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:

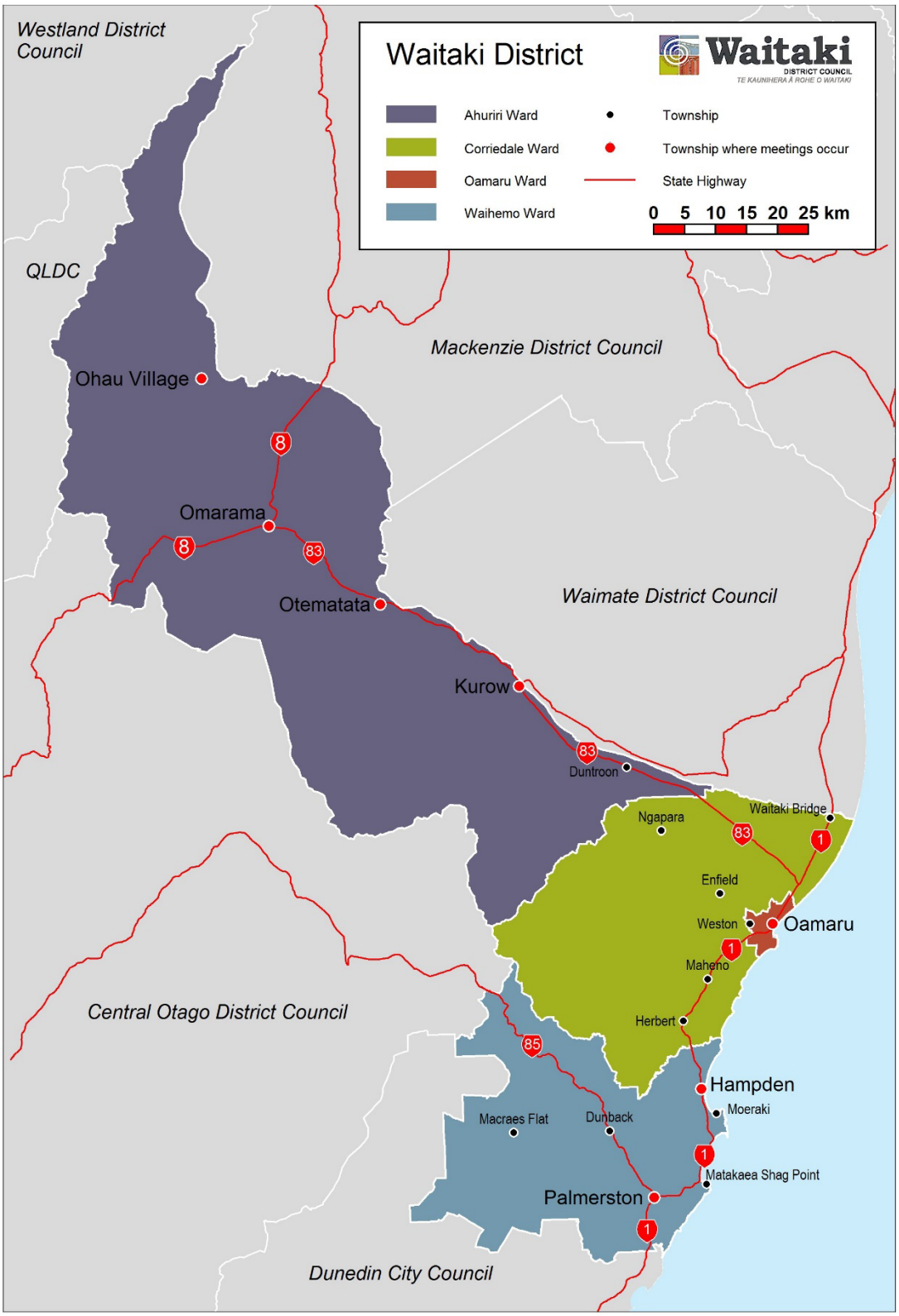
Date: **Tuesday, 30 May 2023**
Time: **1.00pm**
Location: **Council Chamber, Third Floor**
Office of the Waitaki District Council
20 Thames Street, Oamaru

Updated 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


Waitaki District
Waitaki
DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI
Ahuriri Ward
Corriedale Ward
Oamaru Ward
Waihemo Ward
Township
Township where meetings occur
State Highway
0 5 10 15 20 25 km
Westland District Council
QLDC
Mackenzie District Council
Waimate District Council
Central Otago District Council
Dunedin City Council
Ohau Village
Omarama
Otematata
Kurow
Duntroon
Ngapara
Waitaki Bridge
Enfield
Weston
Oamaru
Maheno
Herbert
Hampden
Moeraki
Macraes Flat
Dunback
Matakaea Shag Point
Palmerston
8
83
1
85


WAITAKI DISTRICT COUNCIL
STRATEGIC FRAMEWORK
value for money
EMPOWERING OUR PEOPLE AND PLACE TO THRIVE
community outcomes
QUALITY SERVICES
Robust core infrastructure and services
Community facilities and services we are proud of
PROSPEROUS DISTRICT
Attracting new opportunities
Supporting local businesses
Fostering a diverse and resilient economy
WAITAKI THE BEST PLACE TO BE!
STRONG COMMUNITIES
Enabling safe, healthy communities
Connected, inclusive communities
Promoting a greater voice for Waitaki
Celebrating our community identity
VALUED ENVIRONMENT
Protecting our diverse landscapes and water bodies
Meeting environmental and climate change challenges
Waitaki - Whenua taurikura. Whakapuāwai takata, Whakapuāwai whenua
strategic priorities
Establish Economic Development Agency
Strengthen the community development role of Council
Deliver Transformation Programme
Finish District Plan
Facilitate strategic relationships
Develop our people and attract skills, for the benefit of our communities
value for money
Waitaki
DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

Agenda Items

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 28 MARCH 2023

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 28 March 2023**

RECOMMENDATION

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Performance, Audit and Risk Committee Meeting held on 28 March 2023, 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, 28 MARCH 2023 AT 1.00PM**

PRESENT: Mr Simon Neale (Chair), Deputy Mayor Hana Halalele (Deputy Chair), Cr Tim Blackler, Cr Jim Hopkins, Cr John McCone (from 1.11pm), Cr Rebecca Ryan, and Mayor Gary Kircher (from 1.04pm)

IN ATTENDANCE: Cr Guy Percival (from 1.11pm)
Cr Jeremy Holding
Alex Parmley (Chief Executive)
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:

Ian Wells (Accounting Manager)
Amelia Lines (Risk and Procurement Advisor)

MEETING OPEN

The Chair declared the meeting open at 1.00pm and welcomed everyone present, including those watching online via the livestream and via Zoom.

1 APOLOGIES

RESOLVED PAR 2023/017

Moved: Cr Tim Blackler
Seconded: Cr Jim Hopkins

That the apologies for lateness received on behalf of Cr John McCone and Mayor Gary Kircher be accepted.

CARRIED

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

The Chair advised that, if no one wished to speak to the Public Excluded Minutes of the 28 February 2023 Performance, Audit and Risk Committee Meeting, then he would rule that they could be confirmed in the Public session of this meeting, as new Agenda Item 3.2. No one indicated a wish to speak to those Public Excluded Minutes, so the Chair confirmed his intention to confirm them as new Public Agenda Item 3.2 at this meeting.

Mayor Gary Kircher joined the meeting at 1.04pm.

3 CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 28 FEBRUARY 2023

RESOLVED PAR 2023/018

Moved: Cr Jim Hopkins
Seconded: Cr Tim Blackler

That the Performance, Audit and Risk Committee confirms the Public Minutes of the Performance, Audit and Risk Committee Meeting held on 28 February 2023, as circulated, as a true and correct record of that meeting.

CARRIED

3.2 PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 28 FEBRUARY 2023

RESOLVED PAR 2023/019

Moved: Cr Jim Hopkins
Seconded: Cr Tim Blackler

That the Performance, Audit and Risk Committee confirms the Public Excluded Minutes of the Performance, Audit and Risk Committee Meeting held on 28 February 2023, with minor amendments, as a true and correct record of that meeting.

CARRIED

4 DECISION REPORTS

4.1 TREASURY STRATEGY, 2022-23 FINANCIAL YEAR - FOURTH QUARTER

The report, as circulated, sought to report for discussion Council's proposed Treasury Strategy for the fourth quarter of the 2022-23 financial year, to review benefits arising from Council's membership of the Local Government Funding Agency (LGFA), and for consideration of the report's recommendations.

There was discussion on the call account interest rates, protected borrowings for the year, and the level of confidence in receiving the $2.1M expected from Waka Kotahi. Regarding the last point, Accounting Manager Ian Wells advised that confirmation had been received from Waka Kotahi that Council's claim had been accepted and the funds can be expected by 20 April or earlier.

During discussion on the NOIC loan, it was noted that that was fixed for another 18 months. The Chair advised that he was keen to find a solution to the interest rate matter at this time.

Cr John McCone joined the meeting at 1.11pm.

In response to a question about whether officers checked back to review the Bancorp advice to determine its efficacy, Group Manager Paul Hope advised that there was no formal, structured process for such a review. Initially, because of very favourable interest rates, Council had achieved well in respect of Bancorp's initial advice. As Council developed a more mature approach to debt, then Council would have a better measurement of the success of the advice provided. Mr Hope did not believe Bancorp would have a problem with Council reviewing the accuracy of the advice. The Chair acknowledged that, and noted that, while the advice may be of limited value in the current market conditions, the service provided by Bancorp around access to funding and information around notes and bonds was valuable. Mr Hope concurred.

Members discussed the interest rate mismatch for the NOIC and ORV loan agreements. A query was raised about whether Council still had a goal of making a margin of some sort, given that it now had a different outlook around interest rates. Mr Hope noted that the goal remained, but the situation had changed over the last two years and Council wanted to put an instrument in place to minimise the risk that was now present. The Chair acknowledged the importance of that statement, noting that it was important for Council to continue to have a margin built in to reduce the exposure to the risk on behalf of ratepayers.

In response to questions, Mr Hope advised that the next Treasury report would provide more details about the key projects for which Bancorp's advice would be sought. They would include developing a more mature Treasury policy; pushing the debt profile out; some advice on appropriate structures that could be discussed with NOIC; and a new issue that had arisen from a discussion with the Three Waters Transition Unit debt settlement team the previous day.

Regarding the last matter, Mr Hope briefed the meeting on the nature of the discussion, which was occurring with all councils to outline the process that would be followed to calculate an amount for settlement and the process involved for the transition of three waters. He acknowledged that the discussion had been very productive, and that the Transition Unit was happy with the information that Council was providing to it. They had suggested that Council undertake a more detailed review with one of their staff, and officers had accepted that invitation and the discussion would take place next week. The aim would be to confirm the settlement amount that would maximise the benefit for Council, and then to fix the methodology before the end of the year and calculate the final amount as close to 1 July 2024 as possible. The structure of repayments would match Council's debt maturity and fully cover the cost of the agreed share of the total outstanding debt including interest and other costs. The Transition Unit's approach was to make the exercise as cost neutral as possible for all councils.

In response to other questions, Mr Hope clarified that:

Council does not borrow from the LGFA to fund operational costs.

There was no specific timeline to reduce Council's core debt, but it was a matter that would be worked through with Bancorp. Debt was neither good nor bad; it was just a way of financing.

There was brief discussion about how the lion's share of the debt had been used to fund community projects and how Council remained mindful of the total debt situation when loan terms and repayment periods were agreed.

RESOLVED PAR 2023/020

Moved: Cr Jim Hopkins
Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee recommends:

That Council adopts a Treasury Strategy for the fourth 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;
- Obtaining advice from Bancorp Treasury Services on a number of key projects in addition to ensuring compliance with policy limits; and
- Investing funds considered surplus to immediate requirements based on current forecasts to best advantage to maximise returns.

CARRIED

4.2 UPDATED PROCUREMENT POLICY

The report, as circulated, detailed changes made to the Procurement Policy in order that the Performance, Audit, and Risk Committee will recommend the adoption of the revised policy.

Risk and Procurement Advisor Amelia Lines briefed the meeting on the changes that had been made to the Procurement Policy, with the main change being to increase the tender thresholds from $100k to $200k in response to the continuous and significant increases in tender prices. It was noted that the changes were summarised on page 32 of the meeting agenda papers.

A tracked changes version of the Policy had been circulated, but conversion of the document into a PDF had overridden the tracking. Another tracked changes version had been circulated.

In response to questions, Mrs Lines clarified that the procedures were operational and separate from the policy; the policy required that three quotes be sought for each procurement process but also recognised that if only one person or entity was known to be able to provide the service, then one quote could be sufficient.

A request was made for more reflection of risk matters in the policy, and a requirement for some sort of checks at the lower spend level as well that fall outside the usual business as usual work. Several other members supported the checks and balances to be incorporated whilst still ensuring that the policy was as flexible as possible. A dissenting view to the request was also shared, mainly in relation to what would constitute a business case and whether it would actually be needed for some projects (eg a $150k generator). Group Manager Paul Hope advised that there were justification and approval processes being developed by the Transformation Programme's Workstream 2, and this request would fit into that work. He acknowledged both points of views put forward by Members and that both approaches could be accommodated. He noted the criteria of having better transparency and justification for something that is not BAU and what that might mean – for example, a business case would not be prepared for renewing a road, but a substantial business case would be required to renew the Kakanui bridge. He undertook to refer the matter to Transformation Workstream 2 to develop an outline document for when a business case should be prepared to discuss with the Governance Team.

ACTION: Transformation Programme Workstream 2 (via Product Owner Group Manager Paul Hope)

Another Member acknowledged that the Governance Team would not need to see all business cases (eg the generator example). The key issue was to ensure that staff were considering other options (eg is it the right size?) and discussing that with their manager or the Executive Leadership Team. Doubling the tender amount from $100k to $200k was a 'big jump', but it was acknowledged that Council needed to be as efficient and effective as possible. The policy would be reviewed in 12-15 months, so it would be for staff to track the impact of that change and to ensure a balanced approach is taken that would avoid 'threshold creep'; ie the Governance Team would not want to find in 18 months' time that the amount should be $400k because of inflation without first quantifying what that inflation is and whether it was having an impact across the board or was just relevant in specific circumstances. Mr Hope acknowledged that message and noted that the work Mrs Lines was doing would provide a far better picture of what was happening overall right across Council. He considered the point made as "useful" in that staff could start tracking numbers to understand what has happened in some of the thresholds. He believed that bringing data to the Governance Team with the range of numbers and prices being presented would help provide more comfort for the next review of the policy. In particular, if Council has to operate without the Three Waters function as a result of central government reforms, then there would be a very different procurement profile associated with that.

The Chair proposed to the meeting that the updated Procurement Policy is adopted at this meeting and then staff provide an update on the impact of the different thresholds in six months' time. Mr Hope suggested that the second request be added as a separate recommendation in the motion.

RESOLVED PAR 2023/021

Moved: Mayor Gary Kircher
Seconded: Cr Hana Halalele

That the Performance, Audit and Risk Committee recommends:

That Council:

1. Approves and adopts the updated Procurement Policy; and
2. Requests that staff develop some reporting metrics of procurement performance and adherence to policy in six months' time for presentation to a future Committee Meeting.

CARRIED

5 MEMORANDUM REPORTS

5.1 RISK MANAGEMENT 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.

Risk and Procurement Advisor Amelia Lines highlighted that Climate Change remained the top risk in the register, while one risk had reduced since the register was last reviewed by the Committee – the failure of a related entity had gone down from 'very high' to 'high' which she felt was a good news story.

In response to questions, Mrs Lines clarified that key risks were strategic and operational in nature, and they sat across more than one department of Council. The risks were defined and owned by the Executive Leadership Team (ELT); reviewed quarterly by ELT; and then reported to the next scheduled PAR Committee Meeting.

When asked, Mrs Lines confirmed that risks associated with coastal erosion was a factor in the climate change risk and also to risk four (damage to infrastructure). Discussion on that risk had factored in matters such as where to lay pipes and roading strategies. One Member added that, if Council had no processes in place, then the risk from infrastructure failure or damage would be high; the fact that controls were in place reduced the risk.

The Register was acknowledged as a 'very powerful tool', and Mrs Lines was congratulated on the work she had done to increase its value and potency for risk-related discussions at these Committee meetings. Mrs Lines noted that the next quarter's risk reporting would include more detail on the high inherent risks.

Mr Hope acknowledged the interest of the Governance Team in the topic and noted that there could be different perspectives and therefore collective wisdom has a very strong role to play. The key matter was to have the risk discussion and identify the collective risk appetite of the Governance Team and what its collective understanding of 'high risk' is. One member suggested that it would be helpful to see a couple of examples that had started as 'inherently high risks' and, through the addition of controls, had got considerably lower, as that would provide a 'sanity check' on the risk assessment process underpinning the Register.

One Member suggested that coastal erosion should be listed on the register, and that coastal erosion management and funding could be included as controls, along with the land-use rules in the District Plan as they relate to flood plains.

The reference to 'decisions being made outside the Roading team' was queried. Mr Hope advised that that was trying to reflect that Waka Kotahi is a funding partner in roading and that central government (because it provided funding to Waka Kotahi) could make decisions about funding and what they would like roading priorities to be which in turn could have a significant impact on and restrain decision-making around the Council table. There is less willingness on the part of Waka Kotahi to transfer funding between categories and the amount of dollars was also important – a specific sum could be considered a relatively small decision to Waka Kotahi, but it could have a huge impact at the district / local level. It was suggested that the risk in the Register could specify that "national policy is driving resident dissatisfaction". There was also a request to change the wording because decisions are made by Council, not by the Roading team.
ACTION: Risk and Procurement Advisor to change the wording as requested

RESOLVED PAR 2023/022

Moved: Cr Jim Hopkins
Seconded: Cr John McCone

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

CARRIED

5.2 FINANCIAL SUMMARY AND OVERVIEW - POSITION AT 31 JANUARY 2023

The report, as circulated, presented a high-level financial summary for the period ended 31 January 2023. The report does not replace the regular financial reporting that the Committee receives at each quarter's end, but rather is intended to supplement that reporting and bridge the gap between the quarters.

Accounting Manager Ian Wells noted that this Overview report was always a snapshot in time; this one was as at 31 January 2023. Of importance in this Overview was the reference to the Event Centre not happening in this financial year and therefore the fact that the expected $9M of revenue for that project (in the form of external funding) would not feature. He explained that there had not been any capital costs incurred, and because Council had not received the money and therefore not spent it, it would be better off by year end in terms of cashflow.

With regard to the $6.9M variation in the contractors' costs line, that was likely to be associated with increased costs for contractors across the board (not just to the July rain events, but in Waters, Property, Parks, and other units. The Chair requested more detail on that.
ACTION: Accounting Manager to provide

Mr Wells advised that the $1M gap in funding for the flood event would be the subject of a decision report to Council for approval to use the Disaster Fund to cover it.

Discussion also focused on lower than expected capital expenditure and how that related back to Local Government Funding Agency (LGFA) borrowing; on the penalty interest rates associated with the BNZ CARL facility; and the status of Council's baseline cash position which has been declining over time. Mr Wells responded to Member questions throughout the discussion.

Of particular note, Mr Wells advised that Council had borrowed $38M from the LGFA, and that figure was projected to move to over $50M during 2023-2024. However, that was still well below the $90M to $100M ceiling of loan funding that was available from the LGFA to Council.

RESOLVED PAR 2023/023

Moved: Cr Hana Halalele
Seconded: Cr Jim Hopkins

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

CARRIED

The Chair noted that, because the previous meeting's Public Excluded Minutes had been confirmed in the Public session of this meeting, Agenda Items 6, 7, 8, and 9 would not be required at this meeting.

10 MEETING CLOSE

There being no further business, the Chair declared the meeting closed at 2.44pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 30 May 2023.

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CHAIRPERSON

4 DECISION REPORTS

4.1 CONSIDERATION OF WAITAKI DISTRICT HIGH LEVEL CLIMATE CHANGE PROJECTIONS AND CLIMATE CHANGE RISK FRAMEWORK

Author: **Chelsea Clyde, Climate Change Advisor**

Authoriser: **Roger Cook, Heritage, Environment and Regulatory Group Manager**

Attachments: **1. Climate Change Risk Framework, Part 1 - Climate Change Projections**

RECOMMENDATION

That the Performance, Audit and Risk Committee recommends:

That Council adopts the Climate Change Risk Framework, Part 1 – Climate Change Projections included as Attachment 1 to this report.

DECISION OBJECTIVE

To seek the Committee's recommendation to Council for the adoption of the Waitaki District Climate Change Risk Framework, Part 1: Climate Change Projections.

SUMMARY

Council recognises that climate change will bring significant future risks to our district, including assets, operations, facilities, and on-going financial implications.

At the Council Meeting held on 28 June 2022, Waitaki District Council endorsed a Climate Change Declaration. Within the declaration, the matters related to climate change risks are as follows:

> *"The Waitaki District Council agrees to:*
>
> *Outline key commitments our Council will take in responding to the risks and opportunities posed by a changing climate; and*
>
> *recommend important guiding principles for responding to climate change."*

The Climate Change Risk Framework directly addresses the above matters.

DECISION-MAKING EXPECTATIONS

Governance Decision-Making:	To adopt the Framework
Operational Decision-Making:	The Framework will inform future operational decisions
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	Moderate
Legal	Moderate	Cultural Considerations	Moderate
Significance	No	Social Considerations	Moderate
Financial Criteria	No	Economic Considerations	Moderate
Community Views	No	Community Board Views	No
Consultation	No	Publicity and Communication	No

BACKGROUND

The Climate Change Risk Framework will provide the first body of work where climate change risks will be assessed. There will be two parts under the framework, Part 1: Climate Change Projections and Part 2: Climate Change Risk Assessment.

This initial report will enable the second phase of the risk framework – assessing the impacts of climate change – by building an understanding of these risks on the five value domains (human, natural environment, built environment, economy, and governance), and how this can be managed in the future, to enable adaptive planning for a climate resilient future. The purpose of this document is not to evaluate the impact of risks and how to respond to them, but rather to acknowledge the climate projections for the district and how this will inform the future risk assessment.

The report has been informed by two regional climate change risk assessments (Canterbury and Otago). These reports have been conducted using the latest scientific research and use information from the Intergovernmental Panel for Climate Change (IPCC).

SUMMARY OF OPTIONS CONSIDERED

Option 1 – Recommend the adoption of the Climate Change Risk Framework, Part 1: Climate Change Projections, with or without minor amendments, at this meeting (**Recommended**)

Option 2 – Do not recommend the adoption of the Climate Change Risk Framework, Part 1: Climate Change Projections

ASSESSMENT OF PREFERRED OPTION

Option 1 is preferred. This option will allow for the Climate Change Risk Assessment for the Waitaki district to be carried out and be adequately informed by the projections. It also utilises current and reliable data which is used by the Canterbury and Otago Regional Councils.

Option 2 is not recommended because it will stall Council's work programme to progress the Climate Change Risk Assessment. This assessment will be used across most Council activities for future planning. Without it, these activities will not adequately consider the risks associated with climate change. The next Long Term Plan (LTP) is being formulated and this assessment will be critical to inform that LTP.

CONCLUSION

Council has started its journey to address climate change and the projections set the platform for an informed consideration of the challenges and opportunities that lie ahead. The framework will become an essential document which will be used by staff and stakeholders to assess the risks associated with climate change that we can expect to occur in the Waitaki district.

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

Policy and Plan Considerations

The Climate Change Risk Framework will be a key policy document to inform our risk assessment for climate change as well as inform future LTPs.

Community Views

Climate change is a well-publicised issue, and the risk framework will assist our community to assess the risks associated with it. We will work with key stakeholders to carry out the risk assessment, while working with communities to identify and respond to the impacts of climate change.

Financial Considerations

The framework has been developed internally and the risk assessment will also be carried out using internal resources and inform future budgeting considerations.

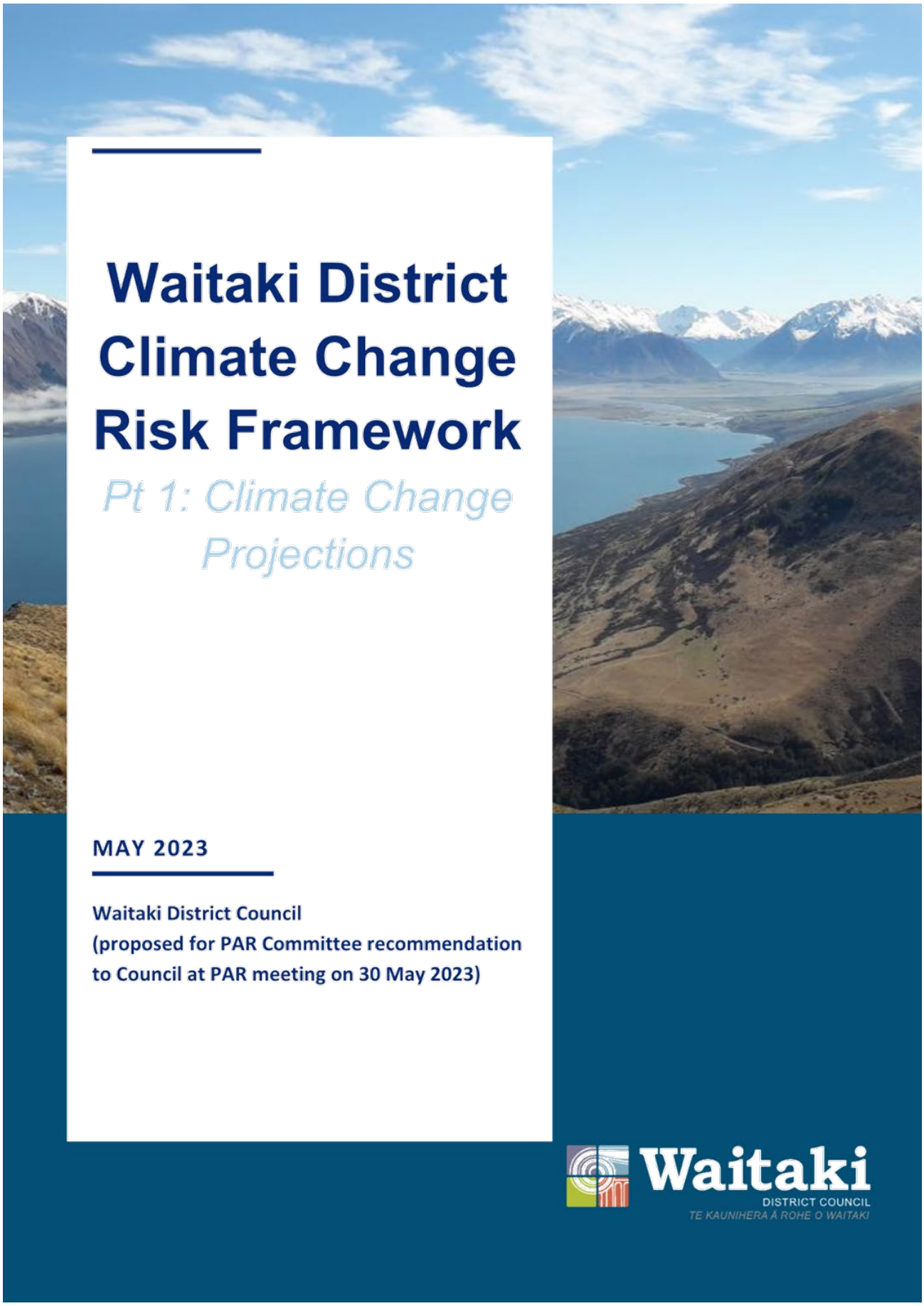
Legal Considerations

Local authorities have many legal obligations to consider. For example, under the Climate Change Response (Zero Carbon) Act, if requested, local authorities must provide information to the government on how they are responding to the risks from climate change.

The Local Government Act 2002 requires local authorities to take action to address the impacts of climate change which may involve developing strategies to adapt to the impacts of climate change. The Climate Change Risk Framework will address these legal considerations.

Environmental Considerations

The impacts from climate change present numerous risks to our environment such as sea level rise, increased storm and flooding events, droughts, and increased hot days.


Waitaki District Climate Change Risk Framework
Pt 1: Climate Change Projections
MAY 2023
Waitaki District Council
(proposed for PAR Committee recommendation to Council at PAR meeting on 30 May 2023)
Waitaki
DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

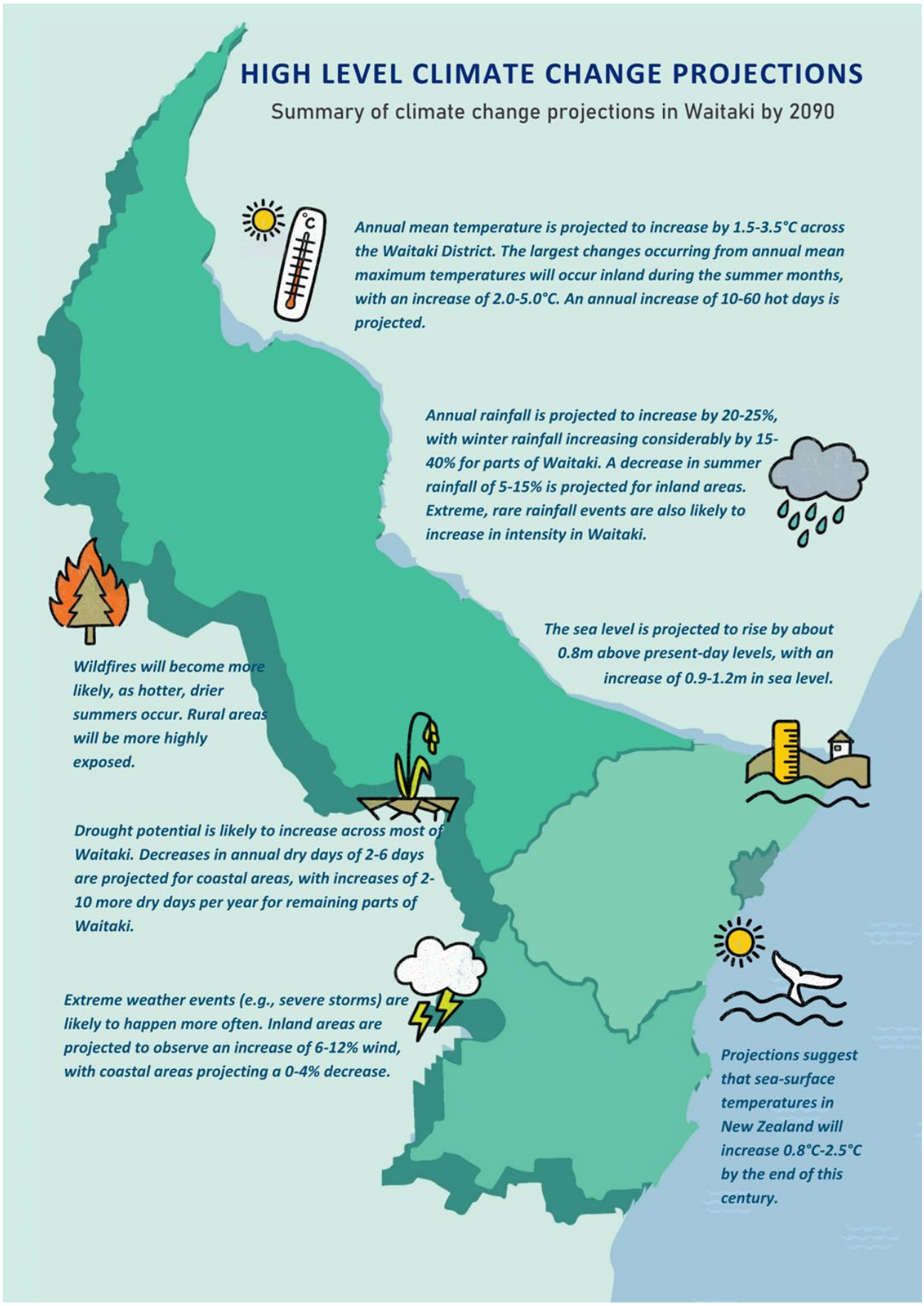

HIGH LEVEL CLIMATE CHANGE PROJECTIONS
Summary of climate change projections in Waitaki by 2090
°C
Annual mean temperature is projected to increase by 1.5-3.5°C across the Waitaki District. The largest changes occurring from annual mean maximum temperatures will occur inland during the summer months, with an increase of 2.0-5.0°C. An annual increase of 10-60 hot days is projected.
Annual rainfall is projected to increase by 20-25%, with winter rainfall increasing considerably by 15-40% for parts of Waitaki. A decrease in summer rainfall of 5-15% is projected for inland areas. Extreme, rare rainfall events are also likely to increase in intensity in Waitaki.
Wildfires will become more likely, as hotter, drier summers occur. Rural areas will be more highly exposed.
The sea level is projected to rise by about 0.8m above present-day levels, with an increase of 0.9-1.2m in sea level.
Drought potential is likely to increase across most of Waitaki. Decreases in annual dry days of 2-6 days are projected for coastal areas, with increases of 2-10 more dry days per year for remaining parts of Waitaki.
Extreme weather events (e.g., severe storms) are likely to happen more often. Inland areas are projected to observe an increase of 6-12% wind, with coastal areas projecting a 0-4% decrease.
Projections suggest that sea-surface temperatures in New Zealand will increase 0.8°C-2.5°C by the end of this century.

Table of Contents

Executive Summary

Climate change is already affecting New Zealand. Temperatures have increased, glaciers are melting, and sea levels have risen over the past century. Such changes are expected to continue, with far-reaching consequences across all the value domains that underpin well-being in New Zealand – namely, the natural environment, human capital, the economy, the built environment, and governance (Ministry for the Environment, 2020).

The aim of the Climate Change Risk Framework is to provide the first summary report of climate change risks the Waitaki District will be facing, now and in the future, by providing a district level snapshot of current and climate change projections. This initial report will enable the *second phase* of the risk framework; assessing the impacts of climate change, building an understanding of these risks on the 5 value domains (human, natural environment, built environment, economy, and governance), and how this can be managed in the future to enable adaptive planning for a climate resilient future. The purpose of this document is not to evaluate the impact of risks and how to respond to them, but rather to acknowledge what the physical risks are.

The Waitaki District crosses the boundary between both the Canterbury and Otago regions; with the inland part of Waitaki being primarily in the Canterbury region, and the coastal part of Waitaki being primarily in the Otago region. Since climate change risk assessments and projections have been carried out in both regions, the bulk of this risk framework is using information sourced from:

- *Climate change projections for the Otago Region (NIWA, 2019).*
- *Otago Climate Change Risk Assessment (Tonkin & Taylor, 2021).*
- *Climate change projections for the Canterbury Region (NIWA, 2020).*
- *Canterbury Climate Change Risk Assessment (Tonkin & Taylor, 2022).*

Introduction

The Intergovernmental Panel on Climate Change (IPCC) has concluded that human influence on the climate system is clear, and recent anthropogenic emissions of greenhouse gases are the highest in history. There has been an increase in global temperature which reached approximately 1°C above its pre-industrial level in 2017 *(Figure 1).*

The Waitaki District Council (WDC) is committed to better understanding, and preparing for, changes to our local climate and has therefore commissioned this assessment of climate change risks facing the district. The main objectives of this assessment are:

1. To list climate projections within the Waitaki District and the risks associated with these (where information is available).
2. To prioritise these risks in the second phase of this risk framework, in order of urgency for adaptation and to identify where more information or ongoing monitoring is required.
3. To engage and collaborate with council staff and relevant stakeholders in the identification and prioritisation of risks.

4. To consider Māori perspectives on climate change risks and identify issues of relevance to Māori.
5. To provide the background information needed to support the development of an informed and flexible climate change adaptation plan.

There are two ways in which climate change risks and impacts can either be reduced or managed, this is referred to as adaptation and mitigation. Adaptation is the process of adjusting to the actual and expected changes in the environment due to already existing greenhouses gases within the atmosphere, and those that may be released in the future. Mitigation on the other hand, is focused on reducing greenhouse gas emissions to curb the effects of climate change (IPCC, 2014). The purpose of this report is to focus on the risk assessment parameters that will be adopted for Waitaki District. Subsequent workstreams will then focus on adaptation and mitigation, as informed by the risks.

All stakeholders, including territorial local authorities, regional councils, communities, iwi and the business sector recognise that a changing climate will present risks to the district. Waitaki District Council has identified climate change as a priority as part of the Long-Term Plan 2021-31 (LTP). An understanding of climate change related risks and vulnerabilities within the district will enable future prioritisation of risks for adaptation planning. Highlighted risks within this assessment will help direct further information gathering and help to plan for adaptation.

Note: further context around relevant climate change legislation, including obligations as a local council is provided in Appendix A.

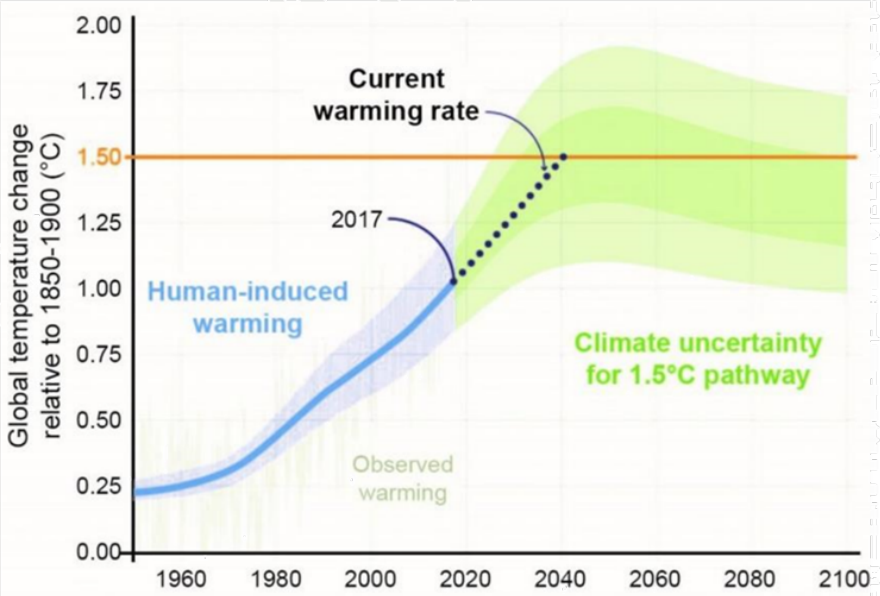


Figure 1. *Human-induced warming reached approximately 1°C above pre-industrial levels in 2017 (IPCC, 2018)*

Climate and environmental risks are the core focus of global risks perceptions over the next decade – and are the risks for which we are seen to be the least prepared. The latest World Economic Forum (WEF) report on global risks has identified the most severe risks occurring on a global scale over the next ten years *(Figure 2)*. Based on the results from the Global Risks Perceptions Survey (GRPS), the long-term global risks are dominated with environmental risks, more specifically climate change risks, which are expected to manifest over the following decade. The top risks here are failure to mitigate climate change, failure of climate-change adaptation, natural disasters and extreme weather events and biodiversity loss and ecosystem collapse. These are all risks that are present and exacerbating, resulting from climate change. Without a significant change in policy or investment, the interplay between climate change impacts, biodiversity loss, food security and natural resource consumption will accelerate ecosystem collapse, threaten food supplies and livelihoods in climate-vulnerable economies, amplify the impacts of natural disasters, and limit further progress on climate mitigation (World Economic Forum, 2023).

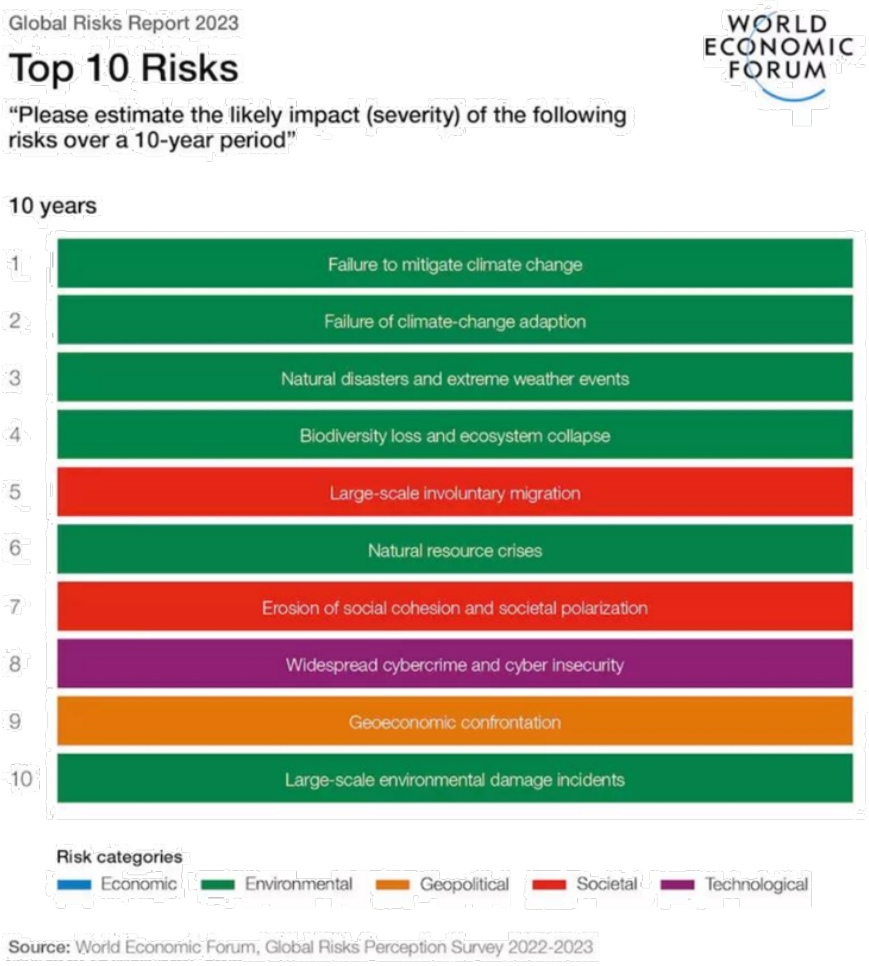


Figure 2. The most severe risks on a global scale over the next 10 years, sourced from the world economic global risks perception survey 2022-2023.

Representative Concentration Pathways

Future climate change projections are considered under four scenarios of future greenhouse gas concentrations, called Representative Concentration Pathways (RCPs) by the IPCC. The reduction and removal of greenhouse gas concentrations within our atmosphere are dependent on local and global efforts. There is an uncertainty that accompanies this, which is captured through four different emission scenarios (Figure 4). RCP2.6 is the lowest emission scenario which represents the most significant reduction in greenhouses gases, RCP4.5 and RCP6.0 are mid-range scenarios, RCP8.5 is a high scenario, based on the greenhouse gases continuing at their current rates, or otherwise stated as 'business as usual' (Macara, G. R., 2015).

Assessing possible changes for our future climate due to human activity is difficult because climate projections depend strongly on estimates for future greenhouse gas concentrations. Those concentrations depend on global greenhouse gas emissions that are driven by factors such as economic activity, population changes, technological advances, and policies for sustainable resource use. In addition, for a specific future trajectory of global greenhouse gas concentrations, different climate model simulations produced somewhat different results for future climate change.

This range of uncertainty has been dealt with by the IPCC through consideration of 'scenarios' that describe concentrations of greenhouse gases in the atmosphere. The wide range of scenarios are associated with possible economic, political, and social developments during the 21st century, and via consideration of results from several different climate models for any given scenario. In the 2013 IPCC Fifth Assessment Report, the atmospheric greenhouse gas concentration components of these scenarios are called Representative Concentrations Pathways (RCPs). These are abbreviated as RCP2.6, RCP4.5, RP6.0, and RCP8.5, in order of increasing radiative forcing by greenhouse gases (i.e., the change in energy in the atmosphere due to greenhouse gas emissions). RCP2.6 leads to low anthropogenic greenhouse gas concentrations (requiring removal of CO2 from the atmosphere, also called the 'mitigation' scenario), RCP4.5 and RCP6.0 are two 'stabilisation' scenarios (where greenhouse gas concentrations and therefore radiative forcing stabilises by 2100) and RCP8.5 has very high greenhouse gas concentrations (the 'business as usual' scenario). Therefore, the RCPs represent a range of 21st century climate policies. *Table 2* shows the projected global mean surface air temperature for each RCP, whereas Figure 4 displays the rate of warming using the four RCPs over the century.

Table 2: *global mean surface air temperature for the mid- and late- 21st century relative to the reference period of 1986-2005 for different RCPs.*

Scenario	Alternative name	2046-2065 (mid-century)		2081-2100 (end-century)	
		Mean	Likely range	Mean	Likely range
RCP2.6	Mitigation scenario	1.0	0.4 to 1.6	1.0	0.3 to 1.7
RCP4.5	Stabilisation scenario	1.4	0.9 to 2.0	1.8	1.1 to 2.6
RCP6.0	Stabilisation scenario	1.3	0.8 to 1.8	2.2	1.4 to 3.1
RCP8.5	Business as usual scenario	2.0	1.4 to 2.6	3.7	2.6 to 4.8

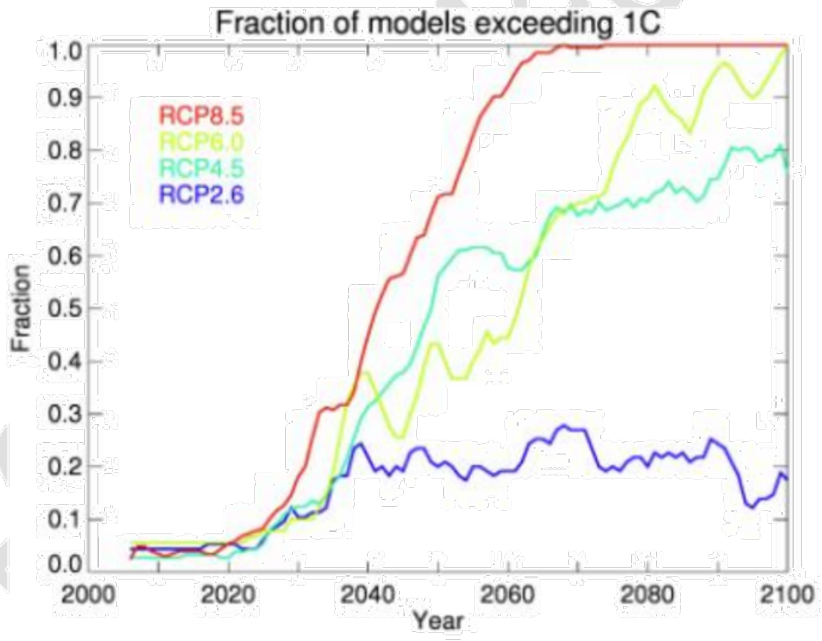


Figure 4. *Different warming rates over the century using RCPs 2.6, 4.5, 6.0 and 8.5 (Ministry for the Environment, 2018)*

Overview of value domains

At a national level, the Ministry for the Environment commissioned the first National Climate Change Risk Assessment (NCCRA) for Aotearoa New Zealand in 2019 (Ministry for the Environment, 2020). The NCCRA helps improve our understanding of the climate change risks and opportunities that New Zealand faces. The assessment covered all aspects of life in New Zealand, including our ecosystems, communities, infrastructure, and economics, and identified 43 priority risks associated with these. The risks were then grouped into five value domains: natural environment, human, economy, built environment, and governance (Table 1). These value domains will be used to inform the risk assessment for Waitaki District.

Table 1. *Value domain descriptions, including the elements at risk, adapted from the NCCRA (Ministry for the Environment, 2020).*

Value domain	Description	Elements at Risk
Human	People's skills, knowledge, and physical and mental health (human); the norms, rules, and institutions of society (social); and the knowledge, heritage, beliefs, arts, morals, laws, and customs that infuse society, including culturally significant buildings and structures (cultural).	Community wellbeing, social cohesion and social welfare (urban, rural and coastal communities); health, education, sports, recreation, cultural heritage (archaeological sites, museums, arts, theatre), ahurea Māori, tikaka Māori – Māori culture, values and principles, cultural taoka.
Natural environment	All aspects of the natural environment that support the full range of our indigenous species, he kura taiao (living treasures), and the ecosystems in terrestrial, freshwater, and marine environments.	New Zealand's indigenous species, including he kura taiao – living treasures, terrestrial ecosystems, freshwater ecosystems, coastal, estuarine and marine ecosystems, biosecurity.
Economy	The set and arrangement of inter-related production, distribution, trade, and consumption that allocate scarce resources.	Primary industries (forestry, agriculture, horticulture, arable land, viticulture, fisheries, aquaculture, marine farming); land use, tourism, technology and business, whakatipu rawa – Māori enterprise, insurance and banking.
Built environment	The set and configuration of physical infrastructure, transport, and buildings.	Built infrastructure across sectors including housing, public amenity, water, wastewater, stormwater, energy, transport, communications, waste and coastal defences.
Governance	The governance architecture and processes in and between governments, and economic and social institutions. Institutions hold the rules and norms that shape interactions and decisions, and the agents that act within their frameworks	Treaty partnerships, adaptive capacity, all governing and institutional systems, all population groups, including vulnerable groups.

The five value domains represent a group of values, assets and systems that could be either at risk from climate-related hazards or beneficially affected. They are a hybrid of the New Zealand Treasury's Living Standards Framework and those used in the National Disaster Resilience Strategy (Tonkin & Taylor, 2021) *(Figures 2-3).* The domains are interconnected, apply at individual, community, and national levels, and include tangible and intangible values. Each value domain consists of a series of 'elements at risk'. These divide the domains into subcategories that can then be assessed by their exposure and vulnerability to climate hazards (Ministry for the Environment, 2020).

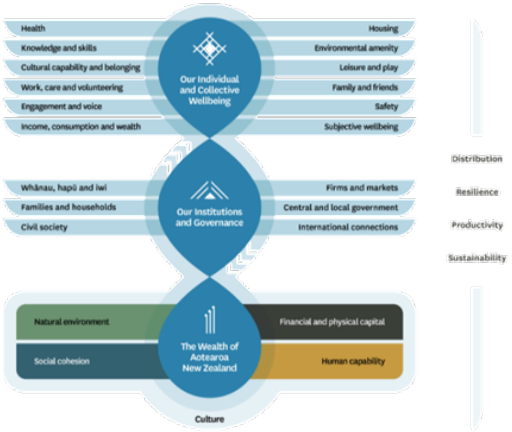


Figure 2. *The Living Standards Framework (The Treasury, 2021).*

Figure 3. *The overview of the National Disaster Resilience Strategy (Ministry of Civil Defence & Emergency Management, 2019).*

New Zealand Climate Change Projections

Climate change is already affecting New Zealand, having consequences on our surrounding environment, communities, and the economy, which is likely to continue posing challenges impacting the livelihoods of New Zealanders (Macara et al., 2019). The observed warming of the global climate system has shown unprecedented changes for decades. These changes include ocean and atmospheric warming, ice and snow loss, sea level rise and the increase of greenhouse gas concentrations in the atmosphere. Climate change is also influencing the likelihood of increased extreme weather events and their frequency globally (IPPC, 2013). Human influence on the climate has been made clear with the observed impacts growing across all continents and oceans, many of these observations dating back to the 1950's. Continued human activities disrupting the climate result in greater risks of severe, pervasive, and irreversible impacts for people and ecosystems.

We have the means to limit climate change and its risks which will require an urgent and fundamental shift from business as usual to stabilise temperature increases below the 1.5°C pre-industrial level. The longer we wait to act, the more it will cost and the greater the technological, economic, social, and institutional challenges we will face. Similarly, opportunities for adaptation to climate related risks will likely become constrained, with reduced effectiveness, should 1.5°C global warming be exceeded (IPPC, 2022). The Earth's atmosphere has warmed by 0.85°C on average over the period 1880-2012, while in May 2019, the CO2 concentration reached 415 parts per million in the atmosphere (IPCC, 2013). Over the period 1901-2010, the global mean sea level rose by 0.19m (19cm). Carbon dioxide concentrations have increased by at least 40% since pre-industrial times, which is primarily caused by fossil fuel emissions, with net land use change emissions being the second factor (IPCC,2013). The ocean has absorbed around 30% of anthropogenic CO2 leading to ocean acidification. Due to the influence of greenhouse gases on the global climate system, it is extremely likely that human influence has been the dominant cause of the observed warming since the mid-20th century (IPCC, 2013; IPCC, 2018).

As global temperatures increase, it is virtually certain that:

- There will be an increase in hot days, with fewer cold temperature extremes over most land areas, along with increases in the global mean temperature.
- It is very likely that heat waves will occur with a higher frequency and duration.
- The contrast in rainfall between wet and dry regions and wet and dry seasons will increase, with mid-latitude and wet tropical regions experiencing more intense and more frequent extreme rainfall events by the end of the 21st century.
- Warming of the ocean will continue through the 21st century, influencing ocean circulation and sea ice extent.

Climate Change Projections for Waitaki District

The global climate system has evolved over millions of years, with the attribution of increased greenhouse gas emissions which have caused unprecedented changes (IPPC, 2014). Waitaki District will continue to be affected by these changes occurring on a global scale, and these projected changes are to continue over long timescales. How we proceed with limiting greenhouse gas emissions in our atmosphere will change the severity and frequency of climate change, particularly as global population increases.

In summary, the Waitaki District is projected to experience an increase in the number of hot days (defined by days hotter than 25°C), thus leading to on average warmer temperatures within the district, including fewer frost and snow days. On average, the annual rainfall, frequency of extreme weather events, and drought potential are expected to increase, with coastal hazards expected from additional influence from storm surges and wave heights (Carey-Smith et al., 2018; Macara et al., 2019). In combination, a range of changes to the long-term trends of Waitaki District's climate are expected, some to a greater extent than others, but all with associated risks.

Sea levels are projected to rise by up to 0.9 m by the end of the century under RCP8.5 throughout New Zealand (Ministry for the Environment, 2017). This will result in increased coastal flooding of low-lying areas within the Waitaki District. Due to this, we can expect to see an increased level of flooding events which will have numerous impacts on the community.

RCP's have been adopted and shown through numerous regional assessments such as the Otago Climate Change Risk Assessment (OCCRA) and the Canterbury Climate Change Risk Assessment (CCCRA). Both assessments consist of an RCP 8.5, representing a 'high-end' emissions scenario with high future global greenhouse gas emissions. Climate projections relating to this scenario are considered in 2040 (mid-century), and 2090 (end of century). These projections were developed and used on both a national and regional scale by The National Institute of Water and Atmospheric Research (NIWA) and therefore will be used in this report to maintain consistency.

This report outlines the risks related to physical climate change that the Waitaki District faces. The Waitaki District crosses the boundary between both the Canterbury and Otago regions; the inland part of Waitaki is primarily in the Canterbury region, and the coastal part of Waitaki is primarily in

the Otago region. Since climate change risk assessments have been carried out in both regions, the bulk of this risk framework is using the already existing information from these reports.

National and regional climate change projections were originally developed by NIWA which were based on the IPCC Fifth Assessment Report (2014), these projections were used for the OCCRA which has formed the basis for climate change projections within the Waitaki District. This report and the risk assessment herein is based on RCP8.5. This is a reasonable upper-level scenario, and therefore supports the objective to identify the most significant climate related risks (Macara et al., 2019). An overview of the climate change projections for the Waitaki District are shown in *Table 2* which are displayed using RCP8.5 over mid to long term.

Table 2. Summary of climate change projections within the Waitaki District under RCP8.5 based on data compiled from the Otago Climate Change Risk Assessment and Canterbury Climate Change Risk Assessment (Tonkin & Taylor, 2021; Tonkin & Taylor, 2022).

Climate variable/hazard	Direction of change	Magnitude of change		
		Change in 2040	Change in 2090	
		RCP8.5	RCP4.5	RCP8.5
Temperature				
Annual mean temperature	Annual mean temperature is projected to increase across Waitaki.	Increase of 0.5-1.5°C	Increase of 0.5-2.0°C	Increase of 1.5-3.5°C
Maximum temperature	The annual mean maximum temperature is projected to increase in Waitaki, with the largest changes occurring inland during the summer months.	Increase of 0.5-2.5°C	Increase of 1.0-3.0°C	Increase of 2.0-5.0°C
Minimum temperature	Minimum temperatures are projected to increase across Waitaki from 0-2.5°C.	Increase of 0-1.0°C	Increase of 0.5-1.5°C	Increase of 1.0-2.5°C
Hot days (25°C or higher)	Autumn and spring hot days are projected to increase by 5-20 days, with summer observing 10-30 hot days for relatively low elevation areas inland.	Annual increase of 10-40 hot days	Annual increase in hot days of 10-20 hot days	Annual increase of 10-60 hot days
Frost days	Frost days are defined as daily minimum temperatures falling below 0°C. There is a considerable reduction in frost days.	Decline of 10-15 frost days	Decline of 15-20 frost days	Decline of 20-40 frost days
Precipitation				
Annual mean rainfall	Annual rainfall is expected to increase across the district.	Annual and seasonal increase of 0-10% projected, with 5-20% increase inland in winter and spring, 0-10% for coastal areas and 0-5% decrease in autumn rainfall for coastal areas.	Annual rainfall projected to increase by 5-10% for coastal areas.	Annual rainfall projected to increase by 20-25%, with winter rainfall increasing by 15-40% and a decrease in summer rainfall of 5-15% is projected for inland areas.
Extreme rainfall events	Extreme, rare rainfall events are likely to increase in intensity in Waitaki.	From 8% higher for a 1:100 year 1-hour duration rainfall event.	Up to 35% higher for a 1:100 year 1-hour duration rainfall event.	

Snowfall	There is a reduction in snow days throughout the Waitaki District, with the largest reductions occurring in mountainous areas.	Number of snow days are likely to decrease by 0-15 days.	Number of snow days are likely to decrease by 0-20 days.
Dry days	Number of dry days is likely to decrease near the coast, with the remaining parts of Waitaki experiencing increases. Seasonally, more dry days are expected for inland parts of Waitaki.	Decreases in annual dry days of 1-4 days are projected for coastal areas with increases of 2-8 more dry days annually for remaining parts of Waitaki.	Decreases in annual dry days of 2-6 days are projected for coastal areas with increases of 2-10 more dry days per year for remaining parts of Waitaki.
Flooding	Waitaki is projected to experience an increase in Mean Annual Flood (MAF). This is consistent with the increased mean annual rainfall.	Between -5 to 100% decrease in MAF are projected to occur in parts of Waitaki. The remaining areas projected to increase by up to 50-100% in some places	Generally greater than 20% increase across the district with some areas over 100% increase in MAF.
Sea level rise			
Sea level rise	Sea level rise is occurring throughout New Zealand. Storm surges, waves, winds and the frequency and intensity of storms are also affected by climate change. These will generate higher extreme water levels which are variable along the coast of Waitaki.	Mean SL is projected to increase by 0.21m.	Up to 0.9-1.2m increase in SL.
Extreme weather			
Wind	Daily mean wind speed is projected to increase in inland areas and decrease in coastal areas.	By 2040 inland areas are projected to observe an increase in wind of 4-6% and a decrease of 0-4% in coastal areas.	By 2090 inland areas are projected to observe an increase of 6-12% wind, with coastal areas projecting a 0-4% decrease.

Temperature

1.1. Annual mean temperature

Annual *mean temperature* is projected to increase by:

- 2040 under RCP8.5: +0.5-1.5°C
- 2090 under RCP4.5: +0.5-2.0°C
- 2090 under RCP8.5: +1.5-3.5°C

Annual and seasonal mean temperatures are projected to increase by 0.5-1.5°C by 2040 under RCP8.5. By 2090, annual mean temperature increases of 0.5-2.0°C (RCP4.5) and 1.5-3.5°C (RCP8.5) are projected for Waitaki. Under RCP8.5, seasonal mean temperatures are projected to increase by 1.5-2.5°C in coastal areas, with increases of 2.0-3.5°C projected for inland areas.

Seasonal mean temperatures are influenced by proximity to the sea, such that coastal locations are typically cooler in summer and warmer in winter compared to inland areas.

In inland low-elevation and coastal areas the summer mean temperatures range between 12-18°C, with the winter mean temperatures ranging between 2-8°C. Mean temperatures at high-elevation mountainous areas remain several degrees Celsius colder than the remainder of Waitaki throughout the year.

Consequently, in the short to medium term higher temperatures will result in increased inflows from glacial melt. It is expected that inflows from this source will eventually be exhausted if glacial storage shrinks significantly or disappears completely. Glacial melt represents approximately 6-10% of inflows into the Waitaki catchment. It is also expected that snowmelt inflows will be affected, both by reduced snowfall, higher snowlines, and warmer temperatures.

1.2. Maximum mean temperature

Annual *mean maximum temperatures* are projected to increase:

- 2040 under RCP8.5: +0.5-2.5°C
- 2090 under RCP4.5: +1.0-3.0°C
- 2090 under RCP8.5: +2.0-5.0°C

Maximum temperatures are generally recorded in the afternoon, and therefore are known as daytime temperatures. The average maximum temperature is expected to be higher for inland areas in comparison to coastal areas. Annual mean maximum temperatures range between 16-18°C for most low elevation inland locations and 14-16°C for most coastal locations.

For inland low-elevation locations summer mean maximum temperatures range between 20-24°C, whereas for coastal areas, it ranges between 18-20°C. For inland low-elevation locations winter mean maximum temperatures range between 8-10°C, whereas for coastal areas, it ranges between 10-12°C.

By 2040 (RCP8.5), annual mean maximum temperature is projected to increase by 0.5-2.5°C. By 2090, annual mean maximum temperature increases of 1.0-3.0°C (RCP4.5) and 2.0-5.0°C (RCP8.5) are projected. Notably, some alpine parts of Waitaki can expect to observe a 5.0-6.0°C increase in spring and summer mean maximum temperatures by 2090 under RCP8.5.

1.3. Minimum mean temperature

Annual *mean minimum temperatures* are projected to increase:

- 2040 under RCP8.5: +0-1.0°C
- 2090 under RCP4.5: +0.5-1.5°C
- 2090 under RCP8.5: +1.0-2.5°C

At present, annual mean temperatures range between 8-12°C for inland low elevation locations. Summer mean temperatures range between 14-18°C, and winter mean temperatures range between 4-8°C. Seasonal mean temperatures are influenced by proximity to the sea, such that

coastal locations are typically cooler in summer and warmer in winter compared to inland parts of the district. For coastal areas of Waitaki, summer temperatures range between 13-20°C (Weather Spark, n.d.)

For inland low-elevation locations, summer mean minimum temperatures range between 6-10°C, and winter mean minimum temperatures range from just below freezing (-2°C) to just above freezing (2°C).

By 2040 (RCP8.5), annual mean minimum temperature is projected to increase by between 0-1.0°C. By 2090, annual mean minimum temperature increases of 0.5-1.5°C (RCP4.5) and 1.0-2.5°C (RCP8.5) are projected. Seasonal mean minimum temperatures are projected to increase by 0.5-2.5°C for much of Waitaki (by 2090 under RCP8.5).

1.4. Hot days

The annual number of *hot days* is projected to increase:

- By 2040 (RCP8.5) annual number of hot days are projected to increase by 10-40 days.
- By 2090 (RCP4.5) annual number of hot days are projected to increase by 10-20 days.
- By 2090 (RCP8.5) annual number of hot days are projected to increase by 20-60 days.

When the maximum temperature is 25°C or higher, this is considered a 'hot day'. Hot days occur most frequently in summer, with most low elevation areas of Waitaki observing between 10-30 hot days during this season.

Exceptions to this may occur with annual increases of 60-85 hot days projected for some inland areas, especially southern parts of the Mackenzie Basin. By 2090 (RCP8.5), 20-60 hot days are projected, and autumn and spring hot days are projected to increase by 5-20 days for relatively low elevation areas.

1.5. Frost days

The annual number of *frost days* is projected to decline:

- By 2040 (RCP8.5) annual number of frost days are projected to decline by 10-15 days.
- By 2090 (RCP4.5) annual number of frost days are projected to decline by 15-20 days.
- By 2090 (RCP8.5) annual number of frost days are projected to decline by 20-40 days.

A frost day is defined in this report as when the modelled daily minimum temperature falls below 0°C. The annual number of frost days increases considerably for inland and high-elevation parts of the region. For example, many inland parts of Waitaki typically observe 75-100 days of frost per year. For coastal parts of Waitaki 25-50 frost days per year are experienced. In the future, the number of frost days per year is projected to decline throughout the district.

By 2040, reductions of 10-15 frost days per year are possible for low-elevation inland parts of the district under RCP8.5. By 2090, considerable reductions in frost days are projected for inland areas, with around 15-20 fewer frost days for those areas under RCP4.5 and 20-40 fewer frost days under

RCP8.5. Larger reductions are projected for high elevations (i.e., decrease of >40 days under RCP8.5 at 2090). In addition, it is likely that future frost season length (i.e., the time between the first and last frost in a given year) will reduce.

Minimum temperatures are also projected to increase throughout the region by up to 2°C by the end of the century. In conjunction, the duration of the frost season and number of frost days is expected to decrease, particularly inland, where 10-15 fewer frost days are projected to occur by 2040 and up to 40 fewer frost days per year by 2100. The number of snow days is likely to decrease between 0-20 days. with the greatest reductions projected to occur in the coldest, mountainous areas (Macara et al., 2019). This is likely to result in more rainfall events in winter that would previously have been snow events, therefore changing the flood risk, as well as snow melt patterns.

In general, the impacts of climate change on snowlines in the Waitaki District may depend on factors such as changes in precipitation patterns, temperature, and weather extremes. If temperatures continue to rise, it is likely that the snowline will retreat to higher elevations, and some glaciers and snowfields could disappear altogether.

Precipitation

2.1. Annual rainfall/Flooding

Summary of annual *rainfall days:*

- By 2040 (RCP8.5) an annual and seasonal increase between 0-10% rainfall is projected. At a seasonal scale, an increase of 5-20% rainfall in winter and spring is projected for inland areas, whereas during summer an increase in rainfall (generally 0-10%) are projected for coastal areas. Autumn rainfall is projected to slightly decrease (0-5%) in coastal areas.
- By 2090 (RCP4.5) annual rainfall projected to increase by 5-10% for coastal areas.
- By 2090 (RCP8.5) annual rainfall projected to increase by 20-25%, with winter rainfall increasing considerably by 15-40% for parts of Waitaki. A decrease in summer rainfall of 5-15% is projected for inland areas.

Changes in annual average rainfall across Waitaki are expected to vary by +/- 5% by 2090 under RCP8.5. However, seasonal rainfall is projected to have higher variability. By 2090 increases of 15-40% in winter rainfall are projected, while small decreases up to 5-15% in inland areas are projected for summer. These projections indicate increasing seasonality of annual rainfall, potentially with winter rainfall more strongly associated with storm events.

River systems within Waitaki are projected to have up to a 50% decrease in flows by 2090. Increased annual dry days, temperature and annual hot days may lead to increasing frequency and duration of drought conditions within Waitaki. This is projected to occur due to the decrease in summer rainfall within most catchments. More frequent and intense flood events through river systems are expected due to the increase in severity of extreme storm events coupled with increasing rainfall, resulting in an increase in river flow volumes for many of the river systems within the district (Macara et al, 2019). NIWA projections are that precipitation will increase by 5-15% by 2055 in the Waitaki catchment area (Security and Reliability Council, 2018).

Flooding is another known issue in the Waitaki District affecting rural areas as well as urban townships, such as Oamaru (Waitaki District Council, 2017). Flooding and extreme weather events can lead to water supply contamination, as experienced in Oamaru in late 2018, where heavy rainfall caused an influx of contaminants and sediment into the Waitaki River, leading to severe water restrictions for several days (Tonkin & Taylor, 2021). Coastal areas are also likely to experience increased severity of extreme weather events, and the coastal and marine ecosystems are likely to experience increased discharge of sediment and freshwater from increased rainfall throughout the catchment of rivers across the region (Macara et al, 2019).

2.2. Extreme rainfall events

Summary of *extreme rainfall events*:

- Extreme, rare rainfall events are likely to increase in intensity in Waitaki because a warmer atmosphere can hold more moisture.
- Increases in rainfall events are projected at both future periods (2040 and 2090) under all climate change scenarios; greatest increases are projected by 2090 under RCP8.5 (up to 35% higher for a 1:100 year 1-hour duration rainfall event).
- Short duration rainfall events have the largest relative increases.

A "1:100-year rainfall event" is a term used in hydrology to describe an extreme precipitation event that has a statistical probability of occurring once in every 100 years, on average, in a particular location. This means that the event has a 1% chance of occurring in any given year. It is important to note that this does not mean that the event occurs exactly once every 100 years or that it cannot occur in successive years. Instead, it is a statistical estimate of the likelihood of such an event occurring in any given year.

Extreme rainfall events (and floods) are often considered in the context of return periods (e.g., 1-in-100-year rainfall events). A return period, also known as an average recurrence interval (ARI), is an estimate of the likelihood of an event. It is a statistical measure typically based on historic data and probability distributions which calculate how often an event of a certain magnitude may occur. Return periods are often used in risk analysis and infrastructure design.

The theoretical return period is the inverse of the probability that the event will be exceeded in any one year. For example, a 1-in-10-year rainfall event has a 1/10 = 0.1 or 10% chance of being exceeded in any one year and a 1-in-100-year rainfall event has a 1/100 = 0.01 or 1% chance of being exceeded in any one year. However, this does not mean that a 1-in-100-year rainfall event will happen regularly every 100 years, or only once in 100 years. The events with larger return periods (i.e., 1-in-100-year events) have larger rainfall amounts for the same duration as events with smaller return periods (i.e., 1-in-2-year events) because larger events occur less frequently (on average).

2.3. Snowfall

Summary of *snow fall:*

- The number of snow days reduce through the Waitaki District, with the largest reductions occurring in the colder mountainous areas where there are relatively large number of snow days currently present.
- The number of snow days is likely to decrease between 0-15 days by 2040, and 0-20 days by 2090.

Snow days have been estimated by counting precipitation days where the mean temperature was below freezing point. Although it is a crude measure of snow days and the likely modelled number of historic (1986-2005) snow days is underestimated, particularly for low elevation locations where snowfall often occurs when the ambient air temperature is at or above 0°C, nevertheless, this measure provides a reference to which future changes can be compared.

Modelled historic conditions suggest that 1-10 days per year occur for inland areas. 25-100 snow days per year occur in higher elevation alpine areas. In the future, the number of snow days reduces everywhere, with the largest reduction (typically 10-25 days) in the coldest mountainous areas where there are a relatively large number of snow days in the historic climate.

2.4. Droughts/Dry days

Summary of *dry days:*

- The number of dry days is likely to decrease near the coast, with the remaining parts of Waitaki experiencing increases. Seasonally, more dry days are expected for inland parts of Waitaki.
- By 2040, decreases in annual dry days of 1-4 days are projected for coastal areas, with increases of 2-8 more dry days annually for remaining parts of Waitaki.
- By 2090, decreases in annual dry days of 2-6 days are projected for coastal areas, with increases of 2-10 more dry days per year for remaining parts of Waitaki.

When less than 1mm of rainfall is recorded, it is considered a 'dry day'. Between the period 1986-2005 the largest number of dry days for Oamaru were 275-300 days per year, winter being the season with the highest number of dry days (60-80 days) and spring typically having the fewest dry days (50-70 days). Mullan et al., 2005 suggested that severe droughts could increase and become more frequent by the 2080s. Further risks result from drier conditions, notably wildfires and the spread of fires lit by humans. While the predictions for wind severity have not been modelled for Waitaki District, there is potential for this to also contribute to an elevated fire risk.

Sea level rise

3.1. Sea level rise

Summary of *sea level rise:*

- Sea level rise is occurring throughout New Zealand. Storm surges, waves, winds and the frequency and intensity of storms are also affected by climate change. These will generate higher extreme water levels which are variable along the coast of Waitaki.
- By 2040, mean SL is projected to increase by 0.21m across New Zealand.
- By 2090, there will be an increase of up to 0.9-1.2m in SL.

Throughout New Zealand, sea levels are projected to rise by up to 0.9m by 2100 under RCP8.5 (Ministry for the Environment, 2018). This will result in increased coastal flooding of low-lying areas within Waitaki District, affecting coastal communities such as Kakanui and Oamaru waterfront (Otago Regional Council, 2012). Groundwater rises, and coastal and inland flooding contributes to the exposure of landfills, cemeteries and urupā.

Extreme weather

4.1. Wind

Summary of *wind:*

- Daily mean wind speed is projected to increase in inland areas and decrease in coastal areas.
- By 2040: inland areas are projected to observe an increase in wind of 4-6% and a decrease of 0-4% in coastal areas.
- By 2090: inland areas are projected to observe an increase of 6-12% wind, with coastal areas projecting a 0-4% decrease.

Extreme wind is considered as the 99th percentile of daily mean wind speeds, equating to the top 1% of daily mean winds recorded, i.e., about the top three windiest days each year.

Limitations

The Climate Change projections for Otago Region (2019) NIWA report only outlines Oamaru not the Waitaki District. Only data that was readily available from previous studies were used, therefore gaps exist and weather patterns may not align. There are also limitations for how the projections are perceived for the Waitaki District given this is based on a regional scale study (Otago/Canterbury). For example, climate projections are calculated using complex computer models that simulate the Earth's climate system, taking into account a wide range of factors that can influence climate change. These factors include natural phenomena such as volcanic activity and solar radiation, as well as human activities such as the burning of fossil fuels and deforestation. The models typically use mathematical equations to represent the physical and chemical processes

that occur in the atmosphere, oceans, and on land. They divide the Earth's surface into a grid system and simulate the interactions between different regions and components of the climate system over time, typically spanning several decades or centuries. The models incorporate various climate scenarios based on different levels of greenhouse gas emissions and other factors that can affect climate change, such as changes in land use and population growth. These scenarios are typically based on assumptions about future trends in economic and social development, as well as technological advances and policies to address climate change.

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Appendix A

New Zealand participates in international climate change negotiations under the United Nations Framework Convention on Climate Change (UNFCCC), its Kyoto Protocol, and the Paris Agreement. As a party to the Paris Agreement, New Zealand has certain obligations to address climate change and reduce its greenhouse gas emissions. These obligations are outlined in the country's Nationally Determined Contribution (NDC) under the Agreement, as well as in its domestic climate policies and legislation.

New Zealand's NDC under the Paris Agreement includes the following commitments:

- A target to reduce greenhouse gas emissions by 30% below 2005 levels by 2030, with the intention to increase this target to 50% reduction if there is a global agreement to limit warming to 1.5°C.
- A commitment to achieving net-zero emissions by 2050, with a provisional target of reducing emissions to 50% below 1990 levels by 2050.
- A commitment to a five-yearly review of its climate targets and progress towards them.

Legislation and initiatives have since been passed to enable New Zealand to meet its obligations under the Paris agreement, such as:

- The Zero Carbon Act, which sets a legally binding target of net-zero emissions by 2050 and establishes a Climate Change Commission to provide independent advice on emissions reduction and climate adaptation.
- A comprehensive emissions trading scheme, which places a price on carbon and covers emissions from all sectors of the economy, including agriculture.
- Investment in renewable energy, such as wind and geothermal, and the phasing out of coal-fired electricity generation.
- The development of low-emissions transport options, such as electric vehicles and public transport.
- Afforestation and other measures to increase the uptake of forestry and land-use practices that sequester carbon.

In response to the Zero Carbon Act, Ministry for the Environment has undertaken the first National Climate Change Risk Assessment (Ministry for the Environment, 2020) Consequently, the government has released new requirements for organisations to report climate-related information under the Climate Change Response (Zero Carbon) Act (Government of New Zealand, 2019). This reporting requirement applies to organisations that provide essential public services in New Zealand such as local authorities and will request information on how organisations are responding to risks from climate change.

The Zero Carbon Act and related reporting requirements build on the existing responsibilities for local government to respond to climate change. Existing legislation which controls the WDC's activities and responsibilities is set out in the Local Governance Statement (WDC, 2019).

Legislation particularly relevant to the management of climate change and natural hazards at local government level includes the:

Local Government Act 2002 (LGA): The LGA requires local authorities to take a holistic and forward-looking approach to decision-making that considers the impacts of climate change on their communities and the environment. Relevant considerations are as follows:

- **Social, economic, environmental, and cultural well-being:** The LGA requires local authorities to consider the social, economic, environmental, and cultural well-being of their communities, including the impacts of climate change on these aspects of community well-being.
- **Community engagement and participation:** The LGA emphasizes the importance of community engagement and participation in decision-making processes. Local authorities are required to engage with their communities on issues related to climate change and to take their views into account when making decisions.
- **Integrated decision-making:** The LGA promotes an integrated approach to decision-making. Local authorities must consider the long-term and cumulative effects of their decisions, and consider the interrelationships between social, economic, environmental, and cultural factors, including those related to climate change.
- **Climate change adaptation and mitigation:** The LGA recognizes the need for local authorities to take action to address the impacts of climate change. This may involve developing strategies to adapt to the impacts of climate change and to reduce greenhouse gas emissions.
- **Asset management:** The LGA requires local authorities to manage their assets in a sustainable and cost-effective manner. This includes considering the risks and opportunities associated with climate change when making decisions about asset management.

Local authorities must work closely with their communities to identify and respond to these impacts, and to ensure that their decision-making is sustainable and resilient in the face of climate change.

Resource Management Act 1991 (RMA): Under the Resource Management Act 1991 (RMA), local governments in New Zealand have a range of requirements related to climate change. Relevant considerations are as follows:

- **Planning for climate change:** Local government is required to plan for the known hazards, including climate change (Part II of the RMA, section 7(i)). Local authorities are required to incorporate the principles of the New Zealand Coastal Policy Statement (NZCPS) into their planning documents, which includes consideration of the impacts of climate change. This means that local authorities must plan for the effects of sea level rise and other climate change impacts on the coastal environment.
- **Mitigating greenhouse gas emissions:** Local authorities are also required to take action to reduce greenhouse gas emissions. This may include developing policies to encourage sustainable land use, promoting the use of public transport, and encouraging the development of renewable energy sources.

- **Adapting to climate change:** Local authorities must also consider how to adapt to the impacts of climate change. This may involve developing policies to protect against the risks of flooding, coastal erosion, and other climate-related hazards.
- **Engagement and consultation:** The RMA require local authorities to engage with the public and seek their input on climate change issues. This may involve consulting with iwi, hapū, and other interested parties to ensure that their views are considered.

In addition to these requirements, the RMA also provides for the establishment of climate change adaptation and mitigation strategies at both the national and local levels. Local authorities are encouraged to work with central government, iwi, and other stakeholders to develop and implement these strategies.

Civil Defence Emergency Management Act 2002: Under the Civil Defence Emergency Management Act 2002 (CDEM Act), local governments in New Zealand have several key requirements related to climate change. These include:

- **Identification of hazards and risks:** The CDEM Act requires local authorities to identify hazards and risks, including those related to climate change, in their hazard and risk assessments.
- **Emergency planning and response:** Local authorities must develop emergency plans and responses that consider the impacts of climate change. This may include developing evacuation plans for areas that are vulnerable to flooding or coastal erosion or establishing emergency shelters for those affected by extreme weather events.
- **Coordination with other agencies:** The CDEM Act emphasizes the importance of coordination between local authorities and other agencies, including central government and non-governmental organizations, in emergency planning and response. Local authorities must work with these agencies to ensure a coordinated and effective response to climate-related emergencies.
- **Community education and awareness:** Local authorities must educate and raise awareness among their communities about the risks and impacts of climate change, and about what individuals can do to prepare for and respond to climate-related emergencies.
- **Recovery and rehabilitation:** The CDEM Act require local authorities to develop plans for the recovery and rehabilitation of communities following a climate-related emergency. This may include supporting the restoration of damaged infrastructure, providing temporary housing for those displaced by extreme weather events, and supporting the mental health and well-being of affected communities.

Overall, the CDEM Act requires local authorities to take a proactive and coordinated approach to emergency management and response, with a particular focus on the risks and impacts of climate change. By working closely with their communities and other agencies, local authorities can help to build resilience and preparedness in the face of climate-related emergencies.

Waitaki District Council has demonstrated its commitment to addressing climate change through its Long-Term Plan 2021-2031, and the resolution that:

"Council's Strategic Framework has identified meeting environmental and climate change challenges as a key community outcome. We need to consider the impact that climate change will have, and the investment required under different response approaches".

5 MEMORANDUM REPORTS

5.1 FINANCIAL REPORT - THIRD QUARTER, 2022-23 FINANCIAL YEAR, AND TREASURY REPORT TO 31 MARCH 2023

Author: **Amanda Nicholls, Chief Financial Officer**

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

Attachments:
1. **Quarterly Financial Report to March 2023**
2. **Treasury Report to 31 March 2023**
3. **Bancorp Treasury "Dashboard" to 31 March 2023**

RECOMMENDATION

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

PURPOSE

This report presents financial results for the nine-month period ended 31 March 2023 and includes the Treasury Report at that date.

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 period must 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 ($6,493k) compared with a budgeted deficit for the period of ($3,280k).

Overall, Operating revenue is over budget by $2,708k. This variance is driven by the unbudgeted subsidy of $2,102k related to emergency works and $600k from Otago Community Trust to partially fund the Gallery and Museum project. Several revenue categories are currently tracking below budget, reflecting reduced activity levels in the district.

Total operating expenditure is over budget by $5,926k. The largest single variance is in the area of Contractors’ costs which are over budget by $4,427k. This includes the extra costs of $3,073k related to emergency works, and also reflects increased costs generally.

Staff vacancies have contributed to a saving on Personnel costs, but those vacancies, coupled with the deferral of significant projects like the Sports and Events Centre, have resulted in reduced levels of recovery from capital projects. Consequently, Personnel costs are now reported over budget, a situation which will worsen by year end.

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 $48.25M, while Expenditure totals $54.76M. Interest earned on LGFA Borrower Notes, which, like any gain or loss on the investment in Omarama Airfield Limited, must be reported separately, adds a further $15k to the overall result for the year to date.

STATEMENT OF FINANCIAL POSITION

Budget figures in the Statement of Financial Position reflect the projected year-end position and may not 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)

- Budget includes the projected result of the triennial revaluation of roading and bridges. The amount budgeted for the revaluation gain is $44.75M, but the fair value assessment prepared at 30 June 2022 indicates that the revaluation could add over $75M to the value of Roading assets. 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 to Waitaki District Health Services Limited (WDHSL) $1.95M and to Whalan Lodge Trust $120k 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 secured by 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 they mature, which occurs when the associated loan is repaid or refinanced.
- Interest paid on the notes is directly related to rates paid by Council on the associated loans.
- Borrower notes total $775,000 plus accrued interest due to new loans in August, October, and December 2022.

Term Deposits

- Bank deposits with an original maturity exceeding 90 days are recorded as Term Deposits. Council held a single term deposit that met this definition at 31 March 2023.

Borrowings

- External borrowings total $38M plus accrued interest and include new loans arranged with the LGFA in August 2022 of $4M, October $5M, and December $4M.
- New advances in May have increased total borrowings by a further $4M to $42M which is expected to be the extent of our borrowings at year end.
- Loans maturing in April 2023 have been refinanced as detailed in the Treasury Report.
- The BNZ CARL facility has been used to a limited extent as required while awaiting resolution from Waka Kotahi of the outstanding subsidy claim relating to emergency works.

CAPITAL EXPENDITURE

Total capital expenditure to date is $17.68M and is under the YTD budget of $36.63M, which includes both the original Annual Plan budget and carry-forward projects approved by Council. The variance from budget will get much worse, as the full year's living budget is for $78.3M of capital expenditure, and the LTP is $61.3M. The most significant variations are outlined below.

Activity	YTD Actual $M	YTD Budget $M	Variance $M	Commentary
Roading	7.34	9.78	(2.54)	Works programme initially delayed due to operational requirements/emergency works, but now back on track. Road sealing works are ahead of budget.
Water	5.37	14.32	(8.95)	A number of projects have been deferred or have only recently been approved for tendering. These delays have affected the delivery of services
Sewer	1.81	3.52	(1.71)	Timing of works on Oamaru projects.
Property	1.58	2.98	(1.40)	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	0.77	1.92	(1.15)	Oamaru Gardens Playground started slowly, as has work on toilet projects. Planning and funding work on the Sports and Events Centre has continued but there will be no physical works this financial year, resulting in a major underspend.
Alps2Ocean	0.06	0.10	(0.04)	Funding carried over from 2021 to reinstate flood damage has been spent.
Motor Vehicles	0.10	0.22	(0.12)	Timing of replacement programme.
Information Services	0.75	1.86	(1.11)	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.

OPERATIONAL 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 direct costs, it does not adequately compensate Council for the full costs of engaging and responding to requests from the National Transition Unit or of engaging with other councils. Although the direct financial impact is limited to date, it will ultimately have a major impact on service delivery across an increasing range of Council activities and services.

Council is 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 can be clearly seen in the detail provided for Contractors' expenditure, and has been a factor in determining when, and how much, Council has had to borrow. This is likely to affect service delivery, cashflows, and the required level of external borrowing to complete the necessary works.

Projected operating result for 2022-23 financial year

As has been reported to previous Committee meetings, there is no likelihood that Council will achieve its budgeted operating result. Previous financial updates have identified key elements that have influenced this situation. Below is an updated projection:

- The cost of emergency works arising from the adverse weather event in July, and the fact that Council must bear the burden of the balance of the cost after receipt of the subsidy from Waka Kotahi. Even though Council has made the decision to fund this shortfall from the Emergency Fund, this will still have a significant negative impact on the result for the year.

- Delays to the proposed Sports and Events Centre project due to funding and design issues means that it is impossible for Council to receive grants and other revenue associated with that project in the 2022-23 Annual Plan.

- Deferral of that, and other, projects, coupled with staff vacancies which have limited available internal resources, has meant that Council cannot achieve its budgeted recoveries from capital projects.

- The revaluation of property, parks, and the Oamaru Airport, which occurred in the 2022 financial year, was much larger than expected, resulting in depreciation charges that will exceed budget by over $600k in the full 2023 financial year.

Updated projections are outlined in the table below, focusing primarily on these significant issues. Although other income and expense categories are likely to vary from budget by year end, the effect of these variances is not expected to be significant.

	2023 Annual Plan $000	2023 Projected $000
Budgeted Operating Revenue	69,703	69,703
Roading emergency works – additional subsidy		2,109
Grants for Events Centre – unlikely for 2023 financial year		-9,248
Increased Finance revenue due increased interest rates		300
Whitestone Contracting dividend received April, under budget		-125
Projected Operating Revenue		**$62,739**
Budgeted Operating Expenditure	64,362	64,362
Roading emergency works – additional cost incurred		3,075
Other general contractor costs increased		1,750
Increased Personnel costs due reduced recoveries		500
Increased Depreciation expense due property revaluation		620
Increased Finance costs due increased interest rates		350
Projected Operating Expenditure		**$70,267**
LGFA Borrower Notes	17	20
Projected Surplus / (Deficit)	**5,358**	**(7,498)**

Council has always taken the stance that the Sports and Events Centre would proceed only when there was certainty around the level of external funding committed to the project. If the project eventually proceeds to completion, revenue that is foregone in 2023 will be received over the years in which the construction and commissioning of the facility takes place

Attachment 1

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 MARCH 2023

Statement of Comprehensive Revenue and Expense

For the period ended 31 March 2023

		2023 9 Months Actual $000	2023 9 Months Budget $000	2023 Annual Plan Budget $000	2022 12 Months Actual $000	Variance from YTD Budget $000	Variance from YTD Budget %
Revenue							
Rates Revenue		28,586	28,562	38,109	35,516	24	0.1%
User Charges		2,219	2,270	3,099	3,116	(51)	-2.3%
Property Rental		1,821	1,999	2,676	2,344	(178)	-8.9%
Regulatory Charges		1,512	1,748	2,290	2,128	(236)	-13.5%
Development and RMA Contributions		945	1,189	1,586	1,972	(244)	-20.5%
Government Grants and Subsidies	1	10,547	8,129	11,211	12,790	2,418	29.8%
Other Grants and Donations	2	1,204	425	8,781	913	779	183.3%
Finance Revenue	3	1,193	996	1,311	906	197	19.8%
Petrol Tax		163	169	226	194	(6)	-3.6%
Infringements and Fines		65	60	64	53	5	8.3%
Dividends received		-	-	350	32	-	0.0%
Assets vested in Council		-	-	-	1,594	-	
Total Revenue		48,255	45,547	69,703	61,558	2,708	6.0%
Expenses							
Personnel costs	4	11,210	11,046	15,067	13,657	164	1.5%
Depreciation and amortisation	5	13,824	13,286	17,715	17,318	538	4.1%
Finance Costs	6	876	607	810	299	269	44.3%
Other expenses	7	28,853	23,898	30,770	27,482	4,955	20.7%
Non-Trading Losses / (Gains)		-	-	-	1,726	-	0.0%
Total Expenses		54,763	48,837	64,362	60,482	5,926	12.1%
Share of joint venture's surplus / (deficit)		-	-	-	121	-	
Interest on LGFA Borrower Notes		15	10	17	5	5	
Surplus / (Deficit) before Tax		**(6,493)**	**(3,280)**	**5,358**	**1,202**	**(3,213)**	
Other Comprehensive Revenue and Expense							
Gain/(Loss) on revaluation							
- of Infrastructural Assets		-	-	44,750	-		
- on revaluation of Properties		-	-	-	42,222	-	
Total Other Comprehensive Revenue and Expense		-	-	44,750	42,222		
Total Comprehensive Revenue and Expense		**($6,493)**	**($3,280)**	**$50,108**	**$43,424**	(3,213)	

Significant variances and notes

1 – Government Grants and Subsidies

Waka Kotahi subsidy re unbudgeted emergency works (see Other Expenses)	$2,102k
MBIE for Alps2Ocean repairs and development - unbudgeted	$191k
MBIE for Transformation - unbudgeted	$195k
MBIE "Welcoming Communities" initiative funding unbudgeted	$50k
Ministry for the Environment waste minimisation funding under budget	-$44k

2 – Other Grants and Donations

Otago Community Trust for Gallery/Museum projects - unbudgeted	$600k
Mayors Taskforce for Jobs programme – over budget, and funding will continue	$136k
Hampden hall – funding received for re-roof project - unbudgeted	$26k

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 MARCH 2023

3 – Finance Revenue

Interest rates on loans to Observatory Village Charitable Trust and to Kurow-Duntroon Irrigation Co are over budget after restructuring and new loan agreements implemented, and interest rates available for bank deposits are steadily increasing. Refer to Treasury Report for further analysis and comment

4 – Personnel Costs

Wages and Salaries underbudget due to staff vacancies	-$466k
Kiwisaver and Superannuation contributions under budget as a result	-$35k
Recoveries from capital projects	+$676k

Vacancies, coupled with deferred projects, including the proposed Sports and Events Centre, have resulted in a lower level of recoveries from capital works than was budgeted. This shortfall will grow by year end and will further adversely impact Council's annual operating result for the 2022-23 financial year.

5 – Depreciation and Amortisation

Over budget position is due to both the unexpectedly high increase in the valuations of Council's property and parks, and the Oamaru Airport, and continuing work on 3 Waters projects brought forward to 2023

6 – Finance Costs

Over budget due to increases applied to Council's borrowings by the LGFA, both on new lending and when existing floating rate loans are renewed on maturity. Refer to Treasury Report for further analysis and comment

7 – Other Expenses

Roading emergency works were not budgeted	$3,073k
Roading contractor costs generally – over budget	$641k
Water contractor costs – over budget	$957k
Sewer contractor costs – over budget	$454k
Stormwater contractor costs – under budget	-$144k
Solid Waste contractor – under budget due slow progress on landfill projects	-$878k
Electricity – over budget	$188k
Planning consulting costs over budget - District Plan and external processing	$262k
Backfill for staff vacancies – Information Services - unbudgeted	$155k
Backfill for staff vacancies – other units - unbudgeted	$134k
Insurance premiums – over budget	$153k
Software licenses – over budget	$199k

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 MARCH 2023

Statement of Financial Position

As at 31 March 2023

		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		15,916	24,069	20,888
Other Reserves		18,258	17,887	17,743
Total Public Equity		**$1,058,797**	**$1,090,108**	**$1,063,254**
Non-Current Assets				
Property, Plant and Equipment	8	1,048,317	1,088,885	1,043,699
Intangible Assets		1,560	2,528	1,898
Forestry		338	400	338
Assets held for Sale		1,150	1,150	1,150
Financial Assets				
- Investments in Council Controlled Organisations		4,703	4,703	4,703
- Investment in Joint Venture		1,765	1,644	1,765
- Investments in other entities		886	910	612
- Loans to other entities		32,953	33,075	33,053
		1,091,672	1,133,295	1,087,218
Current Assets				
Cash and Cash Equivalents		4,211	1,185	2,060
Receivables	9	5,017	6,678	4,974
Prepayments		1,176	840	1,008
Inventory		112	174	112
Financial Assets				
- Term deposits		1,520	-	2,003
- Investments in other entities		54	89	51
- Loans to other entities	10	2,380	687	401
Assets held for Sale		-	180	-
		14,470	9,833	10,609
Total Assets		1,106,142	1,143,128	1,097,827
Non-Current Liabilities				
Borrowings		30,500	30,000	18,500
Provisions		249	377	281
Employee Entitlement Liabilities		103	107	103
		30,852	30,484	18,884
Current Liabilities				
Trade and Other Payables		7,038	12,532	7,446
Employee Entitlement Liabilities		1,603	1,669	1,661
Borrowings		7,844	8,072	6,574
Provisions		8	263	8
		16,493	22,536	15,689
Total Liabilities		47,345	53,020	34,573
Net Assets		**$1,058,797**	**$1,090,108**	**$1,063,254**

QUARTERLY FINANCIAL REPORTS, PERIOD ENDED 31 MARCH 2023

8 – Property, Plant and Equipment

Budget includes the effect of the Roading revaluation, which will be processed at 30 June 2023, and is likely to exceed $75M, some $30M more than the budget.

9 – Receivables

Current balance includes $2.1M of subsidies awaiting approval from Waka Kotahi in relation to Roading 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 THIRD QUARTER 2022-23 FINANCIAL YEAR

Cash and deposits – position at 31 March 2023

Type of account	Maturity	Interest rate	Balance $	Budget 2023 year end $
BNZ current accounts	N/A		205,799	682,500
BNZ Call account	N/A	2.10%	4,000,000	500,000
BNZ deposits	20/6/23	4.40%	1,500,000	-
ANZ current account	N/A	1.95%	4,739	-
Accrued interest			20,433	2,500
Reported as				
Cash and Cash Equivalents			**4,210,538**	**1,185,000**
Term Deposits		4.40%	**1,500,000**	**-**
Accrued interest			**20,433**	
Total Cash Resources			**$5,730,971**	**$1,185,000**

The BNZ Call account held a higher-than-normal balance because of the receipt on 31 March of the long-awaited funding for emergency works from Waka Kotahi. These funds were largely utilized during April but their receipt meant that Council did not require further funding from the Local Government Funding Agency (LGFA).

Note that Deposits with original terms of 90 days or less are considered part of Cash and Cash Equivalents while those with original maturity dates over 90 days are categorised as Term Deposits. Note also that interest accrued in relation to bank accounts is added to those bank accounts for financial reporting purposes.

Interest earned on bank deposits:

	YTD Mar 2023 $	Budget 12 months $
Interest on bank deposits	58,602	49,000

Interest rates available on term deposits and the call account have continued increasing as 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. Currently the Call Account is returning 2.5%, and a 12 month deposit would earn 5.7%.

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

Other Investments – Loans and advances

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

North Otago Irrigation Company Limited –
- Balance $13,922,485
- Interest rate 3.26% applies until July 2024
- Interest earned for the period $345,344
- Principal repayments of $90,365 were made on 30 September and 31 December, and a payment of $98,116 was made on 31 March 2023 with a further instalment of the same amount due on 30 June 2023.

Observatory Retirement Village Trust –
- Balance $15,598,638
- Interest rate $1.5 million 4.67% $1.5 million 5.20% balance 5.32%
- Interest earned for the period on interest-bearing components $608,028.
- 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 $131,970
- Interest is charged and paid quarterly, principal repayments start 30 September 2024

Oamaru Whitestone Civic Trust –
- Balance $489,000 ($383,000 interest-bearing, $106,000 interest-free)
- Interest rate on interest-bearing part matches Council's internal loan rates set quarterly
- Interest earned for the period $19,494
- Approved loan facility with Council of up to $500,000, plus further Heritage Fund facilities
- Further principal repayments of $3,500 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 March 2023 $49,575

Whalan Lodge Trust –
- Advances provided to date $120,000
- Further advances will be made which, together with compounding interest, will see the Trust owing up to $780,000
- Interest rate 3.85%
- Interest compounded to the loan to date totals $1,302

Other Investments – CCOs

Whitestone Contracting Limited has paid Council a dividend of $225,531, which is less than the amount budgeted for 2022-23 of $350,000inancial results. The dividend reflects the fact that, although improved over 2021, the company's operating results have still not fully recovered after covid.

TREASURY REPORT, THIRD 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 any change in the value of its investment, whether 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 $14,990.
Because of the nature of this particular investment, revenue from this source must be reported separately in Council's Annual Report.

Interest Income

Council reports finance revenue of $768k for the period ended 31 December 2022, over budget by $111k. As noted above, this excludes interest earned on LGFA Borrower Notes which is reported separately below.

Revenue source	YTD Dec 2022 Actual $000	YTD Dec 2022 Budget $000	2023 Budget $000	2022 Actual $000
Bank deposits	59	36	49	27
External borrowers	1,133	960	1,262	884
Total Finance revenue	**1,192**	**996**	**1,311**	**911**

Income to date is over budget by 19.7%, a consequence of better rates for bank deposits, the impact of the new loan agreement with Observatory Village (requiring no principal repayment in either 2022 or 2023, so interest is earned on an additional 1.7M) and new, unbudgeted, lending to Waitaki District Health Services at rates set quarterly based on LGFA floating rates plus a margin.

LGFA Borrower notes	**15**	**12**	**17**	**5**

Income to date is over budget by 25%. New borrowings from the LGFA are at higher rates than was projected, which translates through to improved rates on the related borrower notes.

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

Borrowings

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	4.62%	2,000,000
LGFA FRN	15-Apr-24	4.65%	2,000,000
LGFA FRN	15-Apr-24	4.64%	2,000,000
LGFA FRN	15-Apr-25	4.50%	2,000,000
LGFA FRN	15-Apr-25	4.93%	2,500,000
LGFA FRN	15-Apr-26	4.56%	2,000,000
LGFA FRN	15-Apr-26	4.76%	1,000,000
LGFA FRN	15-Apr-28	5.09%	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	5.55%	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
		Total principal	**$38,000,000**
		Accrued interest	343,793
		Total	**$38,343,793**

Borrowings noted in the above lists as maturing in April have been refinanced - $7M until 17 July 2023, and $2M until 15 April 2026.

The 2022-23 Annual Plan projected that borrowings would reach $38,000,000 by June 2023. Receipt of funding from Waka Kotahi related to emergency works on 31 March 2023 has deferred the need for further borrowings in the immediate future.

Comparable rates – BNZ CARL facility = 7.1%, BNZ Overdraft = 12%

TREASURY REPORT, THIRD 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 provided by the BNZ to progress capital works.

The LGFA has largely replaced this loan facility at a much lower cost of funds.

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

Refinance Waitaki District Health Services Ltd / Observatory Village Charitable Trust $4.6M.

LGFA funding August 2022 $4,000,000

Cashflow requirements (no principal payment from Observatory Village Lifecare Trust, reduced dividend from Whitestone Contracting; completing 3 Waters projects after utilising tranche 1 funding; progressing other capital projects as budgeted)

LGFA funding October 2022 $5,000,000

Advance to Waitaki District Health Services Ltd; emergency roading works; effects of inflation on Council activities generally.

LGFA funding December 2022 $4,000,000

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

Borrowing Costs

Source	YTD Dec 2022 Actual $000	YTD Dec 2022 Budget $000	2023 Budget $000	2022 Actual $000
LGFA borrowing	872	607	810	297
BNZ CARL facility	4	-	-	2
Total Borrowing cost	876	607	810	299

- Cost to date is over budget by 44.3%
- New lending from the LGFA reflects current, and increasing, market interest rates, as do floating loans when these are renewed.
- Increased costs are partially offset by increased investment income as outlined earlier.
- The 2022-23 Annual Plan assumed reliance on the LGFA with no budget for use of the CARL.
- The BNZ CARL facility is a stand-by facility of $1M which operates like an overdraft. It was utilized to meet unexpected emergency roading costs of over $3M in August while new LGFA lending was arranged, and more recently in February and March while anticipating settlement from Waka Kotahi.

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

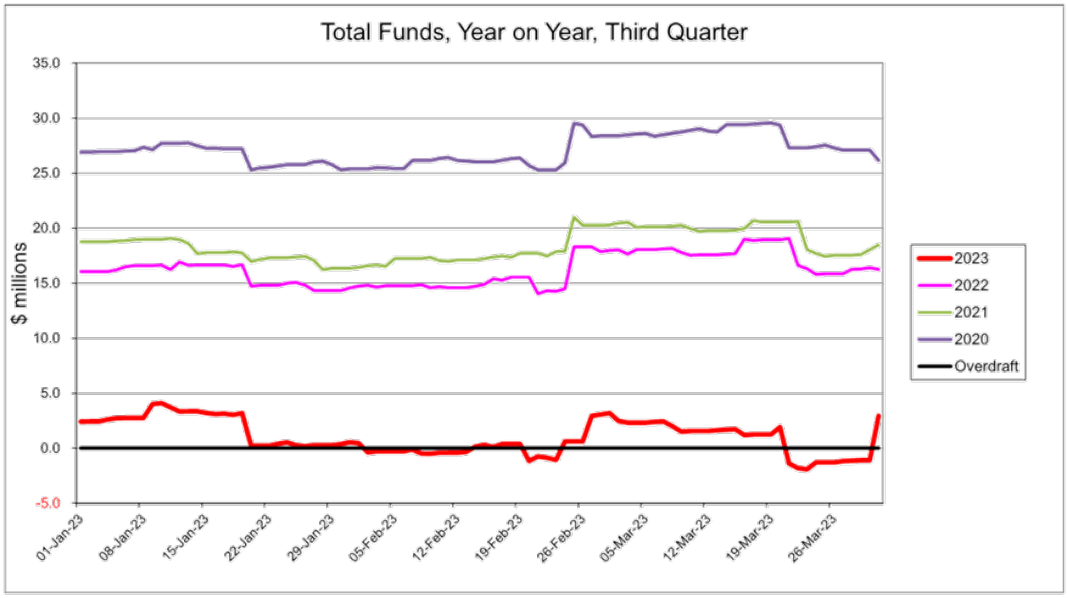
Overall Cash Position

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

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

Offset by:

- Borrowings from the LGFA (November 2020 onwards)
- Borrowings from the BNZ CARL (July 2019 – November 2020, casual thereafter)



Note the impact of the settlement by Waka Kotahi on 31 March 2023 of the outstanding emergency works account – total payment received $3.2million including February normal subsidy.

Waitaki
DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

Quarterly Treasury Dashboard

31 March 2023

STRICTLY PRIVATE AND CONFIDENTIAL

BANCORP

Economic Commentary

Global

The confidence that permeated financial markets at the start of the year has well and truly dissipated with the collapse of Silicon Valley Bank ("SVB") in the US, and the forced merger of Credit Suisse with UBS. This has moved the market's focus from higher interest rates which are aimed at fighting inflation, to concerns about financial contagion and recession. Expectations around the quantum of rate hikes still required, and the scale and timing of the subsequent cutting cycle have changed dramatically. This has seen the US 10-year yield retest support around the 3.30% area after testing the 4.10% area at the start of March. In early March, the Overnight Index Swap ("OIS") curve was implying a cash rate peak in the US of 5.50% to 5.75% by June 2023, with the first rate cut in early 2024. This was circa 0.50% higher than the peak priced in late January. However, by the end of March the OIS curve was implying no more hikes in the US with the first cut of 0.25% by September and a rate of 3.75% to 4.00% by March 2024.

As was widely expected, despite the volatility in the banking sector, the Fed increased it cash rate target range to 4.75%-5.00% in late March. However, the dot plot (forward projections from committee members) saw a slightly lower peak of 5.10% that was implied from its November 2022 update. US Federal Reserve ("Fed") Chairman Jerome Powell expressed confidence in the US banking system, but did note that the recent turbulence in the banking sector could lead to a tightening of credit and this would in turn, tighten monetary settings. As outlined above, markets saw the statement as 'dovish' and priced in aggressive rate cuts over the next 12-months, despite Powell making it clear that rate cuts in 2023 were not the Fed's current base case scenario.

The recent banking sector issues have highlighted that that a sole focus on getting inflation under control through higher interest rates could have unintended consequences on financial system stability. This is because banks around the globe have significant unrealised losses on the 'risk free' (if held to maturity) liquidity held via Government bonds. As the SVB collapse demonstrated, if there is a run on a bank, the forced selling of these bonds will crystalise these mark-to-market losses and, as in SVB's case, wipe out its equity.

While central banks had made it clear they are prepared to risk a recession to get, in their view, the more serious evil of imbedded inflation under control, markets are guessing that they will be much less sanguine around the risk of financial market contagion. This is causing almost unprecedented volatility in short-term interest rate markets. The US 2-year bond yield traded in a 1.20% range over a few weeks and indeed in a three day period fell by approximately 1.0%.

In comparison to other central banks the Reserve Bank of Australia took a more restrained approach to monetary policy over the March quarter, increasing the cash rate by 25 basis points in both February and March to take it to 3.6%. The markets are viewing the tightening cycle as now being finished with the first cut priced in by February 2024.

Economic Commentary

New Zealand

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 December 2022	4.25%	4.82%	5.38%	5.13%	4.86%	4.80%	4.80%
31 March 2023	4.75%	5.24%	5.03%	4.72%	4.40%	4.31%	4.27%
Change	+0.50%	+0.42%	-0.35%	-0.41%	-0.46%	-0.49%	-0.53%

During the March quarter, two important data releases highlighted the fragility of the New Zealand economy. Firstly, GDP data for the December 2022 quarter (released at the end of March) came in as a real outlier. GDP plummeted to -0.6% against market forecasts at -0.2%, and the RBNZ's projection of +0.7%. Annual GDP eased from 6.4% to 2.2%. If the negative print for the December 2022 is followed by another negative number in the March quarter (which many are predicting), then the country is officially in recession, something the Reserve Bank of New Zealand ("RBNZ") has signaled as being necessary to quell inflation.

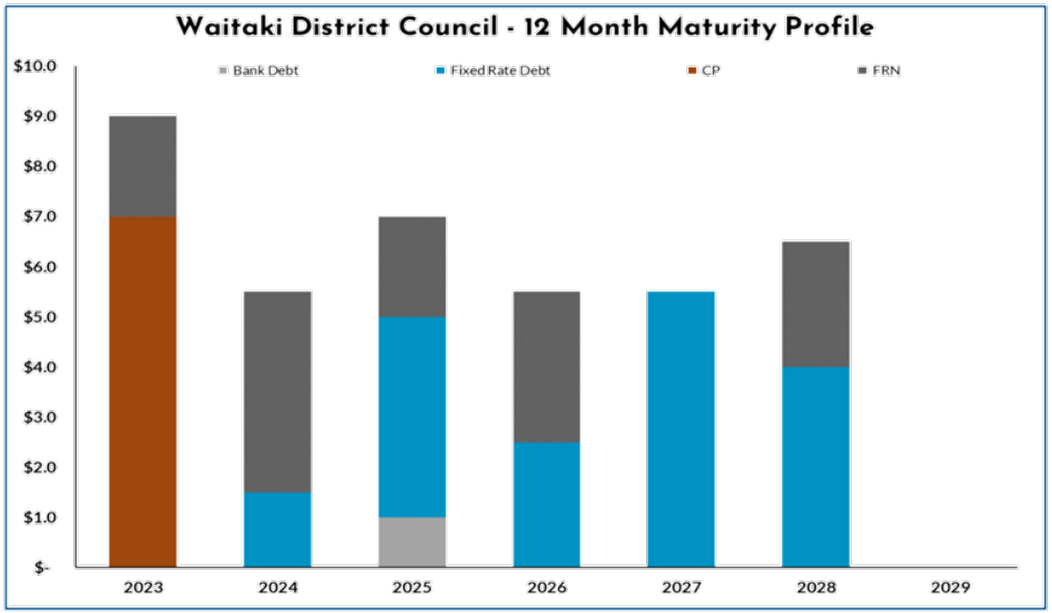
Secondly, the current account deficit widened by NZD9.46 billon to a record NZD33.8 billon in the December 2022 quarter, this represents 8.9% of GDP. This exceeded the 7.8% deficit recorded during the global financial crisis in 2008. This led S&P Global Ratings warning that NZ's 'AAA' rating could come under pressure as the current account deficit *"is at an extremely high level at the moment. It is much wider than we were expecting it to be."* The current account gives an indication of whether an economy is 'living within its means' and the wide deficit suggests New Zealand has not been. Encouragingly though, the outlook is for the deficit to narrow as domestic demand softens and international tourism and the education sectors continue to recover.

In late February, in the *Monetary Policy Statement* ("MPS") the RBNZ raised the Official Cash Rate ("OCR") by 50 basis points to 4.75% and left the projected peak unchanged at 5.50%. The RBNZ stated that the decision about the extent of the increase was whether it should be 50 or 75 basis points and not 25 or 50 basis points. Obviously the RBNZ is still worried about inflation, stating in the MPS that *"higher interest rates are still needed to meet our inflation and employment objectives, to the same extent as in the November Statement."*

Interest rates had a very volatile quarter, driven largely by swings in offshore markets. The 2- and 10-year swap rates reached lows of 4.65% and 4.02% respectively in early February, then climbed to 5.56% and 4.79% respectively by early March as markets refocused on inflation and the need for central banks to tighten monetary policy to quell inflation. However, by the end of the March the 2-year rate was at 5.03% and the 10 year at 4.27% as inflation worries subsided a little and more importantly the banking crisis in the US and Europe lead to a pattern of risk aversion trading where investors sought the safety of the bond markets.

Market pricing for the OCR also reacted to the global banking woes. In early March, markets were pricing the OCR to be at 5.49% in August 2023 and then to fall to 5.06% by July 2024. By the end of March pricing was at 5.20% for August 2023 and 4.54% for July 2024. This compares with the RBNZ's forecasts of the OCR peaking at 5.50% in December 2023 and to be only down to 5.4% by September 2024. In the past the RBNZ have made it very clear that its priority is to get the inflation rate down, even if it pushes the country into recession.

Liquidity and Funding



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are Term Deposit counterparty exposures within policy control limits?	Yes

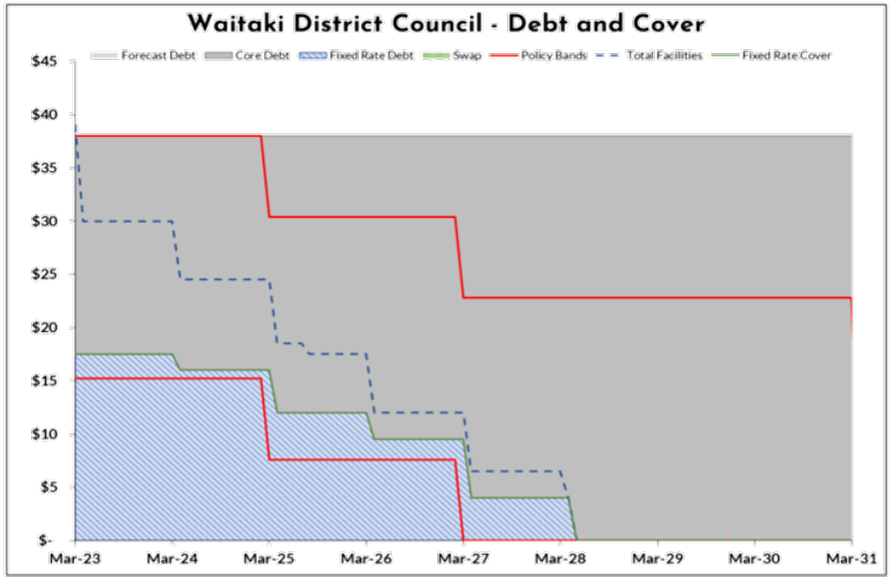
Debt
$38.0m
External Council Drawn Debt

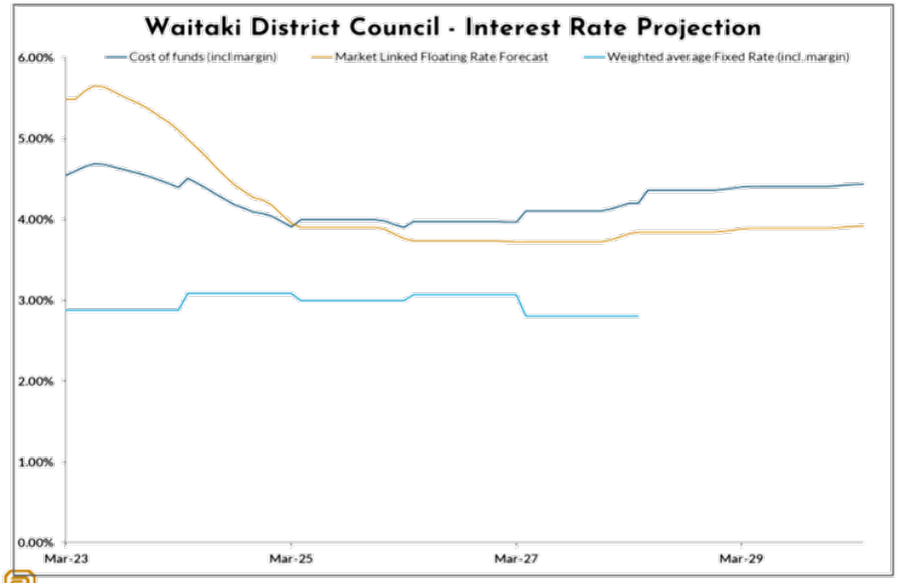
LGFA
$38.0m
Funds Drawn from LGFA

Bank facility headroom + term deposits + cash in bank
$4.6m

Liquidity Ratio
112%
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Interest Rate Risk Management





Current % of Debt Fixed	46.1%
Current % of Debt Floating	53.9%
Value of Fixed Rate (m)	$17.5
Weighted Average Cost of Fixed Rate Instruments	2.88%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	2.88%
Value of Forward Starting Cover	$0.0
Weighted Average Cost of Forward Starting Cover	N//A
Value of Floating Rate (m)	$20.5
Current Floating Rate	5.52%
Current Floating Rate (incl margin)	6.10%
All Up Weighted Average Cost of Funds Including Margin	4.61%
Total Facilities In Place	$39.0

Policy Bands			
	Minimum	*Maximum*	*Policy*
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 8 years	0%	60%	Compliant

On-lending and Interest Rate Risk Management

PAR Meeting and On-lending

The topic of on-lending has been ongoing for the last six months and we understand that some changes have recently been adopted at the last PAR meeting.

The changes are likely to impact the level of net core debt which will likely impact interest rate risk management recommendations, once these changes have been communicated future reports will incorporate the changes.

LGFA Borrowing Rates

Listed below are the credit spreads and applicable interest rates as at the end of March for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which WDC could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	5.37%	N/A
6 month CP	0.20%	5.53%	N/A
April 2024	0.50%	5.67%	5.73%
April 2025	0.58%	5.75%	5.46%
April 2026	0.68%	5.85%	5.26%
April 2027	0.76%	5.93%	5.18%
May 2028	0.82%	5.99%	5.20%
April 2029	0.92%	6.09%	5.26%
May 2031	0.97%	6.14%	5.28%
April 2033	1.07%	6.24%	5.35%
May 2035	1.12%	6.29%	5.49%
April 2037	1.13%	6.30%	5.55%

Disclaimer

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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:

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
7.1 - Debtors' Report - 2023, Third 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
7.2 - Accounts Payable Analysis - 2023 Third 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

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