

AGENDA:

Meeting of the
FINANCE & AUDIT COMMITTEE

Wednesday 15 March 2017
commencing at 5:00pm

at:

Clocktower Chambers
Palmerston 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

15 MARCH 2017

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FINANCE AND AUDIT COMMITTEE

15 MARCH 2017

Agenda Item No 1

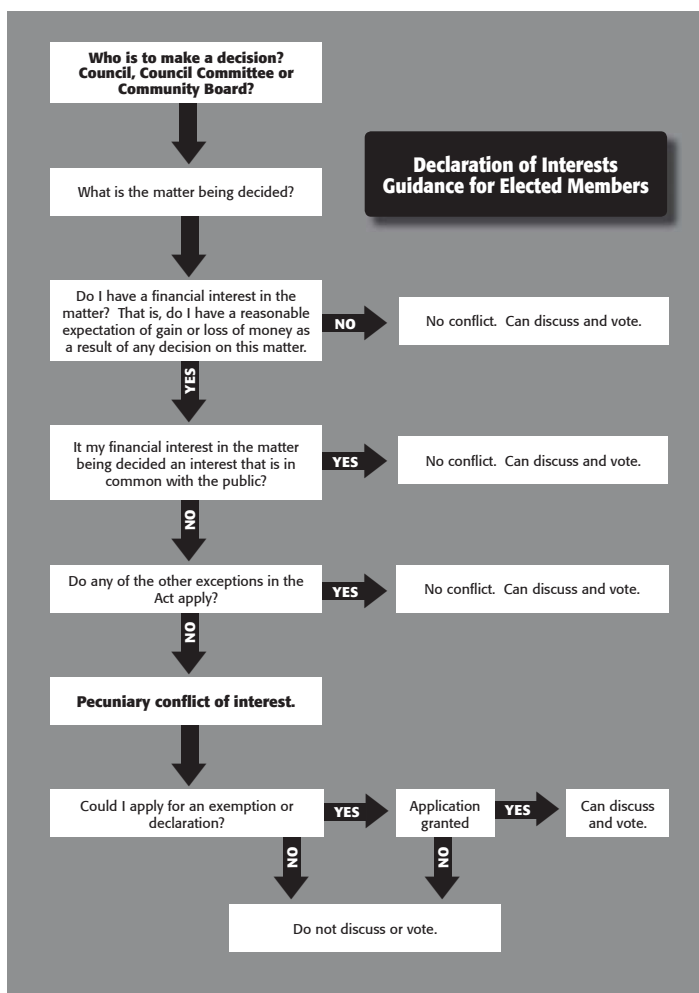
Prepared by - Dean Phibbs
- Manager Corporate Services

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

15 MARCH 2017

Agenda Item No 2

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

CONFIRMATION OF MINUTES

Minutes of the meeting held 15 February 2017.

DRAFT RECOMMENDATION

That the minutes from the meeting held 15 February 2017 are confirmed.

MEETING OF THE BULLER DISTRICT COUNCIL FINANCE AND AUDIT COMMITTEE, COMMENCED AT 5:30pm ON 15 FEBRUARY 2017 AT THE CLOCKTOWER CHAMBERS, PALMERSTON STREET, WESTPORT

PRESENT:

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

IN ATTENDANCE:

Chief Executive Officer (A Gowland-Douglas), Manager Corporate Services (D Phibbs), Management Accountant (L Brooks) and PA Corporate Services (MS Wilson).

APOLOGIES:

No apologies were received.

1. MEMBER'S INTEREST

No members interests were declared.

2. MINUTES

RESOLVED that the minutes of the 17 December 2016 meeting be accepted.

**R Nahr/J Cleine
CARRIED UNANIMOUSLY**

3. ACTION POINTS

103. (a) No changes required

103. (b) No changes required

111. Change date to April 2017.

117. Change to L Brooks. Change date to April 2017. Change to include other debt.

126. Completed.

RESOLVED that the report be received for information and discussion.

**S Roche/R Nahr
CARRIED UNANIMOUSLY**

4. FINANCIAL AND NON-FINANCIAL PERFORMANCE

RESOLVED that the report be received for information and discussion.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

5. INVESTMENT AND BORROWINGS

RESOLVED that the report be received for information purposes and discussion.

**J Cleine/D Hawes
CARRIED UNANIMOUSLY**

6. CAPITAL INCOME AND CAPITAL EXPENDITURE

(**AP:** Page 27 – confirm sponsorship agreements are in place for NBS Theatre until 2019 – D Phibbs.)

(**AP:** Confirm resource consent conditions/requirements relating to the Springs Junction toilets, how many truck loads a week, etc – A Gowland-Douglas).

(**AP:** Confirm if NZTA will be reimbursing Council for operating costs of additional toilets at Springs Junction – G Howard).

RESOLVED that the report be received for information purposes and discussion.

**G Howard/P Rutherford
CARRIED UNANIMOUSLY**

7. DEBT RECOVERY REPORT

RESOLVED that the report be received for information and discussion.

**R Nahr/J Cleine
CARRIED UNANIMOUSLY**

8. AUDIT MANAGEMENT ACTION POINTS

- 2017 – 1. Completed.
- 2017 – 2. No further action required – completed.
- 2017 – 3. Noted – completed.
- 2016 – 7. Completed.
- 2015 – 1. In progress.
- 2015 – 2. In progress.
- 2015 – 4. In progress.
- 2015 – 6. Change date to June 2017.

**S Roche/J Cleine
CARRIED UNANIMOUSLY**

9. PUBLIC EXCLUDED

Section 48, Local Government Official Information and Meetings Act 1987.

DRAFT RECOMMENDATION

Item No	Minutes/Report from:	General Subject	Reason for Passing Resolution Section 7 LGOIMA 1987
1.	Lynn Brooks - Management Accountant	Buller District Council Leases requiring Debt Recovery Action.	<p>(1) Where this section applies, good reason for withholding official information exists, for the purpose of section 5, unless, in the circumstances of the particular case, the withholding of that information is outweighed by other considerations which render it desirable, in the public interest, to make that information available.</p> <p>(2) Subject to sections 6, 8, and 17, this section applies if, and only if, the withholding of the information is necessary to—</p> <p>(a) protect the privacy of natural persons, including that of deceased natural persons;</p>

RESOLVED that the public is excluded from his section of the Agenda for the above reason.

**J Cleine/S Roche
CARRIED UNANIMOUSLY**

FINANCE AND AUDIT COMMITTEE

15 MARCH 2017

Agenda Item No 3

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

ACTION POINT LIST

DRAFT RECOMMENDATION

That the report be received for information.

FINANCE & AUDIT COMMITTEE: CURRENT ACTION POINTS

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:	Completed
103 (a)	17 Feb 2016	Internal Audit: to carry an internal audit out before the end of financial year.	Lynn Brooks; Wendy Thompson	Overall audit plan completed. Audit plan for the first internal audit is complete (procurement/delegation).	June 2017	
103 (b)	17 Feb 2016	Shared Services: to be discussed with other West Coast Council's as part of the joint Level of Service review.	Andy Gowland-Douglas; Wendy Thompson	Continue working with other Council's. To be in place by 1 July 2017.	June 2017	
111	11 May 2016	Leases and Licences to Occupy: Update register and provide report	Mike Duff	Progressing.	April 2017	
117	15 June 2016	Debt Recovery: clarify the Resource Management debt with Team Leader Planning.	Lynn Brooks	Progressing.	April 2017	
120	13 July 2016	Coaltown Trust: Letter to be sent to Coaltown acknowledging the payment received of \$19,000 and addressing the overpayment and historical arrears.	Sharon Roche	Letter to Coaltown Trust setting out timeframes for reporting and payment dates. Signed by Mayor Howard, terms of repayment have been accepted.	December 2016	Completed
125	16 Nov 2016	Investment/Sponsorship: A report from 2015 on Council's investment with NBS is to be recirculated.	Dean Phibbs	Will be completed by February 2017 meeting.	January 2017	Completed
126	7 Dec 2016	2017/2018 Annual Plan: Ensure all Councillors have copies of the LTP and Estimates Book.	Mary Wilson		February 2017	Completed

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:	Completed
127	7 Dec 2016	Non-financial KPI's: Non-financial KPI's to be reported quarterly.	Dean Phibbs	3 months to December 2016 due February 2017.	February 2017	Completed
128	7 Dec 2016	Audit Management Report – 2015/2016 Action Points: Action Points to be reconciled to the 2016 Annual Report Management Report.	Dean Phibbs		February 2017	Completed
129	15 Feb 2017	Sponsorship Agreements: confirm NBS Theatre agreements are in place until 2019.	Dean Phibbs		March 2017	
130	15 Feb 2017	Springs Junction Toilets: Confirm resource consent conditions/requirements, how many empties per week, etc.	Andy Gowland-Douglas		March 2017	
131	15 Feb 2017	Operating Costs – Springs Junction Toilets: Confirm if NZTA will reimburse Council for costs of operating the Springs Junction Toilets.	Garry Howard		March 2017	

FINANCE AND AUDIT COMMITTEE

15 MARCH 2017

Agenda Item No 4

Prepared by - Wendy Thompson
- Financial Accountant

Prepared by - Dean Phibbs
- Manager Corporate Services

FINANCIAL PERFORMANCE: January 2017

1. REPORT SUMMARY

To provide Council with a financial performance update on the operational results to 31 January 2017.

2. RECOMMENDATION/DRAFT RESOLUTION

That this report be received for information and discussion.

3. OPERATIONAL FINANCIAL PERFORMANCE

3.1 Operational Performance Report - Summary of Results January 2017

	Actual YTD	Budget YTD	Projected Full Year	Budget Full Year	Projected variance full year
Income	\$10,322,000	\$10,472,000	\$22,315,000	\$22,315,000	0
Expenditure	\$12,866,000	\$13,272,000	\$22,526,000	\$22,526,000	0
					\$0

3.4 Dashboard – Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	Timing variance – R&M offset by public toilets.
Economic Development, Tourism and Museum Support	●	●	Timing variance - grant payments.
Community Services	●	●	Additional grant and lease income \$76,000.
Regulatory	●	●	Building and planning income under budgeted offset by cost savings.
Roading	●	●	Timing variance – road subsidy and petrol tax.
Solid Waste	●	●	
Support	●	●	Salary & consultant savings offset by unbudgeted recruitment.
Wastewater	●	●	
Water	●	●	
Airport	●	●	

Achieved	●
Not Achieved	●

Operational Financial Report for the period ending 31 January 2017

	Year to Date							Note	Temporary or Permanent Variance	Explanation of Variances of 10% or greater
	Actual	Budget	Variance to December	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction			
Income										
Community Services	376,056	303,478	72,578	F	609,248	609,248	0	0	Permanent	Grant received for waterfront \$20,000, additional Harbour lease income \$56,000.
Democracy	43,395	19,733	23,662	F	144,528	144,528	0	0		
Tourism & Promotion	0	0	0	U	0	0	0	0		
Water Supply	1,284,182	1,305,468	(21,286)	U	2,588,432	2,588,432	0	0		
Airport	114,431	133,081	(18,650)	U	190,996	190,996	0	0		
Amenities & Reserves	423,561	439,313	(15,752)	U	753,108	753,108	0	0		
Roading & Urban Development	1,131,447	1,317,093	(185,646)	U	3,436,308	3,436,308	0	0	Temporary	Timing of roading subsidies \$130,000 and petrol tax \$56,000.
Environmental Services	509,727	605,772	(96,045)	U	917,658	917,658	0	0	Temporary	Building and Planning income \$73,000 underbudget to date
Solid Waste	421,252	410,700	10,552	F	800,724	800,724	0	0		
Support Services	39,148	42,021	(2,873)	U	72,036	72,036	0	0		
Council (General Rates & Investments)	4,774,312	4,672,013	102,299	F	10,356,109	10,356,109	0	0	Permanent	Holding company subvention payment \$75,000 higher than anticipated.
Wastewater	1,204,156	1,223,629	(19,473)	U	2,445,636	2,445,636	0	0		
Total Income	10,321,665	10,472,301	(150,636)	U	22,314,783	22,314,783	0	0		
Expenditure										
Community Services	1,846,962	1,892,280	45,318	F	3,272,943	3,272,943	0	0		
Democracy	303,294	318,307	15,013	F	590,964	590,964	0	0		
Tourism & Promotion	296,575	288,896	(7,679)	U	460,746	460,746	0	0		
Water Supply	1,101,871	1,086,901	(14,970)	U	2,013,719	2,013,719	0	0		
Airport	156,391	175,895	19,504	F	289,820	289,820	0	0		
Amenities & Reserves	1,324,825	1,448,480	123,655	F	2,088,015	2,088,015	0	0	Temporary	Timing of R&M expenditure offset by unbudgeted public toilet operating costs
Roading & Urban Development	3,134,145	3,162,153	28,008	F	5,422,070	5,422,070	0	0	Temporary	Minor variation in Roading programme
Environmental Services	767,714	851,202	83,488	F	1,462,676	1,462,676	0	0	Temporary	Savings in a wide range of expenses including salaries
Solid Waste	543,957	578,815	34,858	F	1,013,361	1,013,361	0	0		
Support Services	1,900,018	2,049,407	149,389	F	3,424,420	3,424,420	0	0	Temporary	Underbudget salaries, consultant fees and other saving offset by unbudgeted recruitment costs, legal fees and timing of software licence renewals.
Wastewater	1,490,389	1,440,062	(50,327)	U	2,486,750	2,486,750	0	0	Temporary	R&M higher than budgeted for Westpor sewer and stormwater
Total Expenditure	12,866,143	13,272,398	406,255	F	22,525,484	22,525,484	0	0		
Net Variance			255,620	F			0	0		

FINANCE AND AUDIT COMMITTEE

15 MARCH 2017

Agenda Item No 5

Prepared by - Wendy Thompson
- Financial Accountant

Prepared by - Dean Phibbs
- Manager Corporate Services

INVESTMENTS AND BORROWINGS: February 2017

1. REPORT SUMMARY:

This report summarises Councils cash investments and borrowings for the month ended February 2017, interest earned for the period from 1 July 2016 to 28 February 2017 and policy compliance.

2. RECOMMENDATION/DRAFT RESOLUTION:

That the report be received for information.

3. ISSUES & DISCUSSION

3.1 Investments

Investments have increased by \$1.0m in total from the last report circulated in January. This is mainly due to the effect of the rates billing cycle and monthly creditor payment obligations.

3.2 Interest Revenue

Interest revenue to the end of February 2017 is \$627,000 versus a budget of \$633,000. 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.

3.3 Borrowings and Net Debt Position

Total borrowings are stable at \$23.5m. This balance is likely to increase throughout the year as a number of debt funded projects are completed and the loans are drawn down for these projects.

Net debt (borrowings less term investments) has decreased to \$6.8m from the \$7.8m balance in January due to the movement in investments.

4. CONSIDERATIONS

4.1. 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.

4.2. 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.

4.3. Risk Analysis

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

Cashflow 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.

4.4 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.

4.5. Tangata whenua considerations

Not applicable.

4.6. 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.

4.7. Costs

There are no extraordinary costs relating to investments and borrowings.

4.8. Benefits

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

4.9. Media / publicity

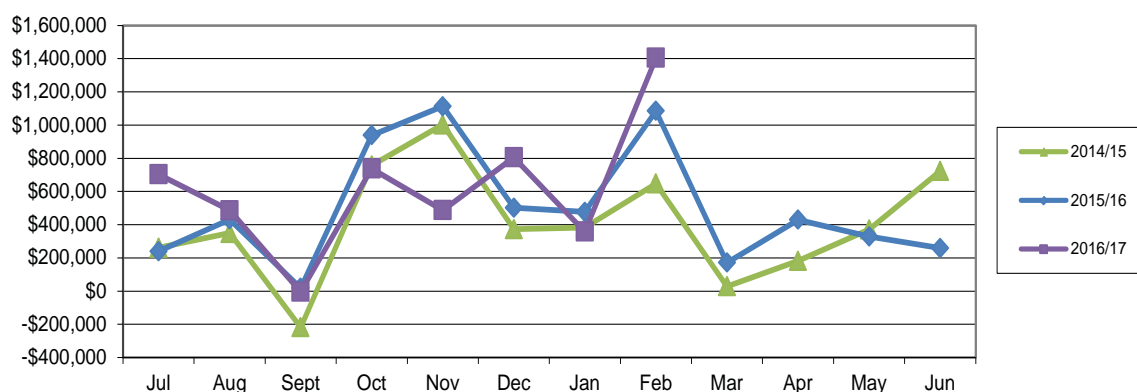
Not applicable

INVESTMENTS AND BORROWINGS REPORT

1. BANK BALANCE

	This Month 28 Feb-17	Last Month 31 Jan-17	Last Year 30 Jun-16
Council	\$1,404,428	\$355,388	\$258,418

2. MONTH END BANK BALANCE



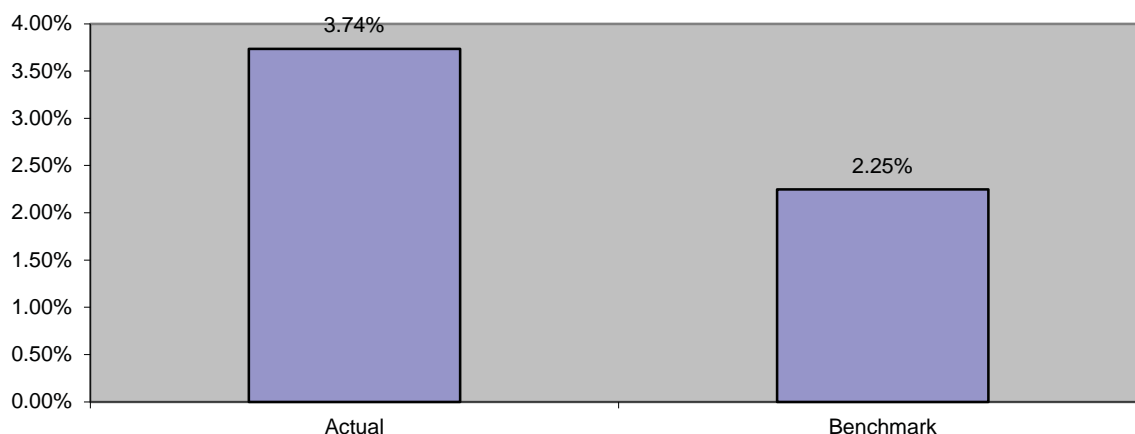
3. SUMMARY OF INVESTMENTS

	This Month 28 Feb-17	Last Month 31 Jan-17	Last Year 30 Jun-16
Term Deposits	16,783,518	16,283,518	15,783,518
Other Loans (includes loan to Holding Company)	2,562,244	2,583,390	2,494,843
Total Investments	\$19,345,762	\$18,866,908	\$18,278,361

4. SOURCE OF FUNDS

	This Month 28 Feb-17	Last Month 31 Jan-17	Last Year 30 Jun-16
Depreciation Reserves	1,000,000	1,000,000	1,000,000
West Coast Package (Govt subsidy for halt to logging)	2,829,551	2,829,551	2,429,551
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
Short Term Funds (rates income plus tds held pending debt reduction)	3,100,000	2,100,000	2,500,000
	\$16,783,518	\$15,783,518	\$15,783,519

5. INVESTMENTS PORTFOLIO PERFORMANCE (12 Month Average)



6. INTEREST REVENUE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$626,560	\$633,380	\$1,238,889

7. COMPLIANCE WITH INVESTMENT POLICY

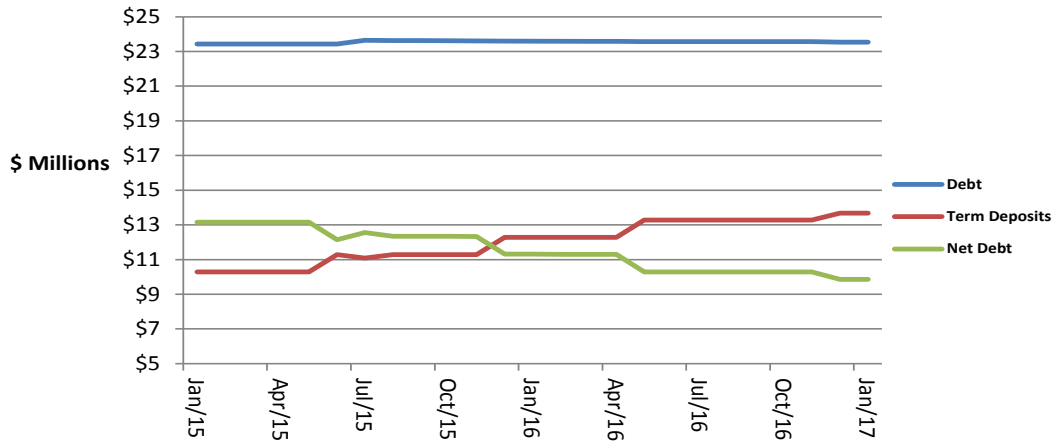
All term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

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

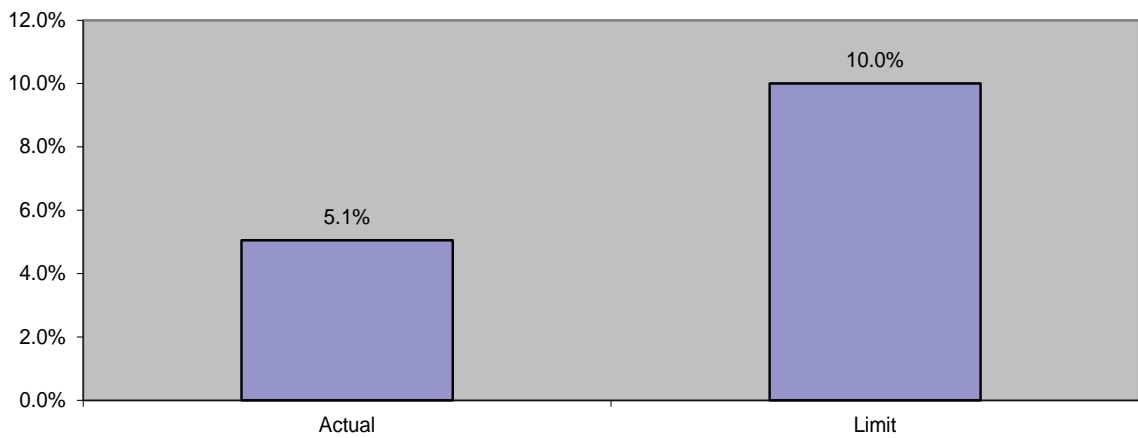
	This Month 28 Feb-17	Last Month 31 Jan-17	Last Year 30 Jun-16
External Debt:			
Westpac Loan Facility	3,433,860	3,433,860	3,433,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
EECA Loan	106,030	106,030	145,824
	\$23,539,890	\$23,539,890	\$23,579,684
Weighted Average Interest Cost	4.60%	4.60%	4.60%
Net Debt:			
Total Borrowings	23,539,890	23,539,890	23,579,684
Less: Term Deposits	16,783,518	15,783,518	15,783,518
	\$6,756,371	\$7,756,371	\$7,796,166

9. DEBT AND INVESTMENTS 3-YEAR TREND

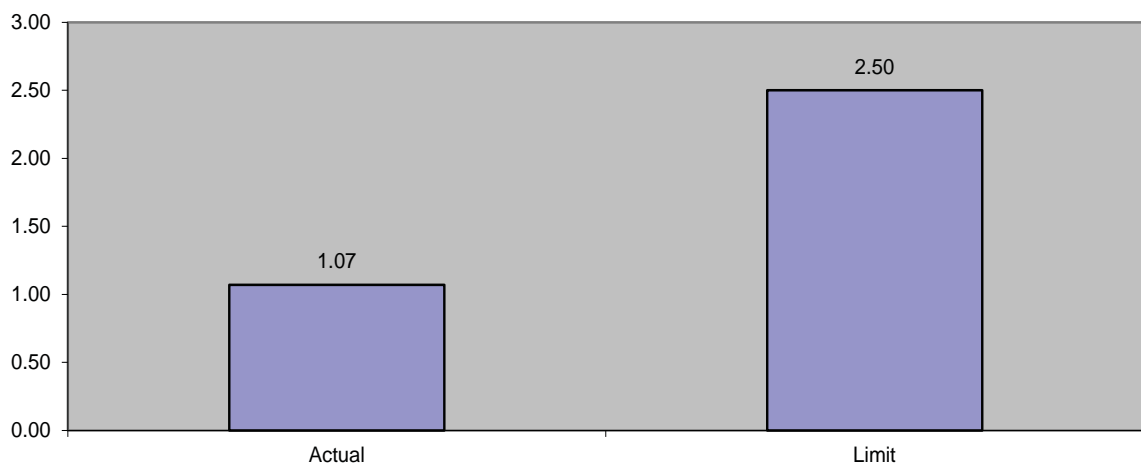


10. COMPLIANCE WITH TREASURY POLICY

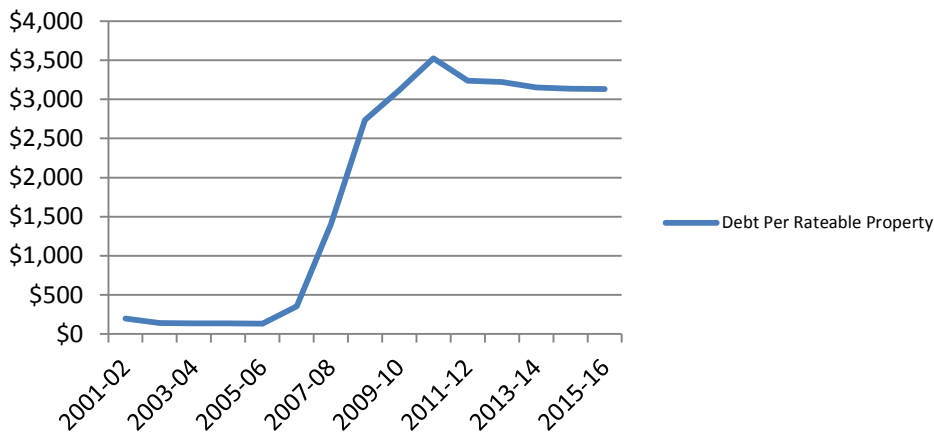
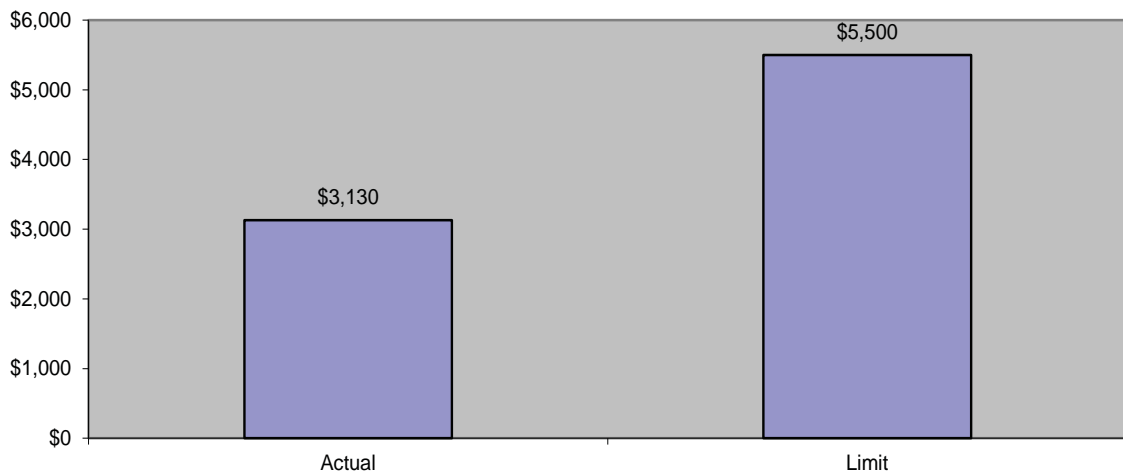
10.1 Interest Expense / Total Income



10.2 Gross Debt / Total Income



10.3 Gross Debt per Rateable Property



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

15 MARCH 2017

Agenda Item No 6

Prepared by - Lynn Brooks
- Management Accountant

Prepared by - Dean Phibbs
- Manager Corporate Services

BULLER HOLDINGS LTD: FINANCIAL REPORT TO 31 DECEMBER 2016

1. REPORT SUMMARY:

In accordance with section 66 of the Local Government Act 2002 Council Controlled Organisations must deliver a half yearly report to shareholders.

This report presents the interim (unaudited) financial statements for the six month period ended 31 December 2016 including the budget for this period. The report also presents results against the Statement of Intent targets which are non-financial measures.

2. RECOMMENDATION/DRAFT RESOLUTION:

That the Interim Financial Report be received for information and discussion.

That the Finance and Audit Committee recommends the Interim Financial Report received from Buller Holdings Limited is accepted by Council.

3. ISSUES & DISCUSSION

This report is presented to Council to monitor Buller Holdings Limited financial results.

Buller District Council owns 100% of the shares in Buller Holdings Limited, therefore Buller Holdings Limited is deemed to be a Council Controlled Organisation.

In accordance with section 66 of the Local Government act 2002, Council Controlled Organisations must deliver a half yearly report to shareholders. The report must include the information required by its statement of intent.

Commentary on the results of each area of Buller Holdings Limited operations which are Westport Harbour Limited, WestReef Services Limited, Buller Recreations Limited (trading as the Solid Energy Centre) are set out in the accompanying report at pages ** to **. This information should be read in conjunction with the financial statements to provide detail about the reported results of \$415,000 revenue above budget, and \$252,000 expenditure below budget.

4. CONSIDERATIONS

4.1. Strategic impact

Buller Holdings Limited is a holding company that was set up to provide a commercial focus in the governance and management of the Buller District Council's commercial assets. The aim of the group is to operate as a successful company and provide a competitive rate of return on the investments of the company.

4.2. Significance assessment

The significance and engagement 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 by nature.

4.3. Risk analysis

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

This report provides oversight of the financial operations of Buller Holdings Limited, but does not elaborate on other risks which may be present with those operations. Risk is mitigated by engaging suitably qualified Directors to oversee the operations of the group, and to have a dedicated Committee of Council to oversee and report upon the operations of the group. This Committee is the Council Controlled Trading Organisations Committee.

Financial risk is mitigated when the results of operations are reported on and understood by staff and governance, and provision of the interim report to the Finance and Audit Committee, then to all of Council is made.

4.4. Policy / legal considerations

Section 66 (1) of the Local Government Act 2002 governs the activities of Buller District Council and sets out the requirement to present a half yearly report to shareholders.

The legislation requires that within 2 months after the end of the first half of each financial year, the board of a council-controlled organisation must deliver to the shareholders a report on the organisation's operations during that half year.

4.5. Tangata whenua consultation considerations

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

4.6. Views of those affected

The provision of services through the holdings company model and the type and nature of those services are consulted upon annually as part of the Annual Plan of Council.

4.7. Costs

There are no extraordinary costs included in the attached reports, nor is there any additional costs raised due to the submission of this report.

4.8. Benefits

The benefits of reviewing the half yearly report is the financial results are monitored at a Council wide level.

4.9. Media / publicity

There are no media or publicity opportunities with this report.

Financial Report (unaudited)

For

Buller Holdings Ltd

For the Period Ending 31 December 2016

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Directors Report to the shareholders of Buller Holdings Ltd on the financial performance for the six months to 31 December 2016:

Commentary:

The result for the first 6 months of the group financial year is currently tracking ahead of budget expectations and is very pleasing given the trying trading conditions currently being experienced across the group. Revenue is up when compared with budget expectations throughout the first half of the financial year. Group expenditure has tracked under budget with savings made within all the subsidiary companies leading to a positive first half result which is ahead of budget. During the period a subvention payment of \$475,000 was paid to the shareholder.

A wetter than average period has provided a challenging environment for the contracting activities of WestReef with a number of weather delays being experienced during the period. The subsequent detour of SH1 traffic via the Lewis Pass following the Kaikoura earthquake has placed pressure on resources across the road maintenance teams as WestReef responds to this additional work. Going forward this event, plus BDC capital works and some further NZTA safety improvements, see WestReef with a very full forward work program.

Following the completion of the Nelson out port dredging contract the Kawatiri completed its annual dry dock survey and repairs and maintenance. This was completed in line with budget. The dredge was then deployed to Eastland Port (Gisborne) to carry out maintenance dredging work which will continue through until late February. This combined with a small amount of maintenance dredging at Center Port, Wellington, will provide a significant boost for WHL when compared to the budget and we are hopeful of securing further work at both ports going forward.

Patronage at Buller Recreation Ltd continues to be below past years and not unexpected given the current challenges presented by the downturn in economic activity in Westport. However this has been offset by cost savings across the business and continued support of high return products for the Centre. Fitness membership have increased following a recent marketing campaign with predominantly 12 month memberships being taken up. It is anticipated these will continue to deliver benefits throughout the year.

Health and Safety continues to be a focus of the Board and it was pleasing to see that there were no significant H & S events occurring in the period.

However the group remains cautious about trading conditions due predominately to the local economic conditions being experienced. The short term forward work load is positive as previously mentioned via the Kaikoura Earthquakes and out-port dredging work at Eastland port. We are confident that BHL will meet its budgeted profit by year end.

The Group continues to look for new opportunities for the individual companies. WHL is the biggest challenge. The Board is holding a planning day in Feb to review the strategy going forward.

A commentary against key indicators is contained in the next section of the report.

Statement of Intent Targets:

The targets as set out in the individual statements of intent for each subsidiary are shown below with an update of progress:

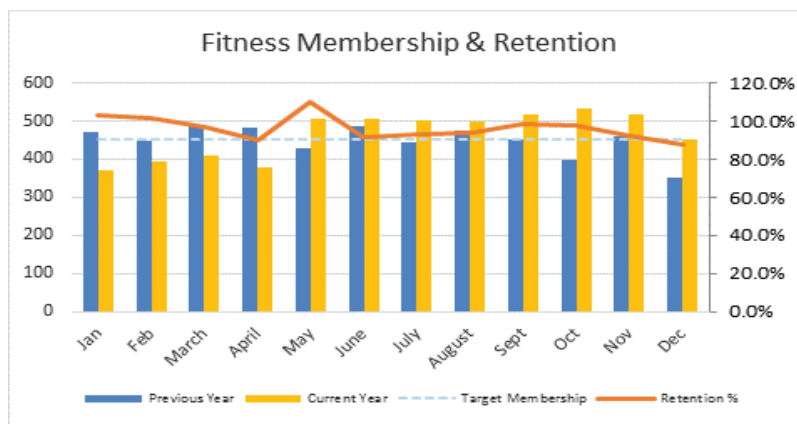
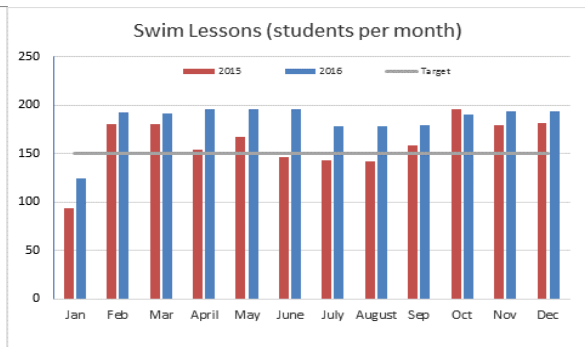
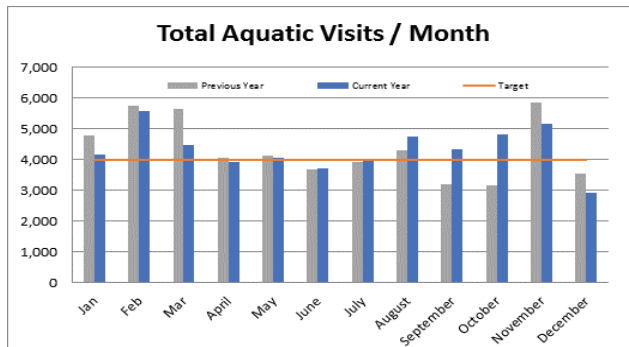
Buller Holdings Limited

Performance Measure	Target	Achievement
Service Performance	<p>The Board of Directors will meet with the Buller District Council CCTO committee on a formal basis a minimum of three times a year and at other times by request.</p> <p>The Chief Executive will provide a formal and or informal report to Council as requested</p> <p>Buller Holdings directors and staff will adhere to the requirements of the protocols and charter agreed with BDC</p> <p>The Chief Executive of Buller Holdings Ltd will meet with the Chief Executive of Buller District Council six times a year.</p>	<p>Council CCTO Committee have met with the board on 26/08/16</p> <p>12/12/16</p> <p>No reports requested during period.</p> <p>Requirement achieved</p> <p>2 meetings YTD</p>

Buller Recreation

Performance Measure	Target	Achievement
Financial Performance	Revenue and expenditure in line with budget	YTD revenue 6% above budget YTD expenditure below budget by 1%
Service Performance	<p>Fitness membership- 450 members</p> <p>Retention rate >75%</p> <p>Aquatic Services</p> <p>4000 visits per month (12 month average)</p> <p>150 swimming students (averaged 4 swimming terms)</p> <p>Safety</p> <p>Nil serious harm incidents to customers or staff</p> <p>100% compliance with H & S procedures</p>	<p>Currently at 453 for December. Average = 465 for last 12 months.</p> <p>87%</p> <p>Average 4323 for last 12 months</p> <p>184</p> <p>Nil</p> <p>Achieved</p>
Employee Leadership, Development and Retention	<p>Undertake staff satisfaction survey or 360° survey of management to provide feedback on staff engagement and benchmark</p> <p>Hold Bi-monthly meetings with all staff to ensure regular communication with management</p> <p>Review the succession plan for key positions and identify training needs and actions for the next 12 months</p> <p>Complete annual review process with all staff to ensure staff are working to their full potential</p>	<p>Completed</p> <p>Meetings held as every four months</p> <p>Completed</p> <p>Completed</p>
Asset management Plan (AMP)	<p>Maintain a comprehensive AMP for the facility, plant and equipment</p> <p>Complete maintenance and replacement in accordance with AMP (monitor monthly)</p>	<p>Updated and reviewed December 2016</p> <p>Achieved</p>

Buller Recreation Trend Graphs:



WestReef Services Ltd

Performance Measure	Target	Achievement
Financial Performance	<p>Achieve a pre-tax operating profit 10% of gross revenue (before any subvention payment)</p> <p>Grow revenue from competitively procured work – target 35% of gross revenue</p>	<p>11% YTD</p> <p>47% YTD</p>
Service Performance	<p>Renewal of TQS1 certification</p> <p>Meet monthly with major clients, BDC engineers and stakeholders/ minimum of 10 meetings per year to obtain feedback on specific contract performance.</p> <p>Support activities involved with the social and environmental development in the community. Support six activities</p>	<p>Achieved</p> <p>6 YTD</p> <p>15 YTD</p>
Employee Leadership, Development and Retention	<p>Undertake staff satisfaction survey or 360” review of management to provide feedback on staff engagement and a benchmark for future years</p> <p>Ensure succession plans are in place for all senior management positions</p> <p>Weekly staff meetings with minutes kept</p> <p>Lost time incidents <5% of total hours</p>	<p>Survey completed December 16</p> <p>Achieved</p> <p>Achieved</p> <p>0.00% YTD (MVA) Achieved</p>

Westport Harbour Ltd

Performance Measure	Target	Achievement
Financial Performance	Pre-tax operating profit before dredge slip/maintenance of at least 9% of gross revenue Pursue all opportunities for growth in business	Not achieved Ongoing
Service Performance	Maintain by Dredging: <ul style="list-style-type: none"> • A bar depth of >2.8m at chart datum (CD) • An average river depth in the main navigation channel of 3.8m at CD • Sufficient depths for vessel requirements at wharves & jetties • Consistently deliver services to customers in accordance with contracts 	Revised to 2.0m (post Holcim). YTD Nil days at <2.0m recorded 3 days at <2.8 recorded Achieved - soundings indicating min depth of 3.8m Achieved -regular soundings to support vessel requirements Achieved
Personnel	Maintain competency levels required for all employees to deliver high quality performance in their duties Undertake staff satisfaction survey or 360° review of management to provide feedback on staff engagement and a benchmark for future years	Achieved – all seafarer medicals and certification are current Not Achieved – due to restructuring survey has not yet been completed
Safety	Maintain a comprehensive system of H&S procedures involving all employees in identifying risks and hazards and striving to eliminate or mitigate these.	MNZ approved “Safety Management System” 5 x monthly meetings held. No Lost time Injuries YTD

	Promote a safety first/zero harm culture. LTI target is zero	
Environment	<p>Avoid harm to environment as consequence of port operations</p> <p>Maintain high quality response to managing any environmental damage under the direction of the West Coast Regional Council</p>	<p>No incidents of environmental damage</p> <p>Oil Spill Response Training up to date</p>

Brian Wood

Chairman

STATEMENT OF FINANCIAL PERFORMANCE

For the period ending 31 December 2016

	ACTUAL	BUDGET	ACTUAL	BUDGET
	GROUP	GROUP	PARENT	PARENT
	\$000	\$000	\$000	\$000
Revenue	6,929	6514	568	273
Expenses	6,954	7206	246	267
	-25	-692	322	6
Less Subvention payment made	-475	-	-	-
OPERATING SURPLUS/(DEFICIT) before taxation	-500	-692	322	6

For the period ending 31 December 2015

	ACTUAL	BUDGET	ACTUAL	BUDGET
	GROUP	GROUP	PARENT	PARENT
	\$000	\$000	\$000	\$000
Revenue	7,430	7,293	325	275
Expenses	6,869	6,975	273	267
	561	318	52	8
Less Subvention payment made	-	-	-	-
OPERATING SURPLUS/(DEFICIT) before taxation	561	318	52	8

STATEMENT OF CHANGES IN EQUITY

For the period ending 31 December 2016

	Actual			Actual		
	Group			Parent		
	Share Capital	Retained Earnings	Total Equity	Share Capital	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance 01 July 2016	19,131	-3,001	16,130	19,131	-3,434	15,699
Profit for the period	-	-500	-	-	322	322
	19,131	-3,500	15,631	19,131	-3,112	16,060
Transactions with owners, recorded directly in equity						
Issued capital	42	-	-	42	-	-
Less dividend paid to shareholders	-	-	-	-	-	-
	42	-	-	19,172	-3,112	16,060
Closing balance 31 December 2016	19,172	-3,500	15,672	19,172	-3,112	16,060

For the period ending 31 December 2015

	Actual			Actual		
	Group			Parent		
	Share Capital	Retained Earnings	Total Equity	Share Capital	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance 01 July 2015 Rounding	19,076	-3,655	15,420	19,076	-3,105	15,971
Profit for the period	-	561	-	-	52	52
	19,076	-3,094	15,982	19,076	-3,053	16,023
Transactions with owners, recorded directly in equity						
Issued capital	55	-	55	55	-	55
Less dividend paid to shareholders	-	-	-	-	-	-
	-	-	-	-	-	-
Closing balance 31 December 2015	19,131	-3,094	16,037	19,131	-3,053	16,078

STATEMENT OF CASH FLOWS
For the period ending 31 December 2016

	GROUP	PARENT	GROUP	PARENT
	\$000	\$000	\$000	\$000
	2016		2015	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Management fees	448	167	547	267
Receipts from Customers	8,809	184	8137	94
Interest received	16	7	20	14
	<u>9,273</u>	<u>358</u>	<u>8,704</u>	<u>375</u>
Cash was distributed to:				
Payments to suppliers and employees	8,789	402	8,515	397
Taxes paid	-	-	-	-
Interest paid	-	-	-	-
	<u>8,789</u>	<u>402</u>	<u>8,515</u>	<u>397</u>
Net cash inflow/(outflow) from operating activities	<u>484</u>	<u>-44</u>	<u>189</u>	<u>-22</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Realisation of term investments	-	-	1,780	580
Proceeds from sale of fixed assets	-	-	-	-
Loan repayments	-	6	-	6
	<u>-</u>	<u>6</u>	<u>1,780</u>	<u>586</u>
Cash was applied to:				
Term investments	1,007	-	1,133	900
Repayment of loan	40	-	40	-

Purchase of fixed assets	125	-	1,282	-
	<u>1,172</u>	<u>0</u>	<u>2,455</u>	<u>900</u>
Net cash inflow/(outflow) from investment activities	<u>-1,172</u>	<u>6</u>	<u>-675</u>	<u>-314</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash was provided from:

Dividends received	-	300	-	-
Share Issue	<u>42</u>	<u>42</u>	<u>55</u>	<u>55</u>
	<u>42</u>	<u>342</u>	<u>55</u>	<u>55</u>

Cash was applied to:

Dividends paid	-	-	-	-
Share Issue	-	42	-	55
Subvention payment made	<u>475</u>	<u>-</u>	<u>578</u>	<u>578</u>
Inter Company Loan	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>
	<u>475</u>	<u>442</u>	<u>578</u>	<u>633</u>
Net cash inflow/(outflow) from financing activities	<u>-433</u>	<u>-100</u>	<u>-523</u>	<u>-578</u>

Net increase in cash held	-1,121	-138	-1,009	-914
Add opening cash as at 1 July 2016	<u>2,564</u>	<u>586</u>	<u>2,975</u>	<u>1,076</u>
Closing cash balance	<u>1,443</u>	<u>448</u>	<u>1,966</u>	<u>162</u>
Made up of:				
Bank	<u>1,443</u>	<u>448</u>	<u>1,966</u>	<u>162</u>
Closing cash balance	<u>1,443</u>	<u>448</u>	<u>1,966</u>	<u>162</u>

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Group	Parent	Group	Parent
	\$000	\$000	\$000	\$000
EQUITY	2016	2016	2015	2015
Share capital	19,172	19,172	19,131	19,131
Accumulated Funds	-500	322	561	52
Retained earnings	-3,000	-3,434	-3,655	-3,105
	15,672	16,060	16,037	16,078

REPRESENTED BY:

ASSETS

Current Assets

Cash and short term deposits	1,443	448	1,967	162
Receivable and prepayments	1,257	48	1,219	54
Inventories	267	0	276	0
Short Term Investments	1,007	0	333	333
Distribution Receivable	0	0	0	0
Other	0	454	0	66
Total current assets	3,974	950	3,795	615

Non-current assets

Deferred tax	190	16	194	10
Fixed assets	17,800	380	18,620	380
Goodwill	389	0	389	0
Investment in Subsidiaries	0	17,614	0	17,572

Total non-current assets	18,379	18,010	19,203	17,962
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Total Assets	22,353	18,960	22,998	18,577
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LIABILITIES

Current liabilities

Payables and accruals	963	76	984	79
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Employee entitlements	731	60	799	56
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Provision for Subvention	400	400	0	0
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Total current liabilities	2,094	536	1,783	135
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Non current liabilities

Advance BDC	0	0	479	0
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Deferred Tax	2,117	0	2,163	0
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Buller District Council and EECA Loan	2,470	2,364	2,535	2,364
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Total non-current liabilities	4,587	2,364	5,177	2,364
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Total liabilities	6,681	2,900	6,960	2,499
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Net Assets	15,672	16,060	16,038	16,078
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FINANCE AND AUDIT COMMITTEE

15 MARCH 2017

Agenda Item No 7

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

AUDIT MANAGEMENT ACTION POINTS

RECOMMENDATION/DRAFT RESOLUTION:

The recommendation is this report be accepted for information and discussion purposes.

AUDIT MANAGEMENT ACTION POINTS

2017						
No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
1	Valuation of Council's investment in subsidiaries	Recommended that Council performs an annual formal impairment assessment of its investment in its subsidiary in accordance with the accounting standards.	Manager Corporate Services	In progress	Council would have provided an assessment of the value of its investment in BHL if this was requested by Audit NZ. Council staff had input into the determination/assessment of the carrying value of the subsidiaries particularly BRL and WHL for the 2015/2016 year, hence the reliance on the in-house assessment conducted by BHL. Based on current information on BRL and WHL in particular, and information WSL, Council staff believed little had changed in regards to the FB of those entities' from the 2014/2015 assessment, and that the FV of the investment in BHL exceeded the carrying value with plenty to spare.	Completed
2	Payment dates for metered water rates	Recommended that Council review its rates resolution and, if appropriate, seek independent advice over whether its resolution meets the requirements of section 24 of the Local Government (Rating) Act 2002 for payment dates for targeted water rates.	Manager Corporate Services	In progress	Council have noted this for inclusion in the 2017/2018 Annual Plan process.	Completed
3	Mandatory performance measures	Recommended that for future significant changes, to the Council's reporting obligations, that it establishes a project team, with a clear project brief, to ensure that it meets its obligations.	Manager Corporate Services	In progress	Council staff are aware of the necessity to record information for the mandatory performance measures and the team members will report progress to the Manager on a three-monthly basis.	Completed

2016						
No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
7	Non-financial performance reporting	Key non-financial performance measures should be reported to management and Council throughout the year.	Manager Corporate Services	In progress	Key non-financial information to be agreed with the management team and reported to Finance and Audit committee commencing January 2017.	Completed

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.	Operational 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 2017
2	Transfer of asset revaluation reserve for assets disposed of, be transferred to accumulated funds	No transfer is made.	Operational Accountant	In progress	Methodology to enable this to occur will be finalized and reserve adjustments processed in the 2015/16 financial year Will be completed during an revaluation year which is scheduled June 2017.	June 2017
4	Internal audit	No formal internal audit reviews were performed in 2014/15	Manager Corporate Services	In progress	Resources have been fully deployed on the Rates Overhaul and LTP this year. An internal assessment of the QV use codes was carried out after year end and in 2015/16 a full internet audit of rates processes will be undertaken with a formal audit report produced. To be incorporated with 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 2017/2018 at the earliest.	June 2017

FINANCE WORK PLAN

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
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												
- Interim Accounts Airport		- Draft SOI			- Final SOI							
- Budget Carry Overs									- 2017 Carryovers			
- BHL SOIs		- Draft				- Final SOI's						
Rates Overhaul Project												
- Rates Overhaul	- Workshop											
2017-18 Annual Plan												
- Annual Plan	- Workshop	- Workshop	- Workshop Adopt Draft Plan	- Consultation	- Roadshows - Hearings	- Adopt Final Plan						
2016-17 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						