



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:**

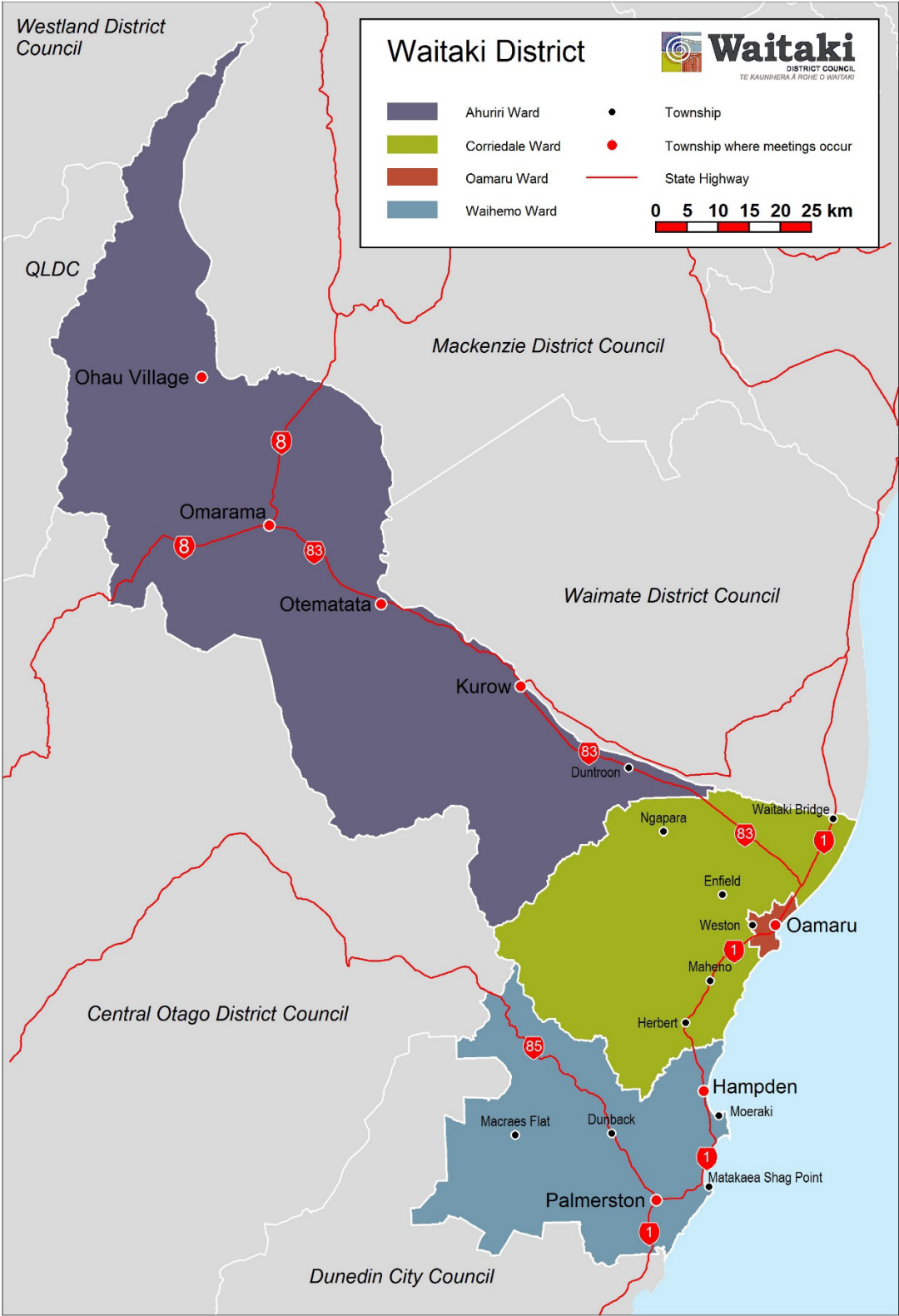
Date: Tuesday, 28 February 2023
Time: 1.00pm
**Location: Council Chamber, Third Floor
Office of the Waitaki District Council
20 Thames Street, Oamaru**

Agenda

Performance, Audit and Risk Committee

Mr Simon Neale	Independent Chairperson
Deputy Mayor Hana Halalele	Deputy Chair
Cr Tim Blackler	Member
Cr Jim Hopkins	Member
Cr John McCone	Member
Cr Rebecca Ryan	Member
Mayor Gary Kircher	Member
[still to be appointed]	Independent Member

Alex Parmley
Chief Executive





COMMUNITY OUTCOMES



STRATEGIC PRIORITIES



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



Agenda Items

1	Apologies	5
2	Declarations of Interest	5
3	Confirmation of Previous Meeting Minutes.....	6
3.1	Public Minutes of the Performance, Audit and Risk Committee Meeting held on 6 December 2022.....	6
4	Memorandum Reports.....	13
4.1	Financial Report - Second Quarter, 2022-23 Financial Year, and Treasury Report to 31 December 2022	13
5	Resolution to Exclude the Public	27
6	Public Excluded Section	28
6.1	Debtors' Report - 2023, Second Quarter PE.....	28
6.2	Accounts Payable Analysis - 2023 Second Quarter PE.....	28
7	Resolution to Return to the Public Meeting	28
8	Release of Public Excluded Information	28
9	Meeting Close	28

- 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 6 DECEMBER 2022**

Author: Ainslee Hooper, Governance and Policy Advisor

Authoriser: Lisa Baillie, People and Transformation Group Manager

Attachments: 1. **Public Minutes of the Performance, Audit and Risk Committee
Meeting held on 6 December 2022**

RECOMMENDATION

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Performance, Audit and Risk Committee Meeting held on 6 December 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
ON TUESDAY, 6 DECEMBER 2022 AT 1.30PM**

PRESENT: Mr Simon Neale (Chair), Deputy Mayor Hana Halalele (Deputy Chair), Cr Tim Blackler, Cr Jim Hopkins, Cr John McCone, Cr Rebecca Ryan, and Mayor Gary Kircher

IN ATTENDANCE: Alex Parmley (Chief Executive)
Paul Hope (Finance and Corporate Development Group Manager and Acting Assets Group Manager)
Lisa Baillie (People and Culture Group Manager / Deputy Chief Executive)
Roger Cook (Heritage, Environment and Regulatory Group Manager)
Ainslee Hooper (Governance and Policy Advisor)

IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:

Ian Wells (Accounting Manager)
Mandy McIntosh (Strategy and Performance Manager)
Amelia Lines (Risk and Procurement Advisor)

MEETING OPEN

The Chair declared the meeting open at 1.30pm and welcomed everyone present.

1 APOLOGIES

There were no apologies.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

The Chair asked if anyone wished to speak to the Public Excluded Minutes of the previous meeting. When no one said they did, the Chair then declared that those Minutes would be confirmed in the Public session of this meeting, as new Agenda Item 3.2.

3 CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 22 NOVEMBER 2022

RESOLVED PAR 2022/056

Moved: Cr Jim Hopkins

Seconded: Cr John McCone

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Inaugural Performance, Audit and Risk Committee Meeting held on 22 November 2022, as circulated, as a true and correct record of that meeting.

CARRIED

The Chair directed the meeting forward to Agenda Item 4.

4 DECISION REPORTS

4.1 RISK MANAGEMENT POLICY

The report, as circulated, sought feedback from the Performance, Audit, and Risk Committee and a recommendation to Council for the adoption of the Risk Management Policy.

There was brief discussion on:

Elected members role in relation to risks: It was suggested that, as governors, elected members should be able to monitor, evaluate and assess risk, and that a framework to be able to do that was requested. Risk and Procurement Officer Amelia Lines acknowledged that elected members had responsibility to ensure that the risks are being managed appropriately and that was the purpose of the table. There would not be a framework per se. Elected members would receive risk training in the use of the table. It was also noted that any agreed feedback from PAR meetings that a risk was not being controlled appropriately or a risk rating was incorrect would be taken on board and corrected when it is considered appropriate and when it is possible to take further action.

A suggestion to simplify the policy was made, along the lines of 'we have a low appetite for risk; here is the risk, and here is what we will do'. "From time to time it will change, and here is an appendix to explain it." This was acknowledged by Group Manager Paul Hope, but he advised that the policy needed to be a working document; as a collective, management and governors need to more actively manage risks and the policy outlines what work needed to be done to develop that shared understanding.

The reference to the policy applying to community board members was queried, because they did not have much risk. Mr Hope agreed with that point and said that amendment could be made.

A preference was made to replacing the words "elected members" throughout the document with "the governance team", and noting that, in this case, that would include Mr Neale as he is part of this (PAR) governance team. The reference to elected members and appointed members being "employees" was also queried, because they were not employees, and it was important that there was clear separation between staff and elected members.

It was noted that the feedback would be considered and if any changes were made, then a revised version of the policy document would come back to a future meeting.

In response to the suggestion that Council had increasing risk related to borrowing, and no policy at all for investments other than the most conservative and cautious, the Chair advised that that risk is separated from the risks covered by this policy. A Treasury management policy and a financial risk management policy would be needed to deal with those finance-related matters.

It was agreed that PAR would recommend the Policy be adopted by Council, with the amendments as agreed at this meeting.

RESOLVED PAR 2022/058

Moved: Cr Jim Hopkins

Seconded: Cr John McCone

That the Performance, Audit and Risk Committee recommends:

That Council adopts the Risk Management Policy attached as Appendix 1 to this report with amendments as agreed.

CARRIED

4.2 INSURANCE RENEWAL

The report, as circulated, confirmed the Insurance Renewal for 2022/2023 with consideration to areas of potential premium savings as a result of increasing premiums in a challenged insurance market.

Group Manager Paul Hope advised that insurance was one of the cost pressures being faced by Council. Strategy and Performance Manager Mandy McIntosh spoke to the report. It was noted that the lift in premiums was around \$120k. Options included considering increasing excess levels on some insurances (eg the 1 Thames Street building, toilets, commercial leases).

The option of increasing the excess on the Oamaru Opera House was suggested, and Ms McIntosh said she would discuss that with Council's insurance brokers.

Insurance for international travel was queried. Ms McIntosh advised that several staff have had to attend work overseas, and the insurance of \$900 per annum covered replacement of technical equipment, cover for health incidents and the like (which is part of Council's good employer responsibilities). It was noted that, put in perspective, someone travelling to the United States who ended up in hospital would probably spend \$900 within the first day. This was acknowledged.

The most expensive items were highlighted and options for them were considered. It was noted that it was not possible to take out specific components of the Oamaru Opera House (OOH) as it is one building and is valued on the whole structure. Increasing the excess for 1 Thames Street was supported, and the airport was also queried. With regard to the airport, Ms McIntosh advised that her recommendation was not to insure it at all because it had its own public liability insurance that would cover an incident on the runway. That option had been put to the property strategy team for consideration.

In response to questions around valuations, Mr Hope explained that the stated values were specifically for insurance purposes. Two valuations were received – one for reporting purposes, and another for insurance. Insurance valuations are reflecting the assessment of valuers about what it would take to build a structure to provide the same facility (eg using OOH as an example, or Aquatic Centre – both were specialised buildings). Replacement costs have escalated, and the insurance values stated were consistent with instructions from valuers and also with previous Council decisions to fully replace such buildings.

An elected member acknowledged the scrutiny being given to the increases but also highlighted the need to be realistic, too. It is Council policy to replace the OOH if it is destroyed. Council needs to know that there will be money available to do the job that would need to be done (eg in the case of a fire). They felt that the premiums have gone up straight in line with replacement

costs, so Council needed to remain aware that, if cover was decreased or excesses increased, then – if something happens, Council will need to find the replacement money somewhere else.

This was acknowledged, and it was noted that this situation was no different to what everyone was facing with personal home insurance. It was acknowledged that the team was doing all it could to optimise premium prices.

It was noted that a number of changes had been put to this meeting and feedback had been provided on them. Ms McIntosh said she had taken account of the feedback and had enough to finalise a report to a future Council meeting.

RESOLVED PAR 2022/059

Moved: Mayor Gary Kircher

Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee recommends:

That Council confirms the Insurance renewal for 2022/2023 with premium changes as presented for consideration at this meeting.

CARRIED

5 MEMORANDUM REPORTS

5.1 FINANCIAL SUMMARY AND OVERVIEW - POSITION AT 31 OCTOBER 2022

The report, as circulated, presented a high-level financial summary for the period ended 31 October 2022.

Accounting Manager Ian Wells highlighted the two main variations – the addition of the emergency works and the Events Centre project still being in the developmental stage, both of which changed the year-end position so were being brought to Council's attention in this overview report.

There was brief discussion on the underspend in the Parks and Recreation budget due to a myriad of small projects relating to playgrounds, toilets and the like that had yet to get underway due to delays with extra work that had needed to be done to secure external funding (eg from the Tourism Infrastructure Fund) or contractor availability delays.

RESOLVED PAR 2022/060

Moved: Mayor Gary Kircher

Seconded: Cr Tim Blackler

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

CARRIED

The Chair directed the meeting back to Agenda Item 3.2 for Confirmation of the Previous Meeting's Public Excluded Minutes (previously public excluded agenda item 7.1).

3.2 PUBLIC EXCLUDED MINUTES OF THE INAUGURAL PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 22 NOVEMBER 2022

RESOLVED PAR 2022/061

Moved: Cr Jim Hopkins

Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee confirms the Public Excluded Minutes of the Inaugural Performance, Audit and Risk Committee Meeting held on 22 November 2022, as circulated, as a true and correct record of that meeting.

CARRIED

The Chair directed the meeting forward to Agenda item 5.2.

5.2 KEY RISK REGISTER UPDATE

The report, as circulated, provided an update on the Key Risk Register, owned by the Executive Leadership Team (ELT). It aims to promote discussion about the top risks faced by Council and the controls in place to mitigate these risks.

Group Manager Paul Hope highlighted the new format and approach to the Key Risk Register and that it was now aligned to the risk management policy. Two items were still coloured red, and ELT was seeking feedback from the governance team about how far to go in mitigating these risks, given that there would be a reasonable amount of expense and effort involved, and whether there was a level of residual risk that governance would be comfortable with?

It was noted that new risks had been recognised and some residual rating had changed, which were significant enough to bring the Register back to the PAR Committee today. The Committee would receive risk training in the new year and a full set of risks at the March Committee Meeting.

The high risk assigned to climate change was queried, given the recent United Nations reclassification of calculations around future temperature increases. Mr Hope advised that the risk assessment was more about the need for Council to respond to central government initiatives in terms of climate change, or where Council is seeing a direct impact – eg more frequent rain events, heavier rain events and the impact on the roading network; waste items being exposed on foreshores. Council was seeing reasonably significant costs in these areas which need to be accommodated and that is the risk.

The risk associated with political uncertainty and a potential change of government next year was queried, especially with relation to promises around such things as three waters reform. Risk and Procurement Advisor Amelia Lines advised that ELT believes that risk will increase closer to the election, and the risk was around our capacity to respond; if that changed, then that risk will be reviewed.

A question was asked about whether the register encompassed risk around Council's engagement with the public. Ms Lines noted that that would generally come up in the project risk registers where they need to engage on a specific matter. It may be difficult to cover engagement with the public as a risk in this register which went across the board. However, she undertook to discuss this matter with ELT. Mr Hope asked for more clarity about the specific issue and was informed that the question was really around reputational risk especially with things that were 'out of the

ordinary' – that could be just general engagement or on the regulatory front which could present higher risk in terms of Council's relationship with the community.

Another elected member suggested the need for another section, for elected members as community representatives (ie stewardship) and if there is a political element that needs to be considered.

Another suggestion was the risk of the Future For Local Government not proceeding. Council was pinning hopes and dreams on that it could be quite major if it did not happen.

The Chair summarised that all three points were valuable feedback that officers would take away and consider. ACTION: Risk and Procurement Officer

RESOLVED PAR 2022/062

Moved: Cr Tim Blackler

Seconded: Cr Jim Hopkins

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

CARRIED

The Chair acknowledged, for the record, that because the Public Excluded Minutes of the previous meeting were confirmed in the Public session under new Agenda Item 3.2, agenda items 6, 7, 8, and 9 for this meeting are no longer required.

10 MEETING CLOSE

There being no further business, the Chair declared the meeting closed at 2.38pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting
to be held on Tuesday, 28 February 2023.

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CHAIRPERSON

4 MEMORANDUM REPORTS

4.1 FINANCIAL REPORT - SECOND QUARTER, 2022-23 FINANCIAL YEAR, AND TREASURY REPORT TO 31 DECEMBER 2022

Author: Ian Wells, Accounting Manager

Authoriser: Paul Hope, Finance and Corporate Development Group Manager

Attachments: 1. Financial Report - Second Quarter, 2022-23 Financial Year
2. Treasury Report, Second Quarter, 2022-23 Financial Year

RECOMMENDATION

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

PURPOSE

This report presents financial results for the first half of the 2023 financial year and includes the Treasury Report at 31 December 2022.

Because of additional work required to complete the 2021-22 Annual Report for Audit, no update is currently available for changes in balances of internal loans and special reserves since 30 June 2022. This detail will be reported to a later meeting.

COMMENTARY

Overall

Council, like the wider community, is facing increasing cost pressures. In many instances, the changes being experienced are higher than general CPI due to the different “basket of goods” that make up the contracting or local government price indices. Officers are taking steps where possible to mitigate the negative impact of the various contractual and other increases, but these changes are limited and shorter term. The impact of this pressure will be a key feature in future budget and annual plan discussions.

The position and result reported for the half year needs to be considered in this wider environment. Overall, the performance is reasonable, but the combination of cost pressures and lack of people and other key elements will make delivering services increasingly difficult over the balance of the year and into the new financial year.

Council Position

The GAAP Financial Reports (Attachment 1) show an operating deficit of (\$5,190k) compared with a budgeted deficit for the period of (\$3,679k).

Overall, Operating revenue is over budget by \$2,385k. This variance arises particularly due to the claim for \$2,102k for emergency works incurred in July and August which has yet to be approved and paid by Waka Kotahi.

Operating expenditure overall is over budget by \$3,897k. The largest single variance is extra contractors' costs of \$3,073k related to emergency works arising from adverse weather events in July and August 2022. How Council funds the difference between the costs incurred and the level of co-funding received will be a matter that will be considered once the level of co-funding is confirmed.

Staff vacancies have contributed to a saving on Personnel costs. However, Depreciation is well over budget following the recent revaluation of property holdings, and investment in infrastructure will also contribute to an increased depreciation charge.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

The report appearing in Attachment 1 contains more detail.

In summary, Operating Revenue is reported at \$32.35M, while Expenditure amounts to \$37.54M. A non-trading item, Interest earned on LGFA Borrower Notes, adds a further \$8k to the overall result to 31 December 2022. This income, along with the annual change in the value of Council's investment in Ōmārama Airfield Limited, is required by financial reporting standards to be recorded separately in Council's financial statements.

STATEMENT OF FINANCIAL POSITION

The Governance team is requested to remember that budget figures appearing in the Statement of Financial Position reflect the projected year-end position and may not necessarily be relatable to the position reported in quarterly financial reports.

Key items of note appearing in this report are recorded below.

Property, Plant and Equipment (PP&E)

- The budget figure represents the projected year-end position after the triennial revaluation of roading and bridges, which is budgeted to add \$44.75M to Council's fixed asset holdings. This change will not be recognised until June 2023.

Loans to Other Entities

- Changes in this asset, both in total and in terms of the classification between Non-current and Current, are the result of principal repayments and new loans made.
- New loans have been made in the 2023 financial year to Waitaki District Health Services Limited (WDHSL) \$1.95M while the company negotiates future funding arrangements with Te Whatu Ora Health New Zealand, and to Whalan Lodge Trust \$60k to help fund capital works at the rest home.
- The current portion of Loans to Other Entities reflects the expected repayment of the advance to WDHSL as well as scheduled repayments from other borrowers over the next twelve months.

Investments in Other Entities

- This category includes LGFA borrower notes and unlisted shares in other companies.
- As a condition of borrowing, when Council's borrowings are in the form of fixed rate bonds or floating rate notes, the LGFA holds 2.5% of amounts lent as an interest-bearing deposit termed "borrower notes".
- Interest accrues on the notes until the notes mature, which occurs when the associated loan is repaid.
- Rates paid on the notes are linked directly to the rates paid by Council on the associated borrowings.
- Borrower notes increased to \$775,000 plus accrued interest due to transactions related to new and refinanced loans in August, October, and December 2022.

Term Deposits

- As outlined in the Treasury Report, bank deposits with an original maturity exceeding 90 days are recorded as Term Deposits. At 31 December 2022, Council held a single term deposit that met this definition.

Borrowings

- As outlined in greater detail in the Treasury Report, Non-current borrowings include new loans arranged with the LGFA in August 2022 of \$4M, October \$5M, and December \$4M.

CAPITAL EXPENDITURE

Total capital expenditure to date is \$13.02M and is behind the YTD budget of \$19.57M, which includes both the original Annual Plan budget and carry-forward projects approved by Council. The most significant variations are outlined below.

Activity	YTD Actual (\$M)	YTD Budget (\$M)	Variance \$M	Commentary
Roading	6.03	6.40	(0.37)	Works programme initially delayed due to operational requirements/emergency works, but now back on track. Road sealing works are ahead of budget.
Water	3.57	7.2	(3.63)	Work is proceeding on projects funded from the DIA tranche 1 water funding, but progress has been slow on works planned for the Oamaru, Lower Waitaki, Tokarahi and Ōmārama water schemes.
Sewer	0.95	1.84	(0.89)	Timing of works on Oamaru projects.
Property	1.06	1.41	(0.35)	Various projects have yet to get fully underway, while those at the Oamaru Airport have been deferred pending development of an Airport Masterplan.
Parks and Recreation	0.52	1.26	(0.74)	Oamaru Gardens Playground started slowly, as has work on toilet projects. Little progress will be made on the Sports and Events Centre this financial year, resulting in a major underspend.
Alps2Ocean	0.04	0.07	(0.03)	Funding received in 2021 carried over to reinstate items after floods has now been expended.
Motor Vehicles	0.05	0.15	(0.10)	Timing of replacement programme.
Information Services	0.60	1.07	(0.47)	Projects have been delayed, are being reprioritised, or are not progressing due to staff vacancies. New staff coming on board may address the problem.

More detail on individual projects and budgets has been, or will be, provided in separate group activity reports.

IMPACT OF 3 WATERS REFORM AND OTHER MATTERS

Responding to and planning for the proposed 3 Waters reforms is consuming an increasing amount of time and resource. Although some funding has been received to help with some direct costs, it does not adequately compensate Council for the full costs of engaging and responding to the request from the National Transition Unit or of engaging with other councils. Although the direct financial impact is limited to date, it is starting to have a major impact on service delivery across an increasing range of Council activities and services.

Council is also experiencing significant pressure on prices charged by suppliers, with many tenders received being far in excess of the budgets for the particular project – sometimes by 20% or more. This is also likely to affect service delivery, cashflows, and the required level of external borrowing to complete the necessary works.

MEETING AGENDA

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 DECEMBER 2022

Statement of Comprehensive Revenue and Expense

For the period ended 31 December 2022

		2023 6 Months Actual \$000	2023 6 Months Budget \$000	2023 Annual Plan Budget \$000	2022 12 Months Actual \$000	Variance from YTD Budget \$000	%
Revenue							
Rates Revenue		18,881	18,785	38,109	35,516	96	0.5%
User Charges		1,484	1,529	3,099	3,116	(45)	-2.9%
Property Rental		1,201	1,228	2,676	2,344	(27)	-2.2%
Regulatory Charges		1,161	1,221	2,290	2,128	(60)	-4.9%
Development and RMA Contributions		767	793	1,586	1,972	(26)	-3.3%
Government Grants and Subsidies	1	7,614	5,222	11,211	12,790	2,392	45.8%
Other Grants and Donations	2	336	373	8,781	913	(37)	-9.9%
Finance Revenue	3	768	657	1,311	906	111	16.9%
Petrol Tax		95	113	226	194	(18)	-15.9%
Infringements and Fines		39	40	64	53	(1)	-2.5%
Dividends received		-	-	350	32	-	0.0%
Assets vested in Council		-	-	-	1,594	-	
Total Revenue		32,346	29,961	69,703	61,558	2,385	8.0%
Expenses							
Personnel costs	4	7,808	8,011	15,067	13,657	(203)	-2.5%
Depreciation and amortisation	5	9,145	8,857	17,715	17,318	288	3.3%
Finance Costs	6	489	405	810	299	84	20.7%
Other expenses	7	20,062	16,374	30,770	27,482	3,688	22.5%
Non-Trading Losses / (Gains)		-	-	-	1,726	-	0.0%
Total Expenses		37,504	33,647	64,362	60,482	3,857	11.5%
Share of joint venture's surplus / (deficit)		-	-	-	121	-	
Interest on LGFA Borrower Notes		8	7	17	5	1	
Surplus / (Deficit) before Tax		(5,150)	(3,679)	5,358	1,202	(1,471)	
Other Comprehensive Revenue and Expense							
Gain/(Loss) on revaluation of Infrastructural Assets		-	-	44,750	-	-	
Gain/(Loss) on revaluation of Properties		-	-	-	42,222	-	
Total Other Comprehensive Revenue and Expense		-	-	44,750	42,222		
Total Comprehensive Revenue and Expense		(\$5,150)	(\$3,679)	\$50,108	\$43,424	(1,471)	

Significant variances and notes

1 – Government Grants and Subsidies

Waka Kotahi NZTA subsidy accrued related to unbudgeted expenditure of \$3,073k on emergency works following weather events in July as noted below	\$2,102k
Waka Kotahi NZTA general programmes of work ahead of budget	\$195k
MBIE "Welcoming Communities" initiative funding unbudgeted	\$50k
Ministry for the Environment waste minimisation funding under budget	-\$33k

2 – Other Grants and Donations

Mayors Taskforce for Jobs programme – funding has been received, but is not recognised until elements of the programme have been delivered	-\$61k
Hampden hall – funding received for re-roof project - unbudgeted	\$26k

3 – Finance Revenue

Interest rates on loans to Observatory Village Charitable Trust and to Kurow-Duntroon Irrigation Co over budget after restructuring and new loan agreements implemented, and interest rates available for bank deposits are steadily increasing	
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MEETING AGENDA

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 DECEMBER 2022

4 – Personnel Costs

Wages and Salaries underbudget due to staff vacancies	-\$187k
Kiwisaver and Superannuation contributions under budget as a result	-\$26k

5 – Depreciation and Amortisation

This increase over budget is driven by both the unexpectedly high increase in the valuations of Council's property and parks, and the Oamaru Airport, and by continuing work on 3 Waters projects brought forward to 2023	
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6 – Finance Costs

Increase over budget results from increases applied to Council's borrowings by the LGFA, both on new lending and when existing floating rate loans are renewed on maturity.	
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7 – Other Expenses

Roading emergency works were not budgeted	\$3,073k
Backfill for staff vacancies	\$139k
Insurance premiums	\$95k
Software licenses	\$47k

MEETING AGENDA

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 DECEMBER 2022

Statement of Financial Position

As at 31 December 2022

		2023 Actual \$000	2023 Budget \$000	2022 Actual \$000
Public Equity				
Ratepayers' Equity		310,208	310,208	310,208
Revaluation Reserve		714,415	737,944	714,415
Operating Reserve		15,274	24,069	20,888
Other Reserves		18,204	17,887	17,743
Total Public Equity		\$1,058,101	\$1,090,108	\$1,063,254
Non-Current Assets				
Property, Plant and Equipment	8	1,047,571	1,088,885	1,043,699
Intangible Assets		1,898	2,528	1,898
Forestry		338	400	338
Assets held for Sale		1,150	1,150	1,150
Financial Assets				
- Investments in Subsidiaries		4,703	4,703	4,703
- Investment in Joint Venture		1,765	1,644	1,765
- Investments in other entities		875	910	612
- Loans to other entities		33,183	33,075	33,053
		1,091,483	1,133,295	1,087,218
Current Assets				
Cash and Cash Equivalents		3,641	1,185	2,060
Receivables	9	7,309	6,678	4,974
Prepayments		1,299	840	1,008
Inventory		110	174	112
Financial Assets				
- Term deposits		1,504	-	2,003
- Investments in other entities		53	89	51
- Loans to other entities	10	2,170	687	401
Assets held for Sale		-	180	-
		16,086	9,833	10,609
Total Assets		1,107,569	1,143,128	1,097,827
Non-Current Liabilities				
Borrowings		30,500	30,000	18,500
Provisions		274	377	281
Employee Entitlement Liabilities		103	107	103
		30,877	30,484	18,884
Current Liabilities				
Trade and Other Payables		9,176	12,532	7,446
Employee Entitlement Liabilities		1,809	1,669	1,661
Borrowings		7,600	8,072	6,574
Provisions		6	263	8
		18,591	22,536	15,689
Total Liabilities		49,468	53,020	34,573
Net Assets		\$1,058,101	\$1,090,108	\$1,063,254

MEETING AGENDA

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 DECEMBER 2022

8 – Property, Plant and Equipment

Budget includes the effect of the Roding revaluation, which will be processed at 30 June 2023.

9 – Receivables

Current balance includes \$2.1M of subsidies awaiting approval from Waka Kotahi in relation to Roding emergency works.

10 – Loans to other entities

Increase in Current portion is due to the advance to Waitaki District Health Services Ltd, added to the Current portion at June 2022, less principal payments made during the year by North Otago Irrigation Co Ltd and by Oamaru Whitestone Civic Trust

TREASURY REPORT FOR THE SECOND QUARTER 2022-23 FINANCIAL YEAR

Cash and deposits – position at 31 December 2022

Type of account	Maturity	Interest rate	Balance \$	Budget 2023 year end \$
BNZ current accounts	N/A		906,168	682,500
BNZ Call account	N/A	1.70%	1,230,000	500,000
BNZ deposits	various	1.85%	1,500,000	-
ANZ current account	N/A	1.95%	2,679	-
Accrued interest			1,748	2,500
Reported as				
Cash and Cash Equivalents			3,640,595	1,185,000
Term Deposits		4.40%	1,500,000	-
Accrued interest			4,159	
Total Cash Resources			\$4,644,718	\$1,185,000

Deposits with original terms less than / equal to 90 days are part of Cash and Cash Equivalents while those with original maturity dates over 90 days are categorized as Term Deposits.

Interest earned on bank deposits

	YTD Dec 2022 \$	Budget 12 months \$
Interest on bank deposits	29,116	49,000

Interest rates available on term deposits and the call account have continued the increases noted in the previous quarter and further increases are expected over the 2023 financial year as further rises in the Official Cash Rate have been signaled.

TREASURY REPORT, SECOND QUARTER 2022-23 FINANCIAL YEAR (CONTINUED)

Other Investments – Loans and advances

Council has loans to community groups and other entities at year end as detailed below. Interest is charged and paid either monthly or quarterly on all loans.

North Otago Irrigation Company Limited –

- Balance \$14,020,603
- Interest rate 3.26% applies until July 2024
- Interest earned for the period \$232,642
- Principal repayments of \$90,365 were made on 30 September and 31 December, with two further quarterly instalments totaling \$196,232 to be made by 30 June 2023.

Observatory Retirement Village Trust –

- Balance \$15,596,638
- Interest rate \$1.5 million 4.67% \$1.5 million 5.20% balance 5.32%
- Interest earned for the period on interest-bearing components \$408,311.
- No principal repayments will be made until June 2024.

Kurow-Duntroon Irrigation Company Limited –

- Balance \$3,174,308
- Interest rate 5.575%
- Interest earned for the period \$88,593
- Interest is now being charged and paid quarterly

Oamaru Whitestone Civic Trust –

- Balance \$507,800 (\$396,000 interest-bearing, \$116,000 interest-free)
- Interest rate on interest-bearing part matches Council's internal loan rates set quarterly
- Interest earned for the period \$12,639
- Approved loan facility with Council of up to \$500,000, plus further Heritage Fund facilities
- Principal repayments of \$24,000 to be made by June 2023.

Waitaki District Health Services Limited –

- New advance provided 21 October 2022 \$1,950,000
- Interest rate 5.35%
- Interest earned 21 October to 31 December \$20,293

Whalan Lodge Trust –

- New advance provided 13 October 2022 \$60,000
- Further advances will be made which, together with compounding interest, will see the Trust owing up to \$780,000
- Interest rate 3.85%
- Interest earned to 31 December \$506

Other Investments – CCOs

The 2022-23 Annual Plan anticipates receipt of a dividend of \$350,000 from Whitestone Contracting Limited, but the actual amount that will be received will not be known until April/May 2023 and will be dependent on the company's financial results

TREASURY REPORT, SECOND QUARTER 2022-23 FINANCIAL YEAR (CONTINUED)

Other Investments – Joint Venture

Council holds 50% of the shares in Ōmārama Airfield Limited and accounts for this investment as a joint venture. The value of the investment changes annually depending on its share of the company's surplus or deficit. Council recognised a significant increase following the revaluation of the company's property assets in June 2022, and will again recognise a change the value of its investment, either positive or negative, at 30 June 2023 based on the company's audited operating results.

LGFA Borrower Notes

As a condition of borrowing, Council now holds \$775,000 in borrower notes. Interest is paid at varying rates, and is payable on maturity, which occurs when the associated borrowing matures. Interest earned for the period \$8,209.

Because of the nature of this particular investment, this revenue must be reported separately in Council's Annual Report.

Interest Income

Council has earned Interest income of \$426k for the period ended 30 September 2022, which is over budget by \$94k. As noted above, this excludes interest earned on LGFA Borrower Notes which is reported separately.

Revenue source	YTD Dec 2022 Actual \$000	YTD Dec 2022 Budget \$000	2023 Budget \$000	2022 Actual \$000
Bank deposits	32	25	49	27
External borrowers	736	632	1,262	888
Total Finance income	768	657	1,311	915

Income to date is over budget by 16.9%

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TREASURY REPORT, SECOND QUARTER 2022-23 FINANCIAL YEAR (CONTINUED)

Borrowings

Borrowings at 31 December 2022, and subsequent changes, are detailed below.

Key: CP = Commercial Paper FRN = Floating Rate Notes FRB = Fixed Rate Bills

Type of security	Maturity	Interest rate	Principal \$
LGFA CP	17-Apr-23	4.85%	7,000,000
LGFA FRN	15-Apr-23	3.72%	2,000,000
LGFA FRN	15-Apr-24	4.647%	2,000,000
LGFA FRN	15-Apr-24	4.639%	2,000,000
LGFA FRN	15-Apr-25	3.59%	2,000,000
LGFA FRN	15-Apr-25	4.93%	2,500,000
LGFA FRN	15-Apr-26	4.557%	2,000,000
LGFA FRN	15-Apr-26	4.759%	1,000,000
LGFA FRN	15-Apr-28		2,500,000
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-26	5.545%	1,000,000
LGFA FRB	15-Apr-27	0.93%	2,000,000
LGFA FRB	15-Apr-27	4.17%	2,000,000
LGFA FRB	15-Apr-27	5.16%	1,500,000
LGFA FRB	15-May-28	2.32%	3,000,000
LGFA FRB	15-May-28	4.26%	1,000,000
		Accrued interest	100,187
		Total	\$38,100,187

Council's 2022-23 Annual Plan projects borrowings from the LGFA would reach \$38,000,000 over the course of the 2023 financial year.

TREASURY REPORT, FIRST QUARTER 2022-23 FINANCIAL YEAR (CONTINUED)

Council has utilised LGFA funding for these purposes

In the 2020 and 2021 financial years, Council used the Customised Average Rate Loan (CARL) facility offered by the BNZ to progress capital works

LGFA funding has largely replaced this loan facility, providing Council a source of funds at a much lower cost.

LGFA funding November 2020 \$15,000,000

Hamnak water pipeline, South Hill water mains and other 3 Waters projects.

LGFA funding July 2021 \$5,000,000

The new Oamaru water reservoir \$3.8M and desludging sewer ponds \$1.9M.

LGFA funding April 2022 \$5,000,000

Refinancing the advance from Waitaki District Health Services Ltd to the Observatory Village Charitable Trust \$4.6M.

LGFA funding August 2022 \$4,000,000

Meet cashflow requirements as new loan agreement with Observatory Village Lifecare Trust required no principal repayment in the 2022 year; reduced dividend from Whitestone Contracting; completing 3 Waters projects after utilising tranche 1 funding and; progressing other capital projects as budgeted

LGFA funding October 2022 \$5,000,000

Advance to Waitaki District Health Services Ltd; meet the costs of emergency roading works (some to be subsidized by NZTA Waka Kotahi) and; acknowledge the effect of rising prices on Council activities generally.

LGFA funding December 2022 \$4,000,000

Timing of road sealing programme and complete projects initially funded from Tranche 1 project funding; increasing costs generally

Borrowing Costs

Source	YTD Sept 2022 Actual \$000	YTD Sept 2022 Budget \$000	2023 Budget \$000	2022 Actual \$000
LGFA borrowing	488	405	810	888
BNZ CARL facility	1	-	-	27
Total Borrowing cost	489	405	810	915

- Cost to date is over budget by 20.7%
- New lending from the LGFA reflects current, and increasing, market interest rates, as do floating loans when those rates are renewed.
- Increased costs are offset by increased investment income as per previous tables.
- The 2022-23 Annual Plan assumed reliance on LGFA.
- The BNZ CARL facility is now a stand-by facility of \$1M, operating similarly to an overdraft, and was utilized to meet unexpected emergency roading costs of over 2M in August while new LGFA lending was arranged.

TREASURY REPORT, FIRST QUARTER 2022-23 FINANCIAL YEAR (CONTINUED)

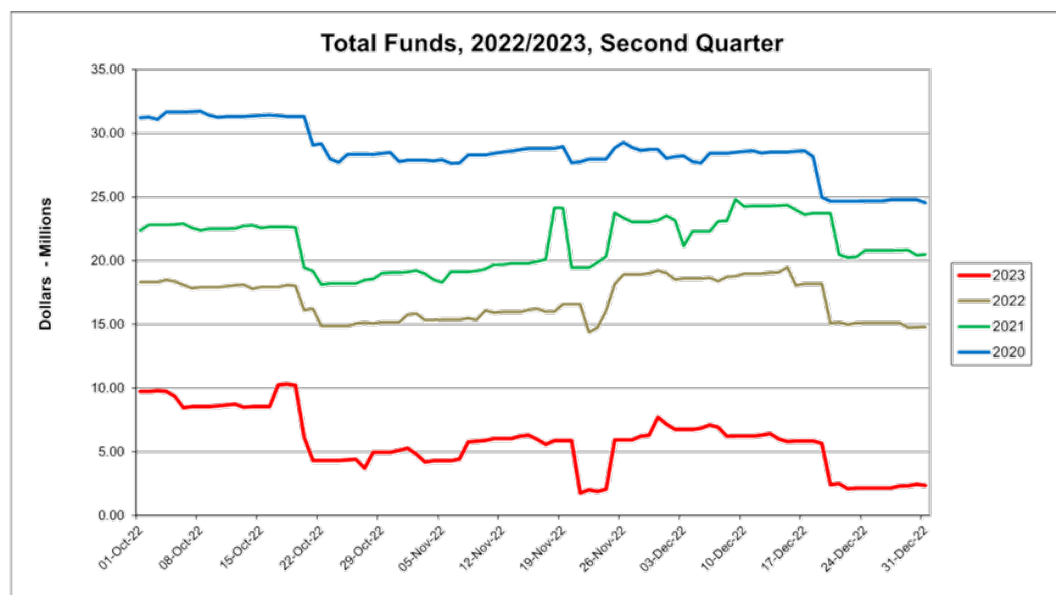
Overall Cash Position

The graph depicts Council's cash position over the past four financial years as it moved from being a net investor to its current status as a net borrower. Cash position includes:

- Bank and call account balances
- Term deposits
- Loans to external parties

Offset by:

- Borrowings from the Local Government Funding Agency (from November 2020)
- Borrowings from the BNZ (July 2019 – November 2020, casual thereafter)



5 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:

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
6.1 - Debtors' Report - 2023, Second Quarter PE	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
6.2 - Accounts Payable Analysis - 2023 Second Quarter PE	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

6 PUBLIC EXCLUDED SECTION

7 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.

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, 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.

9 MEETING CLOSE