



AGENDA

RĀRANGI TAKE

NOTICE OF AN ORDINARY MEETING OF

FINANCE, AUDIT AND RISK COMMITTEE

to be held on Thursday 28 March 2018 at 9.00 am
in the Council Chambers, 36 Weld Street, Hokitika

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)



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 meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

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)
Cr Carruthers.

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:

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 – 28 February 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)

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:

Item No.	Interest
1	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))

**DATE OF NEXT MEETING – 18 APRIL 2019
COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA**



Finance, Audit and Risk Committee Minutes

MINUTES OF A MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE OF WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 28 FEBRUARY 2019 COMMENCING AT 9.30 AM

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER:

1.1 Members Present

Deputy Mayor Cr L.J. Martin (Chair)
His Worship the Mayor R.B. Smith
Crs D.L. Carruthers, D.M.J. Havill (ONZM), J.A. Neale, G.L Olson, D.C Routhan,
Cr Gray Eatwell

Apologies and Leave of Absence

Kw. Francois Tumahai, Te Rūnanga o Ngāti Waewae
Deputy Mayor H.M. Lash for lateness (from 9.33 am)

Moved Cr Neale, seconded Cr Olson and **Resolved** that the apologies be received and accepted.

Absent:

Kw. Tim Rochford, Te Rūnanga o Makaawhio

Staff in Attendance:

S.R. Bastion, Chief Executive; L.A. Crichton, Group Manager: Corporate Services;
D.M. Maitland, Executive Assistant.

1.2 Interest Register

The Chair circulated the Interest Register and no amendments were noted.

2. CONFIRMATION OF MINUTES:

2.1 Finance, Audit and Risk Committee Meeting – 24 January 2019

Moved Cr Havill, seconded Cr Neale and **Resolved** that the Minutes of the Finance, Audit and Risk Committee Meeting held on the 24 January 2019 be confirmed as a true and correct record of the meeting.

3. REPORTS FOR INFORMATION

3.1 Financial Report – January 2019

Deputy Mayor Lash attended the meeting at 9.33 am.

The Finance Manager spoke to this report and provided an update and clarification since the report had been published with the Agenda.

The following items were noted:

- Forecasting
There is a full subsidy for the water treatment plant at Franz Josef. The project will not be completed until July 2019.
- Carryovers and projects
The adjustments to the carryovers and projects will be forecasting a lower closing balance due to the loan funded projects.
- Review of projects
A full review of projects will be undertaken and some may need additional lead-in scoping and additional times.
- Arahura Water Supply
There is a lead-in time required for sampling process. There is a bore on site at Arahura. An application will be made for a resource consent going forward for a design and build.
- Ross Water Treatment Plant
This will go out for a design and build.

Deputy Mayor Lash

- Asked when the Whataroa water supply will be completed. The Group Manager: District Assets advised that there are ongoing delays with completion of the project and a final completion date is not yet available.

Moved Cr Neale, seconded Cr Olson and **Resolved** that the Finance, Audit and Risk Committee receive the Financial Performance Report to 31 January 2019.

3.2 **Audit Management Report – Year Ended 30 June 2018**

The Group Manager: Corporate Services spoke to this report.

Cr Eatwell raised the item of the OAG investigation into the Franz Josef stopbank process as outlined on Page 26 of the Agenda. Cr Eatwell asked how the complaint was laid about the processes and how did it affect the Audit Report.

The Group Manager: Corporate Services advised it was not mentioned initially, that the OAG investigation would affect the Audit process and noted that staff had spent a lot of time answering queries and this had resulted in why other work had been delayed.

Cr Eatwell noted that this had been of concern to him and that if there are issues that himself or any other elected member needed to take this item to the authorities, that we should take this to them as it impedes the purpose of the statutory obligations in place.

The Group Manager: Corporate Services advised that concerns had been raised with the Audit Director, Audit New Zealand and there is a good working relationship between Council and Audit New Zealand.

The Chief Executive noted that if Council had been advised in the first instance of any proposed delays due to the OAG investigation, then it should have been a stand-alone investigation which would be supported.

Westland Holdings Limited

It was noted that there would be a presentation from the Chair of Westland Holdings Limited in the Ordinary Council Meeting which would provide an update on Westland Holdings Limited.

Moved Deputy Mayor Lash, seconded Cr Eatwell and **Resolved** that:

- A) The Committee receives the Audit Management Report for the year ended 30 June 2018.
- B) The Committee approves the public release of the Audit Management Report for the year ended 30 June 2018.

4. **REPORTS FOR DECISION:**

Nil.

5. ITEMS FOR DISCUSSION

5.1 Finance, Audit and Risk Committee Rolling Workplan

The Group Manager: Corporate Services provided an update on the Committee Workplan.

Moved Cr Olson, seconded Deputy Mayor Lash and **Resolved** that the Finance Audit and Risk Committee Rolling Workplan be received.

6. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Moved His Worship the Mayor, seconded Deputy Mayor Lash and **Resolved** that the Finance, Audit and Risk Committee confirm that the public were excluded from the meeting in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 9.58 am.

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

6.1 Confidential Minutes – 24 January 2019

6.2 Staff Conflict of Interest and Protected Disclosures Policy

6.3 Health and Safety Initiatives

6.4 Living Wage

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:

Item No.	Minutes/ Report of	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
6.1	Confidential Minutes – 24 January 2019	Confidential Minutes	Good reasons to withhold exist under Section 7	Section 48(1)(a) & (d)
6.2	Staff Conflict of Interest and Protected Disclosures Policy	Confidential Report	Good reasons to withhold exist under Section 7	Section 48(1)(a) & (d)

6.3	Health and Safety Initiatives	Confidential Report	Good reasons to withhold exist under Section 7	Section 48(1)(a) & (d)
6.4	Living Wage	Confidential Report	Good reasons to withhold exist under Section 7	Section 48(1)(a) & (d)

This resolution is made in reliance on Section 48(1)(a) and (d) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

No.	Item	Section
6.1, 6.2, 6.3, 6.4	Protect the privacy of natural persons, including that of deceased natural persons.	Section 7(2)(a)
	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 7(2)(i)

Moved Cr Neale, seconded Cr Routhan and **Resolved** that the business conducted in the “Public Excluded Section” be confirmed and accordingly the meeting went back to the open part of the meeting at 10.31 am.

MEETING CLOSED AT 10.31 AM

Confirmed by:

Deputy Mayor Latham Martin
Chair – Finance, Audit and Risk Committee

Date

Report



DATE: 28 March 2019

TO: Finance, Audit and Risk Committee

FROM: Accountant

FINANCIAL PERFORMANCE: FEBRUARY 2019

1 SUMMARY

- 1.1 The purpose of this report is to provide an indication of Council's financial performance for seven months to 28 February 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 Council as part of 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 28 February 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 28 February 2019 is attached as **Appendix 1** and contains the following elements:
 - 3.2.1 Segmental graphs for net cost of services, operating revenue and expenditure with the addition of the actual amounts.
 - 3.2.2 Update on Rates Debtors.
 - 3.2.3 Whole of Council Cost of Service Statement.
 - 3.2.4 Variance analysis
 - 3.2.5 Unbudgeted expenditure
 - 3.2.6 Debt report including budgeted debt, forecast debt and actual debt.
 - 3.2.7 Capital Expenditure 2018-19
 - 3.2.8 Carryover Schedule 2017-18

3.2.9 Balance Sheet

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 RECOMMENDATION

A) **THAT** the Finance, Audit and Risk Committee receive the Financial Performance Report to 28 February 2019

John Kagagi
Accountant

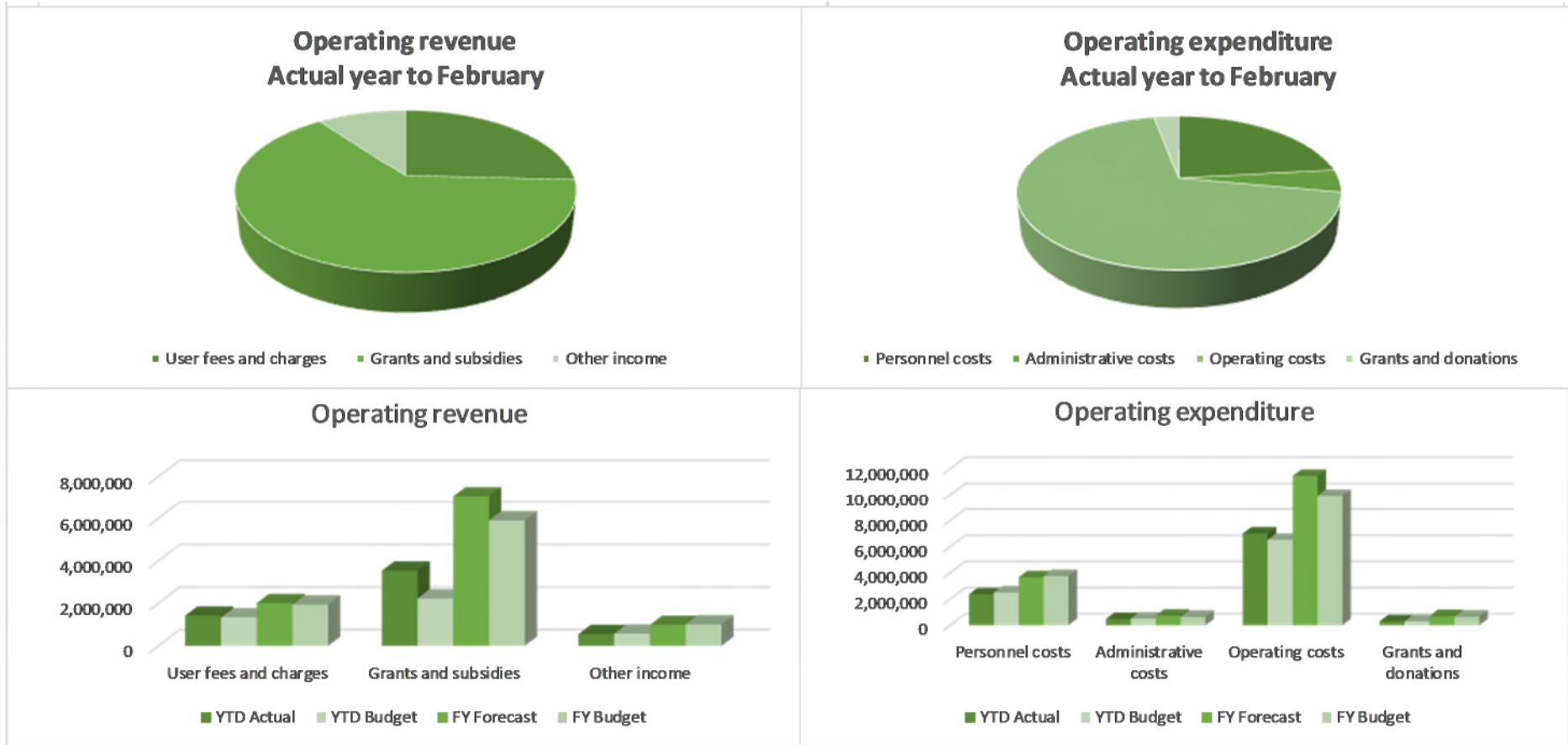
Appendix 1: Financial Performance February 2019

Appendix 1



Financial Performance February 2019

Graphs: Operating Revenue and Expenditure



Column#1	User Fees & Charges	Grants & Subsidies	Other Income
Actual YTD	1,420,500	3,531,570	553,070
Budget YTD	1,342,997	2,227,781	573,784
Variance	77,503	1,303,790	(20,714)
FY Forecast	2,006,762	7,061,529	987,381
FY Budget	1,945,649	5,904,264	1,009,013

Column#1	Personnel	Administration	Operating	Grants & Donations
Actual YTD	2,353,278	474,189	6,999,893	302,115
Budget YTD	2,500,934	503,889	6,509,337	303,328
Variance	(147,656)	(29,700)	490,556	(1,213)
FY Forecast	3,661,076	729,839	11,441,268	698,003
FY Budget	3,749,231	638,465	9,921,209	656,620

Rates Debtors as at 28 February 2019

Rates Debtors at 31 January 2019		3,413,015
Rates instalment		
Less payments received	-2,436,275	
Paid in advance change	139,823	
Previous years write off's	-586	
Write off's	-7,796	
Penalties	-3,395	
Discounts	-72	
Court costs awarded	0	
		-2,308,301
Total Rates Debtors at 28 February 2019		1,104,714
Arrears included above at 28 February 2019	1,104,714	
Arrears at 31 January 2018	3,413,015	
Increase/(decrease) in arrears		-2,308,301

Debt Management February 2019

FY Year	Feb-19	Feb-18	Jan-19
Pre 2015	108,199	161,185	108,199
2015-16	40,409	57,156	40,719
2016-17	52,801	142,222	53,353
2017-18	129,730	829,329	158,302
Current	773,576		3,052,442
Total	1,104,714	1,189,891	3,413,015

Cost of Service Statement

WESTLAND DISTRICT COUNCIL	Year to February			Full Year 2018-2019	
	Actual	Budget	Variance	FY Forecast	Budget
Operating revenue					
Rates (includes targeted rates and metered water)	11,075,225	10,999,830	75,395	15,719,106	15,706,106
User fees and charges	1,420,500	1,342,997	77,503	2,006,762	1,945,649
Grants and Subsidies	3,531,570	2,227,781	1,303,790	7,061,529	5,904,264
Other income	553,070	573,784	(20,714)	987,381	1,009,013
Overhead recoveries	4,534,615	4,783,699	(249,084)	6,926,464	7,175,548
Total revenue (A)	21,114,979	19,928,090	1,186,890	32,701,243	31,740,580
Operating expenditure					
Personnel costs	2,353,278	2,500,934	(147,656)	3,661,076	3,749,231
Administrative costs	474,189	503,889	(29,700)	729,839	638,465
Operating costs	6,999,893	6,509,337	490,556	11,441,369	9,921,209
Grants and donations	302,115	303,328	(1,213)	698,003	656,620
Overheads	4,527,913	4,745,920	(218,007)	6,900,127	7,118,134
Total operating expenditure (B)	14,657,387	14,563,408	93,979	23,430,414	22,083,659
Net operating cost of services - surplus/(deficit) (A - B)	6,457,592	5,364,682	1,092,910	9,270,829	9,656,921
Other expenditure					
Interest and finance costs	552,417	504,447	47,970	804,640	756,670
Depreciation	4,121,492	3,952,543	168,949	6,173,587	5,928,815
(Gain)Loss on swaps	161,934	130,515	31,418	227,191	195,773
(Gain)Loss on disposals	-	-	-	-	-
Total other expenditure (C)	4,835,843	4,587,505	248,338	7,205,418	6,881,258
Total expenditure (D = B + C)	19,493,230	19,150,914	342,317	30,635,832	28,964,917
Net cost of services - surplus/(deficit) (A - D)	1,621,749	777,176	844,573	2,065,411	2,775,663

Variance Analysis

Variance Analysis

Operating Revenue	
Rates revenue	This is due to a misallocation of written off penalties which are causing an overstatement. A system review is being undertaken to correct the overstatement. Also water rates are above budget now so this variance is expected increase over summer.
User fees and charges	Refuse site fees above budget by \$73k due to seasonal fluctuation. Vehicle operations are above budget by \$23k because of 3 additional vehicles and more travel. Animal control, while under budget by \$34k, is higher by \$14k on last year's fees & charges.
Grants and Subsidies	\$946k WCWT MBIE grant was budgeted in the previous financial year while the \$546k responsible camping grant was unbudgeted but will be offset by operational and capital expenditure. NZTA Grant is \$163k below budget but is expected to pick up when ongoing maintenance works are claimed.
Other Income	Interest Revenue is below budget \$11.5k, this is due to lower cash flow due to unbudgeted expenditure. HR services recoveries \$29k budget is unspent due to staff sharing costs with WCRC.
Operating Expenditure	
Personnel costs	Unfilled vacancies lowered expected personnel costs, offset by increased expenditure on recruitment, contractors and consultant's costs. A number of positions have recently been filled which should see the variance gap close.
Administrative costs	Photocopying and printing costs across all departments are showing savings of \$24k as the internet becomes the preferred method of communication. Library programme expenses, currently \$5.4k under budget, are expected to increase now that the digital learning centre has opened.
Operating costs	Transport maintenance costs are over budget by \$207k due to storm and older installation repairs and maintenance. Waste water maintenance is \$155k over budget mainly due to major maintenance work in Haast, \$55k, and Hokitika, \$73k. Franz water monitoring and consultancy costs are over by \$25k. Responsible camping's operation expenses of \$85k will be offset by a government grant, and HR services are \$66k over budget as a result of cost sharing 3 roles with WRC, now under contractors costs.
Grants and Donations	
Other Expenditure	
Depreciation	Depreciation is above budget. Budgeted depreciation was lowered by the auditor through the LTP process. Depreciation is forecasted to be above budget at the end of the financial year.
(Gain)/Loss on Swaps	Swap values are based on market factors and are difficult to predict. Any gain or loss on swaps would not materialise unless swaps were cashed in before maturity.

Unbudgeted Expenditure

2018-2019

Dated Approved	Description	Amount Approved \$	Amount Spent \$	Status
Aug-18	Purchase of Land for Wastewater treatment plant	285,000	285,000	Purchase completed
Aug-18	Funding of War memorial in France	1,300	1,300	\$100 per soldier
Aug-18	Policy on Mining Conservation Land	20,000		
	IBIS Financial Reporting Software	50,000	44,441	IBIS Implementation in progress, there will be payments coming through the implementation period.
	Employment of Mayor's PA	21,120	22,719	Started Employment 10th September. Budget for 20 hours a week has been increased to 40 hours, forecast for the year is expected be 39.3k.
	Hokitika Tourist Amenities Block (TIFF)	58,750		Amount approved is Council's contribution. Amount Spent includes TIFF funded expenditure.
	Kumara Visitor Experience (TIFF)	61,350	2,092	Amount approved is Council's contribution. Amount Spent includes TIFF funded expenditure.
	Haast Toilets (TIFF)	222,880	382,875	Amount approved is Council's contribution. Amount Spent includes TIFF funded expenditure.
	Whataroa Toilets (TIFF)	100,250	2,092	Amount approved is Council's contribution. Amount Spent includes TIFF funded expenditure.
	Ross Toilets (TIFF)	106,750	2,092	Amount approved is Council's contribution. Amount Spent includes TIFF funded expenditure.
	ELMO - HR Software	31,018	31,018	50/50 Split with WCRC
	HR and Health & Safety Contractors	123,600	69,048	Total is Council's contribution only
Total		1,082,018	842,677	

