



# NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Opotiki District Council Chambers, 108 St John Street, Opotiki  
Monday, 30 April 2018  
Commencing at 10.00am**

## ORDER PAPER

### APOLOGIES

### DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

### PUBLIC FORUM

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### PUBLIC EXCLUDED BUSINESS

- ITEM 08 CONFIRMATION OF IN-COMMITTEE MINUTES – AUDIT AND RISK COMMITTEE MEETING 19 MARCH 2018
- ITEM 09 RESOLUTION TO RESTATE RESOLUTIONS AND READMIT THE PUBLIC

### STANDING ITEM:

**RISK WORKSHOP –TO BE HELD AT THE CONCLUSION OF THE MEETING**

**Members:** **Cr Arihia Tuoro (Chairperson)**

**Cr Ken Young**

**Ex-Officio:** **Mayor John Forbes**

**Independent Member:** **David Love**

**Committee Secretary:** **Gae Newell**

**Quorum:** **2**

**LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968**

**Councillors are reminded that if you have a pecuniary or non-pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the Council chamber.**

**Aileen Lawrie**

**CHIEF EXECUTIVE OFFICER**

## AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. The Audit and Risk Committee is a Committee of the Ōpōtiki District Council.
2. **Objective**

The objective of the Committee is to assist the Council in carrying out its duties in regard to financial reporting and legal compliance.
3. **Membership**

Chairperson: Councillor Tuoro  
Members: Councillor Tuoro, Councillor Young  
Ex-Officio: Mayor Forbes  
Independent Member: David Love
4. **Meetings**
  - 4.1 A quorum is two members.
  - 4.2 The Committee shall meet as needed but in any event, at least annually.
  - 4.3 Notice of meetings shall be in accordance with the requirements set out in the Local Government Act 2002.
5. **Terms of Reference**

*The Audit and Risk Committee will:*

  1. *Review Council's annual financial statements with Council management and the Auditors prior to their approval by Council.*
  2. *Oversee statutory compliance in terms of financial disclosure.*
  3. *Monitor corporate risk assessment and internal risk mitigation measures and oversee:*
    - *Council's risk management framework*
    - *internal control environment*
    - *legislative and regulatory compliance*
    - *internal audit and assurance*
    - *oversee risk identification on significant projects*
    - *compliance to Treasury Risk Management Policies.*
  4. *Review the effectiveness of Council's external accountability reporting (including non financial performance).*
  5. *Conduct the process for the Chief Executive's Performance, for report to Council.*

6. *Draw to the attention of Council any matters that are appropriate.*
7. *Investigate and report on any matters referred to the Committee by Council. The circumstances the Council may refer matters to the Audit and Risk Committees include:*
  - a. *Any significant issues arising from the financial management of councils affairs.*
  - b. *Any complaints against elected members or alleged breaches of the Councils code of conduct.*
  - c. *Any significant issues arising from Audit New Zealand processes.*
  - d. *Due Diligence on strategic asset acquisition or disposal.*
  - e. *Setting up of Council Controlled Organisations.*
  - f. *Development of a Council risk assessment and mitigation strategies.*

6. **Authority**

- 6.1 The Committee is authorised to investigate any activity referred to it by Council resolution. It is authorised to seek any reasonable information it requires from Council staff.
- 6.2 The Committee is authorised by the Council to obtain outside legal or other independent professional advice and to arrange for the attendance at meetings of outside parties with relevant experience and expertise if it considers this necessary.



**MINUTES OF AN ŌPŌTIKI DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD ON MONDAY, 19 MARCH 2018 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 10.00AM**

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**PRESENT:**

Councillor Arihia Tuoro (Chairperson)  
Councillor Ken Young  
David Love  
Mayor John Forbes

**IN ATTENDANCE:**

Aileen Lawrie (Chief Executive Officer)  
Bevan Gray (Finance and Corporate Services Group Manager)  
Ari Erickson (Engineering and Services Group Manager)  
Billy Kingi (Chief Financial Officer)  
Tracey Dale (Business Innovation and Communications Advisor)  
Gae Newell (Personal Assistant to CEO and Mayor)

**MEDIA**

Sven Carlsson (Ōpōtiki News)

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**APOLOGIES**

Nil.

**DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS**

David Love noted that he is a Bay of Plenty Regional Councillor and is also a member of the Regional Council's Audit and Risk Committee.

**PUBLIC FORUM**

Nil.

**1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING  
27 NOVEMBER 2017**

**p5**

David Love apologised that he was unable to attend the Annual General Meeting of Evolution Networks.

The Finance and Corporate Services Group Manager provided the Committee with an update from the Annual General Meeting of Evolution Networks and answered queries.

**RESOLVED**

- (1) That the minutes of the Audit and Risk Committee meeting held on 27 November 2017 be confirmed as a true and correct record.**

Young/HWTM

**Carried**

**2. ACTION SCHEDULE p11**

The Finance and Corporate Services Group Manager stated that the Action Schedule identifies items on which there is progress or complete. He is proposing to drop off the items which are complete.

David Love asked that completed items remain on the Action Schedule for one meeting before being dropped off.

The Finance and Corporate Services Group Manager advised that the completed items are just hidden; they do stay on the register.

**RESOLVED**

- (1) That the Action Schedule be received.**

HWTM/Love

**Carried**

**3. QUARTERLY REPORT TO 31 DECEMBER 2017 p13**

His Worship the Mayor raised the matter of Government Departments not paying rates on their own properties and the impact on Opotiki District Council. He wondered whether this matter could be raised as part of a reinvigorated consideration of the Shand Report.

The Finance and Corporate Services Group Manager will note this in the Action Schedule and will obtain some information from Quotable Value on the likely revenue from Crown land.

**RESOLVED**

- (1) That the report titled "Quarterly Report to 31 December 2017" be received.**

Young/Love

**Carried**

*The Engineering and Services Group Manager entered the meeting at 10.09am.*

**4. 2018-2028 LONG TERM PLAN CONSULTATION DOCUMENT**

**p54**

The Finance and Corporate Services Group Manager tabled a copy of the draft 2018-2028 Consultation Document.

**RESOLVED**

**(1) That the report titled "2018-2028 Long Term Plan Consultation Document" be received.**

Tuoro/Young

**(2) That the Audit and Risk Committee approve the 2018-2028 Long Term Plan consultation document "Your assets, your community, your future" for audit.**

Tuoro/HWTM

**Carried**

*The Business Innovation and Communications Advisor entered the meeting at 10.33am.*

**5. CUSTOMER SATISFACTION SURVEY**

**Verbal Item**

The Business Innovation and Communications Advisor stated that only summary results have been received to date and she gave an overview of that. Once the appendices are received, a better picture will be formed.

The Chairperson noted that there a lot of people who do not have a landline.

David Love said people are using mobile phones more and more and that has an impact in that it skews the results of such surveys.

His Worship the Mayor thought that to obtain a more comprehensive picture, the results of the survey should be read together with the Census results, and the outcomes of the Vital Signs Research Project.

**RESOLVED**

**(1) That the verbal update on the Customer Satisfaction Survey be received.**

Tuoro/Young

**Carried**

**6. RESOLUTION TO EXCLUDE THE PUBLIC**

p57

**SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987**

**THAT the public be excluded from the following parts of the proceedings of this meeting, namely:**

- 7. In-Committee Minutes – Audit and Risk Committee Meeting 27 November 2017.**
- 8. Statute Barred Rates Write-Offs.**
- 9. Harbour Project Update**

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>Item No</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
<b>7.</b>	<b>In-Committee Minutes – Audit and Risk Committee Meeting 27 November 2017</b>	That 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 exists.	Section 48(1)(a)
<b>8.</b>	<b>Statute Barred Rates Write-Offs</b>	That 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 exists.	Section 48(1)(a)
<b>9.</b>	<b>Harbour Project Update</b>	That 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 exists.	Section 48(1)(a)

**This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:**

7.	Maintain effective conduct of public affairs Protect Information	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i), (d) and (e)
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8.	Protect the privacy of natural persons Free and frank expression of opinions	Section 7(2)(a) Section 7(2)(f)(i)
9.	Protect Information Protect the privacy of natural persons	Section 7(2)(b)(i) & (ii) Section 7(2)(a)

HWTM/Young

**Carried**

*Sven Carlsson left the meeting at 10.44am.*

*The Chief Executive Officer left the meeting at 10.45am and returned at 10.48am.*

*The Engineering and Services Manager left the meeting at 10.49am.*

**RESOLVED**

- (1) That the in-committee minutes of the Audit and Risk Committee meeting held on 27 November 2017 be confirmed as a true and correct record.**

HWTM/Young

**Carried**

**RESOLVED**

- (1) That the resolutions made while the public was excluded be confirmed in open meeting.**  
**(2) That the public be readmitted to the meeting.**

Young/Love

**Carried**

**THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 12.04AM.**

**THE FOREGOING MINUTES ARE CERTIFIED AS BEING A TRUE AND CORRECT RECORD AT A SUBSEQUENT IN-COMMITTEE MEETING OF THE AUDIT AND RISK COMMITTEE ON 30 APRIL 2018.**

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**COUNCILLOR ARIHIA TUORO**  
**CHAIRPERSON**

# Audit & Risk Action Sheet

Issue	Recommendation	Done	Assigned To	Status	Comments	
5	Resource recovery centre	Recommend Council review systems and controls around cash handling	<input type="checkbox"/>	Ari Erickson	In Progress	Finance have implemented tills for all RRC's, and a cash pickup process for Te Kaha and Waihou Bay. Ari, Anthony and Ian still need to do some work with Opotiki RRC as Finance are coming up against resistance there. A further recent review was undertaken given that there were cash reconciliation issues. A report was prepared and recommendations given to the works manager to address issues. Works manager and technical engineer looking at IT aids in all RRC's. Coastal RRC's have been equipped with necessary internet connections already. Still in progress.
7	Asset management plans	Recommend Council ensures that asset management plans are updated on a continuous basis	<input type="checkbox"/>	Ari Erickson	In Progress	AMP's have historically been updated annually but should be updated more regularly in line with change as living documents. In an effort to streamline the AMP process and better engage Council a summary AMP for all 3 waters of 40-60 pages has been drafted instead of the traditional 200 page documents for each of the 3. An asset management policy and framework needs to be assembled to ensure update occurs, early efforts to complete policy was stalled by the departure of key finance staff. With the pending LTP deadlines the policy is proposed for the 2018/19 year to establish good process moving forward.
21	Contract Management policy and Guidance	Recommend Council develop a contract management policy and guidance, to include procedures and templates for consistency	<input type="checkbox"/>	Ari Erickson	Not Started	Contract management processes are currently being built, upon completion a Policy will be assembled. AMP's have included necessary budgets to develop contracts and processes surrounding contracts.
22	Contract management oversight	Have individual or team in place with responsibility for oversight of contract management activities	<input type="checkbox"/>	Ari Erickson	In Progress	Training recently provided to team in relation to the contract module. Initial development of internal process is already underway with resource, structure and responsibility changes within the E&S department first on the agenda towards its development. ProMap champion will build processes. Potential contract manager position being assessed - consideration to funding systems and justification against 10 year works programme.
23	Contract management system	Put in place a contract management system to capture all contract information	<input type="checkbox"/>	Ari Erickson	In Progress	Finance have implemented the Contracts Module within Ozone to manage contracts and contract payments. A process to control contract coding, approval and receipting is being assembled and will be included in the contract management policy and ProMap
24	Project Management	Recommend a documented approach and methodology, planned approach to undertake post implementation reviews, have independent quality assurance reviews.	<input type="checkbox"/>	Ari Erickson	In Progress	Project management framework has been drafted. To be further developed upon filling project manager role. Some significant changes required. Resources presently stretched due to Asset Manager position currently vacant. Project management policy, asset management policy and contract management policy will likely be assembled in conjunction as they are closely related.
27	Procurement	Council to ensure that late tender policy in contract documents is consistent with Procurement Policy, ongoing.	<input type="checkbox"/>	Ari Erickson	In Progress	Need to get fully familiar with new procurement policy. Policy currently being reviewed by NZTA. Assigned to Janan.
28	Qualified proposal evaluators	Council to correct the wording in its contract documents for Qualified Proposal Evaluators by 30/06/17	<input type="checkbox"/>	Ari Erickson	In Progress	Assigned to Janan
29	Procurement Strategy	Council to amend Procurement Strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency by 30/06/18	<input type="checkbox"/>	Aileen Lawrie	In Progress	Bevan seeking comment from Audit NZ and Ari seeking comment from NZTA.
30	Contract Management	NZTA audit recommend that Council improves its contract management documentation to reflect actions agreed and undertaken by 30/06/17	<input type="checkbox"/>	Ari Erickson	Not Started	Budget has been planned in three waters summary AMP to review and develop current service level contracts into comprehensive proactive maintenance contracts. Capital project contracts development is planned to be reviewed and revised as necessary alongside Policy development. Pending contract manager position conclusions or other dedicated resource.
31	Asset Management	Audit NZ recommend a formal impairment assessment over assets held at cost is performed to ensure they are measured at lower of cost and recoverable amount.	<input type="checkbox"/>	Ari Erickson	Not Started	Need to discuss with Bevan
32	Asset Management	Monthly reconciliations to be performed between the fixed asset register and the general ledger. These should be independently reviewed.	<input type="checkbox"/>	Ari Erickson	In Progress	A procedure to streamline this process has been implemented. The procedure will be included in the Asset Management Policy and Framework. A lot of work has been done by finance to streamline this process by replicating asset categories and types at a cost centre level to make monthly reconciliations much easier, and to generate all of the financial information required for reporting purposes.
33	Asset Management	Develop and implement an asset capitalisation policy that states the minimum amount of assets that will be capitalised as well as guidance for the type of expenditure to be capitalised.	<input type="checkbox"/>	Ari Erickson	In Progress	This is under development as part of the asset management policy.
37	Annual Report Process	Annual report process to be planned and scheduled on a project basis and closely monitored to ensure milestones are met, and substantiation files is prepared.	<input type="checkbox"/>	Bevan Gray	In Progress	Will ensure a robust process is in place for the 2017/18 Annual Report process. We will begin preparation for this shortly whilst the LTP is out for consultation
38	Legislative compliance	Appropriate processes to be implemented to ensure compliance with legislation, eg Annual Report includes results of any measurement undertaken during the year of progress towards the achievement of community outcomes	<input type="checkbox"/>	Bevan Gray	Not Started	This was a previously unknown requirement requested of us by a new audit team at the very last minute of the audit. A review of our peers could not identify this as being completed by them either. Will need to discuss with audit further around their expectations. Request made of Audit NZ on 23rd April.
39	Legislative compliance	Implement a formal process to ensure compliance with key legislative requirements for Annual Plans	<input type="checkbox"/>	Bevan Gray	In Progress	A review process will be developed for Annual Plans, and a draft set will be sent to audit for comment ahead of adoption to avoid this situation in future. A legal review of rates setting documentation was done this year.
40	Shand Report	Review recommendations - specifically govt paying rates on their properties and what the impact to ODC would be.	<input type="checkbox"/>	Bevan Gray	Not Started	To have a look at once LTP is out for consultation



## REPORT

Date : 18 April 2018  
To : Audit and Risk Meeting, 30 April 2018  
From : Financial Analyst, Billy Kingi  
Subject : **QUARTERLY REPORT TO 31 MARCH 2018**  
File ID : A134512

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## EXECUTIVE SUMMARY

**The Quarterly Report for the quarter ended 31 March 2018 provides the Audit and Risk Committee with an understanding of progress against the 2017/18 Annual Plan for the current financial year.**

## PURPOSE

The purpose of this report is to present the Quarterly Financial Report to 31 March 2018 to the Audit and Risk Committee.

## BACKGROUND

This report is for the nine months ending 31 March 2018 and is designed to provide the Audit and Risk Committee with an understanding of progress against the 2017-18 Annual Plan.

The report provides a concise but comprehensive overview of the Council's financial position as at 31 March 2018, and is structured as follows:

<b>Financial overview</b> .....	<b>3</b>
<b>Capital expenditure</b> .....	<b>6</b>
<b>Treasury report</b> .....	<b>8</b>
<b>Rates arrears</b> .....	<b>9</b>

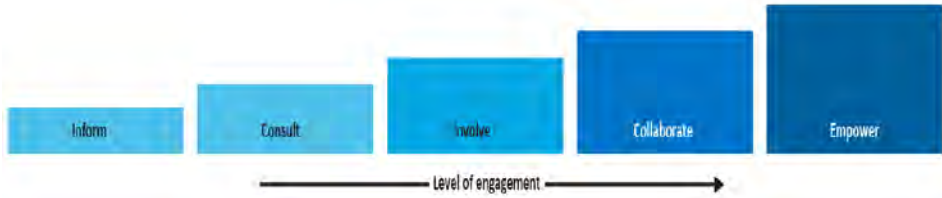
**SIGNIFICANCE ASSESSMENT**

**Assessment of significance**

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of significance for the Quarterly Report to 31 March 2018 is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

**Assessment of engagement requirements**

As the level of significance for the Quarterly Report to 31 March 2018 is considered to be low, the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



**RECOMMENDATION:**

- 1. That the report titled “Quarterly Report to 31 March 2018” be received.

Billy Kingi

**FINANCIAL ANALYST**

## Financial overview

### 1. Financial overview

This report summarises the key financial highlights for the quarter ended 31 March 2018. Please note that variances stated without brackets are favourable, whereas variances stated with brackets are unfavourable.

#### 1.1. Income statement

	2016-17 3rd Qtr Actual YTD 000's	2017-18 3rd Qtr Actual YTD 000's	2017-18 3rd Qtr Budget YTD 000's	Variance to Budget YTD 000's	2017-18 Annual Plan Full Year 000's
<b>Income Statement (summary)</b>					
Operating income	10,582	13,734	17,765	(4,031)	23,744
Operating expenditure	8,819	10,405	10,647	242	14,065
<b>Net Surplus/(deficit)</b>	<b>1,763</b>	<b>3,329</b>	<b>7,118</b>	<b>(3,789)</b>	<b>9,679</b>
<b>Income Statement (detailed)</b>					
<b>Income</b>					
Rates	7,418	8,046	7,922	124	10,563
Fees & charges	1,063	1,214	1,055	159	1,463
Development and FCs	4	1	0	1	0
Subsidies & grants	1,935	2,155	8,662	(6,507)	11,550
Interest revenue	75	80	78	2	104
Other revenue	87	2,238	48	2,190	64
	<b>10,582</b>	<b>13,734</b>	<b>17,765</b>	<b>(4,031)</b>	<b>23,744</b>
<b>Expenditure</b>					
Personnel costs	2,576	2,730	3,290	561	4,285
Depreciation & amortisation	1,745	2,014	1,725	(289)	2,299
Finance costs	132	144	308	164	411
Other expences	4,366	5,517	5,324	(193)	7,070
	<b>8,819</b>	<b>10,405</b>	<b>10,647</b>	<b>242</b>	<b>14,065</b>
<b>Net Surplus/(deficit)</b>	<b>1,763</b>	<b>3,329</b>	<b>7,118</b>	<b>(3,789)</b>	<b>9,679</b>

#### 1.2. Significant variances

##### Revenue

Revenue to date is (\$4,031,000) below budget. The most significant variance is found in subsidies and grants with a variance of (\$6,507,000) due largely to the harbour development funding decision awaiting government approval (\$5,006,000), and grant funding towards the new library (\$1,340,000),

which is dependent on external funding. Roading subsidies are also less than budget (\$276,000) due to the timing and delay of a number of capital projects.

There are favourable variances in fees and charges revenue of \$156,000, mostly due to regulatory revenue tracking ahead of budget.

Other revenue is favourable \$2,190,000 as a result of assets found as part of the July 2017 asset revaluations that were recently undertaken on Council's land and buildings, parks and infrastructure assets (comprising three waters, roads and bridges).

## **Expenditure**

Total expenditure for the year to date is underspent by \$242,000. This is mostly due to personnel costs \$560,000 and finance costs \$164,000, partially offset by depreciation and amortisation tracking higher than budget (\$289,000) and the loss on disposal of property, plant and equipment (\$662,000).

Under expenditure in personnel costs occurs mostly as a result of staff numbers being lower than anticipated. Finance costs continue to be lower than budget due to the delay and timing of a number of large capital projects (refer to the additional commentary in the capital projects section of this report).

Depreciation and amortisation expense is tracking higher than budget as a result of asset revaluations undertaken, and will continue through to year-end. Although this is a non-cash expense, the results of the revaluation do have implications on the funding of renewals going out into the future.

### **1.3. Explanation of key variances by activity**

#### **Support services**

Personnel costs are underspent \$445,000, mostly in corporate services, while interest expense is lower due to the timing and delay of a number of capital projects.

#### **Solid waste**

Although RRC revenue is tracking ahead of budget \$38,000, this is offset by over expenditure in personnel costs (\$41,000) and other smaller variances.

#### **Regulation and safety**

Revenue is favourable in building control \$44,000, health \$8,000, animal control \$5,000, and rural fire recovery \$38,000. These are partially offset by resource management revenue being less than budget (\$30,000).

Over expenditure mainly occurs in contractors and agency staff (\$65,000) and consultants (\$30,000), partially offset by savings in personnel costs \$52,000.

### **Community facilities**

Subsidies and grants revenue is less than budget as no external funding has been received for the proposed technology and research institute/library (\$1,340,000). This project has been deferred to 2023 in the LTP. Fees and charges revenue are unfavourable (\$29,000) mainly in property services (\$14,000) and the district library (\$10,000), partially offset by favourable cemetery fees \$13,000. The majority of assets found or introduced as a result of the asset revaluations mentioned above, result in a favorable variance here of \$1,686,000.

Under expenditure occurs in building maintenance \$31,000 and interest costs \$122,000 which reflects the delay/timing and deferral of various capital projects.

### **Leadership**

Although over expenditure occurs in governance (\$15,000) and strategic planning for the LTP (\$22,000), this is offset by the timing of associated audit costs to date \$15,000, community consultation \$12,000, election costs \$10,000 and other various savings \$17,000.

### **Community development**

Community Development is overspent (\$14,000) due to the timing of community grants. This is expected to smooth out over the remainder of the year.

### **Economic development**

The main variance is the timing of the decision of central government to support the harbour development, by way of external funding to Council (\$5 million).

### **Land transport**

Roading subsidies are less than budget (\$276,000) reflective of the timing of progress to date with subsidised capital projects. This is expected to alleviate as progress continues to be made into the final quarter. Expenditure is underspent \$70,000 due to depreciation \$24,000, personnel costs \$9,000 and other various savings.

### **Three waters**

Depreciation is tracking higher than budget in stormwater (\$13,000), water supply (\$44,000) and wastewater (\$182,000) as a result of the recent asset revaluations.

Under expenditure occurs in stormwater \$39,000, and in wastewater \$69,000 due mostly to savings in reticulation maintenance, as the stormwater infiltration and pipe re-lining capital project takes resourcing priority. Finance costs are also less than budget due to the timing and delay/deferral of a number of capital projects.

Water supply revenue is favourable, \$341,000 due to found assets \$316,000 and fees \$25,000.

#### 1.4. Cash and cash investment balance

	2016-17 Actual to June 000s	2017-18 3 <sup>rd</sup> Quarter Actual YTD 000s	2017-18* Budget 000s	Variance to Budget 000s
Cash and Short Term Investments	4,601	4,515	928	3,587
Term Investments	103	103	223	(120)
<b>Total</b>	<b>4,704</b>	<b>4,618</b>	<b>1,151</b>	<b>3,467</b>

*\*budget is for full year*

The third quarter cash position of \$4.515 million is mainly due to a strong opening cash balance as at 30 June 2017 of \$4.601 million, resulting from lower capital expenditure last year than planned. The third quarter has continued this trend of lower capital expenditure than budgeted, as detailed above. Council has invested the balance into short term investments as per our treasury policy.

Term investments are lower than anticipated (\$120,000) due to the reclassification of the investment in Evolution Networks from term investments in the budget to investments in associates. This is consistent with the Council's Annual Report. Unfortunately the Council was required to adopt the Annual Plan ahead of the preparation of the Annual Report, so this was not reclassified.

#### 1.5. Interest and debt level

	2016-17 Actual YTD 000s	3 <sup>rd</sup> Quarter Actual YTD 000s	2017-18* Budget 000s	Variance to Budget 000s
Finance Costs	118	145	309	164
<b>Term Loans</b>	<b>5,000</b>	<b>5,000</b>	<b>12,142</b>	<b>7,142</b>

*\*budget is for full year for Term Loans, year to date for Finance Costs.*

Finance costs are less than budget \$164,000. A number of debt-funded capital projects are behind schedule, while some will have been deferred into next financial year.

Term Loans are less than anticipated \$7.142 million. Council has not yet had to draw down any further debt to fund capital projects this year. Available cash will be utilised as much as possible before Council draws on further debt.

### Capital expenditure

#### 2. Capital Expenditure

Total capital expenditure completed for the second quarter year to date was \$2.593 million compared to a full year budget of \$22.9 million. Projects deferred total \$5.603 million, detailed below, leaving a difference between the annual plan budget and actual spend of \$14.7 million.



The harbour project is still awaiting government decision for funding, while the wharf removal and rebuild should be completed shortly after it was delayed due to protestors. This has also delayed the CBD integration with harbour project \$100,000.

The Waiōtahe Beach Cycleway \$390,000 (\$12,000 spent) is subject to external funding and resource consent.

The Tirohanga Military Track cycleway \$198,000 is subject to land owner approval. Horse trails fencing \$25,000 is delayed due to dispute regarding access.

Please refer to Appendix 1 for the detail of significant capital projects.

The table below summarises the capital expenditure report.

	Carry Forwards 2016-17	Council Resolution 2017-18	Annual Plan 2017/18	Actual to March 2018	% Spent Adjusted for Deferred	Projects to be Deferred
<b>Growth</b>	1,052	-	8,545	855	9.6	726
<b>Level of Serv.</b>	300	-	7,230	550	22.6	5,096
<b>Renewal</b>	310	25	7,137	1,187	15.9	10
<b>Total</b>	<b>1,662</b>	<b>25</b>	<b>22,912</b>	<b>2,592</b>	<b>13.8</b>	<b>5,832</b>

Capital projects deferred or part deferred are as follows;

- District Library furniture and fittings replacement \$10,000 and relocation costs \$80,000; subject to build and completion of the Technology and Research Centre;
- Waiotaha Beach cycleway \$377,000; subject to external funding and resource consent;
- Technology and Research Centre \$1.77 million; external funding yet to be sourced;
- Redevelopment of the Mechanics Institute \$1.34m has been deferred into 2018-19;
- Tarawa Creek flood water storage area \$1.596 million has been moved into 2018-19 to allow for further investigation;
- King/Goring Street gravity mains \$135,000; reprioritised due to high contract costs and low criticality;
- Factory Road wastewater extension \$141,000; subject to significant growth;
- Ōpōtiki WTP chlorine pipe upgrade \$30,000;
- Water supply northern extension \$223,000 and southern extension \$134,000; delays in consultation process.

**Treasury report**

**3. Treasury report**

**3.1. Debt position**

	Actual 2016-17 000s	YTD Actual 2017-18 000s	Budget 2017-18 000s
Secured loans – less than 12 months	2,000	-	-
Secured loans – greater than 12 months	3,000	5,000	12,142
<b>Total Secured Loans</b>	<b>5,000</b>	<b>5,000</b>	<b>12,142</b>

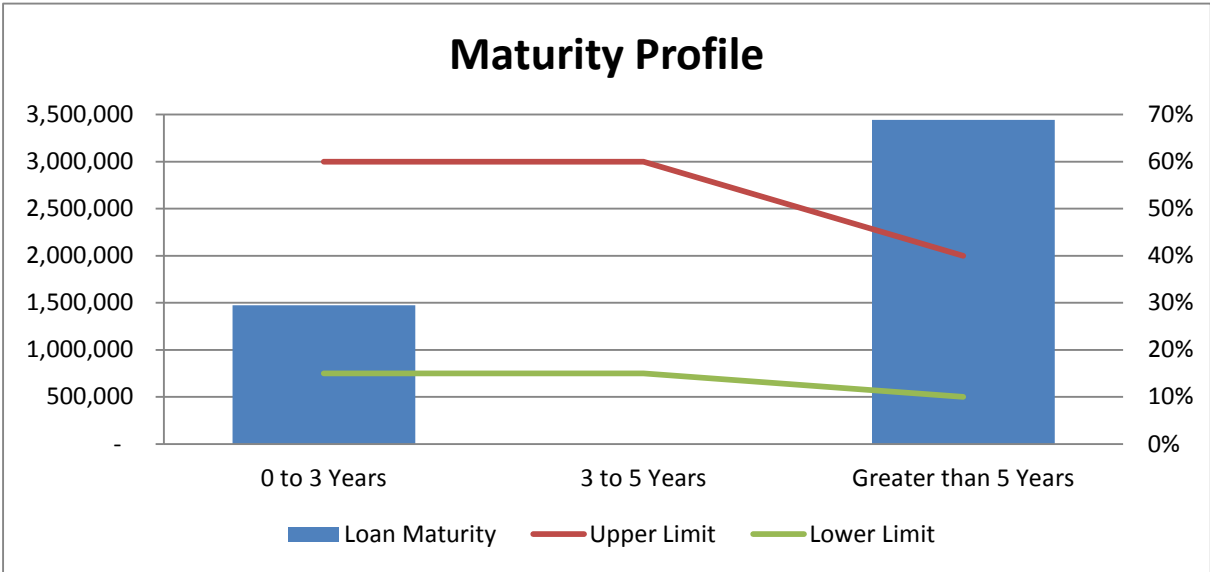
There was no change in Council’s debt position for the third quarter. In December 2017, Council fixed the floating rate loan of \$2 million with LGFA at 4.12%, out to April 2027. There are two other fixed rate term loans of \$1.5 million each.

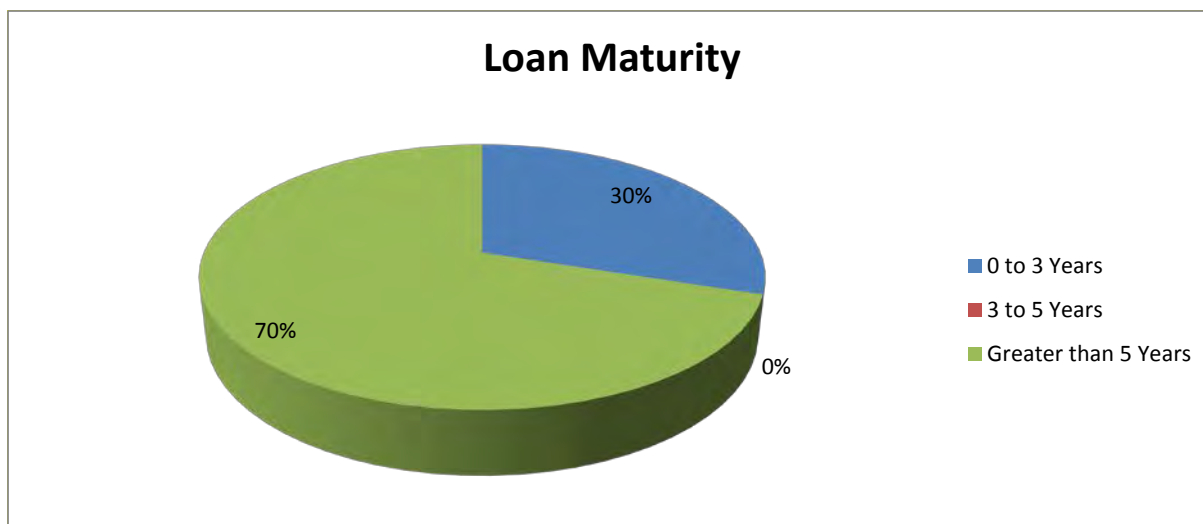
**3.2. Funding maturity**

The chart below illustrates the funding maturity profile of Council. Council has three loans totaling \$5 million maturing between 1 and 9 years. There is \$1.5 million maturing in March 2019.

Council’s budget in the Annual Plan expects further borrowing this year to fund the numerous projects that are planned.

Although the spread between fixed rate loans and floating rate loans is currently 100% on fixed rates and nil% on floating rates, when compared to the 90% fixed rate maximum policy limit (as defined in the Treasury Risk Management Policy, adopted by Council on 27 January 2015). The policy also states that these limits do not apply for borrowing under \$10 million, as interest rate risk management comes at a cost.





### 3.3. Compliance with Liability Management Policy

The specific requirements of the Liability Management Policy are detailed below.

#### Key performance targets

The following key performance targets have been set in the Long Term Plan 2015-25:

Measure	Policy Target	Forecast	Actual
Increase in General Rates Revenue	3% + LGCI	4.29%	4.27%
Increase in Targeted Rates Revenue	10.0%	-3.10%	-1.40%
Net Interest Expense/Total Revenue	< 10%	1.73%	0.81%
Net Interest Expense/Rates Revenue	< 15%	3.89%	1.80%
Net cash flow from Operating/Interest Expense	≥ 2	29.14	18.89

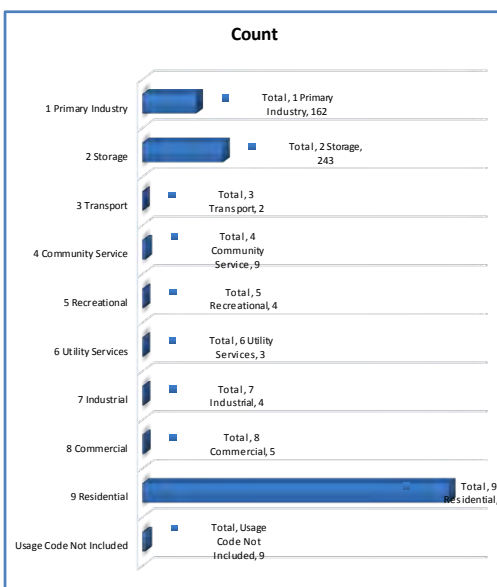
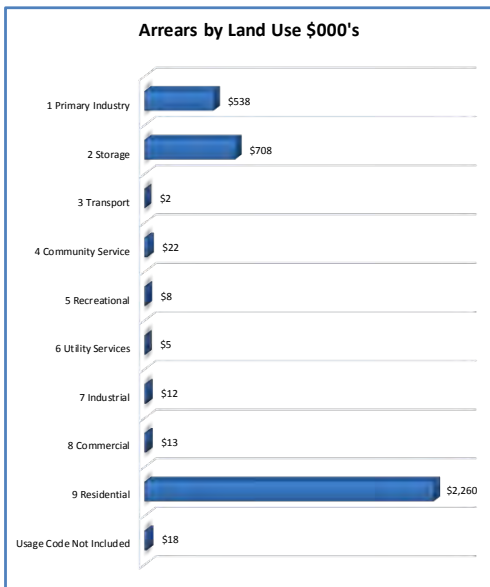
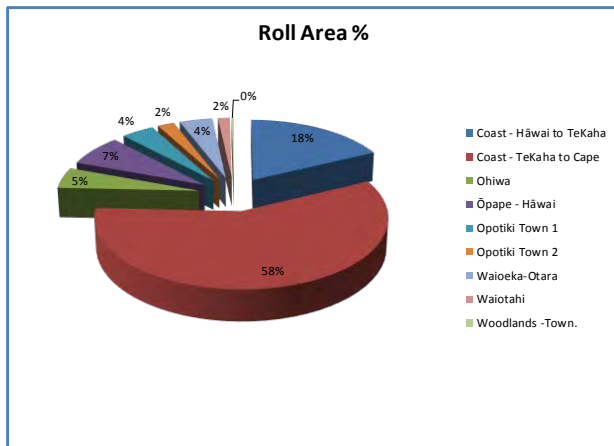
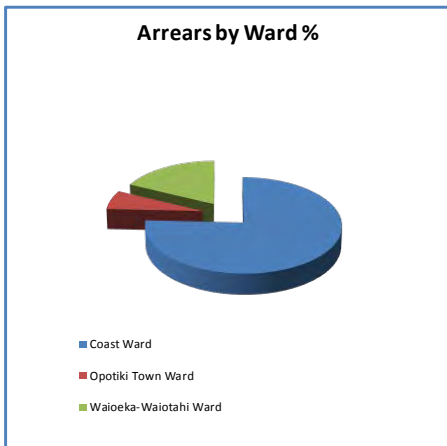
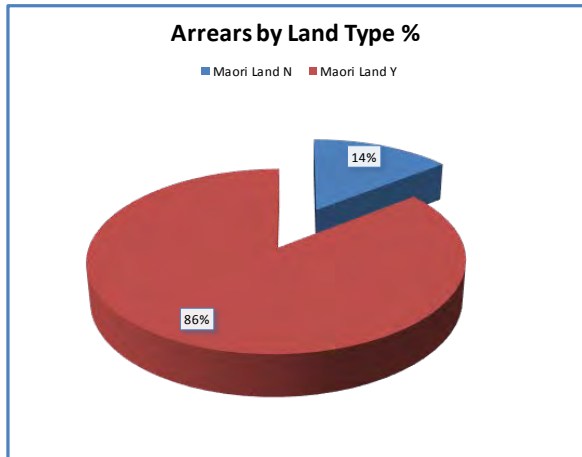
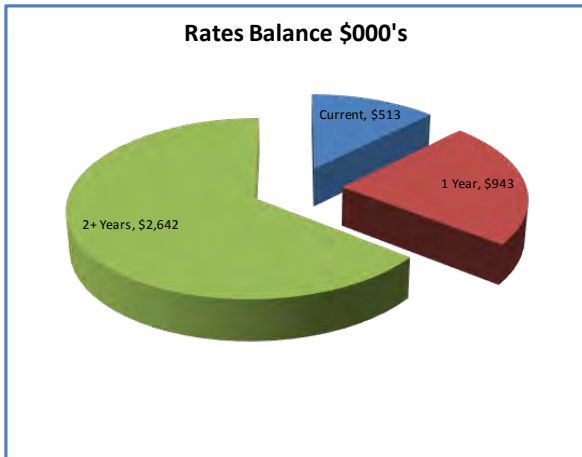
Council is within policy for all of the measures.

### Rates arrears

#### 3.4. Report on Rates Arrears

The total rates debtors balance as at 31 March is \$4.099 million. Of this amount, \$3.585 million is in arrears. The aging and demographics of the arrears is displayed in the tables and charts below:

Property arrears report as at 31 March 2018			
Overdue amount 2 years	Overdue amount 1 year	Overdue amount current	Overdue amount total
2,642,179	943,128	513,403	4,098,710
64%	23%	13%	



86% of the arrears, \$3.083 million relates to Māori land, as shown above. There are significant issues in dealing with Māori land, not only for Council, but also for the owners. Council is working on a strategy to deal with these issues and the level of rates levied on Māori land to try to ameliorate this problem.

The balance of the arrears of \$502,000 relates to general title land. Council has debt management procedures in place to ensure timely and active collection of these outstanding debts.

## Appendix 1 - Significant capital projects

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
272001	Ōpōtiki Waiōtahe Beach Cycleway	Community/Cult.Sus	Trails	255,000	135,000	-	390,000	12,539	Grwth	3%	deferrd	subject to external funding/consent
272004	Tirohanga Military Track Cycleway	Community/Cult.Sus	Trails	120,000	78,000	-	198,000	2,500	Grwth	1%	delays	subject land owner approval
272006	Cycleway - EBOP Trail Feasibility Study	Community/Cult.Sus	Trails	30,000	-	-	30,000	1,519	Grwth	5%	Slippage	Between ODC & WDC. Business case study being commissioned.
277002	Memorial Park Recreation Enhancement	Community/Cult.Sus	Parks & Res	30,000	-	-	30,000	5,723	Grwth	19%	on track	Underway after repairs to carpark and sidewalk. Working with Bike Kitchen Care group to repair pump track.
277005	Hukutaia Domain - 2018 Centenary Project	Community/Cult.Sus	Parks & Res	50,000	-	-	50,000	2,510	Grwth	5%	delays	Work in progress - scheduled Nov 2018
277308	Additional office space to accommodate new staff	Community/Cult.Sus	Admin Bldgs	120,000	-	-	120,000	10,060	Grwth	8%	delays	Waiting for engineers report and then consent can be applied for.
278001	CBD Integration with Harbour Investigation	Community/Cult.Sus	Proper ty	100,000	100,000	-	200,000	-	Grwth	0%	delays	to be tendered
278003	Wharf Removal and Rebuild	Community/Cult.Sus	Proper ty	450,000	382,000	-	832,000	86,724	Grwth	10%	delays	in progress
278006	Property Development - Potts	Community/Cult.Sus	Proper ty	-	-	-	-	2,795	Grwth	-	compte	Completed 2016-17; residual costs
278007	Electric Vehicle Charging Stations (iSite and Te Kaha)	Community/Cult.Sus	Proper ty	-	-	-	-	15,785	Grwth	-	compte	complete

373500	Harbour Dev - Construction	Community/ Cult.Sus	Economic Dev	6,000,000	-	-	6,000,000	242,682	Grwth	4%	delays	Awaiting government decision
373501	Harbour Dev - Project Management	Community/ Cult.Sus	Economic Dev	1,390,000	-	-	1,390,000	459,407	Grwth	33%	delays	Awaiting government decision
549611	Waioeka Sewerage Pump & Retic	Engnrng & Serv	Waste water	-	-	-	-	5,117	Grwth	-	comple	Outstanding works uncompleted in 2016-17.
583105	Northern Extn Stage 1	Engnrng & Serv	Water	-	223,000	-	223,000	676	Grwth	0%	deferrd	Project ongoing due to delays in consultation process.
583106	Southern Extn Stage 2a	Engnrng & Serv	Water	-	134,000	-	134,000	7,503	Grwth	6%	deferrd	Part of above Northern Ext project.
				<b>8,545,000</b>	<b>1,052,000</b>	-	<b>9,597,000</b>	<b>855,539</b>	Grwth	<b>8.9%</b>		

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
272002	Motu Trail Enhancements	Commity/Cult.Sus	Trails	25,000	-	-	25,000	31,376	LoS	126%	on track	Due to ongoing sand slips a small section of the track needs to be moved.
272007	Hukuwai Bridges	Commity/Cult.Sus	Trails	-	-	-	-	45,406	LoS	-	complte	Started 2016-17; complete
277004	Pakowhai Bridge Lighting	Commity/Cult.Sus	Parks & Res	50,000	-	-	50,000	24,448	LoS	49%	on track	Solar lights, purchased, to be installed after pump track repairs complete.
277600	Redevelopment of Mechanics Institute (investmnt property)	Commity/Cult.Sus	Property	1,500,000	-	-	1,500,000	156,476	LoS	10%	deferrd	subject to consent
278004	Technology & Research Centre (Library)	Commity/Cult.Sus	Library	1,800,000	-	-	1,800,000	30,575	LoS	2%	deferrd	funding
278005	Library Relocation Costs	Commity/Cult.Sus	Property	40,000	40,000	-	80,000	-	LoS	0%	deferrd	subject to new building



Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Result'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
321201	CBD Cameras & Internet Expansion	Commity/Cult.Sus	Commty Dev	20,000	-	-	20,000	9,154	LoS	46%	on track	On track to spend, looking at two camera expansion projects currently, number plate recognition cameras on entrances to town, and cameras to cover the wharf and carpark
469401	Wellington/Brabant St Pump Station	Engnrng & Serv	Stormwater	230,000	230,000	-	460,000	1,710	LoS	0%	delays	Delayed due to land procurement
469403	Tarawa Creek Flood Water Storage Area	Engnrng & Serv	Stormwater	1,600,000	-	-	1,600,000	3,640	LoS	0%	deferrd	Moved to 2018-19 by way of Council resolution. Investigation and consent process to start.
469404	Condition & Performance Assessments	Engnrng & Serv	Stormwater	10,000	-	-	10,000	-	LoS	0%	on track	Underway expect single invoice at year end
469405	Ricardo Monitoring System	Engnrng & Serv	Stormwater	30,000	-	-	30,000	569	LoS	2%	on track	Underway will be complete by 30 June
469407	Comprehensive Discharge Resource Consent	Engnrng & Serv	Stormwater	30,000	30,000	-	60,000	3,630	LoS	6%	delays	Delays waiting on BOPRC commentary. Other aspects underway.

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Result'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
469412	Upgrade Richard Street Gravity Main	Engnrng & Serv	Stormwater	1,200,000	-	-	1,200,000	21,551	LoS	2%	delays	Tender process scheduled late April, construction to start in June.
469414	King/Goring St Gravity Main	Engnrng & Serv	Stormwater	140,000	-	-	140,000	4,965	LoS	4%	deferrd	Reprioritised in LTP by way of Council resolution due to high contract costs and low criticality
549609	Factory Road Wastewater Extension	Engnrng & Serv	Wastewater	150,000	-	-	150,000	8,864	LoS	6%	deferrd	Budget tentively set for growth. Investigative work underway due to interest. Likely to be carried over until significant growth occurs.
583000	Condition and Performance Assessments	Engnrng & Serv	Water	5,000	-	-	5,000	-	LoS	0%	on track	Will be complete by 30 June
583011	Ōpōtiki WTP Chlorine Pipe Upgrade	Engnrng & Serv	Water	30,000	-	-	30,000	-	LoS	0%	deferrd	Components purchased in previous year. Budget for installation may be carried over to take advantage of existing assets.

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
583201	Ōhiwa Chlorination	Engnrng & Serv	Water	5,000	-	-	5,000	-	LoS	0%	Cancel'd	Project completed 2016-17
626101	Minor Improvements	Engnrng & Serv	Roads-sub	110,000	-	-	110,000	72,612	LoS	66%	on track	in progress
626110	Street Lighting Upgrade	Engnrng & Serv	Roads-sub	-	-	-	-	107,039	LoS	-	on track	Fully subsidised. The installation of new LED streetlights is scheduled for late April.
628402	Seal Extension	Engnrng & Serv	Roads-non sub	210,000	-	-	210,000	-	LoS	0%	slippage	Budget allowed in response to public interest. Potential expenditure on Coopenhagen Rd. To follow up on interest at next CCB

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
707400	Support Services - Software Systems & Improvement	Support Serv	Finance	45,000	-	-	45,000	28,155	LoS	63%	<i>slippage</i>	We have projects ready to start implementation but are awaiting IT technical support which we don't have. Staff are at capacity at the moment so cannot implement anything alone. Datapay installation complete.
				<b>7,230,000</b>	<b>300,000</b>	-	<b>7,530,000</b>	<b>550,170</b>		<b>7.3%</b>		

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
271501	Cemetery Improvements	Community/Cult.Sus	Cemeteries	-	-	-	-	5,552	Ren		complete	These are now complete
271603	Pipi Bed Toilet Renewal	Community/Cult.Sus	Public Toilets	200,000	-	-	200,000	18,669	Ren		delays	Subject to resource consent
271605	Pipi Bed Toilet - Renew Disposal Field	Community/Cult.Sus	Public Toilets	-	-	-	-	52,984	Ren	36%	delays	as above
271800	Play Equipment	Community/Cult.Sus	Playgrounds	50,000	-	-	50,000	19,160	Ren	38%	on track	in progress
271901	Library Book Stock Replacement	Community/Cult.Sus	Library	45,000	-	-	45,000	27,244	Ren	61%	on track	ongoing
271902	Library Replacement Furniture & Fitt	Community/Cult.Sus	Library	10,000	-	-	10,000	-	Ren	0%	deferrd	subject to new building
272009	Horse Trail Fencing	Community/Cult.Sus	Trails	25,000	-	-	25,000	-	Ren	0%	delays	Access dispute
277003	Rose Garden Renovation - Investigation	Community/Cult.Sus	Parks & Res	20,000	-	-	20,000	8,387	Ren	42%	slippage	Concept plan complete, in public consultation document.
277006	Ōpōtiki Aerodrome Boundary Fence Replacement	Community/Cult.Sus	Parks & Res	-	-	-	-	11,382	Ren	-	complete	complete
277301	Bridge St Depot - Yard Reseal	Community/Cult.Sus	Admin Bldgs	-	-	-	-	19,420	Ren	-	complete	complete

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
277306	Support Services - Office Equipment	Community/Cult.Sus	Admin Bldgs	20,000	-	-	20,000	7,430	Ren	37%	on track	On track to spend budget with new equipment to be ordered shortly for new staff and office rearrangements
278000	Earthquake Prone Buildings	Community/Cult.Sus	Property	50,000	50,000	-	100,000	16,150	Ren	16%	on track	in progress
373300	Joint Water Quality Improvement Project - Waioatahe River	Community/Cult.Sus	Economic Dev	50,000	-	-	50,000		Ren	0%	delays	
433501	Te Kaha RRC - Paint Building	Engnrng & Serv	Solid Waste	10,000	-	-	10,000	-	Ren	0%	Cancel'd	This painting was programmed earlier than necessary and will be reprioritised in draft LTP.
433600	Waihou Bay RRC - Reseal Yard	Engnrng & Serv	Solid Waste	20,000	-	-	20,000	-	Ren	0%	Cancel'd	Already completed, budget not required
469409	Pump spares (replacemnts)	Engnrng & Serv	Strmwater	140,000	-	-	140,000	6,768	Ren	5%	on track	Underway expect completion by 30 June
469416	Replacement of section of 900 gravity main	Engnrng & Serv	Strmwater	60,000	-	-	60,000	-	Ren	0%	delays	Tender process scheduled late April, construction to start in June.

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
549601	Ōpōtiki Soakage Lines Renewal	Engnrng & Serv	W'water	25,000	-	-	25,000	18,985	Ren	76%	on track	Nearing completion
549605	Ōpōtiki - W'Water Rehab,	Engnrng & Serv	W'water	3,100,000	-	-	3,100,000	279,735	Ren	9%	slippage	Three contracts underway and making good progress. Outstanding budget likely due to good contract rates. Any remaining budget to be carried over to 2018-19.
549612	Ōpōtiki - W'water Rehab. - Private Laterals	Engnrng & Serv	W'water	1,000,000	-	-	1,000,000	-	Ren	0%	on track	Contract works underway and making good progress. Expenditure likely coded into Pipe Relining code. Part of the same overall project.
549614	Ōpōtiki Pump Spares	Engnrng & Serv	W'water	100,000	-	-	100,000	22,414	Ren	22%	slippage	Underway expect completion by 30 June
583001	Hikutaia Booster Station (electrical control + storage)	Engnrng & Serv	Water	15,000	-	-	15,000	-	Ren	0%	on track	Will be complete by 30 June
583010	Ōpōtiki Backwash Pump	Engnrng & Serv	Water	10,000	-	-	10,000	9,002	Ren	90%	comple	Complete

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
583012	Ōpōtiki Treatment Equipment & Service Pumps	Engnrng & Serv	Water	5,000	-	-	5,000	7,771	Ren	155%	complte	Complete.
583014	Factory Road Loop Main	Engnrng & Serv	Water	-	260,000	-	260,000	92,004	Ren	35%	complte	Outstanding works incompleted 2016-17.
583019	Opotiki Pump Spares	Engnrng & Serv	Water	100,000	-	-	100,000	5,001	Ren	5%	on track	Underway expect completion by 30 June
583020	Ōpōtiki Hedley Bores renewal 2	Engnrng & Serv	Water	-	-	20,461	20,461	20,462	Ren	-	complte	The Hedley bores pump failed inexplicably in August. Failure occurred 2 years into 15 year expected life. Occurrences such as this are the purpose of the pump spares project and costs will be covered by that budget. As the procurement of the pump spares inventory is still in progress the budget could have some minor over runs. Investigations into the cause of the pump failure are ongoing, depending on findings, pump cost may be reimbursed by the manufacturer.



Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
583103	Te Kaha UV Unit	Engnrng & Serv	Water	-	-	-	-	2,252	Ren	-	complte	Unexpected capital replacement.
583108	Te Kaha Pump Spares	Engnrng & Serv	Water	50,000	-	-	50,000	-	Ren	0%	on track	Project underway expect completion by 30 June
626100	Drainage Renewals	Engnrng & Serv	Roads-sub	66,810	-	-	66,810	13,297	Ren	20%	on track	in progress
626102	Pavement Rehabilitation	Engnrng & Serv	Roads-sub	250,000	-	-	250,000	76,936	Ren	31%	on track	in progress
626103	Sealed Resurfacing	Engnrng & Serv	Roads-sub	391,540	-	-	391,540	310	Ren	0%	on track	in progress
626104	Traffic Services Renewals	Engnrng & Serv	Roads-sub	44,650	-	-	44,650	13,711	Ren	31%	on track	in progress
626105	Unsealed road metalling and Rehabilitation	Engnrng & Serv	Roads-sub	128,380	-	-	128,380	123,827	Ren	96%	on track	in progress
626106	Emergency Reinstatement - Storm Damage	Engnrng & Serv	Roads-sub	260,000	-	-	260,000	-	Ren	0%	on track	\$100k spent on storm damage from cyclone Gita, however works were considered opex rather than capex.
626107	Ngarue Rd Bridge	Engnrng & Serv	Roads-sub	-	-	-	-	5,663	Ren	-	complte	completed 2016-17; residual costs (retention)
626108	Asset Management Planning	Engnrng & Serv	Roads-sub	166,000	-	-	166,000	43,278	Ren	26%	slippage	Expenditure likely to increase by 30 June. Possibility of shortfall in budget expenditure due to internal resource loss.

Proj ID	Project Description	Group	Cost Centre	2017-18 AP Budget \$	2016-17 Carry Fwds \$	2017-18 Cncl Resolt'n \$	2017-18 Forecast \$	31 March Actual Spend \$	Type	% Spent on F'cast	Status	Comment
628400	Urban Kerb & Channel	Engnrng & Serv	Roads-non sub	60,000	-	-	60,000	16,181	Ren	27%	on track	Potts Ave rehabilitation complete. Buchanan Street in progress.
628401	Footpaths	Engnrng & Serv	Roads-non sub	80,000	-	-	80,000	47,516	Ren	59%	on track	Part of projects above.
628404	Stoney Creek Road - Bridge 37	Engnrng & Serv	Roads-non sub	-	-	4,583	4,583	4,583	Ren	-	new	As per Council Resolution
707500	Support Services - Hardware & Software Renewal	Support Serv	Info Systems	275,000	-	-	275,000	47,136	Ren	17%	slippage	Hardware and software renewal is ongoing. Property digitisation project subject to IT resourcing
707700	Support Services - Fleet Vehicle & Plant	Support Serv	Plant	310,000	-	-	310,000	144,104	Ren	46%	on track	ongoing
				<b>7,137,380</b>	<b>310,000</b>	<b>25,044</b>	<b>7,472,424</b>	<b>1,187,314</b>	Ren	<b>15.9%</b>		

## REPORT

Date : 24 April 2018

To : Audit and Risk Committee Meeting, 30 April 2018

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **IRRIGATION SCHEME VALUATION**

File ID : A134809

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### EXECUTIVE SUMMARY

**This report seeks to update Councillors on the letter recently received from Land Information New Zealand in relation to the valuation of irrigation schemes in New Zealand.**

### PURPOSE

To update Council on rating of irrigation schemes.

### BACKGROUND

A few years ago legislation was amended to capture the value of irrigation schemes for rating purposes separately from the properties to which the irrigation scheme supplied water. This created quite a bit of push back nationally from the irrigation scheme providers around the possibility of double dipping, as the values applied to irrigation schemes were applied outside of district revaluation years.

We only currently have one affected irrigation scheme within our district, The Tablelands Irrigation Scheme. We applied a 100% remission for the rates on this scheme whilst there was still some uncertainty around the valuation methodology, and until we could be confident that the issues raised had been addressed

## **DISCUSSION AND OPTIONS SECTIONS**

The attached letter from the Valuer General closes the loop on the concerns that have been raised by irrigation schemes all around the country, and that there is in fact no element of double dipping in relation to those properties that are serviced by an irrigation scheme.

It is proposed that a copy of this letter is provided to the board of the irrigation scheme for their information, and also hopefully put to rest any remaining concerns about the valuation of the scheme.

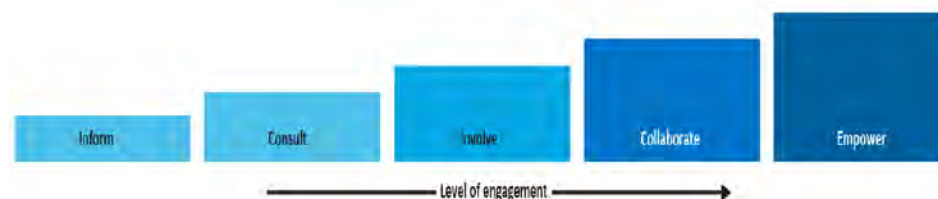
## **SIGNIFICANCE ASSESSMENT**

### **Assessment of significance**

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for Irrigation Scheme Valuation is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

### **Assessment of engagement requirements**

As the level of significance for Irrigation Scheme Valuation is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



## **RECOMMENDATIONS:**

- 1. That the report titled "Irrigation Scheme Valuation" be received.**
- 2. That staff provide a copy of the letter to the board of the irrigation scheme.**

Bevan Gray

**FINANCE AND CORPORATE SERVICES GROUP MANAGER**

16<sup>th</sup> April 2018

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Dear Bevan,

### **Valuing Irrigation Scheme assets for Rating Purposes**

It is my observation that councils have now fulfilled their legal obligation under the Rating Valuations Act 1998 to include Irrigation Schemes on their district valuation roll. This process has however presented challenges for various stakeholders around the application of rating valuation methodology. There have been a number of objections to the rating values of Irrigation Schemes which highlighted the need for a closer review of the valuation methodology being applied.

Irrigation New Zealand (INZ) sought to get a better understanding of the valuation methodology and outcomes through open dialogue and stakeholder engagement. They hosted a number of meetings during 2016, attended by both my office and Quotable Value, to test the valuation methodology and assessment logic against the requirements of the Rating Valuations Rules 2008 (Rules). As part of this process INZ engaged an expert utility valuer, Peter Seed, who has had long involvement in the irrigation industry. The expert valuer drafted some initial guidance notes and the approach set out was adopted for the 2016 revaluation round.

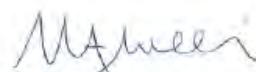
Further review meetings were held in 2017 and I also monitored the performance of the draft guidelines during the 2017 revaluation round. They were largely successful although required some minor amendment which has now been added to explain the process for scheme water pricing and price path calculations. As such the guidance notes are now finalised and were issued by INZ in 2018.

I am satisfied that the guidelines have been developed through a robust process and accurately incorporate stakeholder feedback. The guidelines provide a clear link to the requirements of the Rules and in particular the treatment of potential profitability under Rule 7.2.

From a regulatory perspective I am satisfied that the guidelines meet the intent of the Rules and are therefore appropriate for rating valuation purposes. A copy of the document will be available on the INZ website from next week.

I would like to acknowledge all those who contributed to the development of these guidelines and look forward to the consistency of valuation approach they will bring.

Yours faithfully



N A Sullivan  
Valuer General

## REPORT

Date : 20 April 2018  
To : Audit and Risk Committee Meeting, 30 April 2018  
From : Financial Analyst, Billy Kingi  
Subject : **KOHA REPORT**  
File ID : A134508

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### EXECUTIVE SUMMARY

**The purpose of this report is to provide details of koha payments made from 12 October 2017 to 31 March 2018.**

### PURPOSE

The purpose of this report is to provide details of koha payments made from 12 October 2017 to 31 March 2018.

### BACKGROUND

Audit New Zealand considers koha to be sensitive expenditure. To ensure transparency of the size of koha and the occasions for giving koha, the Audit and Risk Committee receives regular reports on koha payments made, disclosing the following information:

- The amount of koha
- The purpose of the payment
- The reason or justification for the amount.

Koha payments made for the period 12 October 2017 to 31 March 2018:

<b>Date</b>	<b>Amount</b>	<b>Details</b>	<b>Number of Attendees</b>
15 February 2018	\$100.00	Hosting public meeting re District Plan matters with Mayor and Council policy planner Sarah Jones 08/12/2017 (catering was provided)	18

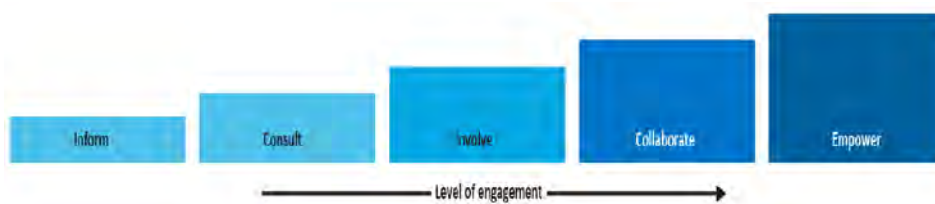
## **SIGNIFICANCE ASSESSMENT**

### **Assessment of significance**

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for receiving the Koha Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

### **Assessment of engagement requirements**

As the level of significance for receiving the Koha Report is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



## **RECOMMENDATIONS:**

- 1. That the report titled "Koha Report" be received.**

Billy Kingi

**FINANCIAL ANALYST**

**REPORT**

Date : 17 April 2018  
 To : Audit and Risk Committee Meeting, 30 April 2018  
 From : Chief Executive Officer, Aileen Lawrie  
 Subject : **RESOLUTION TO EXCLUDE THE PUBLIC**

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**SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987**

**THAT the public be excluded from the following parts of the proceedings of this meeting, namely:**

**8. In-Committee Minutes – Audit and Risk Committee Meeting 19 March 2018.**

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>Item No</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
<b>8.</b>	<b>In-Committee Minutes – Audit and Risk Committee Meeting 19 March 2018</b>	That 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 exists.	Section 48(1)(a)

**This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:**

8.	Maintain effective conduct of public affairs Protect Information Protect the privacy of natural persons	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i), (d) and (e) Section 7(2)(a)
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