

AGENDA:

Meeting of the FINANCE & AUDIT COMMITTEE

Wednesday 11 April 2018
commencing at 5:00pm

at:

Downstairs meeting room: Brougham House,
Brougham Street, Westport

Finance & Audit Committee Members:

- His Worship the Mayor Garry Howard
- Cr J Cleine
- Cr D Hawes
- Cr S Roche (Chair)
- Cr R Nahr
- Cr P Rutherford

Terms of Reference

Finance & Audit Committee

Purpose

The Finance and Audit Committee will monitor and assess the following:

- The correct level of service is being delivered within the approved financial parameters.
- External financial funding is on track to be received within the budgeted financial year.
- Council's level of borrowing is financially sustainable and intergenerational equity requirements are achieved.
- Council's investments are growing as predicted and invested as per Treasury Management Policy and that all breaches of policy are reported and approved by Council.
- Rates are being collected and that debt recovery is under control.
- Monitoring of Council's fiscal prudence indicators.
- Both external and internal audit requirements are met.

Delegated Powers

- The Finance and Audit Committee has authority to undertake the following functions and to make recommendations to Council as required:

Financial and Performance Monitoring

- Monitoring financial performance to budgets
- Monitoring service level performance to key performance indicators
- Monitoring of Rates and General Debt collection

External Reporting and Accountability

- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the Chief Executive and Mayor and adoption by Council.

External Audit

- Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised
- Enquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks. Internal Audit
- Review the internal audit coverage and annual work plans.

Frequency of Meetings

Monthly

Reporting To

Council

Reporting Timeline

Monthly dashboard report

Membership

Chair:

- Sharon Roche

Members:

- Garry Howard
- Robyn Nahr
- Phil Rutherford
- Dave Hawes
- Jamie Cleine

FINANCE & AUDIT COMMITTEE MEETING

11 APRIL 2018

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FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 1

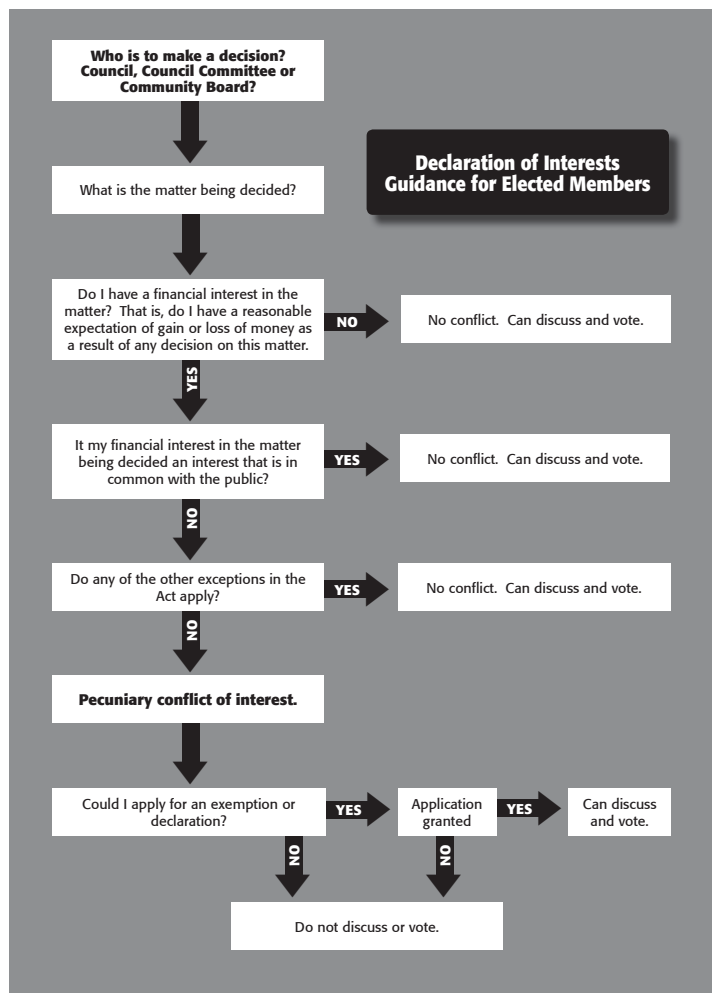
Prepared by - Dean Phibbs
- Manager Corporate Services

MEMBERS INTEREST

Councillors are encouraged to consider the items on the agenda and disclose whether they believe they have a financial or non-financial interest in any of the items in terms of Council's Code of Conduct.

Councillors are encouraged to advise the Personal Assistant, Corporate Services, of any changes required to their declared Members Interest Register.

The follow flowchart may assist Councillors in making that determination (Appendix A from Code of Conduct).



DRAFT RECOMMENDATION

That Councillors disclose any financial or non-financial interest in any of the agenda items.

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 2

**Prepared by - Dean Phibbs
- Manager Corporate Services**

CONFIRMATION OF MINUTES

Minutes of the meeting held 14 March 2018.

DRAFT RECOMMENDATION

That the minutes from the meeting held 14 March 2018 are confirmed.

**MEETING OF THE BULLER DISTRICT COUNCIL FINANCE AND AUDIT COMMITTEE,
COMMENCED AT 5pm, 14 MARCH 2018, AT CLOCKTOWER CHAMBERS,
PALMERSTON STREET, WESTPORT**

PRESENT:

Mayor G Howard, Councillor's S Roche (Chair), P Rutherford, R Nahr and J Cleine.

IN ATTENDANCE:

Manager Corporate Services (D Phibbs), Management Accountant (L Brooks) and PA Chief Executive (L Pablecheque).

Councillor E Miazga, G Neylon and R Sampson.

APOLOGIES:

No apologies were received

1. MEMBER'S INTEREST

No Members Interests were disclosed.

2. MINUTES

RESOLVED that the minutes of the 15 January 2018 meeting be confirmed.

**G Howard/J Cleine
CARRIED UNANIMOUSLY**

3. ACTION POINTS

111. Work in progress, an update is expected for the May 2018 meeting.

137. An update is expected for the May 2018 meeting, CCTO Committee now responsible.

145. Change date to April 2018.

147. Change date to April 2018.

RESOLVED that the report be received for information and discussion.

**S Roche/R Nahr
CARRIED UNANIMOUSLY**

4. FINANCIAL PERFORMANCE

RESOLVED that the report be received for information and discussion.

**G Howard/R Nahr
CARRIED UNANIMOUSLY**

5. INVESTMENTS AND BORROWINGS

The value of nett debt to be included in future reports.

RESOLVED that the report be received for information and discussion.

**P Rutherford/J Cleine
CARRIED UNANIMOUSLY**

6. CAPITAL INCOME AND CAPITAL EXPENDITURE REPORT

RESOLVED that the report be received for information and discussion.

**J Cleine/R Nahr
CARRIED UNANIMOUSLY**

7. DEBT RECOVERY REPORT

The Management Accountant advised that the abandoned land tender project is in progress and the library debt written off relates to small value items.

RESOLVED that the report be received for information purposes.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

8. AUDIT MANAGEMENT ACTION POINTS

Page 2 be amended to read '2018' rather than '2015' and item 4, second paragraph to be moved to 'comments' section.

1. Completed
2. Completed
3. In progress, planned completion 31/3/18
4. In progress, planned completion 30/6/18

RESOLVED that the report be received for information and discussion.

**S Roche/G Howard
CARRIED UNANIMOUSLY**

FINANCE WORK PLAN

Reviewed.

-
- There being no further business the meeting concluded at 6:00pm
 - **Next meeting:** 5pm, Wednesday 11 April 2018, *Brougham House*, Westport.
-

Confirmed: **Date:**

Name:

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 3

Prepared by - Dean Phibbs
- Manager Corporate Services

ACTION POINT LIST

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:	Completed
111	11 May 2016	Leases and Licences to Occupy: Update register and provide report	Mike Duff	On-going.	May 2018	
137	17 May 2017	WestReef Services: work with WestReef Services to tidy-up how H&S KPI's are measured to provide consistency to the reporting.	Wendy Thompson Robyn Nahr	Update expected for May 2018 meeting. CCTO committee now responsible for this action.	May 2018	
145	15 Nov 2017	Peel Street yard: remediation report to be provided by Mike Duff.	Sharon Roche		April 2018	
147	6 Dec 2017	Westport Airport Grazing: a full report to be pre-sented to Council regarding loss of grazing at the Westport Airport, issues to be discussed.	Andy Gowland-Douglas Sonia Creswell		April 2018	

DRAFT RECOMMENDATION

That the report be received for information.

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 4

Prepared by - Wendy Thompson
- Financial Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

FINANCIAL PERFORMANCE: February 2018

1. Report Summary:

To provide Council with a financial performance update on the operational performance to 28 February 2018.

2. Recommendation/draft resolution:

That this report be received for information and discussion.

3. Operational Finance Performance:

3.1 Operational Performance Report - Summary of results February 2018

	Actual YTD	Budget YTD	Projected Full Year	Budget Full Year	Projected Variance Full Year
Income	\$14,354,500	\$14,602,000	\$21,818,500	\$21,818,500	0
Expenditure	\$15,255,500	\$14,951,000	\$22,561,000	\$22,561,000	0
					0

3.2 Dashboard – Operational Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	
Economic Development, Tourism & Museum Support	●	●	
Community Services	●	●	
Regulatory	●	●	
Roading	●	●	Change to Harbour management structure
Solid Waste	●	●	Fee income under budget to date
Support	●	●	Income & Expenditure overbudget due to timing of expenditure
Wastewater	●	●	
Water	●	●	Over budget Westport supply electricity; repairs and maintenance in Westport and Punakaiki.
Airport	●	●	

Operational Financial Report for the period ending 28 February 2018

	Year to Date								Note	Temporary or Permanent Variance	Explanation of Variances of \$50,000 or greater
	Actual	Budget	YTD Variance	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction	U/F			
Income											
Community Services	358,165	435,160	(76,995)	U	676,940	676,940	0			Temporary	Theatre tickets underbudget \$28,000, Harbour lease income underbudget \$34,000
Democracy	583	0	583	F	0	0	0				
Tourism & Promotion	0	0	0	U	0	0	0				
Water Supply	1,917,523	1,955,894	(38,371)	U	3,033,130	3,033,130	0				
Airport	123,636	143,168	(19,532)	U	188,752	188,752	0				
Amenities & Reserves	482,318	523,464	(41,146)	U	785,200	785,200	0				
Roading & Urban Development	1,513,505	1,409,793	103,712	F	2,341,130	2,341,130	0			Temporary	Timing of NZTA operating subsidy over budget \$104,000 and unbudgeted external contributions \$62,000; offset by timing of petrol tax receipts \$47,000 underbudget.
Regulatory	551,081	645,272	(94,191)	U	870,895	870,895	0			Temporary	Under budget dog registrations \$30,000, resource consent fees \$39,000 & food premise licences \$13,000
Solid Waste	574,684	574,248	436	F	779,620	779,620	0				
Support Services	44,913	49,328	(4,415)	U	73,992	73,992	0				
Council (General Rates & Investments)	6,974,726	7,033,647	(58,921)	U	10,622,491	10,622,491	0			Temporary	Underbudget rates & rates penalties (including write offs) \$42,000
Wastewater	1,813,391	1,832,086	(18,695)	U	2,446,380	2,446,380	0				
Total Income	14,354,524	14,602,060	(247,536)	U	21,818,530	21,818,530	0				

	Year to Date								Note	Temporary or Permanent Variance	Explanation of Variances of \$50,000 or greater
	Actual	Budget	YTD Variance	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction	U/F			
Expenditure											
Community Services	2,146,573	2,106,826	(39,747)	U	3,259,563	3,259,563	0				
Democracy	292,693	292,000	(693)	U	532,000	532,000	0				
Tourism & Promotion	350,000	331,293	(18,707)	U	451,648	451,648	0				
Water Supply	1,605,639	1,387,402	(218,237)	U	2,282,008	2,282,008	0		Partial Permanent	Over budget electricity Westport supply \$77,000 and repairs & maintenance Westport \$89,000, Punakaiki (turbidity) \$55,000, Reefton (UV bulb replacements) including \$34,000; offset by Westport interest \$45,000 (loans not yet drawn)	
Airport	258,791	219,973	(38,818)	U	325,952	325,952	0				
Amenities & Reserves	1,498,836	1,562,817	63,981	F	2,088,356	2,088,356	0				
Roading & Urban Development	3,831,009	3,682,831	(148,178)	U	5,526,626	5,526,626	0		Temporary	Overall timing of expenditure compared to budget	
Regulatory	931,302	913,135	(18,167)	U	1,356,785	1,356,785	0				
Solid Waste	644,484	635,899	(8,585)	U	971,714	971,714	0				
Support Services	2,293,555	2,332,235	38,680	F	3,510,599	3,510,599	0				
Wastewater	1,402,601	1,486,537	83,936	F	2,256,121	2,256,121	0		Temporary	Underbudget repairs, maintenance and outwork stormwater \$36,000, Westport sewer \$65,000	
Total Expenditure	15,255,484	14,950,948	(304,536)	U	22,561,372	22,561,372	0				
Net Variance			(552,072)	U			0				

F Favourable
U Unfavourable

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 5

Prepared by - Wendy Thompson
- Financial Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

INVESTMENTS AND BORROWINGS: MARCH 2018

REPORT SUMMARY

This report summarises Councils cash investments and borrowings for the month ended March 2018, interest earned for the period from 1 July 2017 to 31 March 2018 and policy compliance.

RECOMMENDATION/DRAFT RESOLUTION

That the report be received for information.

ISSUES AND DISCUSSION

Investments

Investments have decreased by \$3.1 million in total from the last report circulated to the end of February 2018. This is due to a term deposit withdrawal of \$1.3 million to bridge the financing of the Westport Harbour assets purchase; in addition to the cyclical effect of quarterly rates billing and monthly creditor payment obligations. The trading account closing balance is \$2,307,263. This high month end balance is due to the receipt of both loan funds of \$1,340,000 and a dividend of \$720,000 on the last working day of March 2018. During April new term deposits will be established to reinvest cash holdings over that required for working capital.

Interest Revenue

Interest revenue to the end of March 2018 is \$725,934 compared to a budget of \$713,037. Council will continue to reinvest term investment funds at the most favourable interest rate when deposits are up for renewal. There are often opportunities to take advantage of bank pricing differences to maximise returns even in time of low interest rates.

Borrowings and Net Debt Position

Total borrowings have increased with the drawdown of a Westpac loan of \$1,340,000 for the purchase of the Westport harbour assets, with a current balance of \$24,790,000.

Net debt (borrowings less term investments) has increased to \$8,914,572 from the \$6,651,805 balance in February due to the movements in loans, investments and the trading account balance.

Considerations

1. **Strategic impact**

It is important that Council retains suitable cash holdings and credit facilities to ensure its activities and capital projects are able to be funded in a timely and affordable manner.

2. **Significance assessment**

The significance policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant because the matters disclosed are of a routine nature, and not large in terms of total assets and total annual operations of council.

3. **Values assessment**

The Buller District Councils values are: One Team; Community Driven; We Care; Future Focussed; and Integrity.

Treasury management functions and reporting align most strongly with the values of Future Focussed and Integrity.

Consideration of current and future cash requirements and intergenerational equity are required when managing cash deposits and credit facilities.

Public reporting of investments and borrowings encourages open and honest discussion and decision making.

4. **Risk analysis**

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Cash flow management is an integral part of ensuring Council is able to deliver the services and projects it has committed to in successive Long Term and Annual Plans.

This risk is mitigated by establishing policies and procedures, engaging staff to manage investment and borrowings and regular reporting to Council to ensure high level oversight.

5. **Policy / legal considerations**

The Local Government Act (2002) and associated regulations prescribe prudent financial management and nationwide benchmarks. The financial prudence benchmarks are now compulsory sections included in Council Long Term/Annual Plans and Annual Reports.

Council's Investment Policy and Treasury Policy govern the management of cash assets and borrowings.

6. **Tangata whenua considerations**

None identified

7. **Views of those affected**

Council's financial strategies, investment levels and borrowing projections are included in the Long Term Plan and Annual Plan consultation processes.

8. **Costs**

There are no extraordinary costs relating to investments and borrowings.

9. **Benefits**

The benefits of structured Treasury management include risk minimisation, prudent cash management and long term financial stability.

10. **Media / publicity**

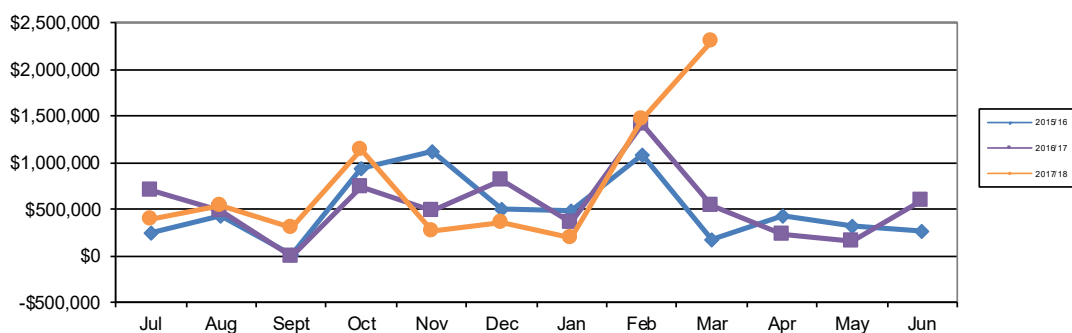
None identified.

INVESTMENTS AND BORROWINGS REPORT

1. BANK BALANCE

	This Month 31 Mar-18	Last Month 28 Feb-18	Last Year 30 Jun-17
Council	\$2,307,263	\$1,469,689	\$585,661

2. MONTH END BANK BALANCE



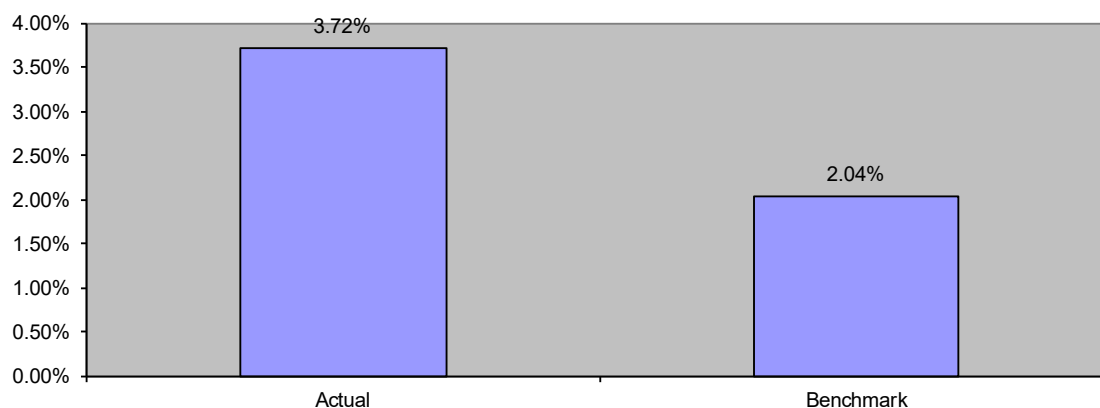
3. SUMMARY OF INVESTMENTS

	This Month 31 Mar-18	Last Month 28 Feb-18	Last Year 30 Jun-17
Term Deposits	13,675,382	16,798,148	17,098,148
Other Loans (includes loan to Holding Company)	2,463,027	2,464,277	2,537,348
Total Investments	\$16,138,409	\$19,262,425	\$19,635,496

4. SOURCE OF FUNDS

	This Month 31 Mar-18	Last Month 28 Feb-18	Last Year 30 Jun-17
Depreciation Funds	1,000,000	1,000,000	1,000,000
West Coast Package (Govt subsidy for halt to logging)	1,506,785	2,829,551	2,829,551
Harbour (profit from past harbour operations)	1,979,092	1,979,092	1,979,092
Freeholding Proceeds (sale of leasehold land)	2,840,838	2,840,838	2,840,838
Capital Sponsorship (deposits from V2010 sponsors)	5,034,038	5,034,038	5,034,038
Reserves Contribution Funds	1,314,630	1,314,630	1,314,630
Short Term Funds (rates income plus tds held pending debt reduction)	2,200,000	1,800,000	2,100,000
	\$15,875,382	\$16,798,148	\$17,098,148

5. INVESTMENTS PORTFOLIO PERFORMANCE (12 Month Average)



6. INTEREST REVENUE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$725,934	\$713,037	\$1,220,715

7. COMPLIANCE WITH INVESTMENT POLICY

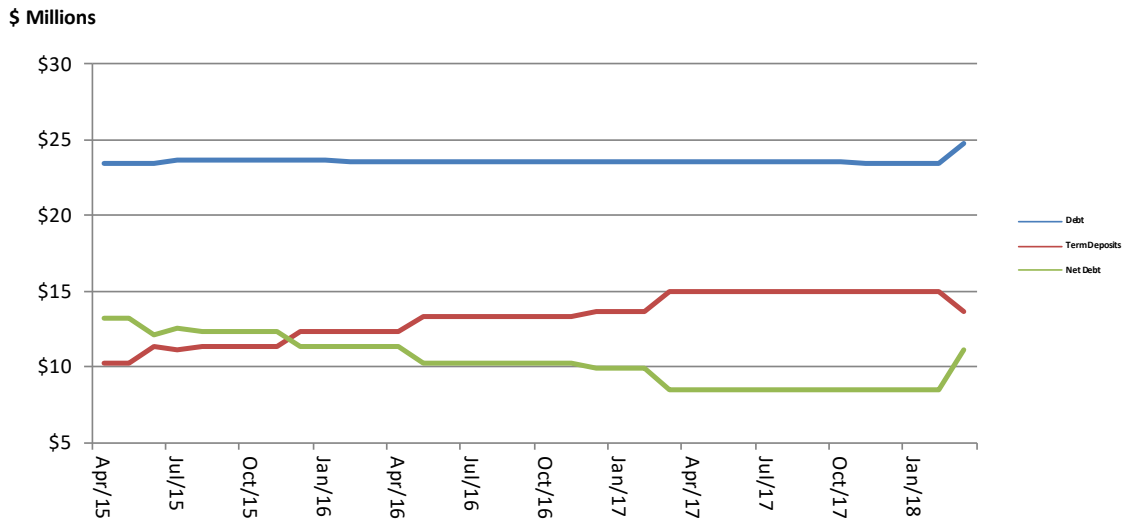
All term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

Council has approved the investment in NBS which sees us in breach of the Treasury Management Policy. This breach will continue as investments mature and are rolled over.

8. SUMMARY OF BORROWINGS

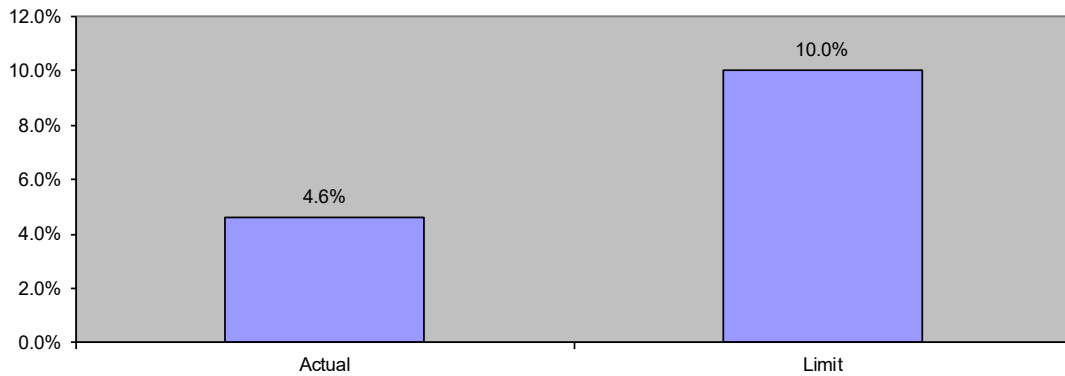
	This Month 31 Mar-18	Last Month 28 Feb-18	Last Year 30 Jun-17
External Debt:			
Westpac Loan Facility	4,773,860	3,433,860	3,433,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
EECA Loan	16,093	16,093	66,241
	\$24,789,953	\$23,449,953	\$23,500,101
Weighted Average Interest Cost	4.00%	4.00%	4.60%
Net Debt:			
Total Borrowings	24,789,953	23,449,953	23,500,101
Less: Term Deposits	15,875,382	16,798,148	17,098,148
	\$8,914,572	\$6,651,805	\$6,401,953

9. DEBT AND INVESTMENTS 3-YEAR TREND

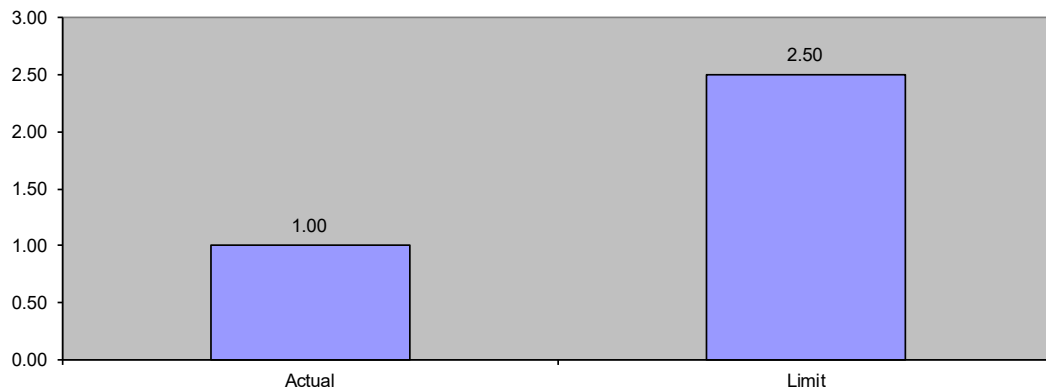


10. COMPLIANCE WITH TREASURY POLICY

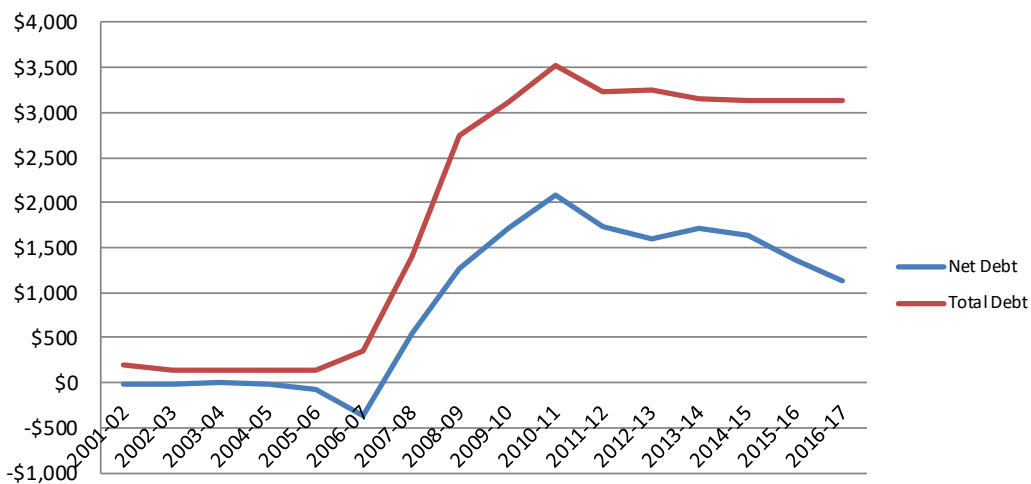
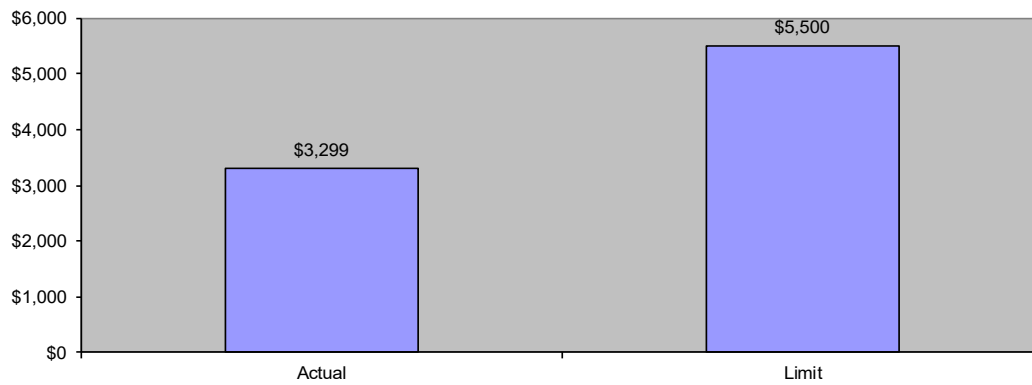
10.1 Interest Expense / Total Income



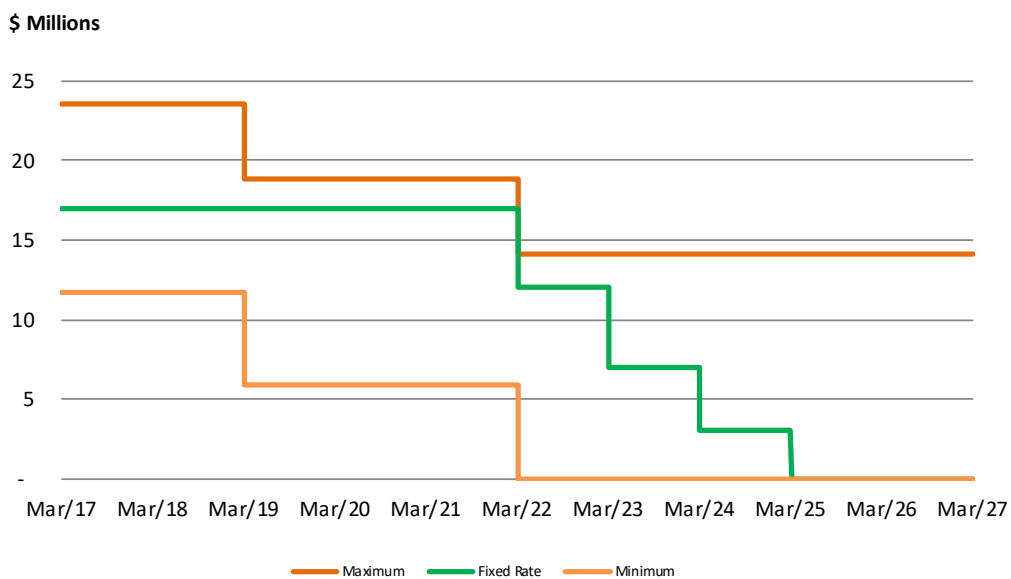
10.2 Gross Debt / Total Income



10.3 Gross Debt per Rateable Property



10.4 Fixed Rate Debt - Compliance with Treasury Policy



Current borrowings are in compliance with the limits specified in Council's Treasury Policy.

Investments are in breach of Council's Treasury Management Policy in respect that there is more than 10% of the portfolio invested in a Building Society. Council ratified this breach via resolution to obtain ongoing sponsorship proceeds for the NBS Theatre.

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 6

Prepared by - Lynn Brooks
- Management Accountant

Reveiwed by - Dean Phibbs
- Manager Corporate Services

SIGNIFICANT PROJECTS REPORT

Report Summary

This report summarises significant projects and priorities of Council at February 2018. It records both current and future work streams, and is for discussion and monitoring purposes. It should be read in conjunction with the attached detailed Appendix A.

Draft Recommendation

That the report be received for information.

Issues and Discussion

The report provides a high summary of some projects and priorities of Council by each of the following sectors:

- 1 Mayor, Councillors and Chief Executive
- 2 Community and Environment
- 3 Corporate Services
- 4 Assets and Infrastructure
- 5 Significant Projects

This report does not include every task undertaken, such as low value routine roading contract work or other regular services provided by Council. Instead it highlights the high value projects at an aggregated level, and/or the non-routine projects.

Chief Executive and Council are to advise if there are other projects or priorities to be included in the next monthly report to Council.

The following table shows each section of the report as a high level overview. This is similar to other "traffic light" indicators used in Council documents such as the Annual Plan, Long Term Plan and other reports and is included for consistency with those formats.

Activity	Indicator	Comment
Mayor, Councillors and Chief Executive	●	Advocacy for a fit-for-purpose IFHC continued on behalf of the community. Shared services and review projects are progressing as planned.
	●	Advocacy for the West Coast Regional Council projects (Westport Flood Protection, Carters Beach & Granity/Ngakawau sea erosion) continues.
Community and Environment	●	The current tasks are on plan and budget. Attention must be paid to the resources required to complete all bylaw reviews which are required in 2017/2018. Freedom Camping is a topical issue and all West Coast Councils are working on a joint solution toward this issue.
Corporate Services	●	The Long Term Plan is at collation phase collation.
Significant Projects	●	General Projects: The District Plan Review progressed as planned to 28 February 2018. The telephony project has been completed ahead of time. Work continues on the Information Management system which is a key project. Rates Review will continue as Phase III after decision to retain land based general rating system made.
Assets and Infrastructure	●	Roading and Urban Development: District Signage has progressed and billboards have been installed. Roothing contracts are being completed as planned. Advocacy for the Karamea Highway Special Purpose Road designation continues.
	●	Water Supplies: The Westport water project is progressing with tendering for the repair underway throughout February and March 2018. Investigation into the Waimangaroa Water treatment system continues.
	●	Water Supplies: Punakaiki Water Intake Easement progressing as planned.
	●	Properties and Amenities: Peel Street Yard, site testing, analysis and risk assessment in progress. Carnegie Library earthquake report required, this is necessary work that should not be delayed and costs are expected to be over budget at end of year.
	●	District Signage (Seal Loop) installation near completion.
Project on time and budget	●	
Project delays or budget overruns	●	

Considerations

1. Strategic impact

The report helps to monitor the outcomes provided for the community against the strategic direction of Council. In particular, it reports on the effectiveness of the “consolidate and hold” position taken in the last Long Term Plan where it was agreed to minimise rates increases and limit new services or capital spending to those things that could be used as a springboard for district economic growth.

2. Significance Assessment

The Significance and Engagement Policy sets out the criteria and framework for a matter or a transaction to be deemed significant. The Significance and Engagement Policy is written in accordance with The Local Government Act 2002 (LGA 2002) section 76AA. This part of the Act sets the general approach to determine if a proposal or decision is significant requiring the Council to make judgements about the likely impact of that proposal or decision on:

The district;

- a) The persons who are likely to be particularly affected by, or interested in, the proposal or decision;
- b) The financial impact of the proposal or decision on the Council’s overall resources; and
- c) The capacity of the Council to perform its role and carry out its activities, now and in the future.

The content included in this report has been consulted on with the community through the Long Term Plan and Annual Plan process.

3. Values assessment

The Buller District Council values are: One Team; Community Driven; We Care; Integrity; and Future Focussed. This report presents the significant projects which are important for the community and the future of the district. Reporting on the significant projects provides an opportunity to review if the areas of focus align with our values.

4. Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Significant projects are perceived to have some greater than usual potential to place Council at risk as the costs involved can be significant, or the project may have greater technical and legal issues. This risk is mitigated by engaging suitably qualified staff to monitor and regularly report on the projects therefore acting on any issues that arise early on, and to ensure the project progress is well understood by staff and governance.

5. Policy/Legal Considerations

The Local Government Act 2002 governs the activities of Council and sets out the requirement for consultation on the Annual Plan and Long Term Plan to agree the budgets and activities to be funded.

This report assists with two key purposes of that Act (refer to section 3) stating the purpose of the Act is to promote the accountability of local authorities to their communities; and provide for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

6. Tangata Whenua Consultation Considerations

The contents of the report are not a matter requiring consultation with tangata whenua or community groups.

7. Views of those affected

There is no need to consult with the public or affected parties due to the information being previously consulted upon through Annual Plan processes.

The community will have interest in the progress of the projects and priorities included in the report because new spending affects annual rates charges, and the effectiveness of advocacy has the potential to improve community wellbeing.

8. Costs

There are no extraordinary costs for the items included in this report, as these projects have been budgeted for in the annual plan. Some of the significant projects have no monetary cost to council as they are for advocacy.

9. Benefits

The benefits of reporting on reviewing the significant projects and priorities are understanding the timelines, budgets, resourcing and opportunities that exist for Council.

Reporting on the significant projects and priorities allows Council to compare the activities of Council against the core strategy of Council.

10. Media/Publicity

There are many media or publicity opportunities with the content of this report.

Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2017/18 Budget	Total Budget	Actual Cost to 28 February 2018	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
MAYOR, COUNCILLORS & CEO													
●	Little Wanganui/ Tapawera/ Wangapeka Road Advocacy	GH + CEO	0	0			In progress			Nov-15			August Council resolution - ongoing.
●	Ultra Fast Broadband Advocacy	GH + CEO	0	0			In progress			Nov-15			Government Announcement with WC Projects 2019. Delivery by Chorus. Progressing with MDC, Creative Developments and BEL.
●	Integrated Family Health Centre Advocacy	GH + CEO	0	0						Nov-16	Nov-17		Advocacy for a fit for purpose build is ongoing, on behalf of the community.
●	Housing for Elderly - Advocacy	GH	0	0						Jun-16	Jun-18		Housing stock & ownership structure i.e. Trust to be investigated.
●	Carters Beach Sea Erosion Advocacy	GH + CEO	0	0						Aug-17			Community Meetings Held. Advocacy role only. Responsibility is with WCRC.
●	Ngakawau/Granity Sea Erosion Advocacy	GH	0	0						Aug-17			Community Meetings Held. Advocacy role only. Responsibility is with WCRC.
●	Westport Flood Mitigation Advocacy	GH	0	0			ongoing						WCRC project, BDC role is advocacy. WCRC Submissions on this issue closed 17 February 2017.
●	Future of Westport Port	CEO, DP & CEO BHL	0	0			under continual review			Dec-15	Jun-18		AP, LTP Strategy, CTO Committee and BHL as per August 2017 resolution assets purchased March 2018, management option in LTP 2018-2028.
●	Holcim Exit	GH	0	0									Exit Plan.
●	17A Review - Local Government Act 2002	CEO	0	0			ongoing			Apr-17			Required to review cost effectiveness of current arrangements for meeting community needs.
●	Representation Review	CEO	0	0			ongoing			Jun-18			Work underway.
●	Shared Services Projects with Other Coast Councils	CEO	0	0			ongoing						Ongoing - Roding, Various IT Projects, Internal Audits, Civil Defence & Local Govt Commission, Economic Development, One (District) Plan, Policy Development.
●	Charleston/Cape Foulwind Cycleway	GH	0	0									MOU completed. Continue advocacy.
●	Kawatiri Sculpture Symposium	GH + PH	0	0			near complete			May-16	Dec-17		Sculptures Installed and near completed.
●	Reefton Historic Power Generation Project	GH	0	0						Dec-17			Advocacy with Greg Topp. Active discussions continuing.
●	Westport Gateway Sign	GH	0	0			in progress			Nov-15	Dec-17		Lighting yet to be completed.
●	Dolomite Point Advocacy	GH CEO	0	0			In progress						
●	Other Mayor, Councillors and CEO Projects												
			0	0	0	0							
COMMUNITY & ENVIRONMENT													
●	Local Alcohol Policy	CS + RT	0	0			in progress						Awaiting evidence from stakeholder groups to feed into policy development & legal outcomes Recommended this be put in the priority list for the Risk and Policy committee.
●	By-Law Reviews (all require review)	RT	0	0			in progress						Four bylaw reviews completed in 2017, 16 bylaw reviews due in 2018, NOTE this will be a large workload. Risk and Policy Committee are prioritising and timetabling work on the reviews. Banning of Alcohol in Public Places Bylaw and Livestock Movements Bylaw amendments were completed as planned in January 2018.
●	Freedom Camping	CEO	0	0			in progress			Feb-17	Oct-18		Joint compliance and monitoring between all West Coast Councils. This must be completed by 30/08/19 or the bylaw will lapse.
●	Other Community & Environment Projects	CS	0	0									
			0	0	0	0							

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CORPORATE SERVICES													
●	Fire & Emergency NZ Transition	DP	0	0	0	0	In progress			Apr-16	Dec-17		Information sharing with NZ Fire Service underway and decisions for rural fire asset transfers to be completed.
●	Long Term Plan 2018-2028	DP	0	0	0	0	in progress			May 17	Jun-18		Budget workshop completed February 2018. Since completed draft Long Term Plan & Consultation Document for audit.
●	Other Corporate Services Projects	DP	0	0	0	0							
			0	0	0	0							
SIGNIFICANT PROJECTS													
●	District Plan Review	RT	140	20,000	20,000	0	in progress			Nov-14	TBA		Hearings Committee has heard submissions. Are deliberating on those and will report to Council, who may accept or reject the proposed plan changes.
●	Rates Review Project Phase II	DP	0	0	0	8,445	in progress			Apr-16	Jun-18		Consultation costs include room hire, mail-out and online rates lookup technical support. Further costs to be incurred with Phase III of the Rates Review Project.
●	IT/Information Technology Projects (inhouse)	HS	284,616	201,460	486,076	128,930	in progress				Jun-18		IM Project at implementation stage. Telephony upgrade completed. Hardware updates continuing.
●	Other Significant Projects												
			284,756	221,460	506,076	137,375							
ASSETS & INFRASTRUCTURE													
Three Waters													
●	Punakaiki Water Intake Easement and Supply	MD	0	0	0	15,064	In Progress						Situation under further review. Progressing.
●	Punakaiki Water Supply Advocacy	GH + MD	0	0	0	3,397				Nov-17	Feb-18		Explore funding options for new water supply.
●	South Gracity Tank Supply Water Administration	CEO	0	0	0	0							Situation under further review.
●	Westport Tunnel Piping/Bracing	MD	621,199	2,350,000	2,971,199	200,430	In Progress						Method, cost, and schedule of work for repair option developing. Water restrictions reviewed.
●	Replacement of Westport Water Mains from Treatment Plant to Town	MD	0	0	0	0	In Progress						The sectional mains replacement continues in line with annual budget and work plan to replace a certain number of lengths per annum.
●	Waimangaroa Water Treatment System	MD	0	473,692	473,692	48,508	In Progress						Bore site has been identified, preparations for test drilling underway. Communications update provided.
●	Ngakawau Hector Water Treatment System	MD	0	0	0	5,516	In Progress						Situation under further review.
●	Costing Water Schemes including assessment of depreciation funding	MD	0	0	0	0							Ongoing as required. Considered for part of Long Term Plan.
●	Little Wanganui Water and Sewerage Easements	MD	0	0	0	0	In Progress				Jun-17		Work underway to resolve this
Roading													
●	Rural Wards Maintenance Programme - to be Communicated	MD	0	0	0	0				Jul-17			Communication on road and stormwater maintenance for rural wards requested as part of 2017/18 Annual Plan.
●	Karamea Highway Special Purpose Road Advocacy	MD, GH	0	0	0	0	In Progress						Business case being prepared in conjunction with NZTA. Progressing.
●	Roading - Local Roads Capital Works	TM	31,672	1,246,367	1,278,039	257,261	ongoing				Jun-18		Works program set out for the year ahead.
●	Roading - Special Purpose Road Capital Works	TR	0	369,821	369,821	20,946	ongoing				Jun-18		All works underway.
●	Earthquake Strengthening of Buildings	RB	0	0	0	0					Jun-18		Carnegie Library engineer assessment work ongoing in 2017-2018. Essential work required. Costs will be \$3000 for Stage I and \$15,000 for Stage II.

Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2017/18 Budget	Total Budget	Actual Cost to 28 February 2018	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
●	Footpaths- Urban Development	TR	84,791	202,080	286,871	170,064	ongoing				Jun-18		Footpath work plan for 2017/18 FY established.
Property, Amenities & Reserves													
●	Punakaiki Dickson Parade Status and Freedom Camping Issues	MD	0	0	0	0	In Progress						Temporary Road Closure following recent storm events and will remain closed until full risk assessment completed.
●	Peel Street Yard	MD	0	60,000	60,000	23,539	In Progress						Site testing analysis and risk assessment undertaken and report being compiled in 2017/2018.
●	Riverside Development and Waterfront Project		0	60,000	60,000	5,998							
●	District Signage (Seal Loop)	MD + GH	125,000	0	125,000	89,014	In Progress						Installation completed.
●	Punakaiki Building Project		100,000	0	100,000	4,777	On Hold						Draft Community Needs Assessment report received by BDC. Copy referred to DOC for consideration in the Dolomite Point spatial planning. On hold until DOC confirm whether Community Facility will be incorporated in their planning work.
Other													
●	Other Assets & Infrastructure Projects	MD	0	0	0	0							
			962,662	4,761,960	5,724,622	844,514							
TOTAL SIGNIFICANT PROJECTS			1,247,418	4,983,420	6,230,698	981,889							

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 7

Prepared by - Lynn Brooks
- Management Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

COUNCIL LEASEHOLD PROPERTY

1. REPORT SUMMARY

At the 29th March 2017 Council Meeting it was resolved to receive a report for discussion and information purposes about the leasehold property owned by Council and the option to sell these properties at a discounted rate to increase the uptake by leaseholders.

At that meeting a resolution was made to allow a discount of 20% of the independently assessed market value of each leasehold property, and this special discount was granted until 30 June 2018.

This report requests consideration of extending the timeframe of the special discount scheme for one additional year to 30 June 2019.

2. RECOMMENDATION/DRAFT RESOLUTION

- (a) That the Finance and Audit Committee receive this report for discussion and information purposes.
- (b) That the Finance and Audit Committee recommend to the full Council meeting of 17 April 2018 that the twenty percent discount of the market value leasehold land scheme be extended for one year, to end on 30 June 2019.

3. CONSIDERATIONS

3.1 Issues and Discussion

Background

In June 2010 a report was presented to Council which recommended a discount scheme to facilitate the freeholding of Council leasehold properties. The issue identified with leasehold properties at that time was the poor return that they generated for the ratepayer. At that time Council had 139 properties worth \$8.7m which were generating a return of \$114,000 which represented a 1.3% return. At that time term deposit returns were 5% and debt costs were closer to 7% which highlighted the poor return that leasehold properties represented.

The 2010 report analysed the likelihood of tenants freeholding and predicted a 30-50% uptake for the discount scheme if a 20% discount on the market value of the property was made available to lessees to encourage them to freehold their properties. Council endorsed the recommendation for a set period of time, thereafter reducing the discount to 10%.

During March 2017 Council again instigated a 20% discount, effective until 30 June 2018.

As a result of these discount schemes, Council has sold 90 properties and banked approximately \$4.5m in sales proceeds. Council repaid a tranche of debt at one stage and now has \$2.8m in term deposits remaining from past sales.

The latest discount scheme offering has not created a vast amount of interest, such as the interest experienced when leasehold property was offered at a discounted rate back in 2010, however it does provide a little more scope to resolve lease debtor arrears, and in some situations can provide incentive in the area of debt collection.

Information about the Remaining Leases

Currently Council has 49 leasehold properties remaining with a market value of approximately \$2.8m generating \$120,000 in lease revenue as at 30 June 2017. This is a return of over 4% and recognises that most of the 21 year perpetually renewable leases have been reset to 4.5% of their current market value.

When Council approved the twenty percent discount scheme to encourage reduction of the number of remaining leases, the rationale behind this is was not only to provide financial benefit to Council. One of the problems inherent in the 21 year perpetually renewable leases is that the lease is set at four and a half percent of the current market value at the renewal date of the lease. Thereafter every 21 years the lease amount is reset to four and a half percent of the market value of the property, and the increases are significant. This is sometimes not well understood or received by lessees.

For example a lease commenced or reset in 1992 on a ¼ acre property with a value of \$12,100 would equate to an annual lease of \$545. When the lease expired in 2013 the property was revalued to \$95,000 and the new lease was set at \$4,275. This is difficult to explain the increase to the lessee. The option of reducing the lease terms only make the investment less attractive for Council and would also set a precedent for breaking other leases which is not equitable for other lease holders.

Freeholding of leases have been fairly static for a number of years due possibly to economic conditions and the remaining lessees not being at a suitable time in their lives to freehold their properties with the ten to twenty percent discounts offered.

Analysis of the remaining 49 leases indicate that approximately 40% are unlikely to take up an offer to freehold irrespective of how attract this offer is. The remaining 60% may consider purchasing their property if their personal circumstances allow, or it may assist if a leaseholder is currently trying to sell their property or may be required to due to significant lease arrears.

3.2 Significance assessment

The Buller District Council Significance and Engagement Policy sets out the criteria and framework for a matter or transaction to be deemed significant.

In a financial context the content included in this report is not considered significant because the matters disclosed are of a routine nature, and not greater than 5% of the total assets and total annual operations of council, and are a staff operational matter.

3.3. Strategic impact

Council's key strategies, to achieve the vision of Council are:

- **Resilient** - Building and promoting resilience in a community, services and infrastructure.
- **Growing** - Facilitating growth and a transition to a diversified, resilient and sustainable economy,
- **Quality Infrastructure** - providing reliable and sustainable infrastructure that meets the needs of current and future generations.
- **Liveable** - investing in our towns to ensure we are an attractive district to live work invest and play.
- **Affordable** - Growing our non-rates income so rates are affordable to all residents

There is limited strategic impact on the decision to freehold the remaining Council leasehold properties.

3.4. Risk analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

When lease agreements are entered into by Council a risk arises that the amounts owing are not paid when due, and that over time total debt owing grows to an unsustainable level.

This risk is mitigated by engaging staff to monitor and recover debt therefore acting on indebtedness early on, which generally yields better collection results. It is also mitigated by providing incentives and options to freehold property which in turn assists with debt management. The twenty percent discount provides this incentive.

3.5. Policy / legal considerations

The Local Government Act (2002) Sections 140 and 141 stipulate the restrictions on the sale of endowment land. The Act stipulates that a local authority must include in its LTP the intention to sell and the use to which the proceeds will be put. Council last included these conditions in the 2009 – 2019 LTP by including a statement to this effect.

Values

The Buller District Council Values are:

- **Community Driven** – We are responsible to our community and make a difference now and for future generations.
- **One Team** – Shared direction, shared effort, quality outcomes.
- **Future Focused** – We seek solutions that are fit for the future.
- **Integrity** – Open, honest and equitable in service, decisions and action.
- **We Care** – Our social and Environmental responsibility – About people and place.

Sale of Council leasehold property is in line with these values.

3.6. Tangata whenua

The contents of the report are not a matter requiring consultation with tangata whenua.

3.7. Views of those affected

Changing a discount scheme may impact on those who ratepayers that have freeholded their property at an earlier time for a different rate.

3.8. Costs

There is minimal cost to administer a discount scheme. The key cost issues to consider are that if leasehold property is freeholded then the income stream from the rental payments cease. If this is not replaced by another income stream then rates must rise to replace the deficit. Council may wish to reduce debt or invest the proceeds as term deposits to offset the loss in revenue.

There are short and long term financial implications that will also need to be carefully weighed up by Council. In the short term a better return may be able to be obtained by investing proceeds of leasehold land elsewhere. But the return may be eroded over time by inflation and will eventually be far less in real terms than the current return received from lease rentals. This is because the lease rental return is reset to four and a half percent of the market value of the properties every 21 years which means over long periods of time the rental income is protected from inflation whereas the sale proceeds may not be.

3.9. Benefits

A better rate of return may be obtained with the funds than currently invested. Reducing the number of leasehold properties reduces the “public relations disasters” when the leases payments increases markedly every 21 years.

3.10. Media / publicity

If the twenty percent discount period is extended to 30 June 2019 each leaseholder will be written advising them of this. It will also be an item of interest which can be included in a media release as well as communicated via the regular Council newsletter.

FINANCE AND AUDIT COMMITTEE

11 APRIL 2018

Agenda Item No 8

**Prepared by - Dean Phibbs
- Manager Corporate Services**

AUDIT MANAGEMENT ACTION POINTS

RECOMMENDATION/DRAFT RESOLUTION:

That the report be received for information and discussion.

OUTSTANDING AUDIT MANAGEMENT ACTION POINTS

2015						
No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
1	Infrastructure asset valuations	Improve quality of Roading data in RAMM use for next valuation. Recommendations in GHD report used.	Management Accountant	In progress	Asset data condition and performance processes were identified in the AMP as an improvement plan item. Council will assess options to effect an appropriate regime during 2015/16. This process will strengthen lifecycle management and asset valuations.	June 2018
4	Internal audit	No formal internal audit reviews were performed in 2014/15	Manager Corporate Services	✓	Internal Audits have been carried out. Shared services project.	June 2017
6	Rates review	Complete a review of Council's rates. Wholesale changes are needed in rates as there are antiquated differentials and many fixed amount targeted rates.	Manager Corporate Services	In progress	Confirmed this is still in progress. The new system will not be implemented until 2018/2019 at the earliest.	June 2017

2016/2017 Annual Plan

No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
3	Disestablishment of Westport Harbour Limited	Audit request that Council and management keep them informed during the disestablishment process as Westport Harbour Limited transfers its assets and liabilities and winds down its operations during 2017/2018.	Manager Corporate Services		Council are working in partnership with Buller Holdings Limited to disestablish Westport Harbour Limited and will keep Audit NZ informed through the process.	
4	Asset management plans	<p>This issue highlights the importance of the Council having good asset management plans in place with high-quality asset condition information underlying the plan.</p> <p>The maintenance and replacement of aging infrastructure networks is likely to be a key issue for Council's upcoming Long Term Plan. Asset management plans will need to be updated to reflect the current and planned state of Council's assets.</p>	Group Manager Assets and Infrastructure		<p>Asset management plans will be implemented more efficiently through portfolio co-ordinators to own and drive their respective maintenance and renewal programs, as well as strategic alignment accountability by management.</p> <p>Council intends to review and update existing Asset Management Plans in the process of compiling the 2018-2028 Long Term Plan.</p> <p>(on-going review for 2019/2020 AP).</p>	
5	Consent compliance parameters set up in Monitor Pro	Audit recommend that Council review the consent compliance thresholds that are set up in the Monitor Pro system to confirm these are correct to enable the monitoring of all consents for compliance.	Acting Manager, Regulatory and Community Services		Management intends to review the Monitor Pro database to check that what has been set up is a complete list.	

FINANCE WORK PLAN

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Internal Reporting												
F&A Reports												
- BDC Quarterly Financials		Half yearly			Three quarterly						Quarterly	
- BDC Operational												
- BDC Treasury												
- BDC Debtors												
- BDC Capital												
- BDC Significant Projects												
- BHL Quarterly Financials												
Council Reports												
- Budget Carry Overs									2017 Carryovers			
Rates Overhaul Project												
- Rates Overhaul	Deliberations	Amendments to rating model	Finalise & adopt for inclusion in LTP				Database integrity checks	Stmnt of Proposal + Consultation Doc	Community meetings + Advertising			
2018-2028 Long Term Plan												
- Long Term Plan	Workshop	Workshop	Workshop + Adopt Draft LTP	Consultation	Roadshows + Hearings	Adopt Final Plan	Community & strategic workshops + engagement	Adopt draft vision			Workshop 2019/2020 Annual Plan	Workshop 2019/2020 Annual Plan
2017/2018 Annual Report												
- BDC Annual Report			Systems Audit						Audit	Adopt	Publish Summary & report	
- BHL Annual Report								Audit	Group Figures	Annual Report		
Other Operational Projects												
- Insurance					Negotiations	Finalise						