



AGENDA

RĀRANGI TAKE

NOTICE OF MEETING OF THE

AUDIT AND RISK COMMITTEE

to be held on **Thursday 6th August** commencing at **1.00 pm** in the Council Chambers, 36 Weld Street, Hokitika and via Zoom

Chairperson: Rachael Dean

Members: His Worship the Mayor
Cr Neale
Kw Tumahai

Cr Hart
Kw Madgwick



In accordance with clause 25B of Schedule 7 of the Local Government Act 2002, members may attend the meeting by audio or audiovisual link

Council Vision:

We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) To promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

1. NGĀ WHAKAPAAHA APOLOGIES

(includes leave of absence notification)

2. WHAKAPUAKITANGA WHAIPĀNGA DECLARATIONS OF INTEREST

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or the Group Manager: Corporate Services (preferably before the meeting). It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

3. NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE URGENT ITEMS NOT ON THE AGENDA

Section 46A of the Local Government Official Information and Meetings Act 1987 states:

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
1.	Confidential Minutes – dated 07.05.2020	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason or withholding exists. Section 48(1)(a)
2.	Risk Report – August 2020	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason or withholding exists. Section 48(1)(a)
3.	Risk Management Manual Report Update	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason or withholding exists. Section 48(1)(a)
4.	Assessing Risk and Risk Profiles Post Covid-19	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason or withholding exists. Section 48(1)(a)
5.	Quarterly Whistleblower Report - August 2020	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason or withholding exists. Section 48(1)(a)
6.	ACFE Global Fraud Study 2020	Good reason to withhold exist under Section 7	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of

information for which good reason or withholding exists.

Section 48(1)(a)

**DATE OF NEXT AUDIT AND RISK COMMITTEE MEETING
THURSDAY 5TH NOVEMBER 2020 AT 1PM
COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA AND VIA ZOOM**

06.08.2020 AUDIT AND RISK COMMITTEE – ACTION LISTING

Date	Item	Action Required	Status	Lead Officer
17.03.20	Terms of Reference – Audit and Risk Committee adopted 17.03.20	Terms of Reference to be included on the action list for review at the November 2020 meeting.	Add to the Committee workplan to be developed.	Group Manager: Corporate Services
17.03.20	Reserve Bank had undertaken community consultation on the use of cash.	Feedback on the outcome of the community consultation to be obtained from the Community Development Advisor.	Work was halted due to COVID, they will be resuming the project soon	Group Manager: Corporate Services

Report



DATE: 6 August 2020
TO: Audit and Risk Committee
FROM: Group Manager, Corporate Services

FINANCIAL PERFORMANCE: MAY 2020

1 SUMMARY

- 1.1 The purpose of this report is to provide an indication of Council's financial performance for 11 months to May 2020.
- 1.2 This issue arises from a requirement for sound financial governance and stewardship with regards to the financial performance and sustainability of a local authority.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which are set out in the Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that the Committee receive the financial performance report to May 2020, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 The Council receives monthly financial reporting so that it has current knowledge of its financial performance and position against targets and objectives adopted in the Long Term Plan 2018-28.
- 2.2 This allows for Council to understand the impact of the decisions made through these plans.
- 2.3 The Audit and Risk Committee receives a more detailed financial report on a quarterly basis.

3 CURRENT SITUATION

- 3.1 The report contains a sustainability report which provides an overview of the health of Councils financial position. The sustainability report measures Councils current performance against benchmarks, which are either required through the Financial Reporting and Prudence Regulations 2014, or the Local Government Funding Agency.
- 3.2 The report contains the standard financial statements including;
- 3.2.1 Comprehensive revenue and expense, which details the operating revenue and expenses of Council.
 - 3.2.2 Detailed notes are provided for each line within the statement of Comprehensive Revenue and Expense.
 - 3.2.3 The statement of Financial Position provides a snapshot of council's assets and liabilities both current and non-current.
 - 3.2.4 The next item is a summary around the spend and completion of council projects, the full details of project information is presented and discussed at the capital projects and tenders committee. Lack of asset information has been an issue for council over many years, this has impacted the completion of the capital projects.
- 3.3 The next section details the position on council loans and investments, including risk management steps to manage interest rate risk.
- 3.4 The section on debtors is split between other debtors and rates debtors.
- 3.4.1 The main area for consideration should be the age of debt.
 - 3.4.2 The sundry debtors balance at the end of May is lower than the previous year due to timing on an invoice the previous year.
 - 3.4.3 The rates debtors are higher than the same period the previous year, however this is due to the COVID-19 situation, the rates debt is likely to increase on a short-term basis due to rates deferrals and longer payment terms on current rates.
- 3.5 Historically council's debt management processes were poor, however with the arrival of a new rates officer in 2016, the Group Manager Corporate Services and rates officer together implemented an improved debt management process which has been working well and debt has been reducing progressively each year.
- 3.5.1 The process involves timely reminders being sent out.
 - 3.5.2 A pro-active relationship with the debt collection company.
 - 3.5.3 Regular review of debt payment plans and requests for increased amounts to pay off debt quicker.
 - 3.5.4 Abandoned land sales.

3.5.5 Mortgagee process, currently outsourced to the debt collection company but to be administered by the rates officer going forward to reduce the cost.

3.5.6 Although there has been significant improvement in the debt balance, staff did inform Councillors that it would likely plateau as there is some very old debt that is subject to payment plans that staff cannot influence (court order). However, staff are continuing work to reduce this debt.

3.6 The final section shows the position of Councils reserve funds, both Council created reserves and restricted reserves.

3.6.1 Council created reserves include depreciation reserves and township funds.

3.6.2 Restricted reserves were created for specific uses such as the Reserve Development Fund.

3.6.3 The Reserve Development Fund is currently showing a balance of \$440k however this balance does not include funds already committed through annual and long term plans.

4 OPTIONS

4.1 Option 1: Council can choose to receive the report or not.

5 SIGNIFICANCE AND ENGAGEMENT

5.1 The report is administrative in nature and although is of interest to the Community, the report is for information purposes only and consultation is not required.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

6.1 The report is for information only, the report is to inform the Committee on the financial position therefore financial implications are discussed within the body of the report itself.

7 RECOMMENDATION(S)

A) **THAT** Committee receive the Financial Performance Report to May 2020

Lesley Crichton
Group Manager, Corporate Services

Appendix 1: Financial Performance to May 2020



Financial Report to May 2020

April 2020 – May 2020

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Whole of Council Financial Summary

Sustainability report

Total revenue	Total expenditure	Total surplus/(deficit)
\$23.27M	\$22.66M	\$0.61M
Is 8.61% more than the total budget of \$21.42M	Is 8.00% more than the total budget of \$20.98M	Is 37.40% more than the total budget of \$0.44M

SUSTAINABILITY

Rates to operating revenue 62.37%

Rates Revenue	\$14.51M
Operating Revenue	\$23.27M

62.37% of operating revenue is derived from rates revenue. Rates revenue includes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, and asset revaluation gains.

Balanced budget ratio 102.68%

Operating revenue	\$23.27M
Operating expenditure	\$22.66M

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets and asset revaluation gains. Operating expenditure includes depreciation and excludes landfill liability and loss on asset revaluations. Year to date revenue is 102.68% of operating expenditure.

Interest to rates revenue (LGFA Cov.) 4.03%

Net interest and finance costs	\$0.59M
Rates Revenue	\$14.51M

4.03% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue includes penalties, water supply by meter and gross of remissions.

Interest to operating revenue 2.52%

Net Interest and finance costs	\$0.59M
Operating revenue	\$23.27M

2.52% of operating revenue is paid in interest. Our set limit is 10% of operating revenue. Net interest is interest paid less interest received.

Liquidity Risk (LGFA Cov.)**140.90%**

Gross debt	\$18.62M
Undrawn committed facilities	\$3.98M
Cash and cash equivalents	\$3.63M

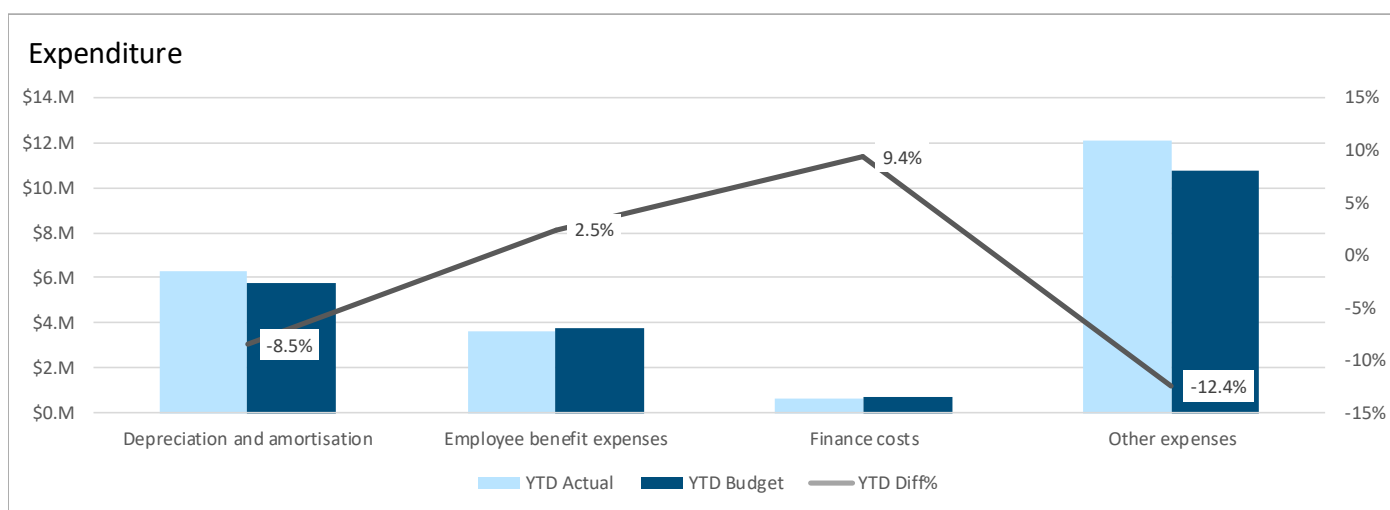
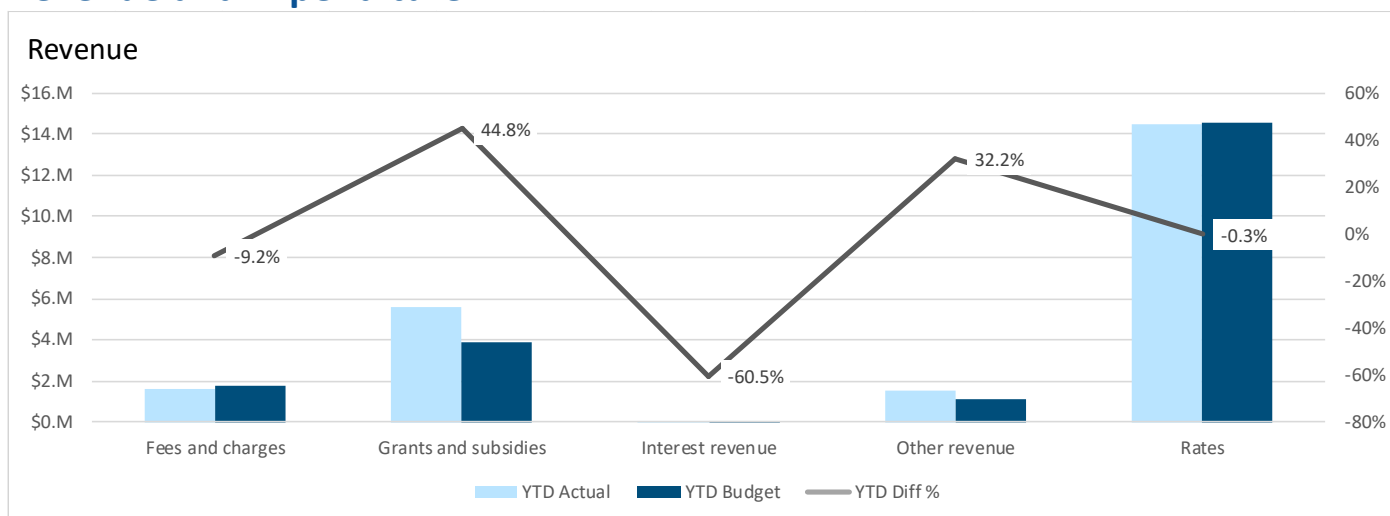
The liquidity risk policy requires us to maintain a minimum ratio of 110% which is also an LGFA covenant. Our current liquidity risk is 140.90%

Essential services ratio**108.94%**

Capital expenditure	\$5.37M
Depreciation	\$4.93M

Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 108.94% of depreciation. Essential Services are Water Supply, Wastewater, Stormwater and Rooding.

Revenue and Expenditure



Statement of Comprehensive Revenue and Expenditure

Statement of Comprehensive Revenue and Expense							
For the period ended May 2020							
	Notes	Full Year Forecast (\$000)	Full Year Budget (\$000)	YTD Budget (\$000)	Actual YTD (\$000)	Variance YTD (\$000)	Var/Bud %
Revenue							
Rates	01	16,225	16,437	14,562	14,513	(49)	-0.3%
Grants and subsidies	02	5,898	4,162	3,873	5,609	1,736	44.8%
Interest Revenue	03	54	82	75	30	(45)	-60.5%
Fees and Charges	04	1,774	1,951	1,782	1,618	(163)	-9.2%
Other revenue	05	1,909	1,419	1,133	1,498	365	32.2%
Total operating revenue		25,859	24,049	21,424	23,268	1,844	8.6%
Expenditure							
Employee Benefit expenses	06	4,002	4,090	3,742	3,649	(92)	-2.5%
Finance Costs	07	704	740	678	615	(64)	-9.4%
Depreciation	08	6,868	6,316	5,789	6,283	493	8.5%
Other expenses	09	13,142	11,836	10,772	12,113	1,341	12.4%
Total operating expenditure		24,716	22,982	20,982	22,660	1,678	8.0%
Operating Surplus/(Deficit)		1,143	1,068	443	608	166	37.4%

Notes to the Statement of Comprehensive Revenue and Expense

Comments are provided on permanent variances over \$25,000 only

Note 1 - Rates						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Rates	\$16,437	\$14,562	\$14,513	-\$49	0%	Actual rates income is lower than budgeted mainly due to an unbugeted Rates remission granted to Glenfern Villas as a result of changing their ownership structure.
Total - Rates	\$16,437	\$14,562	\$14,513	-\$49	0%	
Note 2 - Grants and subsidies						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Grants & Contributions	\$1,943	\$1,781	\$2,257	\$476	27%	Actual income is higher than planned due to unbudgeted grants received for these projects: \$500k for Carnegie building, \$234k for Responsible camping , \$364k for WCWT and \$449k for Franz campervan waste disposal . This higher than planned variance is partially Offset by lower than planned NZTA grant income due to lower spending on roading projects.
Capital Subsidies	\$2,219	\$2,092	\$3,352	\$1,260	60%	Actual Capital subsidies income is higher than planned mainly due to the unbudgeted conveniences grants of \$1.1M and Kumara water supply MoH grant of \$242k received during the year.
Total - Grants and other subsidies	\$4,162	\$3,873	\$5,609	\$1,736	45%	
Note 3 - Interest Revenue						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Interest Revenue	\$82	\$75	\$30	-\$45	-61%	Interest revenue is lower than planned due to declining interest rates in the market.
Total - Interest Revenue	\$82	\$75	\$30	-\$45	-61%	

Note 4 - Fees and Charges

	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Friends of the Library	\$2	\$2	\$2	\$1	31%	
Inspection Fees	\$195	\$179	\$165	-\$14	-8%	
Rental	\$	\$	\$	\$	0%	
Amusement Device Licen	\$	\$	\$	\$	0%	
Building Accreditation	\$28	\$26	\$17	-\$8	-33%	
Building Checks	\$8	\$8	\$5	-\$2	-33%	
Building Consents	\$79	\$72	\$74	\$2	3%	
Burial Fees	\$32	\$29	\$25	-\$4	-14%	
Camping Ground Licence	\$5	\$5	\$8	\$3	65%	
Cass Square Hire Char	\$7	\$6	\$	-\$6	-98%	
Compliance Certificates	\$50	\$46	\$47	\$1	2%	
Compliance Schedule Fee	\$36	\$33	\$28	-\$5	-16%	
DVD Rental	\$7	\$6	\$5	-\$1	-14%	
Land Information Memo	\$41	\$37	\$44	\$6	17%	
Liquor Licenses	\$130	\$119	\$116	-\$3	-2%	
Monitoring Revenue	\$8	\$7	\$1	-\$7	-88%	
Photocopying Revenue	\$5	\$5	\$4	-\$1	-13%	
Plant Hire	\$119	\$109	\$120	\$10	10%	
Processing Fees	\$159	\$146	\$176	\$30	21%	
Project Information	\$	\$	\$1	\$	84%	
Refuse Site Fees	\$813	\$745	\$647	-\$98	-13%	This is mainly due to lower than expected refuse fees received from Hokitika (\$254k under) partially offset by higher than planned refuse fees received from Franz Josef collections (\$176k over) as it was used as an alternative transfer station to Fox Glacier during the flood event. YTD actuals seem reasonable as per managers and it looks like the budget is overstated.
Resource Consents	\$82	\$75	\$65	-\$10	-13%	
Trade Waste Fees	\$107	\$98	\$52	-\$46	-47%	Actual income is lower than planned due to operational reasons.
Waste Levy	\$38	\$29	\$16	-\$13	-44%	
Total - Fees and charges	\$1,951	\$1,782	\$1,618	-\$163	-9%	

Note 5 - Other Revenue

	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Imbalances	\$	\$	\$	\$	0%	
Impounding Fees	\$1	\$	\$4	\$4	872%	
Interloans	\$1	\$	\$1	\$	50%	
Nomination Fees	\$5	\$5	\$8	\$3	49%	
Petrol Tax Income	\$133	\$122	\$89	-\$32	-27%	
Rental	\$58	\$54	\$54	\$	0%	
Reserve Fund Revenue	\$40	\$37	\$119	\$83	226%	Mainly due to unbudgeted Mayoral flood fund (\$50k) received from NEMA.
Telephone	\$	\$	\$	\$	10%	
Funeral Parlour Licences	\$	\$	\$	\$	23%	
Capital Contributions	\$13	\$12	\$26	\$14	113%	
Dividends	\$520	\$300	\$200	-\$100	-33%	
Dogs Registration	\$107	\$107	\$113	\$6	5%	
Fees-Other Activs	\$	\$	\$13	\$13	0%	
Fees-TNZ	\$	\$	\$	\$	0%	
Fines	\$22	\$20	\$20	\$	-1%	
Food Premises Licences	\$48	\$44	\$28	-\$16	-36%	
Gain on Swap	\$	\$	\$266	\$266	0%	Swap values will change due to market conditions which is difficult to estimate when setting the budget and hence the variance from the budget.
Hairdressers Licences	\$2	\$2	\$2	\$1	51%	
Hawkers Licences	\$2	\$1	\$2	\$	30%	
Legal Fees Recovered	\$18	\$17	\$	-\$17	-100%	
LIBRAR - Donations	\$2	\$2	\$1	-\$1	-59%	
Mobile Shop Licences	\$2	\$2	\$5	\$4	198%	
Offensive Trade Licences	\$1	\$1	\$1	\$	11%	
PLBUILD - Commission	\$1	\$1	\$2	\$1	103%	
Postage recoveries	\$	\$	\$	\$	-100%	
Recoveries	\$415	\$381	\$254	-\$127	-33%	This is lower than planned as we have in house professionals now to provide specialized services which was previously outsourced and recovered from customers.
Retail Sales	\$1	\$1	\$5	\$5	723%	
Sundry Income	\$27	\$24	\$282	\$258	1053%	Actual is higher than planned due to \$250k received from Westland Racing Club as part of their asset transfer to the Council.
Total - Other Revenue	\$1,419	\$1,133	\$1,498	\$365	32%	

Note 6 - Employee Benefit expenses

	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Salaries & Wages	\$3,959	\$3,629	\$3,536	-\$93	-3%	Mainly due to vacancies in District Assets and Resource Management.
Superannuation	\$119	\$109	\$109	\$	0%	
ACC Levy	\$13	\$4	\$5	\$	10%	
Total - Employee Benefit expenses	\$4,090	\$3,742	\$3,649	-\$92	-2%	

Note 7 - Finance Costs						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Finance Costs	\$740	\$678	\$615	-\$64	-9%	This variance is mainly due to lower than expected interest rate prevailing in the market and efficient liquidity management.
Total - Finance Costs	\$740	\$678	\$615	-\$64	-9%	
Note 8 - Depreciation						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Depreciation and Amortisation	\$6,316	\$5,789	\$6,283	\$493	9%	Current year actual depreciation is calculated using last year's revalued assets, which were not available when depreciation budgets were set up for 2019/2020 Annual Plan.
Total - Depreciation	\$6,316	\$5,789	\$6,283	\$493	9%	
Note 9 - Other expenses						
	Annual Plan (000's)	Annual Plan YTD (000's)	Actual YTD (000's)	Variance YTD (000's)	Var/Bud %	Notes
Administrative Expenses	\$630	\$578	\$522	-\$56	-10%	
Bad Debt Provision	\$	\$	\$124	\$124	0%	This is due to an unbudgeted provision for doubtful debt to account for the impact on debtors from COVID 19.
Contractors	\$446	\$409	\$735	\$326	80%	This is mainly due to unbudgeted contractor cost incurred on following projects; - Asset Management Plan. - Civil Defence work due to December flood event.
Electricity	\$338	\$309	\$309	\$	0%	
Honorarium	\$280	\$257	\$279	\$22	9%	
Insurance	\$266	\$266	\$431	\$165	62%	Mainly due to increase in insurance premiums.
Loss on Swaps	\$183	\$168	\$562	\$394	235%	Swap values will change due to market conditions which is difficult to estimate when setting the budget and hence the variance from the budget. This loss is partially offset by the gain reported under Other Revenue (Note 05).
Maintenance	\$4,197	\$3,847	\$3,735	-\$112	-3%	
Management Contracts	\$1,837	\$1,684	\$1,674	-\$10	-1%	
Other Expenses	\$2,381	\$2,063	\$2,592	\$529	26%	Actual cost is higher than planned mainly due to unbudgeted Three mile grant payment to Hokitika Lion for Lazar Park and unbudgeted Emergency Storm repair work.
Professional Services	\$296	\$272	\$205	-\$67	-25%	This is mainly due to lower than expected legal fees and consultant fees.
Rates	\$219	\$219	\$234	\$15	7%	
Refuse Collections	\$762	\$699	\$711	\$12	2%	
Total - Other expenses	\$11,836	\$10,772	\$12,113	\$1,341	12.4%	

Statement of Financial Position

Statement of Financial Position				
As at May 2020				
	May YTD (\$'000)	April YTD (\$'000)	2019/20 Annual Plan	2018/19 Actual
Current Assets				
Cash & cash equivalents	4,355	4,299	2,570	2,589
Debtors & other receivables	1,467	3,880	1,919	4,676
Total Current Assets	5,822	8,179	4,489	7,265
Non-current Assets				
Council Controlled Organisation	8,695	8,695	8,695	8,695
Intangible assets	79	82	80	117
Assets Under Construction	12,173	11,672	1,309	4,458
Other Financial Assets	366	366	69	368
Property, Plant and Equipment	394,987	395,554	463,166	401,260
Total Non-current assets	416,300	416,369	473,319	414,898
Total Assets	422,122	424,548	477,808	422,163
Current Liabilities				
Creditors & other payables	1,917	3,073	2,453	2,845
Employee benefit liabilities	436	387	205	368
Tax payable	3	3	3	3
Borrowings	-	1,000	-	-
Other	305	211	377	415
Total Current Liabilities	2,661	4,674	3,038	3,631
Non-current Liabilities				
Borrowings	18,618	18,618	24,339	18,618
Employee benefit liabilities	41	39	35	36
Provisions	2,480	2,480	2,089	2,480
Derivative financial instruments	1,197	1,108	800	882
Other Non-current liabilities	32	32	28	32
Total Non-Current Liabilities	22,368	22,277	27,291	22,048
Total Liabilities	25,030	26,951	30,329	25,679
Net Assets				
	397,092	397,596	447,479	396,484
Equity				
Retained earnings	148,143	148,647	144,742	147,535
Restricted Reserves	9,164	9,164	10,582	9,164
Revaluation reserves	239,721	239,721	292,091	239,721
Other comprehensive revenue and expense reserve	64	64	64	64
Total Equity	397,092	397,596	447,479	396,484

Capital Expenditure

CAPITAL EXPENDITURE 2019-2020				
	Full Year Annual Plan (AP)	YTD Actual Expenditure	YTD Spent as a % of AP	Notes
Community Services	10,250	-	0%	The bandrooms project is on hold at the moment.
Leadership	344,475	99,682	29%	Mainly due to delays in Information Management DMS project and Chambers refurbishment project. IT renewals project is also lower than planned and forecasting to carryover the projects into the next financial year.
Leisure Services & Facilities	649,118	263,667	41%	This is mainly due to delays in Civil Defence - EOC project.
Solid Waste	254,200	109,113	43%	This is mainly due to delay in the Butlers intermediate capping project.
Stormwater	1,840,125	48,372	3%	Except for the Hokitika - Mains upgrade programme, none of the projects have been started yet. This includes Hokitika Pump upgrade for Bealey, Tancred, Rolleston, Hoffman, Livingstone and weld projects. That is the reason for the lower capital spending compared to the annual plan. Some of the pump upgrade projects are unlikely to go ahead as planned in this year as indicated by the managers.
Transportation	2,765,448	1,649,065	60%	Although the YTD spending is low compared to the annual plan, managers have indicated that most of the capital projects will be completed before the year end. Some of the projects that have minimal capital expenditure compared to annual plan are Structures Component Replace project, Sealed Road Pavement Rehabilitation project, Local and SPR Low Cost Low Risk projects.
Wastewater	3,510,827	1,841,335	52%	Mainly due to delays in Hokitika - Outfall structure project and WWTP upgrade projects for Hokitika & Fox Glacier.
Water Supply	1,782,466	267,801	15%	YTD actual spending is lower than planned due to various operational reasons and managers are expecting that most of the projects will be carried over into the next financial year. Some of the low spending projects are Ross, Hari Hari and Franz Josef Mains upgrade programme, Arahura Water treatment plant project and Fox Glacier Plant upgrade project.
Total Capital Expenditure	11,156,909	4,279,036	38%	

Capital Expenditure - Carryovers

CAPITAL EXPENDITURE- 2019-2020 CARRYOVERS				
	Full Year Annual Plan (AP)	YTD Actual Expenditure	YTD Spent as a % of AP	Notes
Community Services	115,000	-	0%	Franz Josef Urban Revitalisation Plan is on hold.
Leadership	108,857	78,285	72%	Council Headquarters refurbishment work is ongoing and is expected to finish majority of the work by the end of the financial year.
Leisure Services & Facilities	2,338,676	1,582,167	68%	Haast conveniences, Sunset point and waterfront projects are ongoing and majority of the work is expected to be completed by end of this year.
Solid Waste	48,740	33,407	69%	Haast cell capping and new cell preparation has started and is expected to be completed in this financial year.
Stormwater	260,000	46,454	18%	Mainly work on Jollie St extension which is being re-scoped, Managers are expecting a delay with this project .
Transportation	125,000	-	0%	Footpaths work is expected to begin in the next financial year.
Wastewater	1,017,574	166,841	16%	Only Fox Glacier and Hokitika WWTP has started. Most projects are expected to be carried over into the next financial year due to capacity limitations.
Water Supply	744,232	437,527	59%	All the WTP projects have begun and are ongoing but unlikely to be completed within this financial year due to operational reasons. Low spending projects are Ross and Franz Josef Mains upgrade programme projects and Arahura water treatment plant project.
Total Carryover Capital Expenditure	4,758,079	2,344,681	49%	
Total Unbudgeted Capital Expenditure	1,524,630	893,597	59%	
Total Capital Expenditure	17,439,618	7,517,313	43%	

Treasury Report

Summary

The purpose of this section of the Quarterly Report is to provide an update on Council's Treasury Position as at **31 May 2020**.

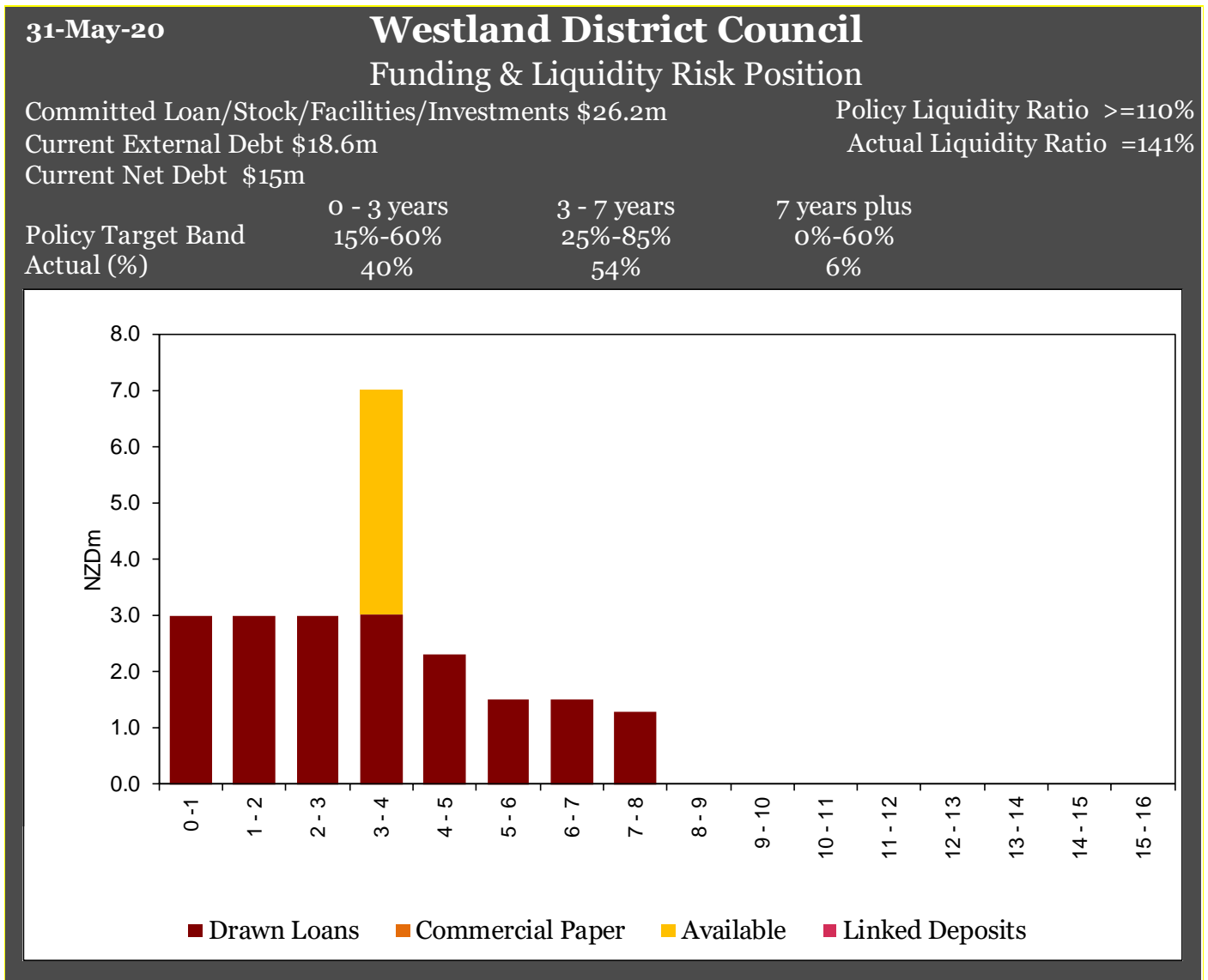
This section shows the Council's position for the following items:

- Loans
- Other Borrowings (if any)
- Swap
- Internal borrowing
- Cash Investments
- Deposits
- Debtors

Council has contracted PWC as an independent treasury adviser.

Loans

This chart illustrates the Council’s position in relation to the debt facility:



Liquidity and Funding Risk Control Limits:

Maturity band limits were amended in March 2020 to allow the council to have a greater flexibility while continue to enforce a spreading and smoothing approach to debt management. New bands are 0 - 3 years, 3 - 7 years and 7 years plus. Minimum and maximum percentage limits within each maturity band ensure a spread of maturities and reduces the risk of maturity concentrations.

Council’s policies require that we have liquidity cover of 110% of current debt. There are two facilities in place, one with Westpac with a borrowing limit of \$4m, a second with the Local Government Funding Agency has a borrowing limit of \$20m, providing a total facility of \$24m. The forecast debt for the current financial year is \$19.62m, with liquidity coverage at 147%.

Borrowing as at 31 May 2020 are as follows:

Amount	Rate	Maturity
18,352	1.400%	1/07/2023
3,000,000	0.270%	17/05/2021
3,000,000	0.270%	16/05/2022
3,000,000	0.435%	17/04/2023
3,000,000	0.435%	15/04/2024
2,300,000	0.435%	15/04/2025
1,500,000	0.435%	15/04/2026
1,500,000	3.877%	15/04/2027
1,300,000	0.435%	18/04/2028
18,618,352	Total	

Except the first line in the table above rest of the loans are obtained from LGFA. The interest rates shown above for LGFA bonds do not include the 0.6% to 1.0% margins charged by LGFA.

Swaps in place to protect against fluctuating interest rates are as follows:

Amount	Fixed interest rate	Maturity date
\$5,000,000	3.67%	2/10/2025
\$5,000,000	3.34%	2/10/2023
\$2,500,000	2.98%	17/03/2023
\$5,000,000	4.10%	1/10/2021
\$2,500,000	3.55%	17/11/2020
\$20,000,000	Total	

Out of the \$20m Swaps portfolio above, \$10m Swaps have future effective dates and hence are not considered as live Swaps.

