

NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Opōtiki District Council Chambers, 108 St John Street, Opōtiki
Monday, 13 May 2019
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 06 CONFIRMATION OF IN-COMMITTEE MINUTES – AUDIT AND RISK COMMITTEE MEETING 18 FEBRUARY 2019	
ITEM 07 SECURITY	
ITEM 08 STATUTE BARRED RATES WRITE-OFFS	
ITEM 09 PROPERTY UPDATE	
ITEM 10 ACCESS ISSUES	Verbal Item
ITEM 11 RESOLUTION TO RESTATE RESOLUTIONS AND READMIT THE PUBLIC	

NOTE:

A RISK WORKSHOP WILL 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, 18 FEBRUARY 2019 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 10.02AM

PRESENT:

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

IN ATTENDANCE:

Aileen Lawrie (Chief Executive Officer)
Michael Homan (Finance, Systems and Property Group Manager)
Billy Kingi (Chief Financial Officer)
Sarah Jones (Corporate Planner and Executive Officer)
Amy Kirikiri (Payroll Officer and HR Advisor)
Gae Newell (Executive Assistant & Governance Support Officer)

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.

The Chairperson and Councillor Young declared an interest in any item in relation to the Opotiki Harbour Development Project.

PUBLIC FORUM

Nil.

1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING p5
15 OCTOBER 2018

RESOLVED

- (1) That the minutes of the Audit and Risk Committee meeting held on 15 October 2018 be confirmed as a true and correct record.**

Young/Love

Carried

2. ACTION SCHEDULE p13

It was noted that completed items will drop off the Action Schedule for each subsequent agenda.

The Shand Report item will be changed to 'Crown Land' and will remain on the Action Schedule.

RESOLVED

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

Love/Young

Carried

The Corporate Planner and Executive Officer entered the meeting at 10.11am.

3. FINANCIAL REPORT TO 31 DECEMBER 2018 p13

It was noted that the total "% Spent Adjusted or Deferred" in the table on page 18 should be 12%, not 39.09%.

In response to a query from His Worship the Mayor, the Chief Financial Officer sated adjustments could be made around our valuations. This would cost more, but could be staggered.

David Love noted that the Audit and Risk Committee needs to be aware of the risks in relation to the Harbour Project.

RESOLVED

- (1) That the report titled "Financial Report to 31 December 2018" be received.**

Young/Tuoro

Carried

Item 5 (Draft Conflict of Interest Policy) was considered prior to Item 4 (Audit Report for the Year Ended 30 June 2018)

4. AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2018

Separate Document

RESOLVED

- (1) That the Audit Report for the Year Ended 30 June 2018 be received.**

Tuoro/HWTM

Carried

5. DRAFT CONFLICT OF INTEREST POLICY

p29

RESOLVED

- (1) That the report titled "Draft Conflict of Interest Policy" be received.**
(2) Subject to any comments being incorporated, that the draft Conflict of Interest Policy be recommended to Council for adoption.

Love/Young

Carried

The Corporate Planner and Executive Officer left the meeting at 11.25am.

The Payroll Officer and HR Advisor entered the meeting at 11.28am.

6. RESOLUTION TO EXCLUDE THE PUBLIC

p48

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. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 15 October 2018.**
8. Health, Safety, Staff Resources and Wellbeing Report.

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:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution

7.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 15 October 2018	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)
8.	Health, Safety, Staff Resources and Wellbeing Report	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 Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities without prejudice or disadvantage	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
8.	Protect the privacy of natural persons Protection from improper pressure or harassment	Section 7(2)(a) Section 7(2)(f)(ii)

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.

HWTM/Young

Carried

RESOLVED

(1) That the in-committee minutes of the Audit and Risk Committee meeting held on 15 October 2018 be confirmed as a true and correct record.

Young/Tuoro

Carried

RESOLVED

(1) That the report titled "Health, Safety, Staff Resources and Wellbeing Report" be received.

Love/HWTM

Carried

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 12.06PM.

**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 13 MAY 2019.**

**COUNCILLOR ARIHIA TUORO
CHAIRPERSON**

Issue	Recommendation	Done	Assigned To	Status	Comments
21	Contract Management Policy and Guidance		Ari Erickson	In Progress	Contract management processes are currently being built, upon completion a Policy will be assembled. Processes are at this stage included in at the wider activity management level so that they can properly consider information systems, resources and responsibilities and a strategic approach to procurement. Asset management and procurement strategies are being drafted in parallel.
22	Contract management oversight		Ari Erickson	In Progress	Changes to engineering department structure is in full swing. An Activity/Asset Management Policy/Strategy is in draft, the activity management system (series of process charts) are about 50% complete. These include the various sub-processes in line with each corresponding policy/strategy. i.e. Contract, operational, asset, project, IT systems and procurement management. Sub-processes are being assigned to staff 'champions' based on expertise. These champions will lead several management groups which will ensure probity. Two key positions, contract management and asset management, are yet to be filled though interim measures are in place.
24	Project Management		Ari Erickson	In Progress	Included in line with above.
32	Asset Management		Ari Erickson	In Progress	There has been a lot of work done as a project to ensure this process is implemented, as well as aiding the organisation to complete their compliance requirements in the most efficient manner. This process is very near to completion.
33	Asset Management		Ari Erickson	In Progress	This is under development as part of the asset management policy.
40	Shand Report		Sarah Jones	Complete	Overtaken by Productivity Commission Inquiry into funding and financing of local government. Commission have visited, reviewed our financials and will use us as a case study for their Inquiry. Comprehensive Submission was also made (refer April Council agenda) and we expect their draft findings in June.
41	RRC's		Ari Erickson	In Progress	Refer agenda report May 2019. A full review has been completed an options recommended.
44	Conflicts of Interest		Sarah Jones	Complete	Policy signed off by Audit and Risk, consulted with union and staff, and signed of by full Council with minor amendments. Provided to Coast Community Board. Operational decision to implement for staff immediately but await new triennium for full implementation with elected members.
45	ANZ		Bevan Gray	In Progress	Received feedback from BOPLASS that a review will be undertaken later this year as one of the Councils , TCC had rolled their contract with ANZ over to September this year without notifying BOPLASS. We still have the option to proceed alone if that is what council would like to do.
51	IANZ audit update		Gerard McCormack	In Progress	Verbal update provided 15/10/18 Report to be provided to A&R. Second audit underway week of 29 April.
54	Annual Report		Bevan Gray	In Progress	To be considered through Annual Report 2019
56	Risk Register Reporting		Sarah Jones	In Progress	Workshop - 13 May 2019 meeting.
57	Annual Report Process		Billy Kingi	In Progress	Processes were implemented previously in an effort to aid in the project management of the process (eg Smartsheet). Further refinements and enhancements will be made where identified.
58	Asset disposals		Billy Kingi		This will be easier for some assets than others, a lot of work will need to be done to fully comply with this request.
59	Asset reclassification		Billy Kingi	In Progress	This was a one off incident to tidy up all of the Council owned assets, any further reclassifications will be simple to follow. The 2018 revaluation wiped the slate clean and started again, making it very difficult to identify reclassified assets.
60	Site improvements asset class		Billy Kingi	Complete	A site improvements asset class has already been created, this was missed by audit until after the audit was completed. We have historically summed site improvements into buildings. Audit comment was they can not provide suggestions to us, yet are comfortable doing it after the documents are adopted. That being said, we already do it now, so is an easy tick.
61	Contract Management		Ari Erickson		Refer item 21. Reviews to date indicate Council's project manager is following all appropriate standards and legislative guidance.
62	Datapay		murielc@odc.govt.nz	In Progress	Decision made to remain with Datacom payroll for the short term to manage workloads. Problems have been fewer and datacom more responsive.
63	Investment Property		Michael Homan		to be assigned to Michael Homan
64	Contact Centre Module		Ari Erickson	In Progress	This process has been reviewed and will require a fundamental change to maintenance contracts and data collection methods. This has been an Asset Management goal for a number of years but requires various pre-requisite steps be undertaken first. The issue arises where requests for service cannot or practically should not be resolved immediately. An example of this would be footpath repairs which are scheduled within the footpath repair contract which is carried out over the course of several months. The result is effectively a back log of unresolved service requests which would all require manual review and resolution as much as a year later. The interim solution has been for assessing engineers to log requests as resolved when they have confirmed that work has been programmed for completion. Exceptions to this are those requests that relate to critical services monitored by Council KPI's. All of these requests are recorded as resolved upon completion. This action will take some time to implement but is being worked toward and will be included in the IT systems and operation processes within the asset management policy.
65	Certificate of exemption		Aileen Lawrie	Complete	Signed off in March Council meeting. Letter of expectation drafted by CEO's and signed by Mayors. Change in Chair of Toi has occurred and GM recruitment in progress.
66	Reimbursements		Billy Kingi	In Progress	This will now be processed through accounts payable instead of payroll, so documentation for all reimbursements will need to be provided and retained. There may be exceptions where tax invoices or receipts are not provided (eg car parking ticket). In such instances a screenshot of the payment made from the staff members personal account, and explanation of the expense, will be sufficient.
67	Related parties		Billy Kingi	In Progress	Ongoing
72	RRC's		Billy Kingi	In Progress	A process is now in place whereby variances between daily banking and till-tape reports are investigated.

	Issue	Recommendation	Done	Assigned To	Status	Comments
74	Capitalisation policy	Recommends Council implement an asset capitalisation policy	<input type="checkbox"/>	Ari Erickson	In Progress	An asset capitalisation policy is currently in draft alongside all of the above documents.
76	Fixed asset reconciliations	Recommends Council reconcile the fixed asset register on a regular basis	<input type="checkbox"/>	Ari Erickson	In Progress	Reconciliation processes are being refined with every reconciliation carried out. At this stage reconciliations have been reduced from year end to every 6 months. The intention is to bring this down to quarterly and even monthly. This was almost achieved this year and with the new Asset Engineer having started in the engineering team this is expected to be achieved moving forward. Two reconciliation processes need to be built to enable this, an interim based on expenditure only and a final based on asset population. Again the this will be included in the activity management policy.
78	Financial Strategy in LTP	Recommends Council review financial strategy and consider impacts of proposed debt levels beyond the 10 year period	<input type="checkbox"/>	Bevan Gray	Not Started	Will consider with the next LTP.
80	Demand forecasting	Recommends Council refines its process for demand forecasting.	<input type="checkbox"/>	Bevan Gray	Not Started	Unsure exactly what Audit are suggesting as these are reviewed implicitly with each Annual Plan and formally with each LTP.
81	Annual Plan	Recommends Council implements a formal process to ensure compliance with legislation for Annual Plans	<input type="checkbox"/>	Bevan Gray	In Progress	We have put additional effort into project managing the Annual Plan process this year. With specific focus on legislative compliance.

REPORT

Date : 2 May 2019
To : Audit and Risk Committee, 13 May 2019
From : Chief Financial Officer, Billy Kingi
Subject : **FINANCIAL REPORT TO 31 MARCH 2019**
File ID : A166717

EXECUTIVE SUMMARY

The Financial Report for the quarter ended 31 March 2019 provides the Council with an understanding of progress against Year 1 of the LTP 2018-28 for the current financial year.

PURPOSE

The purpose of this report is to present the Financial Report to 31 March 2019 to the Audit and Risk Committee.

BACKGROUND

This report is for the nine months ending 31 March 2019 and is designed to provide Audit and Risk Committee with an understanding of progress against year 1 of the LTP 2018-28.

The report provides a concise but comprehensive overview of the Council’s financial position as at 31 March 2019, and is structured as follows:

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Financial Overview

1. Financial Overview

This report summarises the key financial highlights for the quarter ended 31 March 2019. Please note that variances stated without brackets are favorable, whereas variances stated with brackets are unfavorable.

1.1. Income Statement

	2017-18 3rd Qtr Actual YTD 000's	2018-19 3rd Qtr Actual YTD 000's	2018-19 3rd Qtr Budget YTD 000's	Variance to Budget YTD 000's	2018-19 Annual Plan Full Year 000's
Income Statement (summary)					
Operating income	13,734	11,475	11,695	(220)	16,433
Operating expenditure	10,405	10,304	10,358	54	14,283
Net Surplus/(deficit)	3,329	1,171	1,336	(166)	2,150
Income Statement (detailed)					
Income					
Rates	8,046	7,885	7,835	50	10,607
Fees & charges	1,214	1,211	1,177	34	1,295
Development and FCs	1	0	1	(1)	4
Subsidies & grants	2,155	2,284	2,554	(269)	4,210
Interest revenue	80	47	75	(28)	100
Other revenue	2,238	48	53	(5)	217
	13,734	11,475	11,695	(220)	16,433
Expenditure					
Personnel costs	2,730	3,032	3,414	382	4,658
Depreciation & amortisation	2,014	2,152	1,844	(308)	2,458
Finance costs	144	180	223	43	297
Other expences	5,517	4,940	4,878	(62)	6,870
	10,405	10,304	10,358	54	14,283
Net Surplus/(deficit)	3,329	1,171	1,336	(166)	2,150

1.2. Significant Variances

Revenue

Revenue to date is (\$220,000) less than budget. The most significant variance is evident in subsidies and grants with a variance of (\$269,000), largely due to the Opotiki–Ohiwa Cycleway project, which had

anticipated external funding. This project has been deferred into next financial year.

Fees and charges are favourable \$34,000 largely due regulatory revenue, partially offset by lower Council rental and lease income. Interest revenue is tracking less than budget due to Council using available cash as much as possible, before raising external debt, as well as low interest rates.

Expenditure

Personnel costs are underspent \$382,000 mostly as a result of staff numbers being lower than anticipated over the year to date. This brings total expenditure to date within budget \$54,000, but masks over expenditure occurring mostly as a result of increased activity in solid waste and regulatory. There are also other minor variances across activities, however these are not significant.

Further explanation on these variances by Activity is explained in section 1.3.

Finance costs are less than budget due mostly to the timing and delay of a number of loan funded capital projects (refer to the additional commentary in the capital projects section of this report).

Depreciation and amortization expense is tracking higher than budget as a result of the July 2017 asset revaluations on Council's land and buildings, parks and infrastructure assets (comprising three waters, roads and bridges). This is expected to continue through to year-end.

1.3. Explanation of Key Variances by Activity

Support Services

Software license fees are overspent to date (\$77,000), however partially offset by savings in Information Systems operational projects \$40,000. Depreciation is unfavorable (\$236,000).

Solid Waste

Although RRC revenue is in line with budget estimates, operational costs are overspent (\$238,000) based on year to date budget. This unfavourable variance is a result of numerous factors including:

- The requirement to dispose of timber waste to landfill instead of burning
- A 20% increase in landfill tariffs
- A 27% increase in cost to mulch green waste.

As activity decreases over the cooler months, this unfavourable variance is projected to decrease.

Regulation and Safety

Revenue is favorable in Animal Control \$26,000 (increased registration and improvement in recovery of impoundment charges), Building Control (more applications) \$37,000, Compliance (infringements and monitoring of swimming pools) \$10,000, Environmental Health (improved process for cost recovery of inspections undertaken) \$13,000 and Resource Management (improved process for time recording and subsequent cost recovery) \$63,000.

Over expenditure as a result of increased activity occurs in Building Control (\$56,000), Compliance due to increased activity (\$79,000), unbudgeted CDEMG contribution (\$58,000), and Resource Management (\$71,000), due mostly to BCA accreditation, contractor/consulting and legal costs. These are partially offset by savings in Environmental Health \$9,000, Liquor Licensing \$10,000 and District Plan \$58,000. Overall net operations are unfavourable (\$43,000).

Community Facilities

Capital subsidies are down (\$841,000) mostly due to the CycleWay project (\$551,000) which has been deferred into next year, and in Parks and Reserves (\$281,000) largely due to delays in the Rose Garden redevelopment project. A revised business case for the CycleWay project is being submitted at the end of May.

Rental and lease revenue continues to track behind budget (\$12,000), while Library lease expense for the temporary premises is unbudgeted (\$22,000). Depreciation is unfavourable (\$22,000).

Leadership

Expenditure is favourable due to the timing of subscriptions and memberships \$13,000, unspent mayoral discretionary funding \$12,000, under expenditure in community consultation \$17,000 and in strategic planning/policy development \$43,000. Councilor remuneration is slightly overspent (\$5,000).

Community Development

Under expenditure occurs due to the timing of grants \$58,000, Community Board initiatives \$25,000, and operational projects related to CBD/CCTV camera/internet expansion. These variances are expected to dissipate over the remainder of the year.

Economic Development

The timing of Harbour Development operational costs continue to result in under expenditure here of \$136,000. Council has also secured funding from MBIE \$118,000 (to date), to fund an EBOP project programme manager position, that ensures that projects within or complementary to the Eastern Bay

of Plenty Regional Development Report are implemented.

To date, costs have mainly arisen from the rock source project, and project management.

MBIE are yet to provide a final Funding Agreement for the \$750k announced by Minister Jones in December 2018.

The Visitor Information Centre net operations are on budget.

Land Transport

Roading subsidies are favourable \$358,000 mostly due to a number of capital projects being progressed. Expenditure to date is favourable \$242,000, though partially offset by depreciation (\$66,000).

Three Waters

Water by meter revenue is slightly down on budget (\$10,000). Savings occur in water \$58,000, and in wastewater \$40,000 due to staffing, treatment costs and the timing of a number of operational projects to date. Finance costs are less than budget due to the timing and delay of a number of capital projects, and tenders coming in under budget. There are other minor variances to budget within the rest of the activities but individually these are not considered significant.

1.4. Cash and Cash Investment Position

	2017-18 Actual to June 000s	2018-19 3 rd Quarter Actual YTD 000s	2018-19* Budget 000s	Variance to Budget 000s
Cash and Short Term Investments	3,630	2,896	4,727	(1,831)
Term Investments	-	-	-	-
Total	3,630	2,896	4,727	(1,831)

**budget is for full year*

The third quarter cash position of \$2.896 million is mainly due to a strong opening cash balance as at 30 June 2018 of \$3.630 million, resulting from lower capital expenditure and no new borrowing last year, than what was planned. Available cash is utilized as much as possible before any new debt is raised. Council has invested the balance into short term investments as per our treasury policy.

1.5. Interest and Debt Level

	2017-18 Actual YTD 000s	3 rd Quarter Actual YTD 000s	2018-19* Budget 000s	Variance to Budget 000s
Finance Costs	87	179	297	118
Term Loans	5,000	5,000	18,181	13,181

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

Finance costs are less than YTD budget by \$43,000. A number of debt-funded capital projects were still in progress at year end 2017-18, while a number current year debt-funded projects are either delayed or deferred.

Council borrowing currently remains at \$5m. Council has not yet had to draw down any further debt to fund capital projects this year. As available cash is utilized as much as possible before Council draws on further debt, the expectation is borrowings will increase once capital projects near completion.

Capital expenditure

2. Capital Expenditure

Total capital expenditure completed for the third quarter year to date was \$4,087,501 compared to a full year budget of \$19.2 million, which includes carry forward budget from 2017-18 of \$835,000, and budget by Council resolution of \$612,778. The bulk of the budget is for the three waters and roading projects. Expenditure will be underspent at the end of the year for a number of reasons.

Of the \$19.2 million forecast, we expect delays or deferral of approximately \$8.4 million. More information is provided in the commentary within *Appendix 1 Capital Progress Report*.

Please refer to *Appendix 1* for the detail of significant capital projects. The table below summarises the capital expenditure report:

	Carry Forward 2017-18	Council Resolve 2018-19	Budget for 2018-19	Actual to March 2019	% Spent Adjusted for Deferred	Projects to be Deferred
Growth	-	204	1,807	322	45.74	1,307
Level of Service	288	409	7,968	829	18.38	4,155
Renewal	547	-	8,014	2,936	34.54	60
Total	835	613	17,789	4,087	29.80	5,522

Treasury Report

3. Treasury Report

3.1. Debt Position

	Actual 2017-18	YTD Actual 2018-19	Budget 2018-19
	000s	000s	000s
Secured loans – less than 12 months	1,500	-	1,500
Secured loans – greater than 12 months	3,500	5,000	16,681
Total Secured Loans	5,000	5,000	18,181

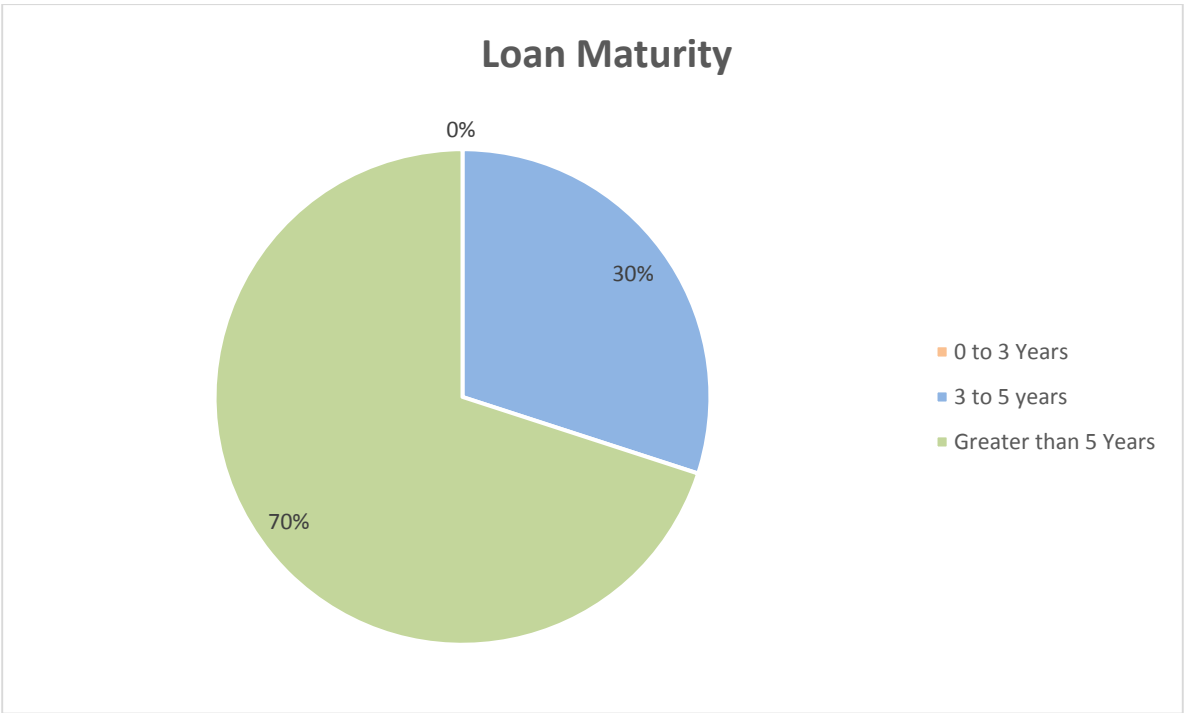
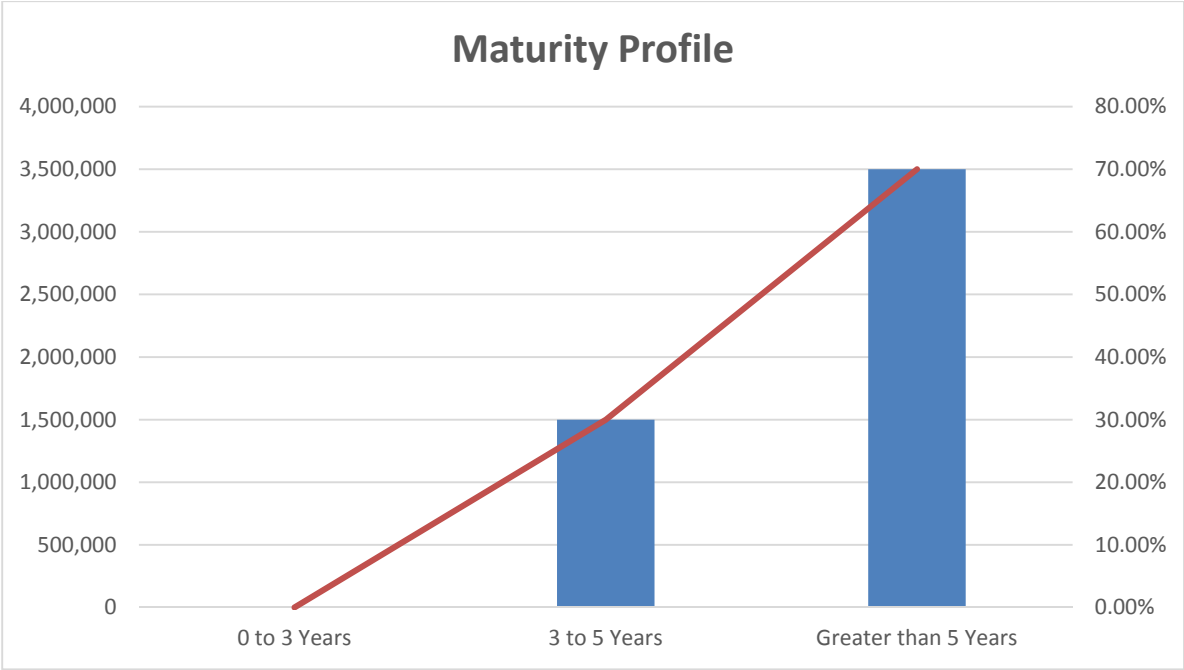
There was no change in Council's debt position for the third quarter. In March, one of the \$1.5m fixed rate loans matured and has been fixed at 3.7% to April 2033. In December 2017, Council fixed the floating rate loan of \$2 million with LGFA at 4.12%, out to April 2027. The other fixed rate loan of \$1.5m is fixed at 5.5% maturing April 2023.

3.2. Funding maturity

The chart below illustrates the funding maturity profile of Council. Council has three loans totaling \$5 million maturing between 4 and 14 years.

Council's budget in the Annual Plan (year 1 of the LTP) expects further borrowing this year to fund the numerous projects that were planned.

Although the spread between fixed rate loans and floating rate loans is currently 100% on fixed rates and nil% on floating rates, this is expected to come within the 90% fixed rate maximum policy limits (as defined in the Treasury Risk Management Policy, adopted by Council on 30 June 2018) as debt funded capital projects progress through to year-end and beyond.



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 2018-28:

Measure	Policy Target	Forecast	Actual
Increase in General Rates Revenue	3% + LGCI	1.82%	-5.82%
Increase in Targeted Rates Revenue	10.0%	11.6%	6.68%
Net Interest Expense/Total Revenue	< 10%	1.81%	1.57%
Net Interest Expense/Rates Revenue	< 15%	2.80%	2.28%
Net cash flow from Operating/Interest Expense	≥ 2	15.96	14.31

Council is within policy for all of the measures.

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 Financial Report to 31 March 2019 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 Financial Report to 31 March 2019 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 “Financial Report to 31 March 2019” be received.

Billy Kingi
CHIEF FINANCIAL OFFICER

Capex Progress Report YTD March 2019	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Grand Total		17,789,464	835,000	612,778	19,237,242	4,087,501	15,149,741			
Property		150,000	-	-	150,000	0	150,000			
Community Facilities/Property	278007	50,000			50,000	0	50,000	LoS	Deferred	Wharf Precinct
Property Development - Potts	278006	100,000			100,000	0	100,000	LoS	Deferred	Other priorities
Cycle Way		1,232,000	-	-	1,232,000	54,191	1,177,809			
Feasibility Study - EBOP Trail	272006	-			-	32,973	(32,973)	Grwth	On track	Funded by grant. \$20k more to spend. Should be included below
Opo - Waiotaha Bch - Ohiwa	272001	1,007,000			1,007,000	17,656	989,344	Grwth	Deferred	Will be deferred to next year, revised business case to submit end of May.
Tirohanga Military Track	272004	195,000			195,000	0	195,000	LoS	Slippage	Access negotiations underway, may spend some by end of year.
Trail Enhancements - Ren	272008	0			-	3,562	(3,562)		Complete	Funded via proj 272002 below
Trail Enhancements - LOS	272002	30,000			30,000	0	30,000	LoS	On track	Underway with \$4k extrnal funding contribution
District Library		-	80,000	-	80,000	30,297	49,703			
Library Relocation Costs	278005	-	80,000		80,000	30,297	49,703	LoS	Delays	Incurred costs in moving library to ANZ, budget was originally for the full development project
Playgrounds		80,000	-	-	80,000	2,610	77,390			
Play Equipment	271800	80,000			80,000	2,610	77,390	Ren	Delays	Majority will be spent on Rose Gardens which will required carry forward to next year
Public Toilets		480,000	-	-	480,000	235,381	244,619			
Pipi Beds - Reserve Upgrade	271603	480,000			480,000	8,260	471,740	Ren	Slippage	Disposal field competed, Building upgrade underway. Internal roading and carpark to be carried forward into next year
Renew Pipi Beds Disposal Field	271605	-			-	227,121	(227,121)	Ren	Complete	Funded via proj 271603 above
Parks & Reserves		910,000	24,000	-	934,000	96,081	837,919			
Hukutaia Domain - 2018 Centena	277005	60,000			60,000	28,906	31,094	LoS	On track	Centennial celebrations completed with fencing works underway
Memorial Park - Upgrades	277002	100,000			100,000	0	100,000	Grwth	Deferred	Drainage and carpark, budget insufficient. Project needs to be revisited

Capex Progress Report YTD March 2019	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Pakowhai Bridge Lighting	277004	-	24,000		24,000	3,284	20,716	LoS	Complete	Solar lights installed. Spent in 2018 year. Opportunity to look at power supply to bridge
Parks & Reserves Equipment	275200	-			-	5,489	(5,489)	Ren	On track	Pole pruner and planting strategy document
Reserves Improvements 2019	275201	500,000			500,000	9,890	490,110	Grwth	Delays	Rose Garden plan and planting strategy complete. Also covers reserves asset and management planning. Awaiting BOPRC consenting process
Reserves Management Plans 2019	275202	-			-	14,568	(14,568)	Grwth	On track	Part of pre-planning to Reserves Improvements above.
Asset Management Plans 2019	275203	-			-	19,678	(19,678)	Grwth	On track	Part of pre-planning to Reserves Improvements above.
Rose Garden Renovation Implementation	277003	250,000			250,000	14,266	235,734	LoS	Delays	Verbal updated provided at Dec meeting. Awaiting outcome of funding application from MBIE/various trusts to supplement budget to carry out upgrades as conceptualised by consultants. Will require unused budget carry forward into next year
Community Development		20,000	-	-	20,000	24,084	(4,084)			
CBD Cameras & Internet Expansi	321201	20,000			20,000	24,084	(4,084)	LoS	Delays	Reviewing ownership model
Harbour Development		-	-	-	-	178,696	(178,696)			
Harbour Dev - Construction	373500	-			-	74,986	(74,986)	Grwth	Complete	Final part of geotech investigations
Harbour Dev - Project Mgmt	373501	-			-	103,710	(103,710)	Grwth	Delays	Ongoing project management. Awaiting MBIE funding agreement.
Tourism Promotion/Visitor Information Centre		-	-	-	-	12,074	(12,074)			
I-Site Improvements	373400	-			-	12,074	(12,074)	LoS	Complete	Final part of signage and kete install.
Compliance		8,000	-	-	8,000	0	8,000			
Compliance Equipment	424201	8,000			8,000	0	8,000	LoS	Delays	Not needed
Emergency Management		105,000	-	-	105,000	0	105,000			
Civil Defence Renewals	424700	20,000			20,000	0	20,000	Ren	Delays	Uncertain if needed
Civil Defence alternative EOC	424702	85,000			85,000	0	85,000	LoS	Deferred	Awaiting new EMBOP agreement to be finalised
Refuse Collection		86,800	-	104,000	190,800	111,121	79,679			

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ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Refuse Bins 40 Litre	433602	86,800			86,800	17,451	69,349	LoS	On track	Concerns for delivery timeframe through customs. Distribution planning going well.
Recycling Bins	433603	-		104,000	104,000	93,670	10,330	LoS	On track	Billed, due to arrive soon
Solid Waste Management		20,000	-	-	20,000	0	20,000			
Te Kaha - Replace Outside Bins	433502	20,000			20,000	0	20,000	Ren	On track	
Stormwater		3,000,000	263,000	274,778	3,537,778	359,923	3,177,855			
Opotiki Plant Replacements	469409	-	137,000		137,000	1,701	135,299	Ren	On track	Stormwater model. Procurement plan going to next TSC.
Condition & Performance Assessments	469404	-	10,000		10,000	0	10,000	LoS	On track	Delayed by collaboration opportunity with BOPRC. Invoices likely distributed to different applicable asset codes
Comprehensive Discharge RC	469407	-	56,000		56,000	0	56,000	LoS	Delays	Delayed by collaboration opportunity with BOPRC. Invoices likely distributed to different applicable project codes.
SW Reticulation Replacements	469418	35,000			35,000		35,000	Ren	On track	Normalised renewal budget may not be needed
Land & Prop Purch -Wellington/Union	469402	-		274,778	274,778	274,779	(1)	LoS	Complete	Purchase completed December.
Tarawa Creek Flood Water	469403	1,550,000			1,550,000	57,219	1,492,781	LoS	Delays	Staged approach being investigated. Will report to Council in due course.
Upgrade Richard Street	469412	1,400,000			1,400,000	25,624	1,374,376	LoS	Deferred	Postponed due to high tender price. Ongoing technical modelling.
Replacemenet of section of 900 gavity main	469416	-	60,000		60,000	0	60,000	Ren	Deferred	Postponed due to high tender price.
Wellington/Brabant St Pump Stn	469401	15,000			15,000	600	14,400	LoS	Complete	Not required
Opotiki Sewerage		5,695,000	70,000	204,000	5,969,000	1,380,839	4,588,161			
Factory Road Wastewater Ext	549609	50,000			50,000	0	50,000	LoS	Deferred	Pending growth. I&I volume investigations being completed as part of Wastewater rehabilitation project responding to interest from Mussel Factory and Cookson Forbes. Waiting on that storm, I&I is reducing.
Opotiki WasteWater - Pumps Replace	549614	-	70,000		70,000	6,355	63,645	Ren	On track	Water Supply model still underway.
Opotiki WW - Private Laterals	549612	1,000,000			1,000,000	434,688	565,312	Ren	On track	Part of wider contract
Reticulation Renewals	549616	45,000			45,000	543	44,457	Ren	On track	Normalised renewal budget may not be needed

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ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Wastewater Extension SH2	549615			204,000	204,000	45,607	158,393	Grwth	On track	Likely to come in under budget. Tender awarded 5th February.
Wastewater Rehabilitation	549605	4,600,000			4,600,000	893,646	3,706,354	Ren	On track	Contract in progress
Waihou Bay Sewerage		72,800	-	-	72,800	0	72,800			
WW W'Bay Retic Renewals	549701	2,800			2,800	0	2,800	Ren	On track	Normalised renewal budget may not be needed
WWTP Renewals	549617	70,000			70,000	0	70,000	Ren	On track	Normalised renewal budget may not be needed
Ohiwa Water		16,500	-	-	16,500	0	16,500			
Ohiwa Filtration	583204	15,000			15,000	0	15,000	LoS	On track	Direct procurement, looks like expenditure may have been coded somewhere else because this has been ordered.
Ōhiwa Treatment Renewals	583205	1,500			1,500	0	1,500	Ren	On track	Normalised renewal budget may not be needed
Opotiki/Hikutaia Water		990,000	140,000	-	1,130,000	129,481	1,000,519			
Clarks Cross/Otara Rd booster	583013	800,000			800,000	41,374	758,626	LoS	On track	Contract awarded. Mid works.
Hikutaia Booster Station	583001	-	15,000		15,000	0	15,000	Ren	On track	Need to get on to this.
Opotiki Water - Spare Pumps	583019	-	95,000		95,000	80,366	14,634	Ren	On track	In progress
Water Retic Renewals Opotiki	583022	60,000			60,000	0	60,000	Ren	On track	Normalised renewal budget may not be needed
Water Treatment Renewals Opo	583021	50,000			50,000	4,849	45,151	Ren	On track	Normalised renewal budget may not be needed
WaterS Condition & Performance	583000	80,000			80,000	2,892	77,108	LoS	On track	Undertaking now. Modelling.
WTP Backwash Pump	583010	-	10,000		10,000	0	10,000	Ren	On track	Pump purchased in 2016/17 ready for install. Sweating old pump.
WTP Chlorine Pipe upgrade	583011	-	20,000		20,000	0	20,000	LoS	On track	Component purchased ready for install. Sweating old assets.
Te Kaha Water		88,000	49,000	30,000.00	167,000	40,917	126,083			
Southern Ext Stage 2a	583106	-			-	2,525	(2,525)	Grwth	Delays	Still working through process with landowners and MLC. 56% funded by MoH. Report request to go to Council with recommended option post land owner agreements. Possibly still completed this year.
Te Kaha Water - Spare Pumps	583108	-	49,000		49,000	100	48,900	Ren	On track	Working on procurement now.
Water Retic Renew Te Kaha	583110	20,000			20,000	9,505	10,495	Ren	On track	Normalised renewal budget may not be needed

Capex Progress Report YTD March 2019	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Water Te Kaha New	583111	50,000			50,000	0	50,000	LoS	On track	Prelim investigation indicates settlement tanks are not feasible for particulate removal. Will require flocculation. Complicated technical design, procurement underway but has been delayed.
Rider-Main - Water Supply Extn	583112	-		30,000	30,000	28,787	1,213	LoS	On track	In progress
Water Treatment Renew Te Kaha	583109	18,000			18,000	0	18,000	Ren	On track	Normalised renewal budget may not be needed
Subsidised Roading		1,839,364	-	-	1,839,364	1,105,624	733,740			
Asset Management Planning	626108	-			0	2,630	(2,630)	Ren	On track	Not Capex - to expense out
Drainage Renewals	626100	93,888			93,888	156,679	(62,791)	Ren	On track	Land Transport overs and unders. Note NZTA has approved higher budgets so any overexpenditure is offset by their 75% contribution.
Minor Improvements	626101	204,864			204,864	199,349	5,515	Ren	On track	Land Transport overs and unders.
New Roads	626111	800,000			800,000	0	800,000	LoS	Deferred	Harbour dev roads
Pavement Rehabilitation	626102	177,189			177,189	178,702	(1,513)	Ren	On track	Land Transport overs and unders.
Sealed Resurfacing	626103	398,044			398,044	451,107	(53,063)	Ren	On track	Land Transport overs and unders.
Street Lighting Upgrade	626110	-			0	66,944	(66,944)	LoS	On track	Budget was in prior year. Should be resolved as carry over.
Structures Component Replace	626401	20,831			20,831	0	20,831	Ren	On track	Land Transport overs and unders.
Traffic Services Renewals	626104	44,548			44,548	9,958	34,590	Ren	On track	Land Transport overs and unders.
Unsealed road metalling	626105	-			0	40,255	(40,255)	Ren	On track	To expense out
Urban Undergrounding	626112	100,000			100,000	0	100,000	LoS	On track	Completed, expecting invoice for Council contribution soon. Only \$30k.
Non-Subsidised Roading		302,000	11,000	-	313,000	17,439	295,561			
Footpath	628401	50,000			50,000	17,439	32,561	Ren	On track	Contract let
Seal Extension	628402	220,000			220,000	0	220,000	LoS	Delays	Budget for requests for seal only
Urban Kerb & Channel	628400	32,000	11,000		43,000	0	43,000	Ren	On track	In progress
Information Systems		343,000	-	-	343,000	121,079	221,921			
AssetFinda Upgrade	707508	20,000			20,000	0	20,000	LoS	Deferred	Subject to IT strategy defer to next year
Hardware & Software Renewal	707500	40,000			40,000	56,979	(16,979)	Ren	On track	
Mobile Capture Project	707504	30,000			30,000	0	30,000	LoS	Delays	Will be carried forward to next year - expected start late August 2019

Capex Progress Report YTD March 2019	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Online Building Consent Prog	707507	30,000			30,000	32,871	(2,871)	LoS	Complete	
Property File Digitisation	707505	150,000			150,000	0	150,000	LoS	Deferred	Subject to IT strategy and other process improvements
Software Systems & Improvement	707400	30,000			30,000	16,549	13,451	LoS	On track	
Sphere Online Services	707506	29,000			29,000	0	29,000	LoS	Delays	New payment type to be implemented this financial year and will run into next financial year
Antenno App Implementation	707509	14,000			14,000	14,680	(680)	LoS	Complete	
Plant Operating		321,000	-	-	321,000	145,870	175,130			
Fleet Vehicle & Plant renewal	707700	321,000			321,000	114,494	206,506	Ren	On track	As required.
Office Equipment	277306	-			0	31,376	(31,376)	Ren	Complete	Office furniture for Regulatory Dept
Admin Buildings		-	-	-	-	4,151	(4,151)			
Library Site Improvements	707301	-			0	4,151	(4,151)	LoS	Complete	Storage shed complete
Land & Buildings		2,030,000	198,000	0	2,228,000	37,643	2,190,357			
Additional Office Space	277308	200,000	98,000		298,000	31,679	266,321	LoS	Slippage	Contract in progress
Earthquake Prone Buildings	278000	130,000	100,000		230,000	0	230,000	Ren	On track	In progress
Investigation - CBD Integration	278001	200,000			200,000	0	200,000	Grwth	Deferred	To tie in with Harbour dev
Redevelop of Mechanics Inst	277600	1,500,000			1,500,000	5,964	1,494,036	LoS	Deferred	Consenting for floor levels

REPORT

Date : 2 May 2019
To : Audit and Risk Committee Meeting, 13 May 2019
From : Chief Financial Officer, Billy Kingi
Subject : **KOHA REPORT**
File ID : A166710

EXECUTIVE SUMMARY

The purpose of this report is to provide details of koha payments made from 6 September 2018 to 2 May 2019.

PURPOSE

The purpose of this report is to provide details of koha payments made from 6 September 2018 to 2 May 2019.

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 6 September 2018 to 2 May 2019:

Date	Amount	Details	Number of Attendees
28 February	\$300	Tangihanga koha – former Mayor Don Riesterer whānau	Numerous
28 March	\$100	Koha – Bill Maxwell’s 90 th Birthday celebration at Tōrere Marae 30 March – being attended by Mayor & Deputy Mayor	Numerous
24 April	\$100	Waiaua Marae - koha towards ANZAC dawn service	Numerous

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.



RECOMMENDATION:

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

Billy Kingi
CHIEF FINANCIAL OFFICER

REPORT

Date : 1 May 2019

To : Audit and Risk Committee Meeting, 13 May 2019

From : Chief Executive Officer, Aileen Lawrie

Subject : **RESOLUTION TO EXCLUDE THE PUBLIC**

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:

- 6. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 18 February 2019.**
- 7. Security.**
- 8. Statute Barred Rates Write-Offs.**
- 9. Access Issues.**

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:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
6.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 18 February 2019	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)
7.	Security	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)

8.	Statute Barred Rates Write-Offs	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)
9.	Property Update	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)
10.	Access Issues	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:

6.	Maintain effective conduct of public affairs Protect information Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
7.	Protect information Protection from improper pressure or harassment	Section 7(2)(b)(i) Section 7(2)(f)(ii)
8.	Protect the privacy of natural persons	Section 7(2)(a)
9.	Protect the privacy of natural persons Carry out commercial activities Carry out negotiations	Section 7(2)(a) Section 7(2)(h) Section 7(2)(i)
10.	Protect the privacy of natural persons Maintain legal professional privilege	Section 7(2)(a) Section 7(2)(g)