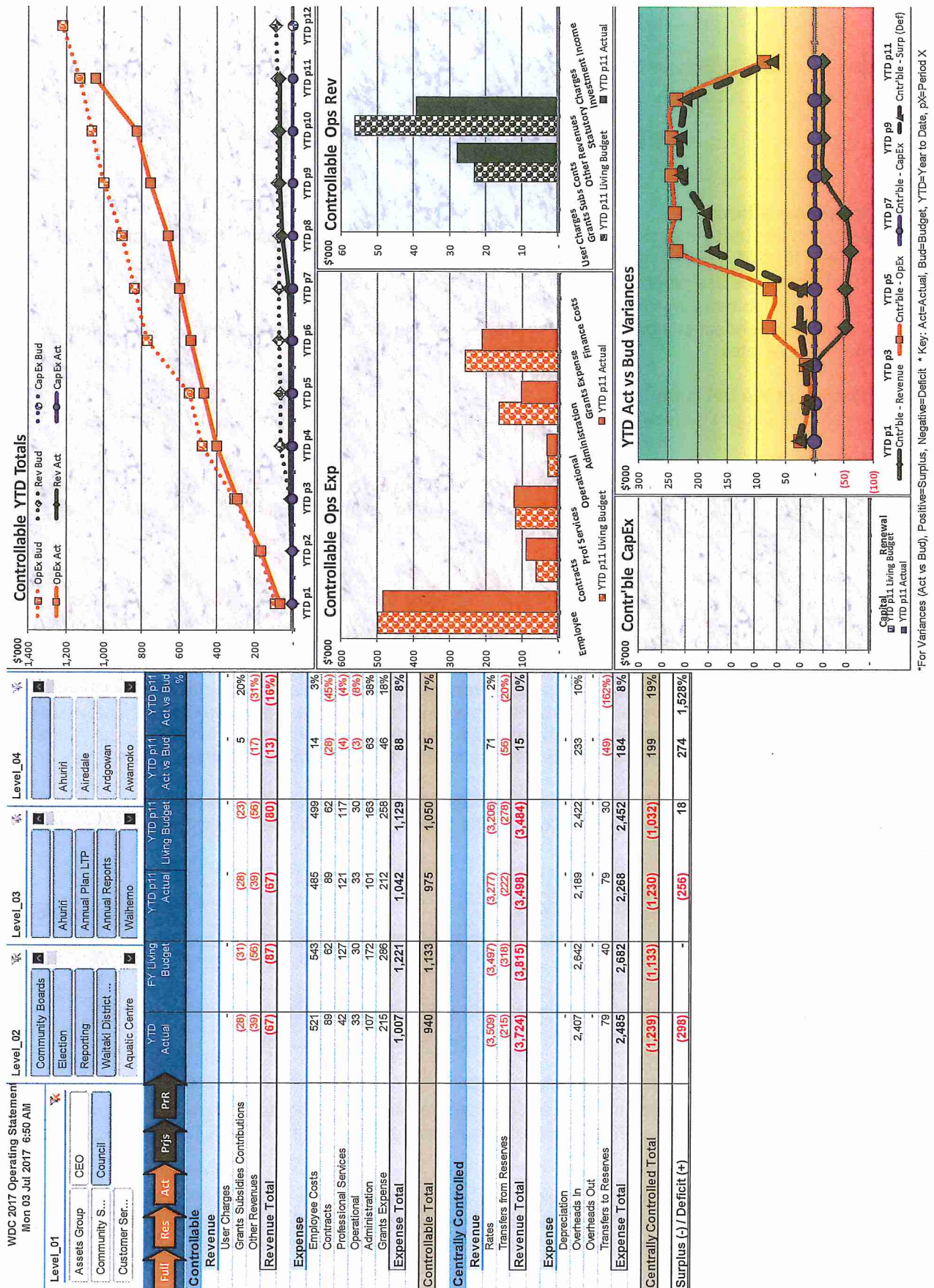
Appendix (a) – Variance Reports and Commentaries (continued)

Chief Executive - commentary

	last year YTD	this year YTD	budget YTD	variance		YTD%	Manager/Activity(s) Overview:	Solutions/Actions Overview:
				YTD	YTD			
CEO	435	678	1,364	686	50%		The operating results reflect the adjustments approved by Committee at the last meeting and show the limited net impact from the rates adjustment process. ED was covered in the previous reports.	All the major operating adjustments for the year have been made. The last actions will all relate to the year end adjustments in terms of asset valuations and capitalisation.
CEO	433	433	417	(16)	(4%)		The only real variance relates to professional services which as not been required in this activity.	No action required.
Finance	751	765	695	(69)	(10%)		The receipt of the Whitestone distribution is now reflected in the actual result creating a significant positive variance. The Business Analyst vacancy still under review.	Some of the salary saving has been used to implement the replacement for the HUB reporting tool. No other action required now that the major rate collections processes are over for the year.
Finance	1,054	1,002	1,089	87	8%			
Treasury	(2,060)	(1,817)	(1,136)	681	60%			
ReOrg CCs	3	-	-	-	-			
Human Resources	255	295	298	4	1%		Timing issues, on track now.	

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

Council



Finance, Audit and Risk Committee Report

From Chief Financial Officer

Date 12 July 2017

First Quarter 2017-18 Treasury Strategy

Recommendations

The Committee recommends to Council that it adopts the proposed Treasury Strategy for the first quarter of the 2017/18 financial year, by:

- continuing the use of term deposit facilities for terms between 7 days and 12 months, and
 - continuing to make minimal use of the call account,
- but always dependent on consideration of short-term operational cash requirements and on achieving target interest rates.

Objective of the Decision

To report on Council's proposed Treasury Strategy for the first quarter of the 2017/18 financial year.

Background

The Investment Policy adopted as part of the 2015-25 Long Term Plan sets out certain reporting and accountability requirements, including regular reporting to Council of outcomes in the treasury area and the adoption of a quarterly Treasury Strategy.

In line with the strategic direction set by the FAR Committee, officers invest surplus funds on a relatively short term basis unless a special or particularly attractive longer term rate is available. Only four banking institutions are currently involved in taking Council investment funds, although approval has been given to use four other "AA" rated banks should the need arise.

The Observatory Village Charitable Trust has been drawing on the loan facility provided by Council – to date the amounts involved have been lower than was indicated in the drawdown schedule provided by the Trust in May. Council has also approved additional interest-free loan grant funding for the Trust. Council has also provided additional interest-free funding for the Oamaru Whitestone Civic Trust.

Council has also advanced \$416k to Tourism Waitaki to provide the cashflow to fund improvements to Council owned assets at the Penguin Colony. The cost of the work will be recovered from the company over the term of its lease.

Summary of Decision Making Criteria

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

Discussion

As part of the cash management process, consideration is given to the appropriate mix of term deposit – long and medium term as well as extremely short term, and to holding minimal funds in the call and cheque accounts.

The Official Cash Rate (OCR) is currently 1.75%, its lowest point ever. Reductions in the OCR initially resulted in dramatically lower interest rates on deposits, but in an effort to re-balance their portfolios and to meet Reserve Bank funding requirements, banks are now inching those interest rates up. Currently, banks are offering rates in the vicinity of 3.8% for terms exceeding nine months. The 2017/18 Annual Plan anticipated interest rates near this figure, assuming rates will rise over the course of the year.

Summary of Options Considered in relation to the adoption of the Treasury Strategy

Option One: Adopt the Treasury Strategy, utilising both long and short-term deposits; making minimal use of the call account; and tailoring term deposits to meet operational and capital requirements (recommended).

Option Two: Direct officers to research and develop an alternative strategy.

Option Two is not recommended.

Implementation of the Preferred Option

Target ranges have been updated to reflect the range of rates currently on offer. It was noted in the Fourth Quarter Treasury Strategy that ANZ was then offering the best rates, but currently ASB is offering better rates – mainly due to ANZ having now reduced their rates. Westpac provides the best rates for terms under 3 months.

At 30 June 2017, Council has investments of \$4.25m with ANZ and \$3.55m with ASB, and had investments totaling \$13.475m in bank deposits.

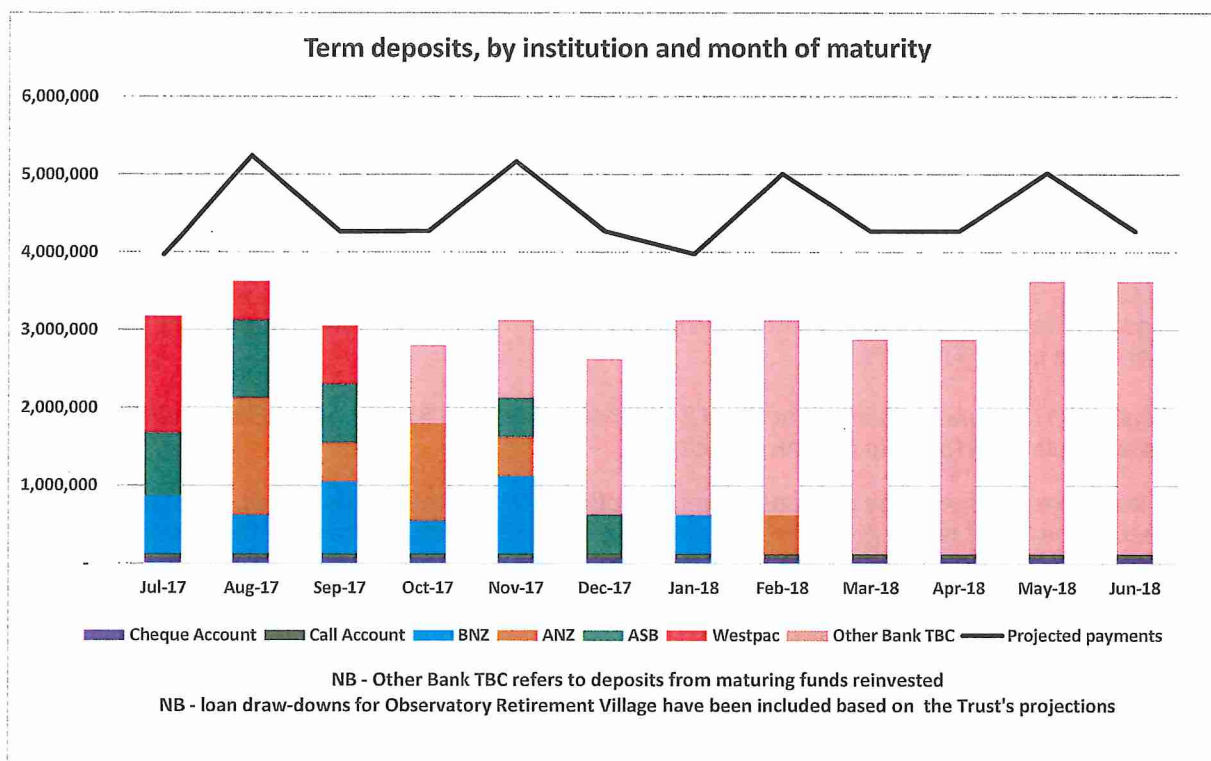
Given that there has been little movements in rates offered by the four banks overall, no change is proposed to the target rates agreed as part of the fourth quarter treasury strategy. These rates are as follows:

Term of investment	Target interest rate range	
	Minimum	Maximum
Up to & including 30 days (only 2 banks)	1.75%	>2.00%
Between 30 and 60 days	2.50%	>2.90%
Between 60 and 90 days	2.70%	>3.20%
Between 3 and 6 months	3.10%	>3.60%
Between 6 and 9 months	3.25%	>3.85%
Between 9 and 12 months	3.60%	>4.00%

- Officers will exceed the prescribed minimum levels where possible, but if this cannot be achieved, deposits will be placed at rates better than those paid on the call account.
- Minimal use will be made of the call and cheque accounts as fund repositories.
- Deposits will generally be placed for periods between 7 days and 12 months, always having regard to projected cash flow requirements and the need to maintain flexibility.
- Deposits will usually be between \$100,000 and \$1,000,000, but may vary from this range in response to special rates and other considerations as long as operational requirements are not compromised.
- Deposits for periods over six months will be dependent on assessing cash flow during that period.
- Deposits over \$1,000,000, or for over one year, will only be considered if rates far exceed the target ranges, and the funds are confirmed as surplus to forecast operational requirements.
- Officers may add other banks to those Council already deals with provided they meet Council's criteria in order to benefit from competition for investment funds.
- If, as a consequence of implementing the treasury strategy, the main bank account becomes overdrawn, officers will take every practical step to minimise the amount and duration of the overdrawn position while not compromising investment returns.

Only two of the banks Council deals with offer investment options for terms between 7 and 30 days. However, deposits for these terms provide much better returns than are offered on call accounts by all four banks – currently paying only 0.10%.

Projected cashflows over the next twelve months are outlined below.



Notes:

- The gap between maturing deposits and projected payments in any month will be met by the use of operational cash flows.
- The graph shows the maturity months and amounts of known term deposits, and the assumed timing and amounts of funds reinvested and new deposits (Bank TBC) – at this time, details of amounts, terms and institutions are not certain.
- Minimal use will be made of the call and cheque accounts, but these facilities still feature as part of Council's overall Treasury Strategy.

Ian Wells
Accounting Manager

Paul Hope
Chief Financial Officer

Finance, Audit and Risk Committee

Memorandum

From Chief Financial Officer

Date 12 July 2017

Corporate Group Activity Report to 30 June 2017

Recommendation

That the Committee receives the information.

Summary

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

Introduction

The end of one financial year and start of another have meant the last few weeks have been busy for the corporate team and finance and rates in particular.

Discussion

Finance – Policy and General

The Chief Financial Officer (CFO) attended the inaugural meeting of the Authority Strategic Development Group. This is part of the new structure of user groups set up for the NZ Authority Councils. The primary aim is to set the development priorities for New Zealand and identify areas where we can work more closely together.

Council is still to receive the draft management letter from Audit New Zealand and the full draft Deloitte internal audit report. We have received the initial finding from Deloitte as they relate to Waitaki but not the report covering all the Councils covered. Officers have started the process of integrating these findings into planned improvements to the purchasing process. This will be an area of focus over the next two reporting cycles so that progress can be made before the Long Term Plan takes priority.

Finance – Accounting and Transactional

The recent and current priorities all centre on the end of the financial year. This includes focusing on ensuring all outstanding accounts due for payments are recorded as quickly as possible, and that all disputes are being actively investigated and resolved. Once this is completed by the end of the month, the carry forward report will be prepared and presented.

Finance – Rates

By the time the meeting takes place the rates will have been set for the year and the invoice and instalment notice will be just about to be mailed. The rates team are also going through the process of recalculating the 2,816 quarterly, 1,401 monthly, and 303 fortnightly direct debits. The team also took the opportunity prior to the end of the year to write to ratepayers with balances outstanding that were due to be charged an arrears penalty. This is the start of the collection process, with the next step being the contacting of mortgagees where applicable.

Quotable Value (QV) are well into their preparation for the triennial rating revaluation. Attached is a letter from the National Revaluation Manager outlining the process and some of the issues they will be addressing during the revaluation. We will be meeting with them in July so if there are any questions you would like asked or any further information you require, please raise these during the meeting and we will get a response.

The rating sale process has also provided valuable lessons to the team including a number of ways that the collection process can be sped up in the future. A summary of the outcome of this process is attached for your information.

Information Management

The focus and achievements for the month were:

1. The majority of the web based maps system changes (product name is Public Maps but will be branded differently when launched) are finished. Alpha test completed, the only issues identified were within clients' machines because of the way they work. The issue is being worked on. At the same time we commenced the beta test, trying to eliminate as many "bugs" as we can.
2. Skype for Business RFP created and sent to three providers. This is to replace our current phone system.
3. SharePoint documents management system reviewed by Information Leadership. This is to identify the gaps and to help in creating a forward plan.
4. Wireless antenna installed for high speed and more stable network access for the facility buildings. Configuration of the new antennas is underway. This new setup is also to get us prepared for the coming Skype for Business system.
5. Promapp setup and training done. 22 processes documented already in 2 weeks.

Officers are also finalising the revised IM team structure and are currently considering the feedback received from staff. This is expected to be concluded in the very near future. This will then be followed by the recruitment process for the vacant positions.

Corporate and Business Development

Officers have begun the process of introducing and implementing Promapp. The first step was a visit by Promapp staff to install and undertake the initial training of the initial group of users. This user group is now building process maps within the Promapp system. The goal is to build at least 50 process maps by September before exposing the programme to the wider organisation. This approach is designed to ensure there is a library of processes to view when the wider organisation gains access to the system. Feedback to date has been positive about the usability and capacity of this system.

Insurance

A number of issues have arisen during the insurance renewal process. As noted previously Council had to find a new provider of Public Liability and Professional Indemnity insurance. Officers selected a product through AON to cover this need. Council also had a comprehensive review of insurance values performed as part of the property revaluation process. These new insurance values have been provided to AON to ensure we have appropriate coverage on the insured items. Council will see an increase in cost compared to the prior year but this is still expected to fit within the budget set for the year.

Council Controlled Organisations and Other Entity Monitoring

The Statements of Intent were all received by Council at its last meeting. The next task is coordinating the year end reporting process to ensure that Council's reporting timetable is met and all intercompany balances are agreed.

Oamaru Whitestone Civic Trust

Oamaru Whitestone Civic Trust (OWCT) have made voluntary repayments of the loan Council advanced. These have been earlier than required under the loan agreement. A summary of the loan for the 2016–17 year is as follows:

Opening balance 1 July 2016	\$365,000
Advances	90,000
Repayments	<u>(7,500)</u>
Closing balance 30 June 2017	<u>\$447,500</u>



Paul Hope
Chief Financial Officer
Attachment: Appendix 1

Appendix 1 – Rating Sale Process Summary

Council has been aware for some time that a number of ratepayers had consistently failed to meet their obligations as property owners in relation to the payment of their annual rates. Several properties were identified and judgement was obtained against them through the District Court. As these initial judgments were not satisfied, Council then applied to the Court to have the outstanding amounts met through the rating sale process. This process is directly managed by the Court so that interests of both Council and the ratepayers are protected. However, as rating sales were not regarded as a high priority by the Court, those applications were not followed through for some time, despite officers pressing for action to be taken.

Action was finally taken at the start of the year and the Court has subsequently overseen the sale of properties belonging to a total of seven individuals and one company. Due to the delays with the Court process, significant additional arrears penalties were charged and were subsequently written off. Although Council did not factor this unrecoverable income into its budgets, it did make the process appear more expensive than it actually was. Council's losses were further mitigated through the provision for Doubtful Debts that had built up over the life of these accounts.

In the table below, the estimated impact at period 9 is compared with the actual results that are reported for May 2017, period 11.

	\$000's
Total outstanding (net 2017 arrears adjustment)	\$799
Less net sale proceeds	(143)
Net outstanding	<u>656</u>
Less doubtful debt provision utilised	(371)
Net bad debt recognised in 2017	<u>\$285</u>
Budget bad debt 2017	<u>\$150</u>

Of the properties sold, only one achieved a sale price sufficient to clear the total balance outstanding, and an amount towards legal fees as well. On two others, Council recovered no funds at all, and was required to pay the balance of legal fees due.

The additional bad debt recognised this year primarily represented the arrears penalties charged in the 2016 year. Writing this amount off was allowed for in the 2016 budget. However, because of the delays in the process, this will be recognised a year later than anticipated.

Although the rating sale process is cumbersome and did result in a loss, the key benefits were:

- Council's accounts receivable ledgers more realistically reflect collectable debtors
- The new owners will be required to pay rates by direct debit, meaning there is less likelihood of this situation recurring in relation to these particular properties

A key matter that has come to light at the end of the process is that once a judgement has been made by the Court, no further penalties can be recovered. In place of the penalty the Court allows a basic interest cost to be charged and recovered. This will be allowed for going forward and no further penalties will be charged once the judgement process has occurred. We will also look at the net result of the whole process and factor this into the doubtful debt provision calculation performed at year end.



26 May 2017

Paul Hope.
Chief Financial Officer.
Waitaki District Council.
Private Bag 50058
Oamaru 9444.

Quotable Value Limited
www.qv.co.nz

Dear Paul

General Revaluation 2017

A general revaluation of your district is scheduled to be completed this year.

In communication with the Valuer General's office these dates are scheduled for the Waitaki District Council revaluation.

Effective date of valuation	01/09/2017
OVG basis and electronic file due at auditors:	12/10/2017
OVG site visit – 2 days commencing:	24/10/2017
Final OVG file delivery prior to implementation:	31/10/2017
Date of implementation:	04/11/2017
Date of public notice:	08/11/2017
Approximate date owners notices posted:	15/11/2017
Objection close date*	22/12/2017

Property owner surveys

In preparation for the revaluation, QVratingvalue has asked owners of accommodation, commercial, farming, horticultural and forestry property to answer a brief survey about the use of their property and/or land.

For dairy, horticultural and pastoral units we particularly want to know about changing patterns of land use in the area. For rental property owners we have included questions on the earthquake safety rating of buildings. These surveys were posted mid April 2017.

Underlying issues

There may be existing issues that could affect the revaluation, please let me know if you have

Level 2/834 Colombo St.
Christchurch Central
Christchurch

PO Box 13443
Armagh
Christchurch 8141

Phone: 03 341 1631
Fax: 03 341 1635
Email: christchurch@qv.co.nz



- identified any properties or areas of concern,
- any issues arising from previous revaluation objections,
- matters that need consideration in respect to a change in the district plan.

It is noted that revaluation audit reports were not issued by the Office of the Valuer General for the 2014 Revaluation audit for your District.

Current sales data

The revaluation will be measured statistically against current sales data. In the lead up to the revaluation and audit period it is very important that sales data comes through to QV promptly.

Data integrity checks

In preparation for the revaluation we will shortly start working through a series of data integrity checks which may involve changes to the land use data, categories, production fields and some MAS data fields. These are unlikely to result in any value changes but may mean that you see a slight increase in roll activity. These checks may also identify further rating units that need splitting to comply with the rules.

Zoning information

We are also trying to improve the zoning information stored on the DVR and used in the valuation process. We find it very beneficial to spend time with your town planners, particularly in discussions relating to future developments within the district and would like to arrange a meeting prior to the revaluation commencing.

Amalgamations of farms into one rating unit:

In 2015 the Valuer General advised that all rating units must be correct in terms of section 2.4.1.2(d) of the Rating Valuation Rules. Revaluations that do not comply with this rule will not obtain Revaluation approval.

Under section 2.4.1.2(d) of the Rating Valuation Rules some of the rating units currently held are not correct. Amalgamations have already been undertaken for most farm properties where the land is used as one farming operation and it is likely that the operation will be held (alienated) as only one farming operation.

The amalgamated rural rating units are also required to be

- Owned by the same person or persons;



- Used jointly as a single unit; and
- Contiguous (i.e. neighbouring) or separated only by a road, railway, drain, water race, river or stream.

As part of the revaluation we will be reviewing rural rating units which may result in some additional amalgamations being done to meet this instruction from the Valuer General. Property owners are advised by valuation notice as to any amalgamation, with an explanatory letter also sent to the owners. Additional objections may arise as a result of the amalgamations.

Weather tightness

Please supply a register of identified buildings with weather tightness issues, if available. The impact of weather tightness issues needs to be reflected in the proposed values.

Earthquake prone buildings

There is growing awareness of the importance of ensuring buildings fall within 67% of the building code. If available, please supply a register of potential earthquake prone buildings. This needs to be taken into account for the analysis of sales and rentals, and then applied to similar structures.

Methamphetamine contamination - (P Houses)

QV is required to identify houses that are known to be contaminated by P Labs, and reflect the effect of this contaminant in the value of the property. Can you please provide details of any known houses affected by this?

Maori Freehold Land

You will be aware that from 1 July 2011 owner's notices issued for Maori Freehold Land must display: the values before any adjustment, the adjustment factors for multiple owners, any adjustment factor applied for sites of significance, and the adjusted rating valuation.

The approach to the valuation of Maori land is likely to change in view of new legislation. This has yet to be finalised and will not affect your revaluation this year.

In previous revaluations Te Puni Kōkiri supplied an insert with owner's notices to explain these adjustments. Te Puni Kōkiri is no longer producing this insert. Please let me know if you believe ratepayers would benefit from more explanation as to the approach to valuing Maori Freehold Land with this year's valuation notices.



Utility Asset Valuations

Owners of utility rating units (including the Council) will be contacted separately for updated information regarding the utility to assist with the 2017 valuation of these properties.

Revaluation Audit

You will be contacted by the Valuer General's office in due course regarding the entry interview. This is the first part of the onsite audit, and an invitation is extended to the Territorial Authority to attend.

I hope this has covered your key points. Please do discuss any particular requirements you have with me or Tim Gibson of QV.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Gail Smits', with a stylized flourish at the end.

Gail Smits

National Revaluation Manager

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