



# Waitaki

DISTRICT COUNCIL  
TE KAUNIHERA Ā ROHE O WAITAKI

**Notice of a meeting of the**

## *Finance, Audit and Risk Committee*

**in the**

**Whitestone Cheese Empire Room, Oamaru Opera House,  
94 Thames Street, Oamaru**

**9.00am, Wednesday 8 November 2017**

### **MEMBERSHIP:**

Cr Wollstein (Chair)  
Cr Dawson  
Cr Hopkins

Mayor Kircher (ex Officio)  
Cr Garvan  
Cr Percival

# Agenda

## Finance, Audit and Risk Committee

9.00am, Wednesday 8 November 2017

Whitestone Cheese Empire Room, Oamaru Opera House,  
94 Thames Street, Oamaru

### Apologies

### Declarations of Interest

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1. <b>Confirmation of Meeting Minutes</b>	3 – 6
• 4 October 2017	
2. <b>Financial Report – Period 3 / Quarter 1</b>	7 – 21
• Memorandum and Recommendation	
3. <b>Second Quarter 2017-18 Treasury Strategy</b>	22 – 24
• Memorandum and Recommendation	
4. <b>Corporate Services Group Activity Report</b>	25 – 26
• Memorandum and Recommendation	

"That the public be excluded from the following parts of the proceedings of this meeting, namely items 5 and 6.

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 Previous Public Excluded Meeting Minutes – 4 October 2017 PE	Section 48(1)(a) (The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned.)
• Accounts Payable Report PE	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. <b>Confirmation of Previous Public Excluded Meeting Minutes</b>	27
• 4 October 2017 PE	
6. <b>Accounts Payable Report PE</b>	28 – 32

## Waitaki District Council

### Finance, Audit and Risk Committee

**UNCONFIRMED Minutes of Finance, Audit and Risk Committee meeting of the  
Waitaki District Council held in the Whitestone Cheese Empire Room,  
Oamaru Opera House, 94 Thames Street, Oamaru  
on Wednesday 4 October 2017 at 9.00am**

**Present:** Cr Wollstein (Chair), Crs Dawson, Garvan, Hopkins, and Percival;  
Mayor Kircher

**In Attendance:** Cr Tavendale  
Cr Kingan  
Cr Holding  
Cr Wheeler  
Mr Power (Chief Executive)  
Mr Hope (Chief Financial Officer)  
Mrs Baillie (Customer Services Group Manager)  
Mr Wells (Accounting Manager)  
Mr Roesler (Policy and Communications Manager)  
Ms Hooper (Policy Officer – Governance)

#### **Declarations of Interest**

There were no declarations of interest.

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

RESOLVED  
FAR17/058

Cr Dawson / Cr Hopkins  
"That the Finance, Audit and Risk Committee confirms meeting minutes of  
16 August 2017."

CARRIED

It was AGREED that a full list of Council fees and charges, showing existing and previous charges for comparison purposes, would be distributed to Councillors.

ACTION POINT: Mr Roesler

Cr Dawson left the meeting at 9.22am, and returned at 9.25am.

#### **2. Financial Report – Period 2**

The financial report, as circulated, covered the two months ended 31 August 2017. It noted that Council officers are currently midway through a transition from one reporting system to another. As a result, the format of this report is quite different from previous reports. A proposed format is included as Appendix (d), but – due to the transition process – only limited commentary can be provided this month. If there is time during the day, discussions could commence on what should be included in any new standard reporting package.

RESOLVED  
FAR17/059

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

CARRIED

### 3. Draft Annual Report for the Year Ended 30 June 2017

A cover report and an addended report, as circulated, presented extracts from the Council's Draft Annual Report for the year ending 30 June 2017. The Annual Report and Audit opinion will be presented for adoption at the 25 October 2017 Council Meeting.

Mr Hope and Mr Wells spoke to the addended "Pre-Audit Draft Annual Report for the Year Ended 30 June 2017" report. Mr Wells also advised an update on Note 6 – Personnel costs, namely: that the figures now referred to all Elected Members (including Community Board members).

RESOLVED  
FAR17/060

Mayor Kircher / Cr Dawson  
"That the Finance, Audit and Risk Committee receives the information."

CARRIED

It was AGREED to take agenda items out of order from this point forward.

### 5. Corporate Services Group Activity Report to 30 September 2017

The memorandum, as circulated, provided an update to the Finance, Audit and Risk Committee on various finance, information management and business development-related matters occurring subsequent to the writing of a similar report to the 16 August 2017 Committee meeting.

RESOLVED  
FAR17/061

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

CARRIED

In response to the suggestion in the report, it was AGREED that there is merit in presenting the full collection plan presented at the next meeting.

ACTION POINT: Mr Hope

Cr Hopkins left the meeting at 10.01am, and was present again when the meeting reconvened.

The meeting was adjourned at 10.02am, and reconvened at 10.16am.

### 4. Whitestone Contracting Limited – Annual Report 2016/17

The report, as circulated, presented the audited Whitestone Contracting Ltd Annual Report for 2016/17, together with a formal resolution for the receipt of the report and the appointment of auditors, such latter resolution being in lieu of a shareholders meeting.

The Chair welcomed Whitestone Contracting Limited Chairman Mr de Buyzer, Accountant Mr Read, and Chief Executive Mr Campbell to the meeting. Mr de Buyzer spoke to the Annual Report, and a question and answer session with Councillors then occurred.

On behalf of Council as the only shareholder, the Mayor commended Mr Campbell and the full Whitestone Contracting Board for their efforts over the last few years, and acknowledged that the pleasing performance communicated in the Annual Report was due reward for the improvements that had been made. The Chair added that the outlook is also very positive.

RESOLVED  
FAR17/062

Mayor Kircher / Cr Hopkins  
"That the Finance, Audit and Risk Committee:  
1. Receives the 2016/17 Annual Report of Whitestone Contracting Limited.

CARRIED

## UNCONFIRMED MINUTES – FAR 04.10.2017

RESOLVED  
FAR17/063

Cr Hopkins / Cr Dawson

"That the Finance, Audit and Risk Committee:

2. Recommends that Council authorises the Mayor and Chief Executive to sign the resolution pursuant to Section 122 of the Companies Act 1993 in lieu of the Annual General Meeting of shareholders of Whitestone Contracting Ltd."

CARRIED

The Chair thanked the Whitestone Contracting Limited representatives for their attendance, congratulated them again on their annual performance, and wished them continued success in 2018.

The Chair adjourned the meeting at 10.30am, for a workshop with Whitestone Contracting Limited Directors. The media representative left the room.

The Chair reconvened the meeting at 10.49am, and immediately advised his intention to move the meeting into public excluded. There were no media or members of the public in the meeting.

RESOLVED  
FAR17/064

Cr Hopkins / Cr Garvan

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

- Confirmation of Public Excluded Meeting Minutes 16 August 2017
- Accounts 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:

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Public Excluded:	To protect the privacy of natural persons.
• Confirmation of Public Excluded Meeting Minutes 16 August 2017	Section 48(1)(a) (The disclosure of the information would cause unnecessary personal embarrassment to the persons concerned.)
• Accounts Payable Analysis	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."

**Refer to Public Excluded Minutes**

RESOLVED  
FAR17/069

Cr Hopkins / Cr Dawson

"That Council resumes in open meeting and decisions made in the public excluded session are confirmed and made public as and when required and considered."

CARRIED

## UNCONFIRMED MINUTES – FAR 04.10.2017

There being no further business, the Chair declared the meeting closed at 11.26am.

Confirmed on this 8<sup>th</sup> day of November 2017 in the Whitestone Cheese Empire Room  
of the Oamaru Opera House, 94 Thames Street, Oamaru.

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Chairman

UNCONFIRMED

# Finance, Audit and Risk Committee Memorandum

**From** Chief Financial Officer

**Date** 8 November 2017

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## Financial Report – 2018, Period 3 / First Quarter

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### Recommendation

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

### Financial Overview

This financial report covers the first quarter of the 2017/18 financial year. Indications at this early stage are that most Council activities are operating, as in previous years, near or better than budget.

At this point, the processing of funding for capital expenditure for the first quarter has still to be completed. This particularly impacts the Waters, Property, and Parks and Recreation activities, and the detailed financial variance reports should be read whilst bearing that factor in mind.

### Commentary

The GAAP Financial Reports, presented as Appendix (a), show an operating deficit of (\$417k) against a budgeted deficit for the same period of (\$1.532m). Much of the variance arises from the recognition of the net \$840k gain on the sale of the Boundary Creek property.

The GAAP Financial Reports are presented in the format required for Council's external financial reporting. While they are based on information provided in the summarised activity reports presented in Appendix (c), that information is re-stated to meet financial reporting standards and so the two sets of reports do not necessarily align.

### Revenue

Overall revenue, which includes the gain on property sale of \$840k, is over budget by \$1.302m, with most revenue categories (apart from Government Grants) achieving or bettering budget.

#### Notable variances from budget:

- User Charges are over budget by \$529k, largely as a result of unbudgeted revenue from forestry harvesting, generating gross income of \$297k. Other revenue items, including Rent, Cemetery charges and Camping revenue, are also over budget;
- Government Grants and Subsidies are running under budget by \$175, primarily driven by Roading which is under budget by \$197k due to the focus having been on repairing flood damage. These results include an estimate of the NZTA subsidy related to the flood event;
- Development and Financial Contributions are over budget by \$25k; Roading DCs are ahead of budget by \$64k, whereas RMA contributions are under by \$25k, Water by \$9k, and Sewer by \$4k;
- Finance income is slightly below budget, reflecting slightly lower than anticipated interest rates – these are expected to rise slowly over the course of the year.

### Expenditure

Overall expenditure is reported over budget by \$187k.

#### Notable variances from budget:

- Employee costs are under budget by \$191k. Of this, salaries and wages are \$203k under budget, reflecting savings made while a number of key positions remained vacant. As a consequence of those vacancies, Council's contributions to Kiwisaver are under budget by \$14k, but the unbudgeted cost of contractors required to fill those gaps amounted to \$22k.
- Other Expenses are over budget by \$356k. Unbudgeted Forestry harvesting costs account for \$207k of this variance, and contractors' charges associated with Roading flood remediation has resulted in an over-budget position by \$565k, largely offset by numerous minor cost savings in other areas. Discussions are underway with NZTA for recovery of the subsidy in relation to these costs, and this has been accrued as part of Government Grants revenue.


## Capital Expenditure

Overall, capital expenditure, at \$2.023m is under the budget of \$2.781m by \$758k

### Notable variances from budget:

- Roading capital expenditure is under budget by \$956k, almost entirely due to the focus having been on restoration of flood damaged infrastructure since the July flood event;
- Water capital expenditure is over budget by \$153k mainly due to works on South Hill improvements. This work is regarded as part of the Hamnak project, the bulk of which is budgeted to occur over coming months
- Sewer capital expenditure is down by \$33k largely due to work on the Otematata scheme not yet having commenced
- Property capital expenditure is under budget by \$70k due to work on the breakwater being under by \$105k

More detail on the above projects and variances from budget has been provided in group activity reports to other Council Committees.



Ian Wells  
**Accounting Manager**



Paul Hope  
**Chief Financial Officer**

### Attachments

- Appendix (a) – First Quarter Financial Reports
- Appendix (b) – Quarterly Treasury Report
- Appendix (c) – Separate rate account movements for the year ended 30 June 2017
- Appendix (d) – Variance Reports and Commentaries

## Appendix (a) – First Quarter Financial Reports

### Statement of Comprehensive Revenue and Expense

for the three months ended 30 September 2017

	2018 3 Months Actual \$000	2018 3 Months Budget \$000	Council Only 2018 Annual Budget \$000	2017 12 Months Actual \$000
<b>Revenue</b>				
Rates Revenue	7,550	7,511	30,717	30,303
User Charges	1,489	960	3,907	5,909
Regulatory Charges	556	479	1,557	1,508
Development and RMA Contributions	198	173	692	738
Government Grants and Subsidies	1,263	1,439	7,163	6,339
Other Grants and Donations	48	63	2,388	900
Finance Revenue	324	338	1,354	1,184
Petrol Tax	47	49	196	193
Infringements and Fines	13	14	57	86
Dividend and Subvention Payments	-	-	120	790
Assets vested in Council	-	-	-	726
Other gains and Losses	840	-	-	(1,618)
<b>Total Revenue</b>	<b>12,328</b>	<b>11,026</b>	<b>48,151</b>	<b>47,058</b>
<b>Expenses</b>				
Personnel costs	2,814	3,005	11,314	10,652
Depreciation and amortisation	3,052	3,030	12,119	11,887
Finance Costs	-	-	-	1
Other expenses	6,879	6,523	21,286	22,987
<b>Total Expenses</b>	<b>12,745</b>	<b>12,558</b>	<b>44,719</b>	<b>45,527</b>
<b>Surplus / (Deficit) before Tax</b>	<b>(417)</b>	<b>(1,532)</b>	<b>3,432</b>	<b>1,531</b>
Income Tax Expense / (Refund)	-	-	-	-
<b>Surplus / (Deficit) after tax</b>	<b>(417)</b>	<b>(1,532)</b>	<b>3,432</b>	<b>1,531</b>
<b>Other Comprehensive Revenue and Expense</b>				
Gain/(Loss) on revaluation of Infrastructural Assets	-	-	-	-
Gain/(Loss) on revaluation of Properties	-	-	14,315	9,741
Other Comprehensive Revenue	-	-	-	-
<b>Total Other Comprehensive Revenue and Expense</b>	<b>-</b>	<b>-</b>	<b>14,315</b>	<b>9,741</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>(\$417)</b>	<b>(\$1,532)</b>	<b>\$17,747</b>	<b>\$11,272</b>

## Appendix (a) – First Quarter Financial Reports (continued)

### Statement of Financial Position

As at 30 September 2017

	Council Only		
	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
<b>Public Equity</b>			
Ratepayers' Equity	310,208	310,208	310,208
Revaluation Reserve	415,187	426,746	415,187
Operating Reserve	21,552	25,448	21,932
Other Reserves	15,245	15,648	14,842
<b>Total Public Equity</b>	<b>\$762,192</b>	<b>\$778,050</b>	<b>\$762,169</b>
<b>Non-Current Assets</b>			
Property Plant and Equipment	718,386	740,550	719,240
Intangible Assets	681	820	681
Forestry	226	100	226
Assets held for Sale	1,150	1,150	1,150
Other Financial Assets			
- Investments in CCO's	4,912	4,912	4,912
- Investments in other entities	145	145	145
- Loans to other entities	25,971	25,032	25,060
	751,471	772,709	751,414
<b>Current Assets</b>			
Cash and Cash Equivalents	5,006	2,150	4,483
Receivables	3,667	3,275	3,470
Prepayments	260	285	233
Inventory	26	14	26
Other Financial Assets			
- Term deposits	9,050	6,750	9,425
- Loans to other entities	16	1	16
Assets held for Sale	-	-	369
	18,025	12,475	18,022
<b>Total Assets</b>	<b>769,496</b>	<b>785,184</b>	<b>769,436</b>
<b>Non-Current Liabilities</b>			
Provisions	788	390	788
	788	390	788
<b>Current Liabilities</b>			
Trade and Other Payables	5,314	5,620	5,272
Employee Entitlement Liabilities	1,091	1,050	1,074
Provisions	111	74	133
	6,516	6,744	6,479
<b>Total Liabilities</b>	<b>7,304</b>	<b>7,134</b>	<b>7,267</b>
<b>Net Assets</b>	<b>\$762,192</b>	<b>\$778,050</b>	<b>\$762,169</b>

## Appendix (b) – Quarterly Treasury Report

### Treasury Overview

This report reviews Treasury performance for the first quarter of the 2017/18 financial year, and projects Council's expenditure profile and anticipated investment maturity over the next twelve months.

Interest rates failed to reach the levels allowed for in the budget during the first quarter and, in some instances, dropped back from levels achieved in the previous quarter. Rates charged for the NOIC and Observatory Village loans reduced on those charged last year due to the contractual basis on which those rates are calculated.

Council uses the four major New Zealand banks for deposits, and is able to compare rates when deciding on investment opportunities. These banks are rated "AA" or better by Standard and Poors. Council has approved the limited use of five other "A" rated banks for investment purposes but, in the short term, it is unlikely that other banks will be required.

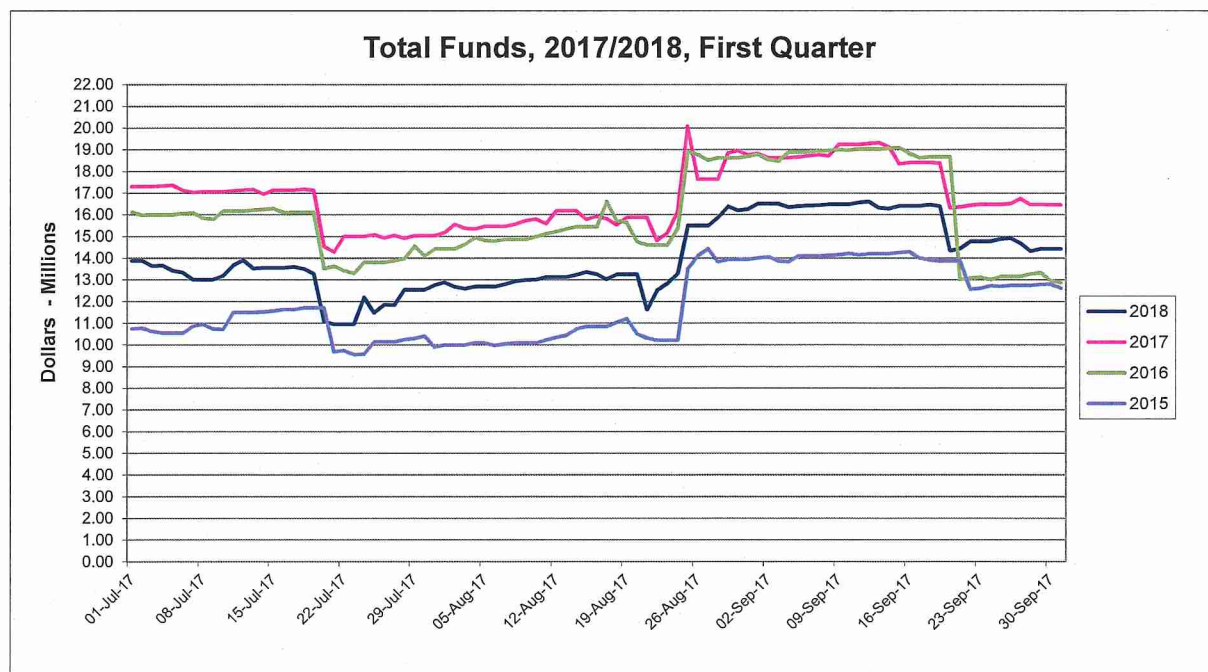
### Overall Cash Position

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

Due to unanticipated cash requirements, Council's bank account was in overdraft from 5 – 10 July 2017, the maximum amount of \$463,521 being reached over the weekend of 7 – 10 July. Council incurred was charged \$270.87 for overdraft fees and interest. The account has not gone into overdraft since that time.

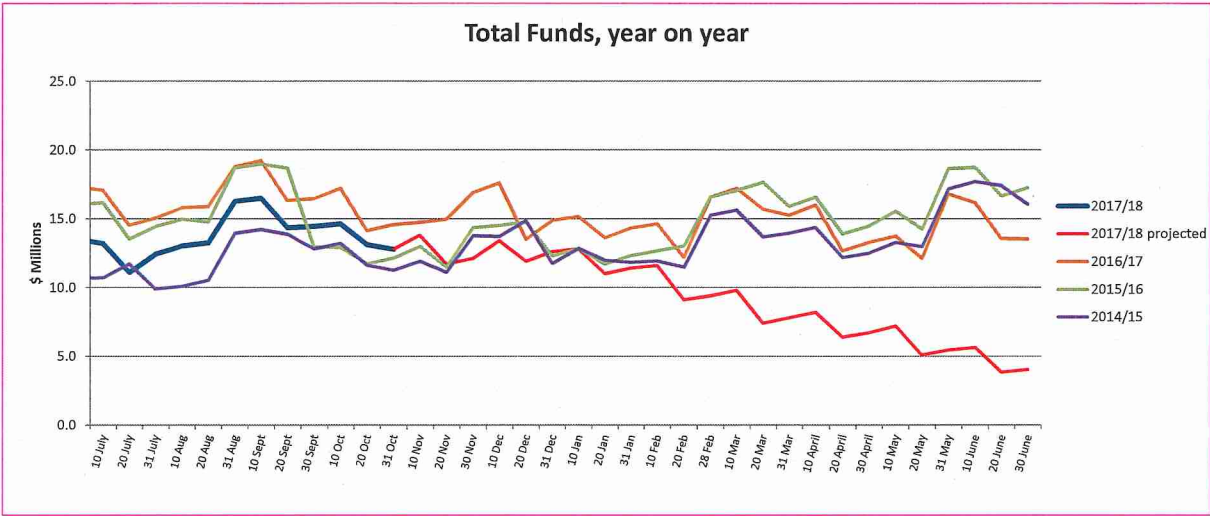
On 20 October, an issue arising from the misinterpretation of Council's investment instructions resulted in a deposit maturing into an incorrect bank account, leaving Council's account overdrawn by \$340,102 until 24 October (ie Labour weekend). The bank concerned has admitted responsibility for the problem and Council will incur no fees as a result.

### Total Cash Funds, First Quarter Movements



Appendix (b) – Quarterly Treasury Report (continued)

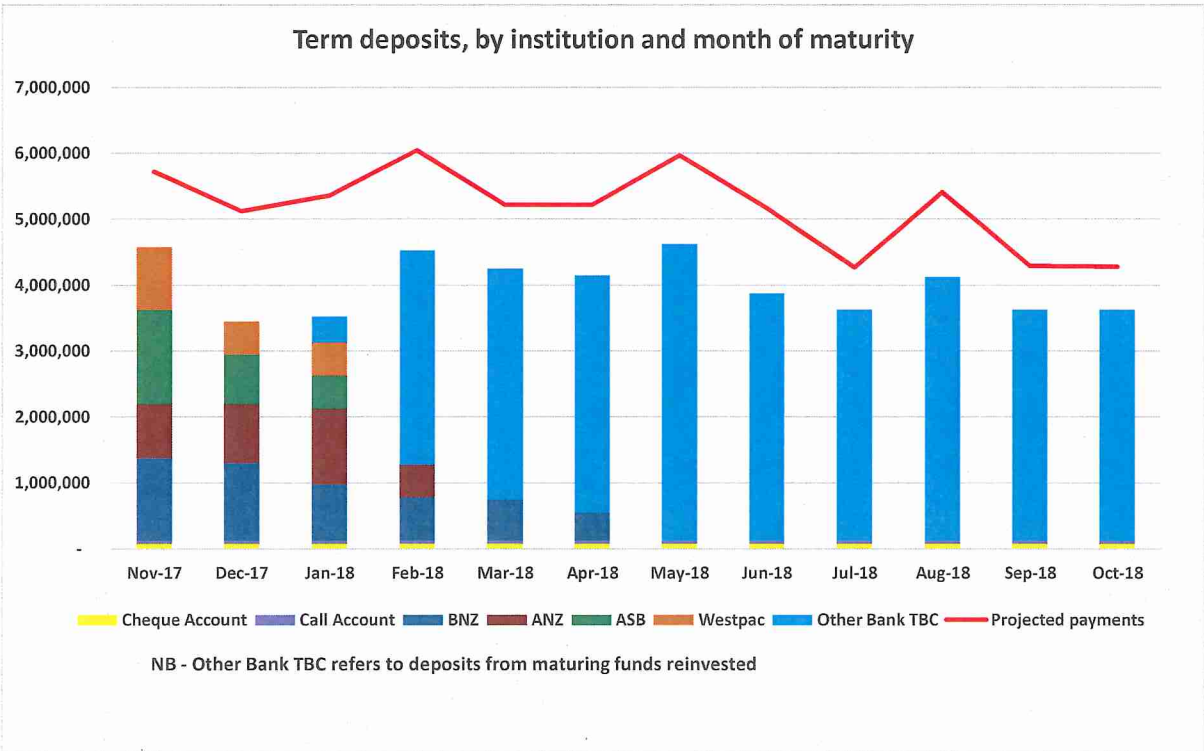
Total Funds, 2017/18 Financial Year



Projected investment maturity and outgoings analysis

This graph projects likely cash outgoings and maturing investments by month, with the gap between available funds from bank deposits and projected expenditure being met by current month operating revenues.

Projected payments allow for draw-downs for the additional \$3.5 million retirement village loan over the balance of the current financial year, as well as the completion of the Hamnak project.



## Appendix (b) – Quarterly Treasury Report (continued)

### “Cash” Investment as at 30 June 2017

Institution	Original Term	Maturity Date	Rate	Amount
BNZ	80 days	20/10/2017	2.63%	\$400,000
BNZ	216 days	09/11/2017	3.68%	\$1,000,000
BNZ	103 days	20/11/2017	2.63%	\$250,000
BNZ	120 days	20/12/2017	3.37%	\$575,000
BNZ	89 days	20/12/2017	3.01%	\$600,000
BNZ	244 days	22/01/2018	3.65%	\$500,000
BNZ	210 days	22/03/2018	3.60%	\$625,000
<b>Total BNZ</b>				<b>\$3,950,000</b>
ANZ	240 days	19/10/2017	3.90%	\$500,000
ANZ	270 days	20/10/2017	3.65%	\$750,000
ANZ	179 days	20/11/2017	3.75%	\$500,000
ANZ	90 days	20/11/2017	3.10%	\$325,000
ANZ	107 days	14/12/2017	3.15%	\$400,000
ANZ	117 days	20/12/2017	3.20%	\$500,000
ANZ	150 days	22/01/2018	3.25%	\$500,000
ANZ	136 days	22/01/2018	3.22%	\$500,000
ANZ	271 days	20/02/2018	3.65%	\$500,000
<b>Total ANZ</b>				<b>\$4,475,000</b>
ASB	60 days	20/10/2017	2.59%	\$750,000
ASB	174 days	20/11/2017	3.62%	\$500,000
ASB	116 days	20/11/2017	3.27%	\$250,000
ASB	87 days	20/11/2017	3.12%	\$675,000
ASB	120 days	19/12/2017	3.10%	\$250,000
ASB	204 days	20/12/2017	3.62%	\$500,000
<b>Total ASB</b>				<b>\$2,925,000</b>
Westpac	60 days	17/10/2017	2.79%	\$350,000
Westpac	66 days	20/10/2017	2.79%	\$400,000
Westpac	57 days	20/10/2017	2.69%	\$350,000
Westpac	91 days	20/11/2017	2.87%	\$500,000
Westpac	83 days	20/11/2017	2.80%	\$450,000
Westpac	60 days	03/12/2017	2.86%	\$500,000
<b>Total Westpac</b>				<b>\$2,550,000</b>
<b>Total on deposit 30 September 2017</b>				<b>\$13,900,000</b>

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

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

- Up to 30 days achieved 1.68 – 2.47% (target range 1.75% - 2.00% or better)
- Between 30 and 60 days achieved 2.69% – 2.79% (target range 2.50% - 2.90% or better)
- Between 60 and 90 days achieved 2.75% - 3.34% (target range 2.70% - 3.20% or better)
- 3 – 6 months achieved 3.15% – 3.75% (target range 3.10% - 3.60% or better)
- 6 – 9 months achieved 3.62% - 3.90% (target range 3.25% - 3.85% or better)
- 9 – 12 months achieved 3.60% - 3.90% (target range 3.60% - 4.00% or better).

The loan to NOIC will earn an interest rate of 3.28% (last year 3.58%) for the 2017/18 financial year, which is still a very good rate in this environment. That rate remains effective until 30 June 2018, at which time it will be re-set for the next 12 month period.

## Appendix (b) – Quarterly Treasury Report (continued)

### Other Investments

Council has several loans outstanding to community groups and other entities. The largest of these loans are set out below.

North Otago Irrigation Company Ltd –

- Balance at 30 September \$17,000,000
- Interest earned for the quarter \$140,546
- Interest is paid monthly

Observatory Retirement Village Trust –

- Balance at 30 September \$7,900,387, and the stage two loan \$240,725 – Total \$8,141,112
- Interest earned for the quarter \$65,446
- Interest is accrued monthly for reporting purposes, and compounded on a quarterly basis

Council's support for stage 1 is capped at \$8,000,000, and \$250,000 for the initial stage 2 advance with a further \$3,500,000 committed.

Oamaru Whitestone Civic Trust –

- Balance at 30 June \$455,000 interest-bearing and \$100,000 interest-free
- Interest earned for the period \$3,939
- Interest is paid quarterly.

The Trust has an approved loan facility with Council of \$500,000, with an additional advance of \$100,000 interest-free.

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

The Trust has committed to annual payments of \$15,000 in reduction of the loan balance.

Otago Rural Fire Authority –

- Balance at 30 September \$285,145

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

### Other Investments

Amounts invested in Council Controlled Trading Organisations (CCTOs) comprise the majority of the value of the other investments held by Council. Whitestone Contracting Limited has committed to paying a dividend of at least \$120,000 annually, with more potentially, depending on its annual operating results.

### Internal Loans

Details of movements in internal loans have not been finalised for the quarter ended 30 September. This information will be presented to the Committee once available.

### Special Reserves

Details of movements in special reserves have also not yet been finalised for the quarter ended 30 September, and will be presented to the Committee once available.

## Appendix (c) – Separate Rate Account movements & balances 30 June 2017

Council maintains separate rate accounts for each rate that is levied on particular regions, or for particular purposes, within the District, to provide full transparency and accountability for the use of the rates so levied.

Detailed reports are prepared each quarter, and made available to the Community Boards and the relevant Hall, Water and Sewer committees.

Councillors will recall that previous quarterly reports have detailed separate rate accounts that are being monitored because of issues arising from their overdrawn, or over-funded, status – these are listed below together with pertinent comments, and the following three pages provide the full detail of movements in, and closing balances of, all separate rate accounts.

Those accounts that are of particular concern:

<b>Water rate accounts</b>		
Awamoko	(\$4,989)	Overdrawn – position has improved since 2016 – continue monitoring
Kurow	(\$47,929)	Overdrawn – position has deteriorated slightly since June 2016 – consider either an internal loan or increased rate in 2018/19 to clear the overdraft
Oamaru Supply	\$1,125,891	Over-funded – refer recent budget and discussions concerning the LTP. Expected to reduce over time
Bushy Park (Otekaieke)	(\$2,527)	Overdrawn – position has improved since June 2016 – continue monitoring
Waihemo	(\$95,826)	Overdrawn – position has worsened since June 2016 – already has loans, and an overdrawn Depreciation reserve. Consider an increased rate in 2018/19 to start clearing the overdraft
Windsor	(\$5,948)	Overdrawn – position has worsened slightly since 2016, but not excessively – continue monitoring
<b>Sewer rate accounts</b>		
Oamaru/Weston	\$917,046	Over-funded – refer recent budget and discussions concerning the LTP. Expected to reduce over time
<b>Community Halls rate accounts</b>		
Macraes	(\$379)	Overdrawn – operating costs in 2016 and 2017 higher than budgeted. Not significant – continue monitoring
<b>Township Amenity rate accounts</b>		
Shag Point	(\$3,297)	Overdrawn – projects completed in 2016 fully utilised the fund, which will be replenished over the next few years. No action required

Council credits interest to credit balances held by Water Sewer and Hall separate accounts, and charges interest on those accounts with overdrawn balances.

Appendix (c) – Separate Rate Account movements & balances 30 June 2017  
(continued)

Rate Type	Operating Expenses	Operating Income	Rates Income	Operating Surplus (Deficit)	Depreciation Not Funded	Net Cash Surplus (Deficit)	Net Capital & Renewal Expenses	Reserve Movements	Year to Date Surplus (Deficit)	Rate Account Opening Balance	Cash Movements	30-Jun-17 Rate Account Balance
<b>Water</b>												
Awamoko	(98,057)	10,936	98,628	11,507	-	11,507	(9,409)	3,564	5,662	(10,651)	-	(4,989)
Dunroon	(30,212)	2,106	30,124	2,018	1,500	3,518	(267)	(4,044)	(793)	8,627	-	7,834
Hampden/Moeraki	(197,299)	29,541	175,602	7,844	-	7,844	(64,535)	63,170	6,479	55,172	-	61,651
Herbert/Waianakarua	(158,471)	41,882	163,643	47,054	-	47,054	(19,281)	(7,480)	20,293	63,262	-	83,555
Kauru Hill	(51,471)	6,302	67,951	22,782	-	22,782	(3,848)	(1,081)	17,853	25,074	-	42,927
Kurow	(132,824)	11,913	120,903	(8)	859	851	(30,096)	26,629	(2,616)	(45,313)	-	(47,929)
Lower Waitaki	(159,163)	8,548	180,132	29,517	9,075	38,592	(4,730)	(12,956)	20,906	1,497	-	22,403
Oamaru Supply	(2,072,088)	714,483	1,288,900	(68,705)	162,011	93,306	(1,132,744)	410,239	(629,199)	1,755,090	-	1,125,891
Oamaru Reticulation	(1,509,437)	49,092	1,227,848	(232,497)	-	(232,497)	(2,108,997)	2,461,771	120,277	(80,486)	-	39,791
Oamaru Treatment Loan	(177,557)	-	589,939	412,382	-	412,382	-	(412,382)	-	1,354,784	-	1,354,784
Ohau	(21,796)	19,940	19,229	17,373	-	17,373	(8,095)	(7,959)	1,319	54,267	-	55,586
Omarama	(155,549)	68,765	156,492	69,708	4,698	74,406	(116,317)	82,038	40,127	346,517	-	386,644
Omarama Loan	(1,161)	-	13,430	12,269	-	12,269	-	(12,269)	-	-	-	-
Otekaieke	(12,602)	891	11,078	(633)	-	(633)	-	2,178	1,545	(4,072)	-	(2,527)
Otematata	(194,509)	9,662	171,574	(13,273)	10,960	(2,313)	(185,936)	172,498	(15,751)	155,232	-	139,481
Stoneburn	(94,298)	18,795	82,448	6,945	12,084	19,029	(11,712)	(6,481)	836	75,166	-	76,002
Tokarahi	(248,944)	54,795	221,625	27,476	-	27,476	(22,601)	(1,664)	3,211	410,503	-	413,714
Waihemo	(566,629)	53,201	575,086	61,658	18,685	80,343	(22,697)	(70,205)	(12,559)	(83,267)	-	(95,826)
Windsor	(63,442)	8,530	54,856	(56)	-	(56)	(6,928)	5,018	(1,966)	(3,982)	-	(5,948)
Other	(36,141)	-	1,483	(34,658)	4,044	(30,614)	-	17,168	(13,446)	129,160	-	115,714
<b>Water</b>	<b>(5,981,650)</b>	<b>1,109,382</b>	<b>5,250,971</b>	<b>378,703</b>	<b>223,916</b>	<b>602,619</b>	<b>(3,748,193)</b>	<b>2,707,752</b>	<b>(437,822)</b>	<b>4,206,580</b>	<b>-</b>	<b>3,768,758</b>
<b>Sewer</b>												
Dunroon	(138)	370	704	936	1,328	2,264	-	(70)	2,194	10,400	-	12,594
Kurow	(67,196)	18,282	50,583	1,669	-	1,669	(1,714)	(4,134)	(4,179)	107,077	-	102,898
Moeraki	(210,787)	12,994	131,913	(65,880)	34,565	(31,315)	(18,475)	(506)	(50,296)	83,473	-	33,177
Moeraki Construction Loan	(1,502)	-	17,447	15,945	-	15,945	-	(15,945)	-	-	-	-
Moeraki Reticulation Loan	(2,510)	-	29,109	26,599	-	26,599	-	(26,599)	-	-	-	-
Oamaru/Weston	(1,905,752)	636,226	971,727	(297,799)	14,863	(282,936)	(133,509)	67,304	(349,141)	1,266,187	-	917,046
Ohau	(23,505)	8,664	18,611	3,770	-	3,770	-	(3,020)	750	26,042	-	26,792
Omarama	(132,160)	37,067	106,670	11,577	-	11,577	(10,371)	4,046	5,252	95,315	-	100,567
Otematata	(208,623)	33,717	122,113	(52,793)	-	(52,793)	-	64,971	12,178	77,080	-	89,258
Palmerston	(163,684)	23,824	162,563	22,703	-	22,703	(558)	(8,783)	13,362	31,862	-	45,224
<b>Sewer Maintenance</b>	<b>(2,715,857)</b>	<b>771,144</b>	<b>1,611,440</b>	<b>(333,273)</b>	<b>50,756</b>	<b>(282,517)</b>	<b>(164,627)</b>	<b>77,264</b>	<b>(369,880)</b>	<b>1,697,436</b>	<b>-</b>	<b>1,327,556</b>

Appendix (c) – Separate Rate Account movements & balances 30 June 2017  
(continued)

Rate Type	Operating Expenses	Operating Income	Rates Income	Operating Surplus (Deficit)	Depreciation Not Funded	Net Cash Surplus (Deficit)	Net Capital & Renewal Expenses	Reserve Movements	Year to Date Surplus (Deficit)	Opening Balance	Cash Movements	30-Jun-17 Rate Balance
<b>Community Halls</b>												
Airedale	(1,025)	42	470	(514)		(514)			(514)	1,507		993
Ardgowan	(1,688)	52	2,069	433		433			433	1,052		1,485
Awamoko	(839)	135	2,139	1,436		1,436			1,436	3,674		5,110
Dunback	(2,516)	603	3,366	1,452		1,452			1,452	10,127		11,579
Duntroon	(4,128)	700	2,400	(1,028)		(1,028)			(1,028)	15,077		14,049
Enfield	(537)	213	2,330	2,006		2,006			2,006	5,387		7,392
Five Forks	(61)	107	1,287	1,332		1,332			1,332	2,614		3,947
Hampden	(3,659)	2,247	7,149	5,736		5,736			5,736	21,560		27,297
Kakanui	(12,603)	1,262	6,313	(5,029)		(5,029)			(5,029)	36,164		31,135
Kurow	(8,469)	749	13,000	5,280		5,280			5,280	22,679		27,958
Lower Waitaki	(299)	342	9,547	9,591		9,591			9,591	6,536		16,127
Macraes	(2,877)	(4)	2,713	(168)		(168)			(168)	(211)		(379)
Maheno	(8,053)	533	4,827	(2,694)		(2,694)			(2,694)	15,345		12,651
Moeraki	(4,586)	665	7,513	3,592		3,592			3,592	18,372		21,963
Ngapara	(171)	558	1,409	1,796		1,796			1,796	15,529		17,325
Omarama	(8,384)	21	14,435	6,072		6,072		(2,293)	3,779	710		4,489
Otekaieke	(313)	205	904	796		796			796	5,732		6,528
Otematata	(19,547)	168	16,068	(3,311)		(3,311)			(3,311)	6,296		2,985
Otepopo/Herbert	(1,633)	338	2,835	1,539		1,539			1,539	9,689		11,228
Palmerston	(24,363)	5,707	17,819	(837)		(837)			(837)	9,910		9,073
Pukeuri	(1,077)	1,710	1,704	2,337		2,337			2,337	10,828		13,165
Tokarahi	(3,058)	72	2,844	(142)		(142)			(142)	2,576		2,435
Totara	(2,278)	715	7,547	5,984		5,984		(17,852)	(11,868)	19,694		7,826
Waianakarua	(1,133)	162	1,513	542		542			542	4,869		5,411
Waitaki Bridge	(2,730)	2,156	2,556	1,983		1,983			1,983	993		2,975
Weston	(4,197)	380	18,086	14,269		14,269			14,269	6,507		20,776
Windsor	(508)	291	1,670	1,453		1,453			1,453	8,055		9,508
	(120,732)	20,126	154,513	53,906	-	53,906	-	(20,145)	33,761	261,271	-	295,031
<b>Township Amenity</b>												
Duntroon	-	-	1,494	1,494	-	1,494	(3,450)	-	(1,956)	13,715	-	11,759
Hampden	(270)	-	30,001	29,731	-	29,731	-	-	29,731	62,278	-	92,009
Herbert	-	-	1,501	1,501	-	1,501	-	-	1,501	13,501	-	15,002
Kakanui	-	-	4,980	4,980	-	4,980	-	-	4,980	13,813	-	18,793
Kurow	(642)	-	18,177	17,535	-	17,535	-	(5)	17,530	63,052	-	80,582
Maheno	-	-	1,500	1,500	-	1,500	-	-	1,500	13,499	-	14,999
Moeraki	(114)	-	5,114	5,000	-	5,000	-	-	5,000	25,279	-	30,279
Oamaru	(367,969)	9,301	524,694	166,026	-	166,026	(32)	(15,277)	150,717	332,302	-	483,019
Ohau	(247)	-	3,460	3,213	-	3,213	-	(85)	3,128	20,107	-	23,235
Omarama	(6,808)	-	18,092	11,284	-	11,284	-	(25)	11,259	46,757	-	58,016
Otematata	(27,421)	-	54,362	26,941	-	26,941	-	(6,378)	20,563	83,268	-	103,831
Palmerston	(15,809)	-	15,553	(256)	-	(256)	-	(330)	(586)	115,232	-	114,646
Shag Point	-	-	1,502	1,502	-	1,502	-	-	1,502	(4,799)	-	(3,297)
Weston	(17,903)	-	41,933	24,030	-	24,030	-	(6,276)	17,754	10,018	-	27,772
	(437,183)	9,301	722,363	294,481	-	294,481	(3,482)	(28,376)	262,623	808,022	-	1,070,645

Appendix (c) – Separate Rate Account movements & balances 30 June 2017  
(continued)

Rate Type	Operating Expenses	Operating Income	Rates Income	Operating Surplus (Deficit)	Depreciation Not Funded	Net Cash Surplus (Deficit)	Net Capital & Renewal Expenses	Reserve Movements	Year to Date Surplus (Deficit)	Opening Balance	Cash Movements	30-Jun-17 Rate Balance
<b>Refuse Collection</b>	-	-	-	-	-	-	-	-	-	574,373	-	574,373
<b>Harbour</b>												
Coastal Protection	(699,547)	-	210,333	(489,214)	137,137	(352,077)	-	377,346	25,269	(402,722)	-	(377,453)
Harbour Operations	(470,151)	315,878	92,240	(62,033)	125,314	63,281	(35,716)	(38,241)	(10,676)	593,108	(5,568)	576,864
	(1,169,698)	315,878	302,573	(551,247)	262,451	(288,796)	(35,716)	339,105	14,593	190,386	(5,568)	199,411
<b>Ward Services</b>												
Ahuriri Ward Services	(425,319)	27,438	441,520	43,639	29,959	73,598	(53,257)	42,017	62,358	365,501	(14,197)	413,662
Comedale Ward Services	(237,017)	14,659	230,371	8,013	8,047	16,060	(128,763)	90,944	(21,760)	236,887	(10,812)	204,315
Oamaru Ward Services	(895,293)	28,194	1,138,226	271,127	55,446	326,573	(84,190)	40,811	283,194	105,617	-	388,811
Waihemo Ward Services	(761,506)	17,009	674,873	(69,624)	28,545	(41,079)	(35,361)	164,377	87,936	286,164	(13,565)	360,536
<b>Ward Services</b>	(2,319,136)	87,300	2,484,990	253,154	121,997	375,151	(301,571)	338,148	411,728	994,169	(38,574)	1,367,323
<b>Roading &amp; Civil Defence</b>												
Roading & Civil Defence	(10,834,686)	6,571,718	6,133,983	1,871,015	2,597,168	4,468,183	(6,587,910)	2,340,023	220,296	473,039	(46,440)	646,895
Roading Dev Contributions	-	251,901	-	251,901	-	251,901	-	(244,726)	7,175	543,355	-	550,530
	(10,834,686)	6,823,619	6,133,983	2,122,916	2,597,168	4,720,084	(6,587,910)	2,095,297	227,471	1,016,394	(46,440)	1,197,425
<b>Oamaru Business (Parking Only)</b>	(187,868)	280,457	(12,251)	80,338	-	80,338	-	(15,000)	65,338	83,279	-	148,617
<b>Total Separate Rate Accounts</b>	(23,766,810)	9,417,207	16,648,582	2,298,978	3,256,288	5,555,266	(10,841,499)	5,494,045	207,812	9,831,909	(90,582)	9,949,139

		YTD Actuals Income	YTD Budget Income	YTD % Variance Income (-variance is unfavourable)	YTD Actuals Expense	YTD Budget Expense	YTD % Variance Expense (-variance is unfavourable)	Actual (Surplus) or Deficit	Budget (Surplus) or Deficit
<b>Assets Group</b>									
GIS/IT	1	(69,806)	(179,101)	-61.0%	150,831	161,546	6.6%	81,026	(17,555)
Management Assets		-	-	0.0%	-	2,961	100.0%	-	2,961
Property	1,2	(2,050,606)	(1,478,404)	38.7%	2,240,054	1,913,389	-17.1%	189,449	434,985
Roading	3	(3,677,439)	(4,592,226)	-19.9%	3,878,366	4,333,164	10.5%	200,927	(259,062)
Solid Waste		(336,571)	(331,412)	1.6%	420,287	454,591	7.5%	83,716	123,179
Waters	1,4	(2,469,404)	(3,196,113)	-22.7%	3,209,636	4,015,549	20.1%	740,232	819,436
<b>Assets Group Total</b>		<b>(8,603,825)</b>	<b>(9,777,256)</b>	<b>-12.0%</b>	<b>9,899,175</b>	<b>10,881,200</b>	<b>9.0%</b>	<b>1,295,349</b>	<b>1,103,944</b>

## Comment

- 1 - capital expenditure has still to have funding allocated
- 2 - Property revenue includes gross sale proceeds from the disposal of Boundary Creek property
- 3 - Roading revenue and cost are under budget because completing flood-related works has taken priority over normal work programme
- 4 - Waters revenue and cost are under budget due to delays with capital projects, particularly Hamnak

## CEO

CEOs Office		-	-	0.0%	15,396	(20,641)	174.6%	15,396	(20,641)
Economic Development		(296,382)	(298,197)	-0.6%	680,123	746,318	8.9%	383,740	448,121
Finance		(3,248)	(5,874)	-44.7%	3,248	5,482	40.7%	-	(392)
Human Resources		(16,016)	(20,655)	-22.5%	16,016	5,252	-205.0%	-	(15,403)
Treasury		213,293	107,651	98.1%	117,857	76,564	-53.9%	331,150	184,215
<b>CEO Total</b>		<b>(102,353)</b>	<b>(217,075)</b>	<b>-52.8%</b>	<b>832,639</b>	<b>812,975</b>	<b>-2.4%</b>	<b>730,286</b>	<b>595,900</b>

		YTD Actuals Income	YTD Budget Income	YTD % Variance Income (-variance is unfavourable)	YTD Actuals Expense	YTD Budget Expense	YTD % Variance Expense (-variance is unfavourable)	Actual (Surplus or Deficit)	Budget (Surplus or Deficit)
<b>Community Services Group</b>									
Aquatic Centre		(424,604)	(420,394)	1.0%	429,560	466,674	8.0%	4,957	46,280
Community Safety		(45,615)	(40,438)	12.8%	48,326	45,549	-6.1%	2,711	5,111
Gallery & Museum		(293,922)	(292,113)	0.6%	373,719	376,839	0.8%	79,797	84,726
General Grants		(110,417)	(105,852)	4.3%	168,774	162,269	-4.0%	58,357	56,417
Libraries	1	(355,088)	(380,816)	-6.8%	430,552	412,131	-4.5%	75,464	31,315
Management Community Services		-	(4,197)	0.0%	-	4,719	100.0%	-	522
Oamaru Opera House	1	(288,151)	(306,161)	-5.9%	373,705	341,138	-9.5%	85,554	34,977
Parks and Recreation	5	(1,325,068)	(1,106,054)	19.8%	1,450,482	1,295,096	-12.0%	125,414	189,042
<b>Community Services Group Total</b>		<b>(2,842,866)</b>	<b>(2,656,025)</b>	<b>7.0%</b>	<b>3,275,118</b>	<b>3,104,415</b>	<b>-5.5%</b>	<b>432,253</b>	<b>448,390</b>

## Comment

1 - capital expenditure has still to have funding allocated

5 - Parks and Recreation includes unbudgeted income of \$214k, and unbudgeted associated costs, resulting from forestry harvest activities

## Council

Committees		(11,733)	(10,086)	16.3%	6,226	10,368	39.9%	(5,507)	282
Community Boards		(111,972)	(103,908)	7.8%	102,484	105,733	3.1%	(9,488)	1,825
Election	6	(10,176)	(8,751)	16.3%	10,176	8,751	N/A	-	-
Reporting	7	(173,574)	(166,723)	4.1%	153,187	163,845	6.5%	(20,387)	(2,878)
Waitaki District Council		(676,262)	(708,716)	-4.6%	610,342	754,215	19.1%	(65,919)	45,499
<b>Council Total</b>		<b>(983,717)</b>	<b>(998,184)</b>	<b>-1.4%</b>	<b>882,415</b>	<b>1,042,912</b>	<b>15.4%</b>	<b>(101,301)</b>	<b>44,728</b>

## Comment

6 - Election revenue is Rates, expense reflects an annual payment to Electionz ahead of the next triennial election. Each quarter, any surplus is transferred to reserves

7 - Reporting includes both the Annual Report and the Long Term Plan, rate funding is ahead of actual costs incurred.

		YTD Actuals Income	YTD Budget Income	YTD % Variance Income (-variance is unfavourable)	YTD Actuals Expense	YTD Budget Expense	YTD % Variance Expense (-variance is unfavourable)	Actual (Surplus) or Deficit	Budget (Surplus) or Deficit
<b>Customer Services Group</b>									
Customer Contact Team		(1,392)	(625)	122.7%	1,392	3,199	56.5%	-	2,574
Emergency Services	8	(30,844)	(30,546)	1.0%	50,923	30,540	-66.7%	20,080	(6)
Management Customer Services	9	(2,920)	-	0.0%	2,920	(4,421)	166.0%	-	(4,421)
Planning	10	(300,076)	(301,575)	-0.5%	248,258	317,261	21.7%	(51,818)	15,686
Policy Development		-	-	0.0%	-	734	100.0%	-	734
Regulatory Services	11	(958,833)	(992,402)	-3.4%	842,539	874,752	3.7%	(116,294)	(117,650)
<b>Customer Services Group Total</b>		<b>(1,294,065)</b>	<b>(1,325,148)</b>	<b>-2.3%</b>	<b>1,146,033</b>	<b>1,222,065</b>	<b>6.2%</b>	<b>(148,032)</b>	<b>(103,083)</b>

## Comment

8 - Emergency Services activity includes flood-related humanitarian costs, for which funding has still to be finalised

9 - Management Customer Services budget will balance over the full year

10 - Planning activity reflects staff vacancies and lower than budgeted use of consultants

11 - As with previous years, Regulatory income for the first quarter includes the bulk of dog registrations and health licensing fees for the year. This has been reflected in the budget

<b>Total</b>		<b>(13,826,826)</b>	<b>(14,973,688)</b>	<b>(7.66%)</b>	<b>16,035,380</b>	<b>17,063,567</b>	<b>6.03%</b>	<b>2,208,554</b>	<b>2,089,879</b>
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# Finance, Audit and Risk Committee Report

**From** Chief Financial Officer

**Date** 8 November 2017

## Second Quarter 2017-18 Treasury Strategy

### Recommendations

The Committee recommends:

That Council:

- Adopts the proposed Treasury Strategy for the second 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 second 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 2016. Council has also approved additional interest-free loan grant funding for the Trust, and provided additional interest-free funding for the Oamaru Whitestone Civic Trust.

### 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, with no signs of an upward movement in the near term. 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 have been inching those interest rates up. However, in more recent times, those rates have plateaued, and even started reducing again. Consequently, the rate of 3.8% anticipated in the 2017-18 Annual Plan has still to eventuate.

### 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 First Quarter Treasury Strategy that ASB was offering the best rates for terms exceeding 3 months, while Westpac provides the best rates for terms under 3 months. Currently, ASB's rates have wilted, and BNZ now has much better rates.

At 30 September 2017, Council had investments of \$3.95m with BNZ but since that time, further deposits have been placed and now a total \$5 million is held with BNZ.

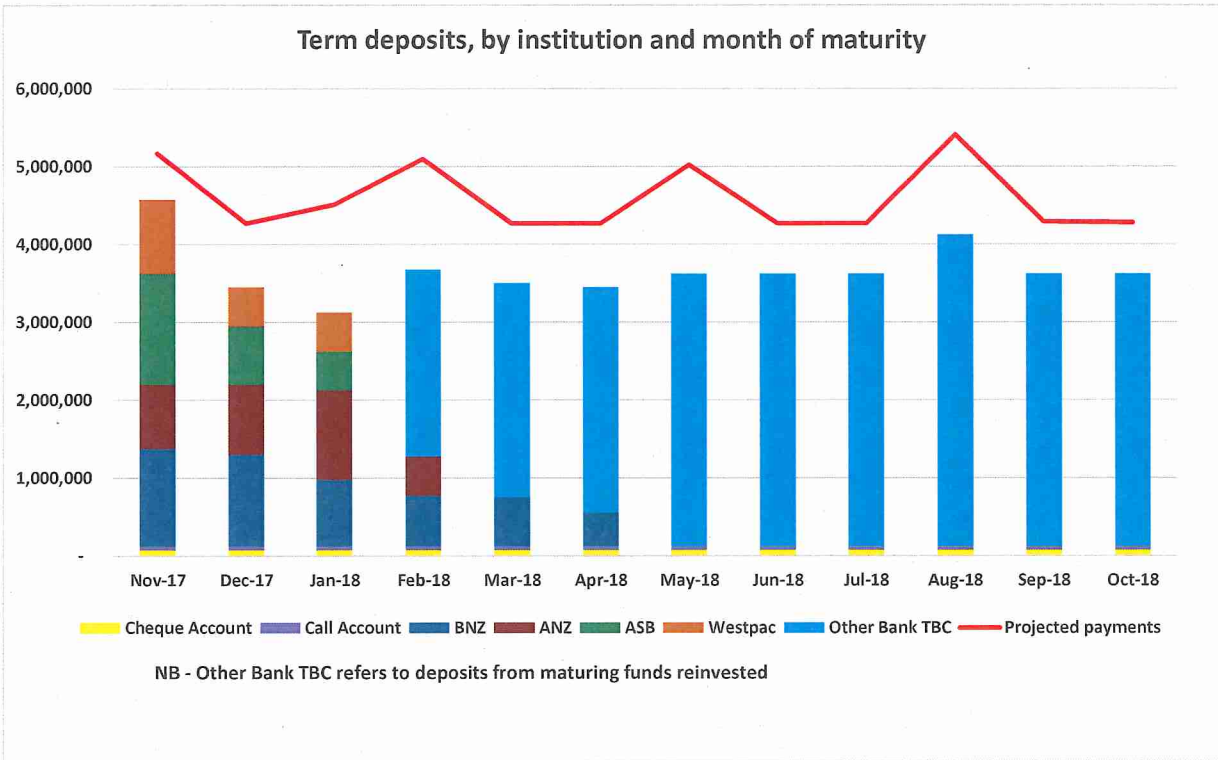
Given that there has been little movements in rates offered by the four banks overall, no change is proposed to the target rates agreed as part of the first quarter treasury strategy, which are as follows:

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 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, ASB and Westpac, 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** 8 November 2017

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### **Corporate Group Activity Report to 31 October 2017**

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#### **Recommendation**

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

#### **Summary**

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

#### **Discussion**

##### **Finance – Policy and General**

The focus of the last month has been on ensuring that the Council and the Council-Controlled Organisations meet their financial and non-financial performance reporting requirements through their Annual Reports. This process was completed at the 25 October Council meeting.

The focus over the next month will be a variety of components of the Long Term Plan (LTP) including:

- Financial Strategy
- Development Contribution Policy
- Rates Modelling
- Rating Workshop #4
- Budget and Proposal Reviews

These items will be considered at the various LTP workshops scheduled over the next six weeks.

##### **Finance – Accounting and Transactional**

Audit New Zealand was onsite for two and half weeks during the month completing the audit of the Annual Report. This required significant input from the finance and policy teams to supply the information required to complete the audit process.

The team has started work on identifying some financial reporting options, but some adjustments to BIS will be required to allow this to happen more easily.

##### **Finance – Rates**

The focus for October was primarily preparing and responding to issues that arose during the rating revaluation process. Quotable Value is nearing the end of the process and has raised a number of matters that needed to be addressed to allow the results to be published as seamlessly as possible.

The other major work streams were the production and arranging of the distribution of instalment two notices and ongoing interaction with ratepayers in terms of payment arrangements. Good progress continues to be made. This will be reported in more detail after the due date for the instalment. This will also allow ratepayers to be contacted and arrangements put in place prior to the next arrears penalty being charged in early January.

##### **Information Management (IM)**

The Information Services Team is making more services available online:

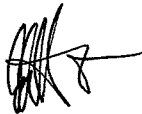
- A freedom-camping GIS map has been set up for the public to see the camping grounds. The map also includes locations for dump stations and public toilets. This will make the camping a lot easier for those visiting Waitaki this summer and in the coming years.
- Progress has been made on the online payment (rates, dogs, infringements) system. It is hoped to have this available on the Internet for the public before the end of 2017.

Internally, progress has been made on a number of projects.

- An agreement with the vendor of Skype for Business is being finalised as a replacement for the current phone system. A test site is expected to be set up and piloting to begin before the end of this year.
- The asset management system Hansen has recently been upgraded. This upgrade has enabled the system to be backed up to the Cloud.
- Work to enable the backing up of the file server to the Cloud is currently underway. Previously, the Cloud disaster recovery solution could restore 90% of services; 95% is now being achieved with both Hansen and the file server in the Cloud.
- Business improvement projects such as Online Requisition and BIS reporting are being worked on at the moment, with Online requisition having higher priority. The target is to have Online Requisition alive in Q1 2018, and to gain a higher adoption of BIS so the Excel- based HUB can be slowly retired.

### **Corporate and Business Development**

The Accounts Payable (AP) Workflow project has restarted and is being progressed by finance and IS. This means that the procurement manual will be a priority over the coming month to allow this to be reflected in the workflow process. The procurement manual will take into account the comments from Audit New Zealand, the shared purchasing review, and the procurement advisors who have been working with the roading team on NZTA-related matters.



Paul Hope  
**Chief Financial Officer**