



# AGENDA

## RĀRANGI TAKE

NOTICE OF AN ORDINARY MEETING OF

# FINANCE, AUDIT AND RISK COMMITTEE

to be held on **Thursday 22 August 2019**  
commencing at the conclusion of the Powhiri (8.45 am)  
at the Arahura Marae, 1 Old Christchurch Road, Arahura

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Chairperson: Cr Martin (Deputy)

Members: His Worship the Mayor

Cr Carruthers

Cr Havill ONZM

Cr Olson

Kw Tumahai (or Representative)

Cr Lash (Deputy)

Cr Eatwell

Cr Neale

Cr Routhan

Kw Rochford (or Representative:

Kw Rasmussen)

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# 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. KARAKIA TĪMATANGA OPENING KARAKIA**

Kia hora te marino  
Kia whakapapa pounamu te moana  
Hei hurahai mā tātou  
I te rangi nei  
Aroha atu, aroha mai  
Tātou i a tātou katoa  
Hui e! Tāiki e!

May peace be widespread  
May the sea be like greenstone  
A pathway for us all this day  
Give love receive love  
Let us show respect for each other  
Bind us all together!

### **2. NGĀ WHAKAPAAHA APOLOGIES**

(includes leave of absence notification)

### **3. 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.

### **4. 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:

- (7) An item that is not on the agenda for a meeting may be dealt with at the meeting if –
- (a) the local authority by resolution so decides, and
  - (b) the presiding member explains at the meeting at a time when it is open to the public, –
    - (i) the reason why the item is not on the agenda; and
    - (ii) the reason why the discussion of the item cannot be delayed until a subsequent meeting.
- (7A) Where an item is not on the agenda for a meeting, –
- (a) that item may be discussed at the meeting if –
    - (i) that item is a minor matter relating to the general business of the local authority; and
    - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
  - (b) No resolution, decision, or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.

### **5. NGĀ MENETI O TE HUI KOMITI MINUTES OF COMMITTEE MEETING**

Minutes were circulated separately.

### **6. PŪRONGO KAIMAHI STAFF REPORTS**

- Fraud Control Process (Verbal Update)
- Year End (Verbal Update)
- Financial Performance – July 2019

## 7. WORKPLAN

## 8. KA MATATAPU TE WHAKATAUNGA I TE TŪMATANUI RESOLUTION TO GO INTO PUBLIC EXCLUDED

(to consider and adopt confidential items)

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

The general subject of the matters to be considered while the public are excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of the resolution are as follows:

<b>Item No.</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
<b>1.</b>	Confidential Minutes – 25 July 2019	Good reasons 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)
<b>2.</b>	Whistleblower Report	Good reasons 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)

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interests or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public area as follows:

<b>Item No.</b>	<b>Interest</b>
<b>1</b>	<p>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</p> <p>Avoid prejudice to measures protecting the health or safety of members of the public (Schedule 7(2)(d))</p> <p>Maintain legal professional privilege (Schedule 7(2)(g))</p>
<b>2.</b>	<p>Maintain legal professional privilege (Schedule 7(2)(g))</p> <p>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</p>

**DATE OF NEXT MEETING – 26 SEPTEMBER 2019**  
**COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA**

# Report



**DATE:** 22 August 2019

**TO:** Finance, Audit and Risk Committee

**FROM:** Group Manager: Corporate Services

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## FINANCIAL PERFORMANCE: JULY 2019

### 1 SUMMARY

- 1.1 The purpose of this report is to provide an indication of Council's financial performance for one month to 31 July 2019.
- 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 Finance, Audit and Risk Committee receive the financial performance report to 31 July 2019, attached as **Appendix 1**.

### 2 BACKGROUND

- 2.1 The committee 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.

### 3 CURRENT SITUATION

- 3.1 The committee now receives a monthly financial summary report in a consistent format.
- 3.2 The Financial Performance Report to 31 July 2019 is attached as **Appendix 1** and contains the following elements:
  - 3.2.1 Sustainability Report
  - 3.2.2 Revenue and Expenditure Graphs

- 3.2.3 Statement of Comprehensive Revenue and Expenditure
- 3.2.4 Rates Debtors and Debt Management
- 3.2.5 Variance Analysis
- 3.2.6 Unbudgeted expenditure
- 3.2.7 Debt Position

#### **4 OPTIONS**

- 4.1 The committee can decide to receive or not receive the report.

#### **5 SIGNIFICANCE AND CONSULTATION**

- 5.1 This report is for information only and, while feedback is invited from Council in order for staff to continuously improve the quality of information provided, no assessment of significance or consultation and no options analysis is 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 monthly financial position; therefore financial implications are discussed within the body of the report itself.

#### **7 RECOMMENDATION**

- A) **THAT** the Finance, Audit and Risk Committee receive the Financial Performance Report to 31 July 2019.

**Lesley Crichton**  
**Group Manager: Corporate Services**

**Appendix 1:** Financial Performance July 2019

## Appendix 1



# Financial Performance July 2019



## Sustainability Report

Total revenue	Total expenditure	Total surplus/(deficit)
<b>\$2.63M</b>	<b>\$1.79M</b>	<b>\$0.84M</b>
Is 10.66% more than the total budget of \$2.37M	Is 9.83% less than the total budget of \$1.98M	Is 115.2% more than the total budget of \$0.39M

### S U S T A I N A B I L I T Y – Y E A R T O D A T E J U L Y 2 0 1 9

#### Rates to operating revenue 42.96%

Rates Revenue	\$1.13M
Operating Revenue	\$2.63M

42.96% of year to date 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.

#### Balance budget ratio 146.93%

Operating revenue	\$2.63M
Operating expenditure	\$1.79M

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 146.93% of operating expenditure.

#### Net Debt to total revenue 59.56%

Total net borrowing	\$14.27M
Total operating revenue forecast	\$23.96M

Year to date net borrowing of \$14.27M is 59.56% of budgeted operating revenue. Total net borrowing is external borrowing less cash and cash equivalents.

#### Interest to rates revenue (LGFA Cov.) 5.25%

Net interest and finance costs	\$0.06M
Rates Revenue	\$1.13M

5.25% of rates revenue is paid in interest. The LGFA 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** **2.28%**

Net Interest and finance costs	\$0.06M
Operating revenue	\$2.63M

2.07% of operating revenue is paid in interest. Our set limit is 10% of operating revenue. Net interest is interest paid less interest received.

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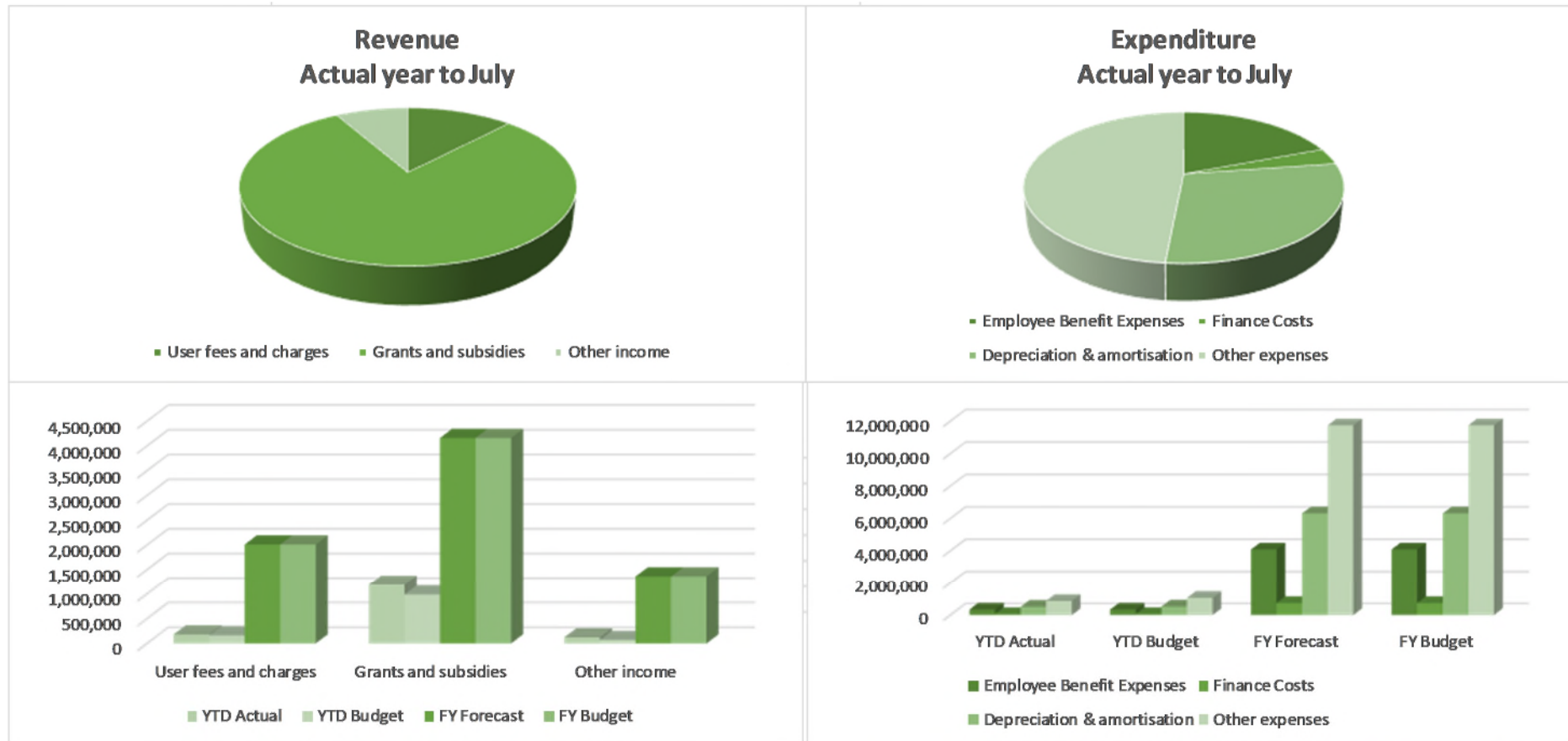
**Liquidity Risk (LGFA Cov.)** **152.24%**

Gross debt	\$18.62M
Undrawn committed facilities	\$5.40M
Cash and Cash Equivalents	\$4.35M

The liquidity risk policy requires us to maintain a minimum ratio of 110%, this is also an LGFA covenant. Our current liquidity risk ratio is 152.24%.

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## Revenue and Expenditure Graphs



	User Fees & Charges	Grants & Subsidies	Other Income
Actual YTD	181,064	1,189,096	124,122
Budget YTD	164,213	988,463	70,793
Variance	16,851	200,633	53,329
FY Forecast	2,008,956	4,161,556	1,360,156
FY Budget	2,008,956	4,161,556	1,360,156

	Employee Benefit Expenses	Finance Costs	Depreciation & Amortisation	Other Expenses
Actual YTD	343,656	62,746	515,604	867,625
Budget YTD	339,795	61,678	526,310	1,056,896
Variance	3,861	1,068	(10,706)	(189,271)
FY Forecast	4,090,267	740,153	6,315,720	11,746,063
FY Budget	4,090,267	740,153	6,315,720	11,746,063

## Statement of Comprehensive Revenue and Expense

	Annual Plan Yr (\$000)	Annual Plan YTD (\$000)	Actual YTD (\$000)	C/A % Actual to FY Budget %	Variance YTD (\$000)	Current month Var/Bud %
<b>Revenue</b>						
Rates	16,347	1,143	1,128	6.9%	(15)	-1.3%
Grants and subsidies	4,162	988	1,189	28.57%	201	20.34%
Interest revenue	82	7	4	4.3%	(3)	-42.8%
Fees and charges	2,009	164	181	9.0%	17	10.3%
Other revenue	1,360	71	124	9.1%	53	74.63%
<b>Total operating revenue</b>	<b>23,960</b>	<b>2,373</b>	<b>2,626</b>	<b>10.96%</b>	<b>253</b>	<b>10.66%</b>
<b>Expenditure</b>						
Employee benefit expenses	4,090	340	344	8.4%	4	1.1%
Finance costs	740	62	63	8.5%	1	1.6%
Depreciation and amortisation	6,316	526	516	8.2%	(11)	-2.0%
Other expenses	11,746	1,057	868	7.4%	(189)	-17.9%
<b>Total operating expenditure</b>	<b>22,892</b>	<b>1,985</b>	<b>1,790</b>	<b>7.8%</b>	<b>195</b>	<b>-9.8%</b>
<b>Operating Surplus/(Deficit)</b>	<b>1,067</b>	<b>389</b>	<b>836</b>	<b>78.35%</b>	<b>448</b>	<b>115.2%</b>

## Rates Debtors as at 31 July 2019

<b>Rates Debtors at 30 June 2019</b>		<b>569,052</b>
Rates instalment	3,842,796	
Less payments received	-970,103	
Paid in advance change	140,707	
Previous years write offs	-19,178	
Write offs	-57,496	
Penalties	48,395	
Discounts	-12,900	
Court costs awarded	16,196	
		2,988,418
<b>Total Rates Debtors at 30 April 2019</b>		<b>3,557,469</b>
Arrears included above at 31 July 2019	3,557,469	
Arrears at 31 July 2018	3,753,561	
Increase/(decrease) in arrears		(196,092)

## Debt Management July 2019

FY Year	Jul-19	Jul-18	Jun-19
Pre 2016	72,220	186,557	72,648
2016-17	20,494	76,098	20,494
2017-18	48,127	354,008	50,084
2018-19	323,918	3,136,898	425,826
Current	3,092,710		
<b>Total</b>	<b>3,557,469</b>	<b>3,753,561</b>	<b>569,052</b>

## Variance Analysis

<b>Revenue</b>	
Rates revenue	Slight variance due to differences in remissions and penalties
Grants and subsidies	Positive variances, \$300k lotto grant funding for earthquake strengthening of Carnegie Building. \$75k NZTA subsidy towards recovery costs after March flood event, however the overall subsidy was \$50k lower than budget. FJ sewerage TIF funding is also lower by \$55k but is expected to be received during Q1.
Fees and charges	Consents, inspections, processing and trade waste fees up by \$43k likely budget phasing for the first month, Refuse site fees below budget by \$27k due to seasonal fluctuation
Other Revenue	Dog registrations up \$70k due to incorrect phasing of budget. Recoveries were down \$17k, due to timing of projects, once current year project work begins some staff costs will be transferred to capital expenditure.
<b>Expenditure</b>	
Other Expenses	Timing differences

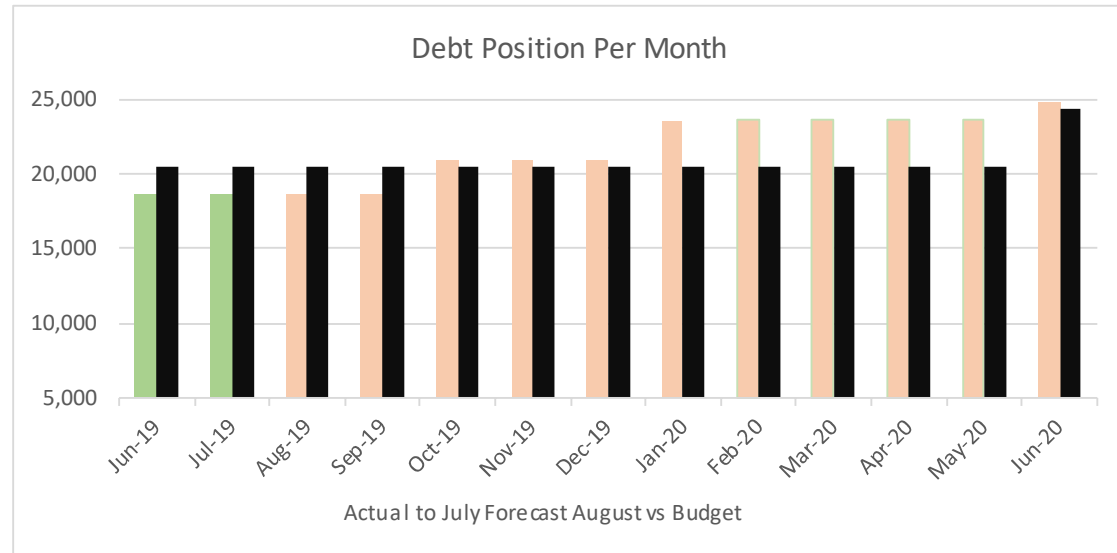
## Unbudgeted Expenditure

<b>Dated Approved</b>	<b>Description</b>	<b>Amount Approved \$</b>	<b>Amount Spent \$</b>	<b>Status</b>
Jul-19	Fox Landfill Remediation	300,000		Estimated costs to complete remediation work at Fox Landfill
<b>Total</b>		<b>300,000</b>	-	

## July Debt Position

### Forecast Debt Position per Annual Report for the 2019-20 Financial Year

Forecast as at	Jul-19	Jul-19
Opening Balance	18,618	18,618
Loan funded capex forecast	3,998	7,731
Forecast repayments 2019-20	(1,571)	(1,618)
<b>Forecast balance June 2020</b>	<b>21,046</b>	<b>24,731</b>



	Debt Position per month												
	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Budget</b>	20,446	20,446	20,446	20,446	20,446	20,446	20,446	20,446	20,446	20,446	20,446	20,446	24,339
<b>Actual / Forecast</b>	18,618	18,618	18,618	18,618	20,838	20,838	20,838	23,594	23,594	23,594	23,594	23,594	24,731
Waste Management Loans	2,101	2,101	2,101	2,101	2,165	2,165	2,165	2,292	2,292	2,292	2,292	2,292	2,265
WMP Loan	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	734
Sewerage Loan	2,451	2,451	2,451	2,451	3,281	3,281	3,281	4,475	4,475	4,475	4,475	4,475	5,554
Water Supply Loans	2,332	2,332	2,332	2,332	2,488	2,488	2,488	2,913	2,913	2,913	2,913	2,913	3,169
Structured Infrastructure for Council asset	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845
Other Loans	445	445	445	445	1,355	1,355	1,355	1,458	1,458	1,458	1,458	1,458	1,488
Stormwater Loan	773	773	773	773	1,033	1,033	1,033	1,940	1,940	1,940	1,940	1,940	2,794
Transportation	919	919	919	919	919	919	919	919	919	919	919	919	883

**FINANCE, AUDIT AND RISK COMMITTEE ROLLING WORK PLAN**

Item	Aug-19	Sept-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	April-20	May-20	June-20	July-20
<b>External Audit</b>		Note - Final Audit Annual Report 2018/19 begins  (Over month end)	Cont, Final Audit Annual Report 2018/19				Audit Management Report 2018/19			Interim Audit 2019/20 – to be confirmed  Update on Management actions on Audit NZ recommendations Audit management report 2018/19		Interim Audit Management Report 2019/20 – review action to be taken by management
<b>Financial Reporting</b>	Verbal update on year end		Quarterly Report to September 2019  Review Audited Annual Report 2018/19 – for recommendation of adoption to Council			Quarterly Report to December 2019			Quarterly Report to March 2020			Note – no month end financial report.
<b>Insurance</b>				Valuation Information  Renewal								
<b>Risk Management Framework</b>			Review Risk Register  Health & Safety Report			Review Risk Register  Health & Safety Report			Review Risk Register  Health & Safety Report			Review Risk Register  Health & Safety Report
<b>Internal Control Framework</b>	Update – PwC quarterly Whistleblower Report			Update – PwC quarterly Whistleblower Report			Update – PwC quarterly Whistleblower Report			Update – PwC quarterly Whistleblower Report		