



# Waitaki

DISTRICT COUNCIL

TE KAUNIHERA Ā ROHE O WAITAKI

**I hereby give notice that the  
Performance, Audit and Risk Committee Meeting  
will be held on:**

**Date: Tuesday, 14 June 2022**  
**Time: 12.30pm**  
**Location: Council Chamber, Third Floor  
Office of the Waitaki District Council  
20 Thames Street, Oamaru**

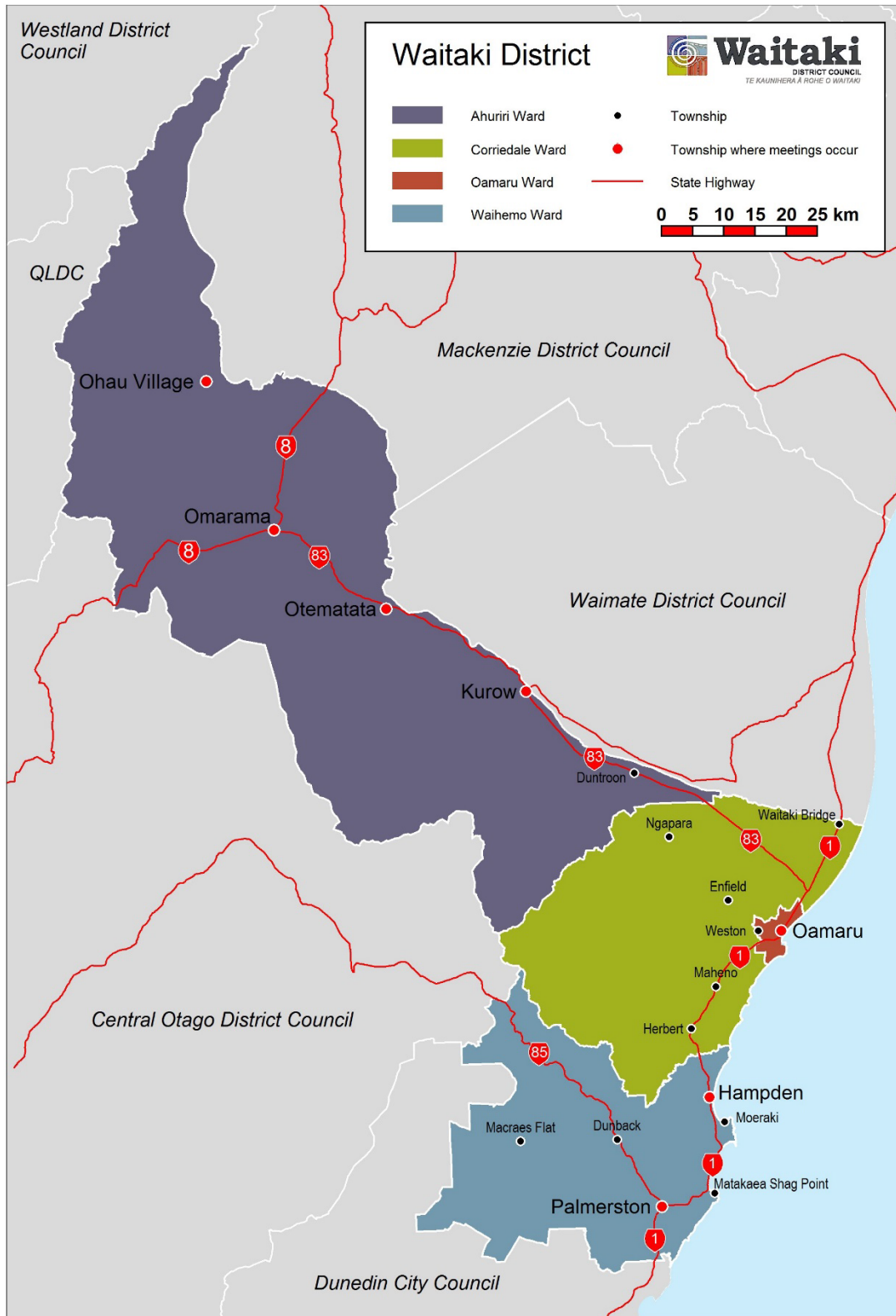
## Agenda

### Performance, Audit and Risk Committee Meeting 14 June 2022

#### Performance, Audit and Risk Committee

Cr Colin Wollstein	Chairperson
Cr Jeremy Holding	Associate Chair (Information Services)
Mr Simon Neale	Associate Chair (Risk) (Independent Member)
Cr Hana Halalele	Member
Cr Jim Hopkins	Member
Cr Bill Kingan	Member
Cr Guy Percival	Member
Mayor Gary Kircher	Member

**Alex Parmley  
Chief Executive**



STRATEGIC FRAMEWORK

# Waitaki

# THE BEST PLACE TO BE!

Waitaki - Whenua taurikura

## EMPOWERING OUR PEOPLE AND PLACE TO THRIVE

Whakapuāwai takata, Whakapuāwai whenua

**COMMUNITY OUTCOMES**



**STRATEGIC PRIORITIES**



Ensuring we get core business done while delivering on our strategic priorities and achieving our community outcomes



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- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**

**3 CONFIRMATION OF PREVIOUS MEETING MINUTES**

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 10 MAY 2022**

**Author:** Ainslee Hooper, Governance and Policy Advisor

**Authoriser:** Lisa Baillie, People and Culture Group Manager

**Attachments:** 1. **Public Minutes of the Performance, Audit and Risk Committee Meeting held on 10 May 2022**

**RECOMMENDATION**

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Performance, Audit and Risk Committee Meeting held on 10 May 2022, as circulated, as a true and correct record of that meeting.

**UNCONFIRMED MINUTES**

**OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING  
HELD IN THE COUNCIL CHAMBER, THIRD FLOOR,  
OFFICE OF THE WAITAKI DISTRICT COUNCIL, 20 THAMES STREET, OAMARU  
AND VIA ZOOM VIDEO-CONFERENCE  
ON TUESDAY, 10 MAY 2022 AT 11.35AM**

**PRESENT:** Cr Colin Wollstein (Chair), Mr Simon Neale (Associate Chair Risk – via Zoom), Cr Jeremy Holding (Associate Chair Cape Wanbrow), Cr Hana Halalele, Cr Jim Hopkins, Cr Bill Kingan, Cr Guy Percival, and Mayor Gary Kircher

**IN ATTENDANCE:** Deputy Mayor Melanie Tavendale  
Cr Jim Thomson  
Paul Hope (Finance and Corporate Development Group Manager and Acting Assets Group Manager)  
Roger Cook (Heritage, Environment and Regulatory Group Manager)  
Ainslee Hooper (Governance and Policy Advisor)

**IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:**

Richard Maher (Finance and Corporate Development Operations Manager)  
Ian Wells (Accounting Manager)  
Mandy McIntosh (Corporate Development Officer – via Zoom)

**MEETING OPEN**

The Chair declared the meeting open at 11.35am and welcomed everyone present.

**1 APOLOGIES**

There were no apologies.

**2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3 CONFIRMATION OF PREVIOUS MEETING MINUTES**

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 26 APRIL 2022**

Amendment: Under agenda item 4.2, paragraph 4, point 1: replace the words “a very hard line to reach” with “a very hard standard required to meet”. This was agreed by the Chair.

**RESOLVED PAR 2022/022**

Moved: Cr Jim Hopkins  
Seconded: Cr Jeremy Holding

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 26 April 2022, with one amendment agreed at this meeting, as a true and correct record of that meeting.

**CARRIED**

## 4 MEMORANDUM REPORTS

### 4.1 FINANCIAL REPORT - THIRD QUARTER, 2021-22 FINANCIAL YEAR

The report, as circulated, presented financial results for the first nine months of the 2022 financial year and includes the Treasury Report at 31 March 2022 and summaries of internal loans and special reserves at 31 December 2021.

Group Manager Paul Hope highlighted the increased costs highlighted in the report which reflected the stresses and strains of the wider environment. Accounting Manager Ian Wells advised that the Council was showing a reasonable result at this time, but it was not known how that would translate at year's end.

Bancorp's David Walker (participating via Zoom) briefed the meeting on key aspects of Bancorp's Treasury report, noting that the main topic from financial markets and global economies was increasing inflation, which was driving up interest rates. Forecasting in New Zealand expected the current OCR rate to treble by December, and within that context, Council's cost of funds as at 31 March 2022 – at 1.48% - was an "outstanding result". Regarding Council's Treasury policy, Bancorp did not feel that Council needed to be make any adjustments in the short- to medium-term.

Key discussion topics in response to questions from elected members were as follows:

**Risks:** The risk of Council having deposits coming off fixed rates at the same time as the OCR was expected to treble was raised. Mr Walker advised that Bancorp believed there is too much priced into the market and the Reserve Bank would not be wanting to drive New Zealand into recession to control interest rates. Anecdotal evidence across the customer base, especially in housing, suggested that the situation will get worse quickly and it was hoped that would be enough to turn the market around. In reply, an elected member suggested that the risk for Council was that it would be subject to a whole lot of inflationary questions, but without the ability to source the human resources to do the work. Mr Wells advised that, whilst Council would be facing an era of rapidly increasing interest rates for its borrowings, conversely most of Council's loans to other parties would provide for a degree of recovery for those increased costs, although there would be a time lag involved. This was acknowledged.

**Schedule of Debts:** The differences between the rates stated in the report were explained by Mr Walker. He also advised that elements of Council's portfolio would be impacted by the interest rates (eg there would be pressure on some credit notes and in financial markets; and there would be exposure to the 90-day interest rates).

**Valuations:** Mr Hope advised the meeting that valuations were part of Council's accounting reporting standards which were required by Audit. Each year a fair valuation assessment must be undertaken for those assets not subject to revaluation in that year to determine whether movements in underlying costs make reliance on the previous revaluation materially incorrect. The key difference identified in the most recent valuation of 3 Waters infrastructure was related to treatment ponds and about some being more about land rather than improvements which needed to be recognised in the valuation because they have an impact. All three asset classes had to have a reassessment of value in the current market conditions in order for Council to ensure there was sufficient funding for depreciation. It was noted that each of the three different asset categories was identified for reassessment each year on a rotating basis. However, if one of the other two also showed a significant difference in valuation, then that had to be done as well as the nominated category. (This is why the roading revaluation was brought forward for the 2020 financial year.) Using the property valuation as an example, Mr Wells advised that \$6.9M approximately was budgeted in the LTP as the increase in holdings in property, parks, and the Oamaru airport. Given the volatility in the property market, that could be around \$10M-\$12M – it was a 'complete unknown' at this point. Concern was raised by one elected member about the



constant escalation in the valuation of infrastructure for its ability to impose enormous burdens on councils.

**Financial graphs:** The graph depicting Council's total funds year on year illustrated the shift from Council being 'in the black' in 2019 (ie positive financial position) to being 'in the red' in 2022 (ie a borrower). Mr Hope clarified that the information missing from the graph was the offset associated with Council's investments which would significantly move the cash position upwards. Officers had always indicated that Council's borrowing would increase through the LTP – eg through 3 Waters renewals and in the development area. It would be timely now to present the information differently in future graphs, to move away from being a cashflow graph to including what Council had drawn down and for what purpose. This was supported by the meeting.

**ACTION: Group Manager Paul Hope, with Accounting Manager**

Mayor Kircher left the meeting at 12.02pm.

An additional request was made – to illustrate borrowing costs and lending costs increasing, which was also a risk, and to ask Bancorp to provide some analysis to understand the financial mismatch book (ie the timing between the cost of borrowing and the cost of lending, because lending was reset annually, and some borrowings were reset quarterly). Mr Hope acknowledged the request for that work to be done in conjunction with Bancorp to highlight any potential exposure that Council may have and to ensure that the policy is working appropriately to enable officers to highlight any risks to Bancorp so that the company could reflect that back in its quarterly Treasury report.

**ACTION: Group Manager Paul Hope, with Accounting Manager**

**Budget:** The meeting was advised, as the report showed, that Council's expenditure would exceed the budget by year-end. The Chair clarified that it would not be by a huge amount compared with borrowing.

Mayor Kircher returned to the meeting at 12.09pm.

#### **RESOLVED PAR 2022/023**

Moved: Cr Jim Hopkins

Seconded: Cr Jeremy Holding

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

**CARRIED**

#### **4.2 STRATEGIC RISK UPDATE**

The report, as circulated, presented the updated Waitaki District Council Strategic Risk Register to the Performance, Audit and Risk Committee.

Finance and Corporate Development Operations Manager Richard Maher highlighted that the update to the Strategic Risk Register is a desktop exercise that is scheduled to occur each quarter. In future, a risk management framework will be implemented and there will be more line items in the register as a result. That approach will be driven by the new Risk and Procurement Officer who is due to commence in the role in early July. The updates to the Register show both favourable and unfavourable movements. The 'favourables' include that the impact of COVID on staff and the business had been a lot less than expected. The 'unfavourable' side of the risk profile included that prices are increasing; supply and demand is impacted; and Council needs both people and materials to do its work.

When asked if the staff shortage risk should have been assessed higher than it had been, given that it was increasing month by month and yet Council was still trying to do the work it had told the public would be done, Mr Maher outlined the multiple variables involved. These included absenteeism from COVID; this had been a long, flat wave for Council staff, which was a

combination of good management and perhaps some good luck. Similar evidence could be found in other industries. The underlying issue was more about attracting and retaining good people to deliver the services and outcomes needed, and that included Council's partners, which could be more challenging. There was agreement that the risk was growing and that it might move upwards in the risk register in the coming months.

In response to a question about risk treatments, Group Manager Paul Hope noted that this was a primary focus for the Chief Executive; a weekly discussion topic at Executive Leadership Team meetings. Vacancies and recruitment strategies were reported on fortnightly and reviewed to see if they were still appropriate for current and future needs (vacancies) or required a different approach (strategies). The next big exercise would be a significant look into remuneration, as well as engaging with external recruitment agencies earlier in the process than has been done previously. Roles are managing to be filled, but they are taking longer. If they cannot be filled at all, then that is actively monitored, and the risk associated with those situations would become crystallised and will be reflected in the register. The freeing up of borders and other immigration-related matters may assist. In addition, Mr Maher explained that other broader activities, such as project and programme management changes, the procurement policy, and the management of work programmes, were also providing further indirect assistance to the delivery of outcomes required. Appreciation was given for the greater level of detail provided around risk treatments.

The wording of the risk, and its 'extreme' level, for the second line item was queried. The meeting heard that Council had a lot of different relationships with entities, all of whom were also exposed to the pricing, resources, and other challenges that Council is. The risk as stated was a generic description of the overall environment, which was acknowledged.

The inherent challenge of discussing risk matters in a public setting was raised, with the result that wording may sometimes be more generic than specific. Mr Hope felt that anyone in the wider community reading Council's Strategic Risk Register would be aware of the current pressures in the operating environment as they were similar across industries, sectors and around the country. Council's CCOs were not immune from those pressures, and Council was undertaking other risk treatments such as providing Letters of Expectation to its CCOs and discussing those in public sessions of meetings so that the community is kept informed of Council's ongoing activities to mitigate risks on behalf of ratepayers.

**RESOLVED PAR 2022/024**

Moved: Cr Jim Hopkins

Seconded: Cr Bill Kingan

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

.....

**CARRIED**

The Chair signalled his intention to go into Public Excluded and advised those watching online that the livestream would conclude once the next resolution was taken.

**4 RESOLUTION TO EXCLUDE THE PUBLIC**

**RESOLVED PAR 2022/025**

Moved: Mayor Gary Kircher

Seconded: Cr Jeremy Holding

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of

the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<b>6.1 - Public Excluded Minutes of the Performance, Audit and Risk Committee Meeting held on 26 April 2022</b>	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons  s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>6.2 - Debtors' Report - 2022, Third Quarter PE</b>	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>6.3 - Accounts Payable Analysis - 2022, Third Quarter PE</b>	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons  s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information  s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

**CARRIED**

**6 PUBLIC EXCLUDED SECTION**

The Public Excluded Minutes apply to this section of the meeting.

## 7 RESOLUTION TO RETURN TO THE PUBLIC MEETING

### RESOLVED PAR 2022/029

Moved: Cr Jim Hopkins  
Seconded: Cr Jeremy Holding

That the Performance, Audit and Risk Committee resumes in open meeting and decisions made in the Public Excluded section of the meeting are confirmed and made public as and when required and considered.

**CARRIED**

## 8 RELEASE OF PUBLIC EXCLUDED INFORMATION

In accordance with Waitaki District Council Standing Orders, and pursuant to resolutions in the public excluded session of the meeting, the Performance, Audit and Risk Committee decided to release the following previously Public Excluded information under this agenda item in the Public Minutes of this meeting:

### 6.1 PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 26 APRIL 2022

#### RESOLVED PAR 2022/026

Moved: Cr Jim Hopkins  
Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee confirms the Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 26 April 2022, as circulated, as a true and correct record of that meeting.

**CARRIED**

### 6.2 DEBTORS' REPORT - 2022, THIRD QUARTER PE

The report, as circulated, summarised balances outstanding at 31 December 2021 in each of four categories of debt, namely Rates, Trade Debt, Water Billing, and Infringements, and to provide details, where practical, of the largest, or most problematic, of those outstanding accounts.

#### RESOLVED PAR 2022/027

Moved: Cr Jeremy Holding  
Seconded: Mayor Gary Kircher

That the Performance, Audit and Risk Committee:

1. Receives and notes the information.

**CARRIED**

**6.3 ACCOUNTS PAYABLE ANALYSIS - 2022, THIRD QUARTER PE**

**RESOLVED PAR 2022/028**

Moved: Mayor Gary Kircher

Seconded: Cr Bill Kingan

That the Performance, Audit and Risk Committee:

1. Receives and notes the information.

**CARRIED**

**9 MEETING CLOSE**

There being no further business, the Chair declared the meeting closed, at 12.38pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 14 June 2022.

.....  
CHAIRPERSON

## 4 DECISION REPORTS

### 4.1 TREASURY STRATEGY, 2022-23 FINANCIAL YEAR - FIRST QUARTER

**Author:** Ian Wells, Accounting Manager

**Authoriser:** Paul Hope, Finance and Corporate Development Group Manager

#### RECOMMENDATION

That the Performance, Audit and Risk Committee recommends:

That Council adopts a Treasury Strategy for the first quarter of the 2022-23 financial year, which includes:

- Continuing to monitor available cash and projecting future cash requirements;
- Continuing to liaise with the Local Government Funding Agency (LGFA) to ensure Council's ability to function and to deliver on behalf of the community is not impeded by a lack of funds;
- Seeking advice from Bancorp Treasury Services as to how best to comply with policy limits in the most economic way; and
- Investing funds considered surplus to immediate requirements based on current forecasts to best advantage to maximise returns.

#### DECISION OBJECTIVE

To report and discuss Council's proposed Treasury Strategy for the first quarter of the 2022-23 financial year and to consider the above recommendations.

#### SUMMARY

The Investment Policy adopted as part of the 2021-31 Long Term Plan sets out reporting and accountability requirements which include regular reporting of outcomes in the Treasury activity and the adoption of a quarterly Treasury Strategy.

Recent changes made by the Reserve Bank to regain control of inflation and events on the global stage have introduced considerable volatility in the domestic market leading to rapid changes in interest rates, both related to Council borrowings and to Council's investments.

#### DECISION-MAKING EXPECTATIONS

Governance Decision-Making:	Adoption of the proposed Treasury Strategy
Operational Decision-Making:	Implementation of the Treasury Strategy
Communications	Media Releases – contributed to by officers and Elected Members  Media/public enquiries regarding governance decision-making topics above can be addressed by governance  Media/public enquiries regarding operational decision-making topics above can be addressed by officers

**SUMMARY OF DECISION-MAKING CRITERIA**

	No/Moderate/Key		No/Moderate/Key
Policy/Plan	Key	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

**BACKGROUND**

Historically, Council has been a net investor of funds. It used both short-term deposits and longer term community-based loans as its primary investment options. As Council has invested more in those community-based activities, it has needed to use external sources of funds to meet its operational cashflow requirements. Initially, this was supplied by trading banks, but after Council joined the LGFA, this entity has become the primary lender.

Council has a regular and generally predictable cashflow pattern which assists with cashflow projections and debt and investment planning.

**CURRENT SITUATION – THE MARKET**

As noted, since March 2022 the Reserve Bank has taken urgent measures aimed at regaining control of inflation and has raised the Official Cash Rate to the present level of 2%, with strong indications that it will rise further.

This has considerable implications for Council –

- While future borrowings, when needed, will be sourced at rates that are lower than those available in the general market, those rates will be higher than those pertaining to current borrowing. This emphasises the importance of ensuring that future borrowings are structured appropriately. The 2022-23 Annual Plan has projected increased rates on new borrowings
- Investments in term deposits will generate improved returns for Council
- Investments in loans to external parties will generate improved returns, although these will be constrained to an extent as they are not particularly flexible. The loan to North Otago Irrigation Company is set at a rate that will remain fixed for two years, while loans to Observatory Village and Kurow-Duntroon Irrigation are set annually at 31 May

## **CURRENT SITUATION – INVESTMENTS**

### Loans to external parties

North Otago Irrigation Company Limited.

- Balance of the loan \$14,201,333, with no further principal repayment expected by year end
- Per the loan agreement, principal repayments during the 2023 financial year will total \$376,963
- Interest rate 3.26% fixed until May 2024

Observatory Village Charitable Trust

- Balance of the loan \$15,548,638, with no principal repayment expected by year end
- The loan agreement is currently being re-negotiated, with no principal repayments anticipated before 2024
- Interest rate has still to be finalised, but will reflect Council's borrowing costs and other overheads associated with managing the loan

Kurow-Duntroon Irrigation Company

- Balance of the loan \$3,111,933, with no principal repayment expected by year end
- As the company is currently under voluntary administration, no principal repayments are anticipated prior to that situation being resolved
- Interest rate was re-set at 31 May, and will be 5.575% for the 2022-23 financial year

Oamaru Whitestone Civic Trust

- Balance of the loan \$508,500, with no further principal repayments expected by year end
- \$113,500 of the loan balance is interest-free
- The Trust is committed to annual repayments of \$35,000
- Interest rate is re-set quarterly based on Council's internal loan rates

Waitaki District Health Services Ltd

- Outstanding loans were cleared in full at 28 February 2022

New Zealand Airline Academy Ltd

- Outstanding loans were cleared in full at 12 April 2022

Whalan Lodge Trust

- Council has agreed to lend the Trust up to \$750,000, and to allow interest thereon to compound to a maximum loan balance of \$780,000. To date no request for funding has been received.

### Term Deposits

During months listed as "high cash balance", or when other large inflows, such as principal repayments are made, decisions must be made about how best to deal with the resulting surplus funds. The following priorities are generally followed:

- operational requirements
- loan repayment obligations (only applicable if the BNZ facility has been utilised)
- term deposit opportunities.



It is fortunate that, just as interest rates are starting to rise, Council is again in the position of being able to utilise term deposits more regularly. This is the result of several factors –

- Increased rates struck for both the 2021-22 and, now, the 2022-23 financial years;
- Funding received in advance from a number of different sources (Three Waters Reform programme, Lotteries NZ, the Mayors Taskforce for Jobs and the National Library Partnership Programme);
- Staff vacancies and other cost savings evident throughout Council.

Interest rates for term deposits are now rising following changes in the OCR and currently range from 0.15% for Council’s call account to around 2.50% for 12 months.

In recent months, term deposits have been placed with the BNZ as the other trading banks have not proven as competitive. Previously ASB was preferred, and this provider is likely to prove of use again in the future.

At 30 April, Council held \$2,500,000 in term deposits with the BNZ.

**CURRENT SITUATION – BORROWINGS**

**Local Government Funding Agency (LGFA)**

Council joined the LGFA and received loan funding of \$15M on 4 November 2020. Subsequently, a further \$5M was borrowed in July 2021.

Borrowings from the LGFA now consist of one tranche of Commercial Paper (CP), four Floating Rate Notes (FRN) and five Fixed Rate Bills (FRB) as detailed in the table below.

<b>Type of security</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Principal \$</b>
LGFA CP	11-Aug-22	1.64%	\$2,500,000
LGFA CP	11-Aug-22	2.08%	\$2,000,000
LGFA FRN	15-Apr-23	1.03%	\$2,000,000
LGFA FRN	15-Apr-24	1.05%	\$2,000,000
LGFA FRN	15-Apr-25	2.28%	\$2,000,000
LGFA FRN	15-Apr-26	0.876%	\$2,000,000
LGFA FRB	15-Apr-24	0.65%	\$1,500,000
LGFA FRB	15-Apr-25	0.73%	\$1,500,000
LGFA FRB	15-Apr-26	0.84%	\$1,500,000
LGFA FRB	15-Apr-27	0.93%	\$2,000,000
LGFA FRB	15-Apr-27	4.17%	\$2,000,000
LGFA FRB	15-May-28	2.32%	\$3,000,000
LGFA FRB	15-May-28	4.26%	\$1,000,000
		<b>Total</b>	<b>\$25,000,000</b>

The Commercial Paper debts maturing on 11 August 2022 will be repaid, or rolled over for a further six months, depending on funding requirements at the time. In the same way, the Floating Rate Note maturing in April 2023 may either be repaid or refinanced depending on projected cashflow requirements. These changes will be made subject to advice from Bancorp which is contracted to

provide guidance in relation to the structure of external borrowings to ensure that Council gains the most benefit while also remaining compliant with the Investment policy.

### **Bank of New Zealand (BNZ)**

Council has a Customised Average Rate Loan (CARL) facility with the BNZ with a current limit of \$1M and an overdraft facility of \$0.250M. These facilities have not been used since 31 July 2021 but remain available in case of need.

### **Future Borrowing Requirements**

The 2021-31 Long Term Plan projected LGFA borrowings of \$25M by 30 June 2022. The 2022-23 Annual Plan projects borrowings will increase to \$38M largely due to capital expenditure requirements, including the Events Centre and 3 Waters projects brought forward from later years

### **Discussion**

This Treasury Strategy will provide and set in place:

- flexibility in accessing and applying operational funding
- increased certainty of funding for capital projects
- increased certainty and savings in loan servicing and facility costs
- funds which, when not required for operational or capital funding purposes, can be used to generate investment revenue.

### **SUMMARY OF OPTIONS CONSIDERED**

**Option 1** – Adopt a Treasury Strategy for the first quarter of the 2022-23 financial year which:

- uses the expertise of external consultants when sourcing additional funding from the LGFA as and when needed, and when refinancing existing borrowings, while remaining within the budget for the 2022-23 financial year of \$38M; and
- invests funds considered surplus to immediate requirements to best advantage to maximise returns.

**Option 2** – Direct officers to research and present an alternative strategy.

### **ASSESSMENT OF PREFERRED OPTION**

Option 1 is preferred, as it is effectively the continuation of the current Treasury Strategy and viewed by officers as the most viable available option given Council's present funding circumstances.

### **CONCLUSION**

Officers will continue to maximise, wherever possible, returns from Council's investments whilst minimising as much as practicable the costs of financing Council's ongoing operational and capital funding requirements.

**ADDITIONAL DECISION-MAKING CONSIDERATIONS**

**Outcomes**

We keep our district affordable

We enable opportunities for new and existing business

We provide and enable services and facilities so people want to stay and move here

We understand the diverse needs of our community

Waitaki's distinctive environment is valued and protected

We maintain the safest community we can

**Financial Considerations**

These are critical to Council's ongoing operations.

## **5 MEMORANDUM REPORTS**

### **5.1 FINANCIAL SUMMARY AND OVERVIEW - 30 APRIL 2022**

**Author:** Ian Wells, Accounting Manager

**Authoriser:** Paul Hope, Finance and Corporate Development Group Manager

#### **RECOMMENDATION**

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

#### **PURPOSE**

This report presents a high-level financial summary for the ten months ended 30 April 2022. The report does not replace the regular detailed financial reporting package that the committee receives at each quarter's end, but rather is intended to supplement that reporting and bridge the gap between the quarters.

#### **COMMENTARY**

While several operating revenue and expense categories exhibit variances from budget, overall Council's operating result for the period, being a surplus of \$1,715k, is better than was budgeted for the period.

- Total grant revenue is under budget, matching the underspend noted in relation to capital projects in both the Roading and 3 Waters activities. The budget also anticipated recognition of over \$2 million of external funding for the Events Centre project, much of which has been pledged but none of which can yet be recorded as revenue.
- Employee costs are under budget due to staffing vacancies, some of which have affected our ability to progress planned IT capital projects.
- Depreciation remains, and will continue, above budget as a direct result of the unexpectedly high revaluation of 3 Waters infrastructure completed at June 2021.
- Property, Plant and Equipment is significantly over budget due to the revaluation of 3 Waters assets. The revaluation of Property, Parks and Reserves and the Oamaru Airport has still to be completed and so is not yet reflected in these results
- Loans to Other Entities is over budget because of the rearrangement of loans to the Observatory Village Charitable Trust.
- Additional funds were obtained from the LGFA in April both for operational requirements and to support the increase in Loans to Other Entities noted above. The balance reported of \$25.021M relates to Council's total borrowings of \$25 million and interest accrued thereon of \$21k

KEY FINANCIAL UPDATE AT 30 APRIL 2022

<b>REVENUE</b>	<b>ACTUAL YTD APRIL 2022 \$000</b>	<b>BUDGET YTD APRIL 2022 \$000</b>
Rates	29,509	29,554
Grants	11,541	12,698
User charges	2,551	2,748
Statutory charges	1,755	1,719
Other revenues	3,802	3,077
Investment income	786	856

<b>EXPENDITURE</b>	<b>ACTUAL YTD APRIL 2022 \$000</b>	<b>BUDGET YTD APRIL 2022 \$000</b>
Employee costs	10,822	11,449
Depreciation	14,318	13,677
Contracts	12,465	13,260
Professional services	2,372	1,910
Grants	855	906
Finance costs	209	150
Other expenses	7,188	7,555

<b>OPERATING SURPLUS - YEAR TO DATE</b>	<b>1,715</b>	<b>1,602</b>
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<b>CAPITAL EXPENDITURE</b>	<b>ACTUAL YTD APRIL 2022 \$000</b>	<b>BUDGET YTD APRIL 2022 \$000</b>
Roading	4,222	5,945
3 Waters	7,410	8,335
Property	2,075	3,421
Parks and Recreation	413	2,050
Information Systems	936	1,818

<b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>	<b>ACTUAL YTD APRIL 2022 \$000</b>	<b>ANNUAL BUDGET \$000</b>
Property, Plant and Equipment	1,000,932	908,711
Loans to other entities	33,516	27,431
Cash and Cash Equivalents	3,382	1,761
Receivables	5,191	5,348
Borrowings	25,021	25,032
Accounts Payable	6,180	8,025
Employee Entitlements	1,561	1,733

## **5.2 INFORMATION SERVICES GROUP ACTIVITY REPORT JUNE 2022**

**Author:** Joakimu Mandiwona, Programme Manager

**Authoriser:** Bill Chou, Information Services Group Manager

### **RECOMMENDATION**

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

### **PURPOSE**

The purpose of this memorandum is to provide the Committee with an update on the activities of the Information Services Group during the reporting period. This is intended to be a high-level update with more specific discussions to be held in future meetings.

### **OVERVIEW**

The Information Services (IS) Group's focus in this reporting period has been on the implementation of long-term oriented digital services which will deliver benefits to Council.

Enterprise digital projects are continuing to be delivered. Three major projects – Procure to Pay, the event and facility management system, and public maps for district plan review went online during this reporting period, creating efficiency benefits for Council and better experience for Council's customers.

While progress has been made in some projects, unable to fill the vacancies for extended time due to constrained supply of skills in the market and the salary gap caused delay in many other projects. New project approaches are being developed to mitigate the issues.

Future projects in the IS group will be aligned towards supporting the creation of an agile and digital-ready Council through the transformation programme.

The team has continued to focus on operational excellence during the reporting period. Cyber-security, business continuity and service support were improved to ensure Council has uninterrupted and secure operations.

### **Financial Performance**

Operational and capital expenditure is within budget and there are no exceptions to report.

### **Information Services Group Programme of work**

The programme of work is aimed at supporting Council's obligations to the community it serves. Several projects are planned and delivered in line with the strategic priorities of Council. It is the mandate of the programme office to ensure that new digital services are introduced, and the change is managed to minimise change fatigue and to benefit the organisation.

### **The Accounts Payable Workflow (Procure to Pay)**

The project goal was to introduce effective controls in the purchasing of goods and services.

In April 2022, Council started using the newly introduced procure to pay system, which addresses key audit findings and enforces the use of purchase orders for all purchases above a prescribed limit. The project was completed as expected, and continual improvement work has started.

Benefits are starting to be realised with the use of purchase orders on identified purchases and limits. Council is also starting to realise improved efficiencies in the payment processing to suppliers, which is a positive impact for our external stakeholders.

The new system introduced new ways of working. As part of the change management effort by the project team, it is expected that Council will adopt fully the new way of purchasing going forward and will realise in full the potential benefits soon.

Continued monitoring is also underway to ensure that the change impact is minimal on the stakeholders. Support is being provided and some unexpected issues identified have been escalated to the software provider.

### **The Event and facility management system**

The project introduced new capabilities to support events and to book for services online.

In November of 2020, the Aquatic Centre started using the new system. In April 2022, the web booking system, a module of the events and facility management system, went live at the Aquatic Centre.

At the Opera House, the implementation was hybrid. The new system implementation at the Opera House is limited to the kiosk operations and the facility booking capability was achieved by upgrading to a newer version of the existing system. At this point, the project has been completed as per the requirements of the business units

The Aquatic Centre is now starting to realise the benefits of using the web booking system, which has facilitated the booking of swim classes online. The Aquatic Centre has seen a reduction of incoming calls during the last swim classes after the system was launched. With the online services, Aquatic Centre customers have access to their information and do not always have to ring the Aquatic Centre to get information or book a class. This has had a positive impact on the community.

At the Opera House, the performance of the system during peak periods is not yet optimal and a review will be conducted to ascertain performance and benefits realisation of the new system kiosk operations at the Opera House. This will also help in preparation of the expected rise in show attendances at the Opera House.

Continued support is available to ensure that any identified issues are noted and attended.

In future, after reviewing the performance and benefits realisation of the new system, there will be considerations to see if further improvement can be instituted and if the new system can be extended to other facilities of Council such as camp sites.

### **Public Maps for the Draft District Plan Engagement**

In the context of the Draft Waitaki District Plan for informal community feedback and engagement, which is on from 1 June to the end of August 2022, our team has created all the mapping in a GIS application called Web Map. This solution is integrated with the submissions tool, providing a handy and user-friendly functionality to the public. The mapping covers the current Operative District Plan, as well as the Draft District Plan.

The application is made public and enables our customers to find out what is allowed to happen on a piece of land, locate the property and identify the zone it is located in.

### **The Digital workplace**

This project aims to provide tools and capability necessary to conduct business efficiently. The project outcomes are to promote the Council ONE TEAM values by enabling collaborative capabilities in the digital workplace, Improve Electronic Document and Records Management System (EDRMS) compliance with existing legislation and Council Information management and privacy policies, and to enable efficiency gains through reviewing and automating internal engagement and information management processes.

In addition to the revamped system and collaboration platforms, the migration of Council electronic records to the new system is progressing. Several functions of Council such as Human Resource, Health and Safety, Policy and Strategy, District Plan, Customer services, and Cemetery operations have been moved and the records are now easy to search and can be accessed with ease when Council officers are working remotely. The ease to access records is expected to enable Council to efficiently serve the community by ensuring that relevant records and documents can be accessed easily.

Work is continuing to ensure that All Council departments can access records and documents in the new system soon. After reviewing project progress and the work required to deliver desired outputs, a recommendation to extend the project by six months after the end of the FY2022 was approved by the Executive Leadership Team. The project extension is because of periods when the project was under resourced, which slowed down progress. The aim was to finish the project by the end of June but, looking at the balance of work that will be outstanding by then, additional time with contingency will be necessary. The extension will not require additional budget.

### **Property File digitisation**

It has been reported before that the progress on the property file digitisation has been slow and a decision was made to get detailed cost indication and estimate delivery timelines if work is outsourced. The process of getting that information is underway and will be presented as soon as possible. The potential approach is towards a hybrid model where the digitisation work will be carried out by a service provider working closely with Council digitisation team. Progress has been slow due to resource constraints.

### **Asset Management system for Property**

The user acceptance testing of the leasing management was requested to be put on hold by the property team so that there was focus on other strategic priorities and KPIs which the property team was expected to deliver on.

No adequate time was left for the property team to commit to testing and provide feedback on the developed leasing module. Hopefully, the user acceptance testing will resume soon after the delivery of the other priorities, which will be communicated by the property team.

The net effect of the decision to hold the testing is that the project timeline to complete the delivery of the leasing module will need to be extended. After the delivery of the leasing module, there will be a review of the potential benefits to be realised and the business needs to determine if other activities of the property asset management must be included in the asset management system introduced.




### **Telephony and Contact Centre upgrade**































The telephony and contact centre upgrade project is in the foundation phase, with a business case earmarked for submission to the Executive Leadership Team in June. The project funding is provided for in the 2021-2031 LTP. Project initiation was delayed due to resource constraints in the project management office.





Project Status Reporting

Key			
	No Issues reported or exceptions within tolerance – no action required		Project performance outside tolerance level or minor issues reported – attention required
	Project performance outside tolerance, more than one major issue reported, risk of project failure – Intervention required		

Project Name	Summary	Activities Completed This Period	Activities Next Period	Expected Delivery Period	Budget	Scope	Schedule	Resources	Quality	%
The Accounts Payable Workflow (Procure to Pay)	Council started using Procure to Pay	Launch of Procure to Pay in April 2022	Close project before end of June	April 2022						95 %
The Event and facility management system	Project has been completed.	Launch of the web booking system for Aquatic in April 2022	Support, Review, and monitoring	Feb 2022						100 %
The Digital workplace	Project timeline extended from June 2022 to December 2022	Migration of document and records of several functions of Council	Migration of document and records of several functions of Council	Dec 2022						60%
Property File digitisation	Process to get cost and timelines associated with a hybrid model	Initiated the process to get the required information	Complete the RFP and submit to tender	Under review						10 %
The Asset Management system for Property	Project put on hold due to other priorities. Completion of user acceptance testing pending.	Leasing module developed. Initial user acceptance testing done but it was not completed	On hold	Feb 2022						60%
Telephony and contact Centre upgrade	Project start up delayed due to resource constraints	Business case stage	Start project							0%



## **INFORMATION TECHNOLOGY (IT) AND INFORMATION MANAGEMENT**

The priorities of the IT team for the reporting period were improving system accessibility and remote working tools, enhancing IT security to minimise cyber threats, and continuing to provide IT support to all of Council. The Information Management team has recently filled the Information Management Officer role and has been working on getting ready to provide proactive training and support for records within the Council on top of contributing to The Hive project.

### **Cyber-security**

Waitaki District Council has reported no major cyber security incidents during the reporting period. The IT team has been given approval by ELT to implement a cyber security 24/7 detection and response programme that will fill in the gaps the Council currently has during weekends and public holidays, as well as ensuring the latest detection rules are maintained and customised to suit new and emerging cyber security threats.

As phishing (scam emails) continue to be one of the main ways breaches occur in organisations, a baseline and training campaign was run to identify and improve awareness of what a phishing email could look like and key points to look out for. This will be continued to run as an ongoing programme to ensure staff stay vigilant.

### **Business Continuity**

The IT team is continuing to work on systems to ensure the accessibility and reliability of Council services. Work is currently underway on the cloud infrastructure that will allow the migration of key software, currently running on servers within the HQ. This work, once complete, will allow these key services to remain running and accessible if there is a building event, natural disaster, or cyber-attack. This will greatly improve the Waitaki District Council's speed of migration to the cloud as we will not be limited to predefined services offered by the likes of Microsoft.

Network performance has been increased to Waihemo Service Centre as fibre was recently released in that area, as well as increasing the speed between 20 Thames Street and the Library/Museum by 900% to support digital advancements and incentives happening in those areas. On top of that, the IT team has negotiated a 150% increase in bandwidth to Council's internet speed with no additional cost.

Work is now underway to increase connections to the Aquatic Centre, Opera House, and Tee Street offices. This is expected to produce around a 400% increase in speed for these areas. This work is essential to ensure, as the Waitaki District Council moves more to the cloud, that access and system performance is maintained.

### **Support Activities**

The IT team provides IT support services to all of Council to minimise risks of systems unavailability. There have not been any significant issues affecting the delivery of Council services due to IT systems failure during the reporting period.

### Property File Requests

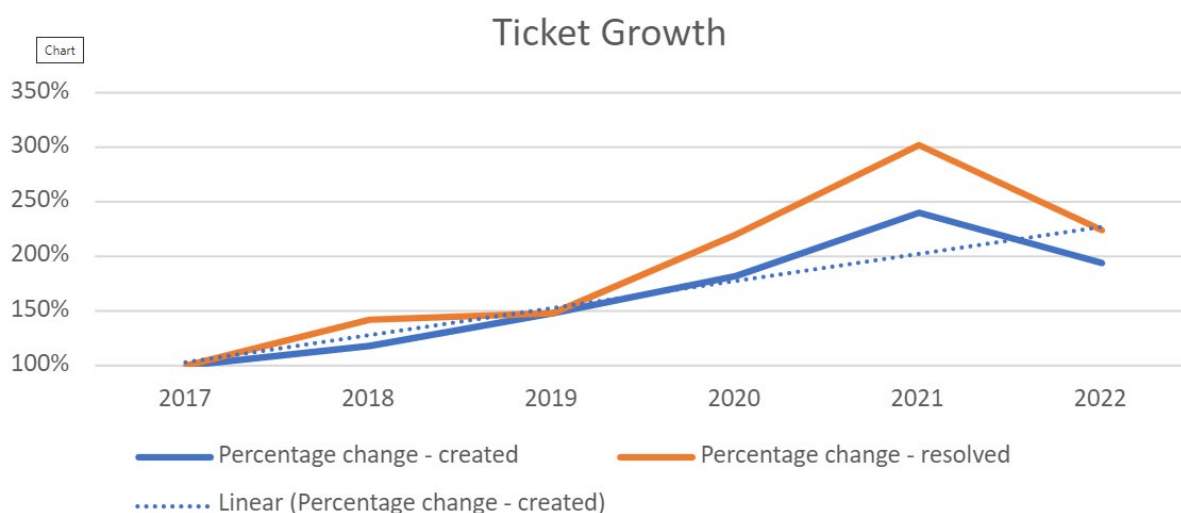
The number of property file requests up to this point in time for the year have shown to be slightly down on previous years and are predicted to be slightly above 2019 levels. This can be attributed to the slight fall in sales and the current economic climate.

### Property File Digitisation

The property file digitisation team currently has only one staff member working on this project to maintain progress. As this project is about to go out under RFP, staffing requirements for this project will be reviewed and rescoped to suit the future process.

### Information Services Support Requests

A significant part of the work done by the Information Services Group is made up of service requests, known as 'tickets'. Systems and processes are being put in place for users to complete their own basic support requests, relieving some of the pressure on IT staff for some basic reoccurring tasks, as well as empowering other staff to manage their own systems.



We are now almost halfway through the year and the trend of new tickets is tracking to match 2020 levels and can be attributed to automation, improved policies, and process improvements that Information Services continue to implement that reduce time required for reoccurring tasks, and systems being put in place to allow “self-service” that redistribute workload that does not need to sit under the Information Services team. Work is now underway to refresh how the Information Services group work with tickets and how all staff have access to training and technical IT help in a targeted automated process. The Information Services group expects that, with these changes, the number of tickets being created will reduce and improve general staff uptime without interruptions for simple issues.

**6 RESOLUTION TO EXCLUDE THE PUBLIC**

**RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

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

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<p><b>7.1 - Public Excluded Minutes of the Performance, Audit and Risk Committee Meeting held on 10 May 2022</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

**7 PUBLIC EXCLUDED SECTION**

**8 RESOLUTION TO RETURN TO THE PUBLIC MEETING**

**RECOMMENDATION**

That the Performance, Audit and Risk Committee resumes in open meeting and decisions made in public excluded session are confirmed and made public as and when required and considered.

**9 RELEASE OF PUBLIC EXCLUDED INFORMATION**

In accordance with Waitaki District Council Standing Orders, and pursuant to resolutions in the public excluded session of the meeting, any previously public excluded information that the Performance, Audit and Risk Committee decides to release will be included under this agenda item in the Public Minutes of this meeting.

**10 MEETING CLOSE**